

Dear Aspiring Chartered Accountant,

The journey to becoming a Chartered Accountant is not defined by how much you study—but by how effectively you can *apply* what you know when it matters most. In the examination hall, clarity of thought, speed of recall, and precision in presentation make all the difference. This is especially true for Goods and Services Tax (GST), a subject where conceptual understanding must seamlessly translate into structured, exam-ready answers.

This Practice Book was created with one clear objective: **to bridge the gap between knowing GST and scoring in GST.**

Over years of teaching, evaluating answers, and mentoring CA students, one insight has stood out repeatedly—students often understand the provisions, yet lose marks due to improper application, missed keywords, or lack of structured answer writing. This book directly addresses that challenge.

It is not just a compilation of questions. It is a **strategically designed practice companion** that trains your mind to think like the examiner expects. Each question has been carefully curated to reflect ICAI's examination pattern, difficulty levels, and evolving focus areas. The answers are framed to demonstrate *how* to present concepts, *where* to quote sections, and *why* each step matters.

Why This Practice Book Stands Apart

- **Exam-Oriented Question Framework:** Covers a wide spectrum—from basic application to complex, integrated problems.
- **Answer Writing Guidance:** Structured solutions with emphasis on logic, presentation, and scoring keywords.
- **Amendment-Updated:** Fully aligned with the latest statutory changes, notifications, and circulars. However in case any of those are missed out in our review please write to hello@taxschool.in or reachout to me directly on whatsapp 6238301015 to improve the upcoming editions
- **Performance Builder:** Designed to improve speed, precision, and decision-making under exam conditions.

This book represents more than practice—it represents preparation with intent. Every question you solve here is a step closer to reducing uncertainty, strengthening execution, and walking into the exam hall with calm confidence.

As you work through these questions, remember: practice is not about repetition alone—it is about refinement. Each attempt sharpens your thinking, each correction strengthens your foundation, and each solved problem prepares you to perform when it truly counts.

Stay disciplined. Trust the process. And when you finally earn the privilege of writing those three letters—"CA"—before your name, know that every practiced answer played its part.

Wishing you focus, confidence, and success.

With you in the journey,
CA Lijil Lakshman



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SUPPLY UNDER GST

Multiple Choice Questions

1. M/s. Air-cool Ltd., a supplier of air conditioners, is registered in the State of Maharashtra. It has a policy to supply two air conditioners at 50% discount to its top employees [residing in Maharashtra].

During the month of March, 20XX, the company supplied 150 air conditioners to these employees. The total open market value of such air conditioners is ₹ 52.50 lakh (excluding GST). The tax rate on such air conditioners is 18% (9% CGST, 9% SGST and 18% IGST). (RTP MAY 19)

Compute the GST liability of M/s. Aircool Ltd., if any.

- (a) ₹ 7,35,000 – CGST , ₹ 7,35,000– SGST
- (b) ₹ 4,72,500 – CGST , ₹ 4,72,500 – SGST
- (c) Nil, since no consideration is received from the employees.
- (d) Nil, since the services rendered by the employees fall under Schedule-III of the CGST Act, 2017

Answer: (b) Considering Employee and Employer are related persons, Valuation is only as per Rule 28.

2. Mr. James Bond is a registered person under GST in the State of Maharashtra who sells footwear to his customers locally within the same State. He has been appointed as an agent by M/s. Toto Shoes Ltd., a company registered under GST in the State of Karnataka. During a financial year, M/s. Toto Shoes Ltd., sends taxable goods worth ₹ 5.00 crore from its Bengaluru store to Mr. James Bond who sells such goods for ₹ 5.00 crore by raising invoices using the GSTIN of M/s. Toto Shoes Ltd. Mr. James Bond receives a commission of ₹ 60.00 lakh from M/s. Toto Shoes (P) Ltd., during the said financial year.

Compute the value of supply of Toto Shoes (P) Ltd. and Mr. James Bond for the financial year.

- (a) M/s. Toto Shoes (P) Ltd.: Nil and James Bond: ₹ 5.6 crore
 - (b) M/s. Toto Shoes (P) Ltd.: ₹ 5 crore and James Bond: ₹ 5.6 crore
 - (c) M/s. Toto Shoes (P) Ltd.: ₹ 5 crore and James Bond: ₹ 60 lakh
 - (d) None of the above
- (RTP MAY 19)

Answer: (c)

3. M/s. Korelal Printon (P) Ltd., a registered person under GST in the State of Jammu & Kashmir, has been engaged in the business of offset printing and has been providing services to various book publishers. A publisher situated in the State of Himachal Pradesh, a registered person under GST, sent content of the books to be printed by M/s. Korelal Printon (P) Ltd., in PDF format. The publisher also sent paper worth Rs. 4.00 Lakh to the printer, free of cost for the purposes of printing its books on 10-Nov-2025. M/s. Korelal Printon (P) Ltd., raised an invoice of Rs. 1.50 Lakh against printing of books and returned the printed books through Challan to the publisher on 20-Feb-2026.

The Proper Officer, intercepted the vehicle and claimed that M/s. Korelal Printon (P) Ltd., should have sent the invoice of Rs. 5.50 Lakh, i.e. including the value of free of cost paper supplied by the publisher.

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You may suitably advise which one of the following is the correct option-

- (a) The value of supply of paper for jobwork is to be included in the invoice in terms of section 15 of the CGST Act.
- (b) The goods sent for jobwork ,i.e. paper sent for printing is a composite supply
- (c) M/s. Korelal Printon (P) Ltd., has entered into an agreement of printing books. Therefore, he is liable to pay tax on the gross value of Rs. 5.50 Lakh.
- (d) M/s. Korelal Printon (P) Ltd., has entered into an agreement of printing books. Therefore, he is liable to pay tax on the net value of Rs. 1.50 Lakh. (MTP – May 19)

Answer: (d)

4. Mr. Palliwal Desai, a registered practicing Chartered Accountant, located in Jaipur, in the State of Rajasthan, is providing professional and consultancy services to its various clients from his firm.

He has taken some professional consultancy services from another establishment of its firm in UK. He has not paid any consideration for the same. Such services would have been taxable @ 18% (9% under CGST + 9% under SGST and 18% under IGST), had they been received in India.

Also, Mr. Palliwal Desai would have paid Rs. 4.00 Lakh, had he not received the said services from the UK establishment.

State the liability of Mr. Palliwal Desai, under CGST/ IGST Act, 2017, out of the following options-

- (a) Rs. ₹2,000/- as Integrated Tax
- (b) CGST Rs. 36,000/- & SGST Rs. 36,000/-, since POS is in India
- (c) Nil, since no foreign exchange was paid
- (d) Nil, since such services are exempt (MTP MAY 19)

Answer: (a)

5. Mr. Manubhai and Mr. Anubhai are two brothers running a business of supplying lubricants located in the State of Gujarat in their company, M/s. Ambani Lubricants (P) Ltd. On death of their respected father, the two brothers have divided their business. However, they have signed an agreement that Mr. Anubhai will not enter into business of supplying lubricants similar to business done by M/s. Ambani Lubricants (P) Ltd. run by Mr. Manubhai, for which Mr. Manubhai will pay him ₹ 2.5 crores as a lump sum payment. State whether transaction entered through the above agreement constitutes supply under CGST Act, 2017 or not.

- (a) Yes, supply of goods by Mr. Manubhai.
- (b) Yes, supply of goods by Mr. Anubhai.
- (c) Yes, supply of services by Mr. Manubhai.
- (d) Yes, supply of services by Mr. Anubhai. (MTP MAY 19)

Answer : (d)

6. Happy Singh is the lawful owner of a residential house situated in Chandigarh. The property has four floors constructed on it. Out of the four floors in his house, first and second floor are self-occupied and third and fourth floor have been let out for residential purposes. Ratanjot Singh, who is a tenant on third floor, has surrendered his tenancy rights to Parminder Singh for a tenancy premium of ₹ 5,00,000 on 1st June. Parminder Singh has paid the applicable stamp duty and registration

charges on transfer of tenancy rights.

Moreover, Parminder Singh will pay a monthly rent of ₹ 50,000 to Happy Singh from June.

Determine the value of taxable supply, in the given case, for the month of June.

- (a) Happy Singh: ₹ 5,50,000; Ratanjot Singh: Nil
- (b) Happy Singh: Nil; Ratanjot Singh: ₹ 5,00,000
- (c) Happy Singh: ₹ 50,000; Ratanjot Singh: Nil
- (d) Happy Singh: ₹ 50,000; Ratanjot Singh: ₹ 5,00,000

Answer: (b)

7. Which of the following transactions does not qualify as supply under GST law?

- (a) Disposal of car without consideration and the supplier has not claimed input tax credit on such car.
- (b) A principal makes supplies to his agent who is also registered under GST and is situated within the same State and the invoice for further supply is issued by the agent in his name.
- (c) Head Office makes a supply of services to its own branch outside the State.
- (d) A person imports services without consideration for the purposes of his business from his elder son living outside India.

(2 Marks March '23)

Answer : (a)

Practical Theory

8. Satyamev Printers is a printing house registered under GST. It receives an order for printing 5000 copies of a book on yoga and meditation authored by a well-known yoga guru. The content of the book is to be provided by the yoga guru to Satyamev Printers. It is agreed that Satyamev Printers will use its own paper to print the said books. You are required to determine the rate of GST applicable on supply of printed books by Satyamev Printers assuming that rate of GST applicable on printing services is 18% whereas the rate of GST applicable on supply of paper used in printing the books is 5%.

Answer:

Section 2(30) provides that a composite supply means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply. Circular No. 11/11/2017 GST dated 20.10.2017 has clarified that supply of books, pamphlets, brochures, envelopes, annual reports, leaflets, cartons, boxes etc. printed with logo, design, name, address or other contents supplied by the recipient of such printed goods, are composite supplies.

Further, section 8(a) stipulates that a composite supply comprising two or more supplies, one of which is a principal supply, is treated as a supply of such principal supply. Hence, one needs to ascertain what constitutes the principal supply in this supply. As per section 2(90), principal supply is the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

The above circular further clarifies that in the composite supply of printing of books, pamphlets, brochures, annual reports, and the like, where only content is supplied by the publisher or the person who owns the usage rights to the intangible inputs while the physical

inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore such supplies would constitute supply of service.

Accordingly, in the given case, the supply of printed books by Satyamev Printers is a composite supply wherein the principal supply is supply of printing services. Thus, the rate of GST applicable thereon is the rate applicable on supply of printing services, i.e. 18%.

9. Answer the following questions:

(a) Sudama Associates, a registered supplier, disposes the computers owned by the business without consideration and it has not claimed input tax credit on such computers.

Examine whether the disposal of computers by Sudama Associates qualifies as deemed supply under Schedule I of the CGST Act.

(b) Prithvi Enterprises appoints Champak to procure certain goods from the market. Champak identifies various suppliers who can provide the goods as desired by Prithvi Enterprises, and asks a supplier - Satya Manufacturers to send the goods and issue the invoice directly to Prithvi Enterprises.

You are required to determine whether Champak can be considered as an agent of Prithvi Enterprises in terms of Schedule I of the CGST Act.

Answer:

(a) As per section 7(1)(c) read with Schedule I of the CGST Act, permanent transfer or disposal of business assets is treated as supply even though the same is made without consideration. However, this provision would apply only if input tax credit has been availed on such assets. Therefore, the disposal of computers by Sudama Associates is not a supply as the input tax credit has not been availed on the same.

(b) As per section 7(1)(c) read with Schedule I of the CGST Act, supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal qualifies as supply even if the same is made without consideration. Further, Circular No. 57/31/2018 GST dated 04.09.2018 clarifies that principal-agent relationship falls within the ambit of the Schedule I only where the goods being procured by the agent on behalf of the principal are invoiced in the name of the agent. In that case, further provision of the said goods by the agent to the principal without consideration, would be covered in Schedule I and thus would qualify as supply.

In the given case, Champak is only acting as the procurement agent, and has in no way involved himself in the supply or receipt of the goods. The invoice is being issued in the name of Prithvi Enterprises and not Champak. Hence, Champak is not an agent of Prithvi Enterprises for the supply of goods in terms of Schedule I of the CGST Act.

10. Mr. Kanjilal Adani is an oil exploration & production contractor and is registered under GST in the State of Gujarat. He entered into a Production Sharing Contract (PSC) with Government of Gujarat wherein he gets a license to explore, exploit and sell the petroleum crude and/or natural gas from the Government in Aliabet Oilfield in lieu of royalty and a share in profit petroleum.

In the month of June, Mr. Kanjilal Adani explored the petroleum reserves at Aliabet Oilfield. He got a portion of the petroleum silt (non-taxable under GST) worth ₹ 3,00,000 as part of compensation. This petroleum silt is part of cost petroleum as per the contract entered with the Government. Examine the taxability of the petroleum silt received by Mr.

Kanjilal Adani under the GST law.**Answer:**

Compensation is received by Mr. Kanjilal Adani in the form of petroleum silt which, as per the contract with the Government of Gujarat, is part of cost petroleum. As per Circular No. 32/06/2018 GST dated 12.02.2018, the cost petroleum is not a consideration received by the oil exploration & production contractors for the services provided to Government under a Production Sharing Contract (PSC) and thus not taxable per se. The reason for the same is that the contractors carry exploration and production of petroleum for themselves and not as a service to Government. They had acquired the right to explore, exploit and sell petroleum in lieu of royalty and a share in profit petroleum. Consequently, the cost petroleum received by Mr. Kanjilal Adani is not taxable under GST.

- 11. Vikramaditya is a salaried employee and is planning to invest in stocks. He has opened a trading account with Vaydaa Brokers. During the month, Vikramaditya undertook future contracts (without a physical delivery option, but are cash settled on the expiry of the contract date), amounting to Rs. 35,00,000. Vikramaditya needs your advice whether such future contracts undertaken by him amount to supply and are liable to GST.**

Answer:

For a transaction to fall within the purview of supply, it must be a supply of either goods or services or both. The definitions of the terms "goods" and "services" specifically exclude "securities" from their purview. Further, 'derivatives' are included in the definition of 'securities'. As 'derivatives' fall in the definition of securities, they are neither goods nor services and hence, are not liable to GST.

Future contracts are in the nature of financial derivatives, the price of which is dependent on the value of underlying stocks or index of stocks or certain approved currencies and the settlement happens normally by way of net settlement with no actual delivery.

Since future contracts are in the nature of derivatives, these qualify as 'securities' and thus, are not subject to GST.

In view of the above discussion, it can be inferred that since the future contracts undertaken by Vikramaditya are in the nature of derivatives, these qualify as 'securities' and do not qualify as supply and thus, are not subject to GST.

- 12. Angad Private Ltd. is engaged in the business of distribution of construction material. As an incentive, Angad Private Ltd. pays an amount of Rs. 75,000 to its employees upon achieving a specified sales target. The incentive is part of the salary of the employees and applicable tax is deducted at source as per relevant income tax provisions. Angad Private Ltd. is of the view that GST is not leviable on such incentive paid to the employees. Whether the view taken by Angad Private Ltd. is correct?**

Answer:

Yes, Angad Private Ltd.'s view is correct. In terms of section 7(2) read with Schedule III of the CGST Act, services by an employee to employer in the course of or in relation to his employment shall not be treated as supply under GST. Further, the amount paid as incentive by Angad Private Ltd. is not in the nature of gift, and thus, is not covered under Schedule I of the CGST Act. In fact, in the given case, the incentive is part of the salary and is directly linked to the sales target. Therefore, the services provided by the employees in return of the incentive given to them shall not be treated as a "supply".

In the light of above discussion, GST is not leviable on the incentive paid by Angad Private Ltd. to employees.

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- 13. XYZ Consultancy, registered in Bangalore, supplies technical consultancy services to its clients. It has been providing**

technical services to BA Ltd., Mumbai since past 2 years. Consideration is settled by BA Ltd. assignment-wise. BA Ltd. paid ₹ 37 lakh to XYZ Consultancy on 10th January for XYZ Consultancy agreeing not to provide similar technical services to any other business entity in India or abroad for a period of next 8 years. XYZ Consultancy is of the view that ₹ 37 lakh is not chargeable to tax under GST law. You are required to examine whether the view taken by XYZ Consultancy is valid in law. It may be noted that BA Ltd. is not ready to pay any further amount to XYZ Consultancy in addition to the amount already agreed. (4 Marks Nov 22)

Answer:

In the given case, XYZ Consultancy is providing the service of agreeing to the obligation to refrain from an act to BA Ltd. against a consideration of ₹ 37 lakh [Schedule II read with Circular No. 178/10/2022 GST dated 03.08.2022]. Therefore, the same is liable to tax under GST law. Thus, view taken by XYZ Consultancy is incorrect.

14. Nandeeshwar Manufacturers sends certain category of yarn for processing to the job worker. The job worker undertakes the processing work on the yarn as per the requirement of Nandeeshwar Manufacturers. During the process, the job worker uses his own material also. The processed yarn is sold by Nandeeshwar Manufacturers directly from the job worker premises. Balance quantity of yarn and waste material is sent back by the job worker to Nandeeshwar Manufacturers. The job worker is of the opinion that he is using his own material also in the processing and hence the supply to Nandeeshwar Manufacturers is in the nature of supply of goods as well as services. Do you agree with the opinion of job worker?

Answer:

No, the opinion of the job worker is not fully correct. Section 7(1A) provides that when certain activities or transactions constitute a supply in accordance with the provisions of section 7(1), they shall be treated either as a supply of goods or supply of services as referred to in Schedule II of the CGST Act. Any processing activity carried on any other person's goods is treated as supply of service in terms of Schedule II. The job worker, in addition to the goods received from the principal, can use his own goods for providing the services of job work. These goods are not supply per se but being used in the processing activity carried out by it.

Thus, the activity undertaken by the job worker, in the given case, squarely falls within the purview of Schedule II and shall be considered as supply of service by the job worker to Nandeeshwar Manufacturers.

15. Mokshabhumi Industries has its manufacturing unit in the State of Maharashtra. It stores the finished goods manufactured by it at a depot located in the State of Gujarat. The depot is owned by Punyabhumi Ltd. – a related person of Mokshabhumi Industries. Punyabhumi Ltd. has not charged any consideration from Mokshabhumi Industries for usage of depot for storage purpose. Whether the storage of goods permitted by Punyabhumi Ltd. to Mokshabhumi Industries qualifies as supply under GST?

Answer:

As per section 7(1)(c) read with Schedule I of the CGST Act, supply of goods or services or both between related persons without consideration when made in the course or furtherance of business qualifies as supply. Thus, the storage services provided by Punyabhumi Ltd. to Mokshabhumi Industries in course or furtherance of business qualifies as supply under GST even though no consideration has been charged for the same.

16. Rob Shareholding Ltd., an approved intermediary, has entered into a transaction wherein certain securities were to be lent to Dhandhan Bank, under Securities Lending Scheme, 1997. Dhandhan Bank shall pay specified lending fee against such lending of securities to it. Explain the taxability of transactions involved in the Securities Lending Scheme, 1997.

Answer:

Securities Lending Scheme, 1997 (hereafter referred to as SLS) facilitates the lending and borrowing of securities. Securities are neither covered in the definition of goods nor covered in the definition of services. Therefore, a transaction in securities which involves disposal of securities is not a supply in GST and hence not taxable. However, SLS doesn't treat lending of securities as disposal of securities and therefore is not excluded from the definition of services. The lending fee charged from the borrowers of securities has the character of consideration and is taxable under GST. Apart from above, the activities of the intermediaries facilitating lending and borrowing of securities for commission or fee are also taxable separately [Circular No. 119/38/2019 GST dated 11.10.2019].

17. Krishnadev is a trader based in India. Ramakrishna, brother of Krishnadev, is located in China and is also engaged in business of trading of goods. Krishnadev places an order with Ramakrishna for procurement of certain goods from local market in China. Before the shipment of goods from China to India, Krishnadev sold such goods to Christiano, a trader located in Brazil. The goods were subsequently shipped from China to Brazil. Comment on the taxability of transaction between Krishnadev and Christiano under GST in India.

Answer:

The transaction between Krishnadev and Christiano is in the nature of merchant trading. As per Schedule III of the CGST Act, transactions involving sale of goods from a place in non-taxable territory to another place in non-taxable territory, without such goods entering into India, shall not be treated as supply under GST. Therefore, the transaction between Krishnadev and Christiano shall not be treated as supply and is thus not leviable to GST.

18. Mohandas International entered into a transaction for import of goods from a vendor located in Italy. Due to financial issues, Mohandas International was not in a situation to clear the goods upon payment of import duty. Mohandas International sold the goods to Radhakrishnan Export House by endorsement of title to the goods, while the goods were in high seas. The agreement further provided that Mohandas International shall purchase back the goods in future from Radhakrishnan Export House. Discuss the taxability of transaction(s) involved, under the GST law.

Answer:

As per Schedule III of the CGST Act, high seas sale transactions i.e. supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption shall not be considered as supply under GST. Thus, the sale of goods by Mohandas International to Radhakrishnan Export House in high seas shall not be liable to GST.

Further, the import duty including IGST shall be payable by Radhakrishnan Export House at the time of clearance of goods at port of import. In case the goods are sold back by Radhakrishnan Export House to Mohandas International at a subsequent point of time, the same shall be treated as normal domestic sale transaction and GST shall be applicable on the same subject to other conditions prescribed under GST Law.

19. Mr. Happy has a huge residential property located at a prime location in Mumbai, Maharashtra. He has let out the 1st and 2nd floor to Mr. Peace for residential purposes in April. Mr. Peace surrenders his tenancy rights to Mr. Serene for a tenancy premium of Rs. 10,00,000 on 1st June. Mr. Serene has also paid the applicable stamp duty and registration charges on transfer of tenancy rights. Moreover, Mr. Serene has agreed to pay a monthly rent of Rs. 1,00,000 to Mr. Happy from June.

Determine the taxability of the transaction(s) involved in the given case, for the month of June.

Answer:

Circular No. 44/2018 CT dated 02.05.2018 clarifies that the activity of transfer of tenancy right against consideration [i.e. tenancy premium] is squarely covered under supply of service liable to GST. It is a form of lease or renting of property and such activity is specifically declared to be a service in Schedule II

i.e. any lease, tenancy, easement, licence to occupy land is a supply of services.

Although stamp duty and registration charges have been levied on such transfer of tenancy rights, it shall be still subject to GST. Merely because a transaction/supply involves execution of documents which may require registration and payment of registration fee and stamp duty, would not preclude them from the 'scope of supply' and from payment of GST.

The transfer of tenancy rights cannot be treated as sale of land/ building in Schedule III. Thus, it is not a non-supply under GST and consequently, a consideration for the said activity shall attract levy of GST.

Services provided by outgoing tenant by way of surrendering the tenancy rights against consideration in the form of a portion of tenancy premium is liable to GST. Hence, in the given case, the tenancy premium of Rs. 10,00,000 received by Mr. Peace for surrendering his tenancy rights to Mr. Serene is liable to GST. The circular further clarifies that since renting of residential dwelling for use as a residence is exempt [Entry 12 of Notification No.12/2017 CT (R) dated 28.06.201732], grant of tenancy rights in a residential dwelling for use as residence dwelling against tenancy premium or periodic rent or both is exempt. Consequently, monthly rent Rs. 1,00,000 received by Mr. Happy from Mr. Serene is exempt.

20. Determine whether the following supplies amount to composite supplies

- 1) A hotel provides 4 days-3 nights package wherein the facility of breakfast and dinner is provided along with the room accommodation.
- 2) A toothpaste company has offered the scheme of free toothbrush along with the toothpaste.

Answer:

Under composite supply, two or more taxable supplies of goods or services or both, or any combination thereof, are naturally bundled and supplied in conjunction with each other, in the ordinary course of business, one of which is a principal supply [Section 2(30) of the CGST Act]. In view of the same,

- 1) since, supply of breakfast and dinner with the accommodation in the hotel are naturally bundled, said supplies qualify as 'composite supply'.
- 2) since supply of toothbrush along with the toothpaste are not naturally bundled, said supplies do not qualify as 'composite supply'

21. (a) Rudraksh Kapoor, owner of Rudraksh Publishing House, Ghaziabad, U.P., donated some money to a Divyaprakash Charitable Trust in the memory of his late father. The Divyaprakash Charitable Trust constructed a room in the school run

by it from such donation and wrote "Donated by Rudraksh Kapoor in the memory of his father" on the door of the room so constructed. Examine whether the money donated by Rudraksh Kapoor is leviable to GST.

(b) In the above question, if the Divyaprakash Charitable Trust had written on the door of the room constructed in the school run by it from the money donated by Rudraksh Kapoor "Donated by Rudraksh Publishing House, Ghaziabad, U.P.", would the given transaction/activity qualifies as supply.

Answer:

Circular No. 116/35/2019 GST dated 11.10.2019 has clarified that in case of donations received by a charitable institution, when the name of the donor is displayed in recipient institution's premises, in such a manner, which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). Donations received by the charitable organisations are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything (supply a service).

Thus, GST is not leviable where all the following three conditions are satisfied namely:

- (a) Gift or donation is made to a charitable organization
- (b) Payment has the character of gift or donation
- (c) Purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement.
 - a. In the backdrop of the above discussion, since in the given case, the way the name of Rudraksh Kapoor is displayed on the door of the room constructed in the school run by Divyaprakash Charitable Trust, it is only an expression of gratitude and public recognition of Rudraksh's act of philanthropy and is not aimed at advertising or promoting his business. There is no reference/mention of his publishing house which otherwise would have got advertised.
Thus, the money donated by Rudraksh Kapoor is not a leviable to GST.
 - b. In the given case, since the name of Rudraksh Publishing House has been displayed on the door of the room constructed in the school run by Divyaprakash Charitable Trust, it might be aimed at advertising or promoting his business. There is a direct mention of his publishing house which is being advertised. In such a case, it is a supply of service by Divyaprakash Charitable Trust for a consideration received in the form of donation.

22. Examine whether the following activities would amount to supply under section 7 read with Schedule I of the CGST Act:

- (a) Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.
- (b) Raman is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.
- (c) Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?

Answer:

- a. Stock transfer between distinct person is considered as a supply even without consideration u/s 7(1)(c) read with Schedule I para 2 CGST Act 2017. As per S. 25 of CGST Act 2017, Delhi and Mumbai units of Sulekha manufacturers are considered as distinct persons as they are separately registered. Hence the stock transfer from delhi to Mumbai is a supply without consideration.
- b. Schedule I of CGST Act, inter alia, stipulates that import of services by a taxable person from a related person located outside

India, without consideration is treated as supply if it is provided in the course or furtherance of business. Explanation to section 15, inter alia, provides that persons shall be deemed to be “related persons” if they are members of the same family. Further, as per section 2(49) of the CGST Act, 2017, family means, –

- (i) the spouse and children of the person, and
- (ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.

In the given case, Raman has received free of cost legal services from his brother. However, in view of section 2(49)(ii) above, Raman and his brother cannot be considered to be related as Raman’s brother is a well-known lawyer and is not wholly/mainly dependent on Raman. Further, Raman has taken legal advice from him in personal matter and not in course or furtherance of business.

Consequently, services provided by Raman’s brother to him would not be treated as supply under section 7 of the CGST Act read with Schedule.

- c. In the above case, if Raman has taken advice with regard to his business unit, services provided by Raman’s brother to him would still not be treated as supply under section 7 of the CGST Act read with Schedule I as although the same are provided in course or furtherance of business, such services have not been received from a related person.

23. Mrs. Kajal, a registered supplier of Jaipur (Rajasthan), has made the following supplies in the month of January:

- (i) Supply of a laptop along with the laptop bag to a customer of Mumbai for Rs. 55,000 (exclusive of GST).
- (ii) Supply of 10,000 kits (at Rs. 50 each) amounting to Rs. 5,00,000 (exclusive of GST) to Ram Fancy Store in Kota (Rajasthan). Each kit consists of 1 hair oil, 1 beauty soap and 1 hair comb.
- (iii) 100 kits are given as free gift to Jaipur customers (all unrelated) on the occasion of Mrs. Kajal’s birthday. Each kit consists of 1 hair oil and 1 beauty soap. Cost of each kit is Rs. 35. Input tax credit has not been taken on the goods contained in the kit.
- (iv) Event management services provided free of cost to her brother (wholly dependent on her) for his son’s marriage function in Indore (Madhya Pradesh). Cost of providing said services is Rs. 80,000.
- (v) 1,400 chairs and 100 coolers hired out to Function Garden, Ajmer (Rajasthan) for Rs. 3,30,000 (exclusive of GST) including cost of transporting the chairs and coolers from Mrs. Kajal’s godown at Jaipur to Function Garden, Ajmer. (Since Mrs. Kajal is not a GTA, transportation services provided by her are exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017).

Assume rates of GST to be as under:-

S. No.	Particulars	Rate of GST
1.	Laptop	18%
2.	Laptop bag	28%
3.	Hair oil	18%
4.	Beauty soap	28%
5.	Hair comb	12%
6.	Event management service	1 5

7.	Service of renting of chairs and coolers	12%
8.	Transportation service	5%

(vi) From the above information, examine each of the above supplies made by Mrs. Kajal for the month of January and determine the rate of GST applicable on the same.

Answer:

Determination of Rate of GST Applicable

S. No.	Particulars	Rate of GST
(i)	Supply of laptop bag along with laptop to Mumbai customer [Being naturally bundled, supply of laptop bag along with the laptop is a composite supply which is treated as the supply of the principal supply [viz. laptop] in terms of section 8(a). Accordingly, rate of principal supply, i.e. laptop will be charged.]	18%
(ii)	Supply of kits to Ram Fancy Store [It is a mixed supply and is treated as supply of that particular supply which attracts highest tax rate [viz. beauty soap] in terms of section 8(b).]	28%
(iii)	Free gifts to customers [Cannot be considered as supply under section 7 read with Schedule I as the gifts are given to unrelated customers without consideration.]	Nil
(iv)	Event management services provided free of cost to her brother for his son's marriage shall be considered as supply as the services are being provided to a related person. Since it is an individual supply, it will be taxed at the rate applicable on said service.	5%
(v)	Chairs and coolers hired out to Function Garden [Transportation services provided by Mrs. Kajal are exempt. However, since chairs and coolers are hired out along with their transportation, it is a case of composite supply wherein the principal supply is hiring out of chairs and coolers. Accordingly, transportation service will also be taxed at the rate applicable for renting of chairs and coolers*]	12%

*Note: As per section 2(30) of the CGST Act, 2017, composite supply means a supply made by a taxable person to a recipient consisting of two or more taxable supplies. Since in point (v), service of hiring out of chairs & coolers is taxable while transportation service is exempt, it is possible to take a view that this is not a case of composite supply. In that case, the two services will be treated as independent services and taxed accordingly.

1

24. Chandragupta Maurya is an artist who makes contemporary paintings. He is registered in the State of Kolkata.

Chandragupta Maurya appoints Dhruv Kumar to auction his painting in Maharashtra. Dhruv Kumar arranges for the auction and identifies the potential bidders. The highest bid is accepted and the painting is sold to the highest bidder. The invoice for the supply of the painting is issued by Dhruv Kumar on the behalf of Chandragupta Maurya but in his own name and the painting is delivered to the successful bidder. Examine whether Dhruv Kumar can be considered as an agent of Chandragupta Maurya under Para 3 of Schedule I of the CGST Act, 2017.

Answer:

An activity/transaction qualifies as supply under GST only if it is undertaken for a consideration and is in course/furtherance of business. However, supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal is considered as supply even if made without consideration provided the invoice for further supply is issued by the agent in his own name [Section 7(1)(c) read with Para 3 of Schedule I of the CGST Act, 2017]. Circular No. 57/31/2018 GST dated 04.09.2018 provides that where the invoice for further supply of goods is being issued by the agent in his name then, any provision of goods from the principal to the agent would fall within the fold of Para 3 of Schedule I. In the given case, Dhruv Kumar is not merely providing auctioneering services to Chandragupta Maurya, but is also supplying the painting on behalf of Chandragupta Maurya to the successful bidder and has the authority to transfer the title of the painting on behalf of Chandragupta Maurya. Dhruv Kumar issued the invoice in his own name for supply of the painting on the behalf of Chandragupta Maurya. Thus, Dhruv Kumar can be considered as an agent of Chandragupta Maurya under Para 3 of Schedule I.

25. "Diligent Force" a professional training institute gets its training material of "Aptitude Quotient" printed from "Durga printing House" a printing press. The content of the material is provided by the Diligent Force who owns the usage rights of the same while the physical inputs including paper used for printing belong to the Durga Printing House.

Ascertain whether supply of training material by the Durga Printing House constitutes supply of goods or supply of services. (RTP NOV 19)

Answer:

Circular No. 11/11/2017 GST dated 20.10.2017 has clarified that supply of books printed with contents supplied by the recipient of such printed goods, is composite supply and the question, whether such supplies constitute supply of goods or services would be determined on the basis of what constitutes the principal supply.

Principal supply has been defined in section 2(90) of the CGST Act as supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

In the case of printing of books where content is supplied by the publisher or the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore, such supplies would constitute supply of service.

Thus, in view of the above-mentioned provisions, the supply of training material by the Durga Printing House would constitute supply of services.

26. Sharma Carriers is a Good Transport Agency engaged in transportation of goods by road. As per the general business practice, Sharma carriers also provides intermediary and ancillary services like loading /unloading, packing/unpacking, transshipment and temporary warehousing in relation to transportation of goods by road.

1

With reference to the provisions of GST law, analyze whether such services are to be treated as part of the GTA services, being a composite supply or as mixed supply. (NOV 18 EXAM- OLD SYLLABUS)

Answer:

Composite supply means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply [Section 2(30) of the CGST Act, 2017].

Mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply [Section 2(74) of the CGST Act, 2017].

The various intermediary and ancillary services provided by GTA are not provided as independent services but as ancillary to the principal service, namely, transportation of goods by road. The invoice issued by the GTA for providing the said service includes the value of intermediary and ancillary services. In view of this, if any intermediary and ancillary service is provided in relation to transportation of goods by road, and charges, if any, for such services are included in the invoice issued by Sharma Carriers, such service would form part of the GTA service, and thus will be composite supply, and not a mixed supply even though a single price is charged for the supply.

Further, if such incidental services are provided as separate services and are billed separately, whether in the same invoice or separate invoices, they will be treated as separate supply and not composite supply and there being no single price, the supply will also not be treated as mixed supply - in terms of Q. 6 of the CBIC FAQs on Transport & Logistics.

27. Mr. Rajesh Surana has a proprietorship firm in the name of Surana & Sons in Jaipur. The firm, registered under GST in the State of Rajasthan, manufactures taxable products. The firm also provides taxable consultancy services.

Mr. Rajesh Surana has provided the consultancy service to his brother - Mr. Akhilesh Surana (located in USA) without any consideration. The products manufactured by Mr. Akhilesh are similar to the ones manufactured by Mr. Rajesh Surana. Mr. Surana charges Rs. 3,00,000 for providing similar consultancy services to other independent customers located in USA.

Compute the GST liability, if any, in the given case assuming the rate of CGST , SGST and IGST to be 9%, 9% and 18% respectively. (MTP MAY 19- NEW SYLLABUS)

Answer:

Consultancy service to Mr. Akhilesh Surana (located in USA) has been provided without any consideration. Activity without consideration is not a supply in terms of section 7(1)(a) of the CGST Act, 2017.

However, Schedule I to the CGST Act, 2017 enlists the activities to be treated as supply even if made without consideration. Accordingly, Para 2. of Schedule I treats supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business as a supply even if made without consideration.

However, a brother who is not dependant on the person supplying the service, does not come within the purview of term family as defined under section 2(49) of the CGST Act, 2017 and hence, is not a related person. Therefore, the export of service to an independent brother without any consideration will not fall under para 2. of the Schedule I to CGST Act, 2017. Hence, the activity is not a supply and is thus, not liable to any tax.

28. Mr. Zombi, a supplier registered in Hyderabad (Telangana), procures goods from China and directly supplies the same to a customer in US. With reference to the provisions of GST law, examine whether the said activity of supply of goods by Mr. Zombi to customer in US is taxable under GST. If yes, determine the place of supply of the same. (RTP NOV 2019)

Answer:

As per Entry 7 of Schedule III of the CGST Act, 2017, supply of goods from one non-taxable territory to another non-taxable territory without such goods entering India is neither a supply of goods nor a supply of services. Since Mr. Zombi procures goods from China and supplies them directly to the US without bringing them into India, the transaction is not a supply under GST and hence not taxable.

Number Based Questions

29. Shivaji Pvt. Ltd., a registered supplier, supplies the following goods and services for construction of buildings and complexes -

- excavators for required period at a per hour rate
- manpower for operation of the excavators at a per day rate
- soil-testing and seismic evaluation at a per sample rate.

The excavators are invariably hired out along with operators. Similarly, excavator operators are supplied only when the excavator is hired out

For a given month, the receipts (exclusive of GST) of Shivaji Pvt. Ltd. are as follows:

- Hire charges for excavators - Rs. 18,00,000
- Service charges for supply of manpower for operation of the excavator - Rs. 20,000
- Service charges for soil testing and seismic evaluation at three sites - Rs. 2,50,000

Compute the GST payable by Shivaji Pvt. Ltd. for the given month.

Assume the rates of GST to be as under:

Hiring out of excavators - 12%

Supply of manpower services and soil-testing and seismic evaluation services - 18% (MTP JULY 2021)

Answer:

Schedule III to the CGST Act specifies transactions/ activities which shall be neither treated as supply of goods nor supply of services. One of such activity/transaction is supply of goods from a place in the non

- taxable territory to another place in the non

- taxable territory

without such goods entering into India.

Thus, it seeks to exclude from the tax net such transactions which involve movement of goods, caused by a registered person, from one non - taxable territory to another non -taxable territory.

Therefore, in view of the above - mentioned provisions, the said activity is not a supply. Hence, it is not leviable to GST since "supply" is the taxable event for chargeability of GST. Therefore, since the transaction is not leviable to GST, the question of place of supply does not arise in the given case

Computation of GST payable by Shivaji Pvt. Ltd.

Particulars	Value received (Rs.)	Rate of GST	GST payable (Rs.)
Hiring charges for excavators	18,00,000	12%	2,16,000
Service charges for supply of manpower for operation of excavators [Refer Note 1]	20,000	12%	2,400
Service charges for soil testing and seismic evaluation [Refer Note 2]	2,50,000	18%	45,000
GST liability			2,63,400

Notes:

- 1) Since the excavators are invariably hired out along with operators and excavator operators are supplied only when the excavator is hired out, it is a case of composite supply under section 2(30) wherein the principal supply is the hiring out of the excavator. As per section 8(a), the composite supply is treated as the supply of the principal supply. Therefore, the supply of manpower for operation of the excavators will also be taxed at the rate applicable for hiring out of the excavator (principal supply), which is 12%.
- 2) Soil testing and seismic evaluation services being independent of the hiring out of excavator will be taxed at the rate applicable to them, which is 18%.

30. ABC Consultancy, registered in Mumbai, supplies technical consultancy services to its clients. It has been providing technical services to XY Ltd., Mumbai since past two years. Consideration is settled by XY Ltd. assignment wise. XY Ltd. paid ₹ 45 lakh to ABC Consultancy on 10th January, 20XX on ABC consultancy agreeing to not provide similar technical services to any other business entity in India or abroad for a period of 8 years. ABC Consultancy is of the view that ₹ 45 lakh is not chargeable to GST.

You are required to examine whether the view taken by ABC Consultancy is valid in law. Calculate GST liability of ABC Consultancy, if any. The technical services provided by ABC consultancy is otherwise chargeable to GST at the rate of 18%. It may be noted that XY Ltd. is not ready to pay any further amount to ABC Consultancy in addition to the amount already agreed.

Answer:

The view taken by ABC Consultancy is not valid in law. The scope of supply is defined by section 7(1) of CGST Act, 2017. It includes deemed supply given under Schedule II. The paragraph 5(e) of Schedule II provides that agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act is treated as supply of service.

Thus, any consideration received for agreeing to the obligation to refrain from an act, is subject to GST. Consideration received for non-compete agreement is deemed as consideration for supply of services. Consideration of ₹ 45 lakh received on the promise of ABC consultancy of not providing similar services to any other person, is consideration for supply which is chargeable to GST.

Since GST is not separately collected, it will be assumed that it is included in ₹ 45 lakh. Rule 35 of CGST Rules, 2017 provides that where the value of supply is inclusive of GST, the tax amount is determined in the following manner:

Tax amount = (Value inclusive of taxes x GST rate in %) [IGST or CGST, SGST/UTGST] / (100 + sum of GST rates in %)

Consequently, value of taxable supply will be ₹ 38,13,559 (i.e., ₹ 45,00,000 x 100/118). GST liability on ₹ 38,13,559 will be calculated as follows-

Particulars	Rs
Taxable Value of Supply	38,13,559
Add: CGST @ 9%	3,43,220
SGST @9%	3,43,220
Total GST Liability	6,86,440

31. Who are the members of the GST Council? Enumerate any two recommendations that can be made by the GST Council. (3 Marks) (MTP May 2023)

Answer:

The GST Council shall consist of the following members, namely: –

- the Union Finance Minister is the Chairperson;
- the Union Minister of State in charge of Revenue or Finance is the Member;
- the Minister in charge of Finance or Taxation or any other Minister nominated by each State Government are the Members.

The recommendations that can be made by GST Council are as under: -

- the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in GST;
- the goods and services that may be subjected to, or exempted from GST;
- model GST Laws, principles of levy, apportionment of GST levied on supplies in the course of inter-State trade or commerce and the principles governing the place of supply;
- the threshold limit of turnover below which goods and services may be exempted from GST;
- the rates including floor rates with bands of GST;
- any special rate(s) for a specified period, to raise additional resources during any natural calamity/disaster;
- special provision with respect to Special Category States;
- the date on which the GST be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel;
- any other matter relating to the GST, as the Council may decide.

Note: Any two points may be given.

32. Decide with reason whether following independent transactions amount to supply or not as per the provision, rules, circulars and notification issued under the GST law:

- Satyam has lent securities to Kala Enterprises for a consideration of ₹ 10,000 towards lending of securities under the Securities Lending Scheme, 1997 through an approved intermediary. Ignore the transaction between Satyam and intermediary.

- (ii) Patta Limited made supply of goods to its agent, Romi, without consideration. Romi issued invoice for the further supply of goods to the customers in his own name. Romi also disclosed the name of principal in the invoice issued.
- (iii) Dilasa Limited recruited Miss Chhaya as senior relationship manager. At the time of joining as senior relationship manager, the company paid ₹ 3,00,000 towards "Not joining" Milan Limited, a stiff competitor of Dilasa Limited. (5 Marks) [FINAL EXAM NOV 2024]

Answer:

- (i) Lending of securities under the Securities Lending Scheme is not a transaction in securities as it does not involve disposal of securities. It is not excluded from the definition of services and amounts to supply.
Consequently, lending of securities for consideration to Kala Enterprise amounts to supply.
- (ii) Since the invoice for further supply of goods is being issued by the agent – Romi. in his own name, the provision of goods from the principal – Patta Limited. – to the agent – Romi – would fall within the purview of Schedule I of the CGST Act, 2017 and would amount to supply even though made without consideration.
Further, supply of goods by Romi to the customer for consideration amounts to supply.
- (iii) Since any amount paid by employer to employee for not joining a competing business is paid for providing the service of forbearance to act to refrain cannot be considered for providing services in the course of employment, amount received by Miss Chhaya from Dilasa Limited amounts to supply under the GST law.

2

CHARGE UNDER GST

Multiple Choice Questions

1. Mrs. Reena is a consultant. She has provided the following details relating to services provided and received by her during the current financial year:
- (i) Supply of management consultancy services for ₹ 5,00,000 p.a.
 - (ii) Supply of accounting services for ₹ 2,00,000 p.a.
 - (iii) Immovable property rented out for residential purposes for ₹ 10,000 p.m.
 - (iv) Management consultancy services provided to a hospital for ₹ 50,000 one time.
 - (v) Services provided to a client outside India for ₹ 50,000 p.m.
 - (vi) Services received from a lawyer for ₹ 1,00,000.

Note: Assume that amounts given above are exclusive of GST, wherever applicable.

What shall be her aggregate turnover for the current financial year under GST provided her aggregate turnover during previous financial year was ₹ 24 lakh?

- (a) ₹ 9,10,000
- (b) ₹ 15,70,000
- (c) ₹ 14,70,000
- (d) ₹ 8,20,000

(2 Marks April '23)

Answer: (C) (Except inwards supply everything else to be included)

Practical Theory

Concept Tested: RCM 9(3)

2. Panini Private Limited agrees to sponsor a sports event organized by Pink City Club in Jaipur. Panini Private Limited has paid an amount of Rs. 50,00,000 for such sponsorship of the sports event. Consequently, said event was named after the brand name of Panini Private Limited. Examine who is the person liable to pay tax in the given case.

Answer:

Notification no 13/2017 CT (R) dated 28.06.2017 as amended (hereinafter referred to as reverse charge notification), provides that sponsorship services provided by any person **other than body corporate** to a body corporate or partnership firm including LLP located in the taxable territory, shall be liable to GST under reverse charge in the hands of recipient.

In the present case, Pink City Club is the supplier of sponsorship services which is receiving the consideration in the form of sponsorship fee of Rs. 5,00,000 from Panini Private Limited, against the provision of sponsorship service. Since the recipient of sponsorship services- Panini Private Limited is a body corporate, the tax on said services is payable by the recipient - Panini Private Limited, under reverse charge.

Concept Tested: RCM 9(3)

3. Arpan Singhania is a director in Narayan Limited. The company paid him the sitting fee amounting to Rs. 25,000, for the month of January. Further, salary was paid to Arpan Singhania amounting to Rs. 1.5 lakh for the month of January on which TDS was also deducted as per applicable provisions under Income-tax law. Tapasya & Associates, in which Arpan Singhania is a partner, supplied certain professional services to Narayan Limited in the month of January for an amount of Rs. 2 lakh. Discuss the person liable to pay tax in each of the supplies involved in the given case.

Answer:

Sitting fee paid to director – As per reverse charge notification, tax on services supplied by a director of a company/ body corporate to the said company/ body corporate, located in the taxable territory, is payable under reverse charge. Hence, in the present case, the sitting fee amounting to Rs. 25,000, payable to Arpan Singhania by Narayan Limited, is liable to GST under reverse charge and thus, recipient of service – **Narayan Limited – is liable to pay GST on the same.**

Salary paid to director – As per Circular No.140/10/2020 GST dated 10.06.2020, the part of director's remuneration which is declared as salary in the books of a company and subjected to TDS under section 192 of the Income-tax Act, are not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III. Therefore, in the given case, the **salary received by Arpan Singhania of Rs. 1.5 lakh is not liable to GST.**

Services provided by Tapasya & Associates – Tapasya & Associates have rendered certain professional services to Narayan Limited. The fact that Arpan Singhania is a partner in Tapasya & Associates and a director in Narayan Limited does not have any impact on the taxability of the professional services supplied by Tapasya & Associates to Narayan Limited.

The professional services provided by Tapasya & Associates to Narayan Limited are liable to GST under forward charge and thus, supplier – Tapasya & Associates – is liable to pay GST on the same.

Concept Tested: Composition Scheme

4. Bansal and Chandiook started a partnership firm of Chartered Accountants in Jaipur (Rajasthan) on 1st April. The firm specializes in providing audit services to banks in Rajasthan. It provided the following details of its turnover:

Quarter	Amount (in Rs.)
Apr-Jun	10 Lakh
Jul-Sep	20 Lakh

It crossed the threshold limit of Rs. 20 lakh on 1st August. Bansal and Chandiook wishes to opt to pay tax at concessional rate under section 10(2A). Examine whether the firm is eligible for this scheme? If yes, then determine the tax payable by it in quarters (i) Apr-Jun & (ii) Jul- Sep?

Answer:

The composition scheme under sub-sections (1) and (2) of section 10 is available in case of goods and restaurant service. Further, marginal services upto specified limit can be provided along with the supply of goods or restaurant service, as the case may be. Since, in the given case, Bansal and Chandiook is supplying services other than restaurant services, it is not eligible to pay tax under sub-sections (1) and (2) of section 10.

However, section 10(2A) provides an option to a registered person, who is not eligible to pay tax under sub-sections (1) and (2) of section 10, of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto Rs. 50 lakh. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover

of Rs. 50 lakh, subject to specified conditions.

In the given case, Bansal and Chandiook has started the supply of services in the current financial year. Therefore, its aggregate turnover in the preceding financial year is Nil. Consequently, it is eligible to avail the benefit of composition scheme under section 10(2A) of the CGST Act in the current financial year. It becomes eligible for the registration when its aggregate turnover exceeds Rs. 20 lakh. While registering under GST, it has to opt for composition scheme under section 10(2A).

Tax payable by the firm is as follows:

- (i) Apr-Jun quarter: Tax payable by the firm in first quarter is nil since the firm's turnover [Rs. 10 lakh] has not yet exceeded the threshold limit of Rs.20 lakh (viz. the threshold limit applicable for registration in the State of Rajasthan).
- (ii) July-Sep quarter: While computing the tax payable by the firm in second quarter, the turnover from 1st April to the date from which he becomes liable for registration under the Act is to be excluded. Tax payable will be computed as under-

Total Turnover	Rs. 30,00,000/-
Less: Threshold limit for registration	Rs.20,00,000/-
Taxable Turnover	Rs. 10,00,000/-
Tax @ 6%	Rs. 60,000/- (CGST = Rs. 30,000 and SGST = Rs. 30,000)

Concept Tested: Composition Scheme

5. Mr. Prem is running a restaurant in New Delhi. In the preceding financial year, it has an aggregate turnover of Rs. 120 lakh from the restaurant services. In the current financial year, apart from restaurant service, he also wants to provide food delivery services to other small restaurants. He estimated the turnover of such services is upto Rs. 5 lakh.

Mr. Prem wishes to opt for composition scheme under sub-sections

(1) and (2) of section 10 in the current financial year. You are required to advise him for same.

Answer:

As per section 10(1) read with Notification No.14/2019 CT dated 07.03.2019, a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or Rs. 5 lakh, whichever is higher.

In the present case, since the aggregate turnover of Mr. Prem was Rs. 120 lakh in preceding financial year (i.e. it did not exceed Rs. 1.5 crore), he is eligible for composition scheme in the current financial year. Further, in the current financial year, he can also supply services other than restaurant services for a value upto Rs. 12 lakh (10% of Rs. 120 lakh) or Rs. 5 lakh, whichever is higher. Thus, till the time his turnover from food delivery services does not exceed Rs. 12 lakh, he is eligible for the scheme.

Concept Tested: Composition Scheme

6. Determine whether the supplier in the following cases are eligible for composition levy provided their turnover in preceding year does not exceed Rs. 1.5 Crore:

- a) Mohan Enterprises is engaged in trading of pan masala in Rajasthan and is registered in the same State.
- b) Sugam Manufacturers has registered offices in Punjab and Haryana and supplies goods in neighbouring States.

Answer:

- a) A supplier engaged in the manufacture of goods as notified under section 10(2)(e), during the preceding FY is not eligible for composition scheme. Ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes are hereby notified. However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed Rs. 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.
- b) Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

Concept Tested: Composition Scheme

7. A person availing composition scheme in Haryana during a financial year crosses the turnover of Rs. 1.5 crore during the course of the year i.e. he crosses the turnover of Rs. 1.5 crore in December? Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March?

Answer:

No. The option to pay tax under composition scheme lapses from the day on which the aggregate turnover of the person availing composition scheme during the financial year exceeds the specified limit (Rs. 1.5 crore). Once he crosses the threshold, he is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days of the occurrence of such event. Every person who has furnished such an intimation, may electronically furnish at the common portal, a statement in prescribed form containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date on which the option is withdrawn, within a period of 30 days from the date from which the option is withdrawn.

Concept Tested: RCM 9(3)

8. State person liable to pay GST in the following independent cases provided recipient is located in the taxable territory and it is not exempt under any notifications:
- a) Services provided by an arbitral tribunal to any business entity.
 - b) Sponsorship services provided by a company to an individual.
 - c) Renting of immovable property service provided by the Central Government to a registered business entity.

Answer:

- (a) Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory is payable under reverse charge, in the given case, GST is payable by the recipient - business entity.
- (b) GST on sponsorship services provided by any person other than body corporate to anybody corporate or partnership firm located in the taxable territory is payable under reverse charge. Since in the given case, services have been provided by a body corporate to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier - company.
- (c) GST on services supplied by Central Government, State Government, Union territory/ local authority by way of renting of immovable property to a person registered under CGST Act, 2017 is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient - registered business entity.

Concept Tested: Composition Scheme

9. Mr. Zaid, registered in Himachal Pradesh is engaged in making inter-State outward supplies of apparels. The aggregate turnover of Mr. Zaid in the financial year 2024-25 is ₹ 0 lakh. He opted for composition levy in the year 2025-26 and paid tax for the quarter ending June, 2025 under composition levy. The proper officer has levied penalty on Mr. Zaid in addition to the tax payable by him.

You are required to examine the validity of the action taken by proper officer.

Answer:

The action taken by proper officer is valid in law. Section 10(1) of CGST Act, 2017 inter alia provides that the benefit of composition levy can be availed by a registered person if the aggregate turnover in the preceding financial year does not exceed ₹ 1.50 crore. However, the said threshold is reduced to ₹ 75 lakh in case of special category states. Further, section 10(2) inter alia specifies that registered person is eligible to opt for composition levy if he is not engaged in making any inter-state outward supplies of goods. In the present case, Mr. Zaid is engaged in making inter-State outward supplies of goods. So, he is not eligible to opt for composition levy irrespective of aggregate turnover in the preceding financial year.

Moreover, section 10(5) provides that if a person who has paid under composition levy is found as not being eligible for compounding then such person shall be liable to penalty to an amount equivalent to the tax payable by him under the provisions of the Act i.e., as a normal taxable person and that this penalty shall be in addition to the tax payable by him. Thus, levy of penalty on Mr. Zaid is valid in law in terms of section 10(5).

Concept Tested: Composition Scheme

10. Trend Footwear, a registered supplier in Jaipur dealing in local supply of loafers and wedges, wants to opt for composition scheme with effect from 01 April, 20XX. Its aggregate turnover in the preceding financial year is Rs. 78 lakh. Besides dealing in supply of loafers and wedges, he also has a rental income of 1,35,000 per month from the basement of a commercial building located in Jaipur in the current year.

You are required to discuss, whether Trend Footwear can opt for composition scheme?

Answer:

No, Trend Footwear cannot opt for composition scheme. Section 10 of CGST Act, 2017 inter alia provides that registered person, whose aggregate turnover in the preceding financial year does not exceed Rs. 1.50 rupees, can opt to pay tax under composition scheme in the current year.

However, section 10(2) inter alia provides that registered person is eligible to opt for composition scheme if he is not engaged in the supply of services other than restaurant services. Further, in the current financial year, he can also supply services other than restaurant services for a value upto Rs. 7.80 lakh (10% of Rs. 78 lakh) or Rs. 5 lakh, whichever is higher. Thus, till the time his turnover from renting does not exceed Rs. 7.80 lakh, he is eligible for the scheme. As per In the present case, Trend Footwear is engaged in the supply of services other than restaurant services, as Trend Footwear has rental income from the basement of a commercial building which is 16.20 Lakhs p.a (1.35L*12M), so it cannot opt for composition scheme irrespective of its aggregate turnover in the preceding financial year.

Concept Tested: Composition Scheme

11. Bansal and Chandiok is a partnership firm of Chartered Accountants in Jaipur (Rajasthan). The firm specialises in bank audits providing services to banks across India. It has an annual turnover of Rs. 110 lakh in the preceding financial year.

With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme.

Will your answer change, if-

(a) the turnover of the firm is Rs. 90 lakhs?

(b) Bansal and Chandiook is not a partnership firm of Chartered Accountants but a partnership firm providing support services to restaurants like booking tables, advertisement etc.?

(RTP MAY 18)

Answer:

As per section 10(1) of the CGST Act, 2017, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.50 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at such rate as may be prescribed, but not exceeding,--

- (a) 1% of the turnover in State/ Union territory in case of a manufacturer,
- (b) 5% of the turnover in State/ Union territory in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and
- (c) 1% of the turnover in State/ Union territory in case of other suppliers. Further, sub-section (2) of section 10 lays down that the registered person shall be eligible to opt for composition levy if:--
- (d) he is not engaged in the supply of services other than restaurant services;
- (e) he is not engaged in making any supply of goods which are not leviable to tax under CGST Act; 2017
- (f) he is not engaged in making any inter-State outward supplies of goods;
- (g) he is not engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52; and
- (h) he is not a manufacturer of such goods as may be notified by the Government on the recommendations of the Council.

Basis above provisions, a firm of Chartered Accountants, being a supplier of professional services (other than restaurant services) is not eligible to apply for composition scheme. Therefore, it has to discharge its tax liability under regular provisions at the applicable rates.

- (a) The answer will not change even if the turnover of the firm had been ₹ 90 lakh since the ineligibility of the firm to opt for composition scheme is not linked with the turnover of the firm, but with the nature of the services supplied by the firm. Therefore, since even with turnover of ₹ 90 lakh the ineligibility in respect of nature of services supplied by firm exists i.e., the firm provides professional services and not restaurant services; it will not be eligible for composition scheme.
- (b) The answer will not change even if the firm is providing support services to restaurants as only the supplier providing restaurant services per se are eligible for composition scheme.

The firm is also not eligible for S. 10(2A) as the turnover exceeds 50 Lakhs.

Concept Tested: Composition Scheme

12. Shubhlaxmi Foods is engaged in supplying restaurant service in Maharashtra. In the preceding financial year, it had a turnover of Rs. 140 lakh from the restaurant service. Further, it had earned the bank interest of Rs. 20 lakh from the fixed deposits. You are required to advise Shubhlaxmi Foods whether it is eligible for the composition scheme under sub-sections (1) and (2) of section 10 in the current financial year. Further, assuming that in the current financial year, its turnover

is Rs. 130 lakh from the supply of restaurant services and Rs. 10 lakh from the supply of farm labour in Maharashtra. It has also earned the bank interest of Rs. 30 lakh from the fixed deposits. Compute the tax payable by Shubhlaxmi Foods in the current FY.

(RTP NOV 18)

Answer:

As per section 10(1) read with Notification No. 14/2019 CT dated 7.03.2019, a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or Rs. 5 lakh, whichever is higher [Second proviso to section 10(1)]. Although exempt services are included in determining the value of turnover in a State or Union territory, explanation to section 10(1) clarifies that for the purposes of second proviso to section 10(1), the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account for determining the value of turnover in a State or Union territory.

Further, the exempt services are also included in the aggregate turnover [Section 2(6)]. However, explanation 1 to section 10 excludes value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount from aggregate turnover. In this backdrop, in the given case, the aggregate turnover of Shubhlaxmi Foods in the preceding FY is Rs. 140 lakh (since bank interest of Rs. 20 lakh from the fixed deposits will not be taken into account for computing aggregate turnover). Resultantly, it is eligible to opt for composition scheme under sub-sections (1) and (2) of section 10 in the current FY.

Further, apart from restaurant services, it can provide services upto Rs. 14 lakh [i.e. 10% of Rs. 140 lakh or Rs. 5 lakh, whichever is higher], in the current FY. As already seen, bank interest of Rs. 20 lakh from fixed deposits will not be considered while determining this limit.

Further, tax payable @ 5% (2½% CGST+ 2½% SGST) of the turnover in the State by Shubhlaxmi Foods in the current financial year is as follows:

$$= 5\% \text{ of Rs. } 1,40,00,000 \text{ [Rs. } 1,30,00,000 + \text{Rs. } 10,00,000]$$

[(Bank interest of Rs. 30 lakh from the fixed deposits is not considered while computing turnover in the State for determining the tax payable under composition scheme (In terms of explanation 2 to section 10)]

$$= \text{Rs. } 7,00,000 \text{ [CGST = Rs. } 3,50,000 \text{ and SGST = Rs. } 3,50,000]$$

Concept Tested: Composition Scheme

13. Examine whether the suppliers are eligible for composition scheme in the following independent cases. Is there any other option available for concessional tax payment with any of these suppliers, wherever composition scheme cannot be availed?

(a) M/s Devlok, a registered dealer, is dealing in intra-State trading of electronic appliances in Jaipur (Rajasthan). It has turnover of Rs. 130 lakh in the preceding financial year. In the current financial year, it has also started providing repairing services of electronic appliances.

(b) M/s Narayan & Sons, a registered dealer, is running a "Khana Khazana" Restaurant near City Palace in Jaipur. It has

turnover of Rs. 140 lakh in the preceding financial year. In the current financial year, it has also started dealing in intra-State trading of beverages in Jaipur (Rajasthan).

- (c) M/s Indra & bro, a registered dealer, is providing restaurant services in Uttarakhand. It has turnover of Rs. 70 lakh in the preceding financial year. It has started providing intra-State interior designing services in the current financial year and discontinued rendering restaurant services.
- (d) M/s Him Naresh, a registered dealer, is exclusively providing intra- state architect services in Uttarakhand. It has turnover of Rs. 40 lakh in the preceding financial year.

(RTP NOV 19)

Answer:

As per section 10 of the CGST Act, 2017, the following registered persons, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay tax under composition levy.

- (a) Manufacturer,
- (b) Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and
- (c) Any other supplier eligible for composition levy.

Thus, essentially, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.

Further, the registered person should not be engaged in making any inter-State outward supplies of goods.

Furthermore, an option of availing benefit of concessional payment of tax has been provided to a registered person whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme. Said person can pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] on first supplies of goods and/or services up to an aggregate turnover of ₹ 50 lakh made on/after 1st April in any financial year (FY), subject to specified conditions vide Notification No. 2/2019 CT (R) dated 07.03.2019 as amended. One of such condition is that the registered person should not be engaged in making any inter-state outward taxable supplies.

In view of the above-mentioned provisions, the answer to the given independent cases is as under:-

- (a) The turnover limit for composition scheme in case of Jaipur (Rajasthan) is ₹1.5 crore. Thus, M/s Devlok can opt for composition scheme as its aggregate turnover is less than ₹1.5 crore. Further, since the registered person opting for composition scheme can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher, in the current financial year, M/s Devlok can supply repair services up to a value of ₹13 lakh [10% of ₹130 lakh or ₹5 lakh, whichever is higher] in the current financial year.
- (b) In the given case:-
- (i) the turnover in the preceding year is less than the eligible turnover limit, i.e. ₹ 1.5 crore.
- (ii) the supplier is engaged in providing restaurant service which is an eligible supply under composition scheme.
- (iii) the supplier wants to engage in trading of goods which is also an eligible supply under composition scheme.

Thus, M/s Narayan & Sons is eligible for composition scheme. (Assuming they are not supplying Alcoholic Liquor for human

consumption)

- (c) The turnover limit for composition scheme in case of Uttarakhand is ₹ 75 lakh. Further, a registered person who is exclusively engaged in supplying services other than restaurant services are not eligible for composition scheme. Thus, M/s Indra & bro cannot opt for composition scheme.

Further, the benefit of concessional tax payment under Notification No. 2/2019 CT (R) dated 07.03.2019 is available in case of a registered person whose aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.

Thus, in view of the above- mentioned provisions, M/s Indra & bro cannot avail the benefit of concessional tax payment as its aggregate turnover in the preceding financial year is more than ₹ 50 lakh.

- (d) An exclusive service provider can opt for the composition scheme only if he is engaged in supply of restaurant services. The composition scheme permits supply of marginal services for a specified value, but only when the same are supplied along with goods and/or restaurant service.

Since M/s Him Naresh is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme even though its turnover in the preceding year is less than

₹ 75 lakh, the eligible turnover limit for Uttarakhand.

However, since M/s Him Naresh is not eligible to opt for composition scheme, its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh and it is exclusively engaged in supply of services other than restaurant services, M/s Him Naresh is entitled to avail benefit of concessional payment of tax under Notification No. 2/2019 CT (R) dated 07.03.2019.

Concept Tested: Composition Scheme

14. Prem is running a consulting firm and also a fancy store, registered under the same PAN number. Turnover of the fancy store is Rs.1,45,00,000 and receipt of consultancy firm is Rs. 10,00,000 in the preceding financial year.

You are required to provide answers with supporting explanatory note for each answer to the following questions:

- (i) Is Prem eligible for composition scheme under CGST Act?
- (ii) Whether it is possible for Prem to opt for composition scheme only for fancy store?
- (iii) If Prem is running a restaurant with turnover of Rs. 76,00,000 instead of consultancy firm as well as a fancy store, would he be eligible for composition scheme?

(EXAM MAY 18)

Answer:

- (i) No, Prem is not eligible for composition scheme as he is providing services as a consulting firm. Section 10(2)(a) of the CGST Act, 2017 provides that a registered person cannot opt for composition scheme if he is engaged in the supply of services other than restaurant services and their aggregate turnover exceeds 1.50 Crores.
- (ii) No, it is not possible for Prem to opt for composition scheme only for fancy store. All the registrations under the same PAN have to opt for composition scheme in terms of proviso to section 10(2) of the CGST Act, 2017.
- (iii) No, Prem is not eligible for composition scheme if he is running a restaurant with turnover of ₹ 65,00,000 instead of consultancy firm as well as fancy store. Section 10(1) of the CGST Act, 2017 read with Notification No. 46/2017 CT dated 13.10.2017 provides that an eligible registered person whose aggregate turnover in the preceding financial year did not exceed ₹ 1.50 crore may opt to pay tax under composition levy.

Therefore, even though Prem provides restaurant service, which is an eligible service for composition levy, since his aggregate turnover [₹ 145 lakh for fancy store + ₹ 76 lakh for restaurant service] in the preceding financial year exceeds ₹ 1.5 crore, Prem is not eligible for composition levy.

Concept Tested: Composition Scheme

15. M/s Heeralal and Sons registered in Karnataka has opted to avail the benefit of composition scheme. It has furnished the following details for the tax period ended on 30-06-2025.

S.no	Items	Rs
(i)	Taxable turnover of goods within the state	15,00,000
(ii)	Exempted turnover of goods within the state	17,00,000
	Total Turnover	32,00,000

Using the above information, calculate total GST (No need for bifurcation between CGST and SGST) to be paid by the firm for the tax period ended on 30-06-2025 in following independent situations:

- (i) M/s Heeralal and Sons is a Manufacturer
- (ii) M/s Heeralal and Sons is a Trader (EXAM NOV 18)

Answer:

Computation of amount payable under composition scheme

(i) If M/s Heeralal and Sons is a manufacturer: Taxistobepaid@1%(CGST+SGST)of the turnover in the State as under: 1% of ₹ 32,00,000 [₹ 15,00,000 + 17,00,000] = ₹ 32,000

(ii) If M/s Heeralal and Sons is a trader:

Tax is to be paid @ 1% (CGST + SGST) of the turnover of taxable supplies of goods in the State as under:

1% of ₹ 15,00,000

= ₹ 15,000

Concept Tested: Composition Scheme

16. MN Ltd. has two registered business verticals in the State of Haryana. Its aggregate turnover during the previous financial year for both the business verticals was Rs. 62 lakh. It wishes to opt for composition levy for one of the verticals in the current year and wants to continue with registration and pay taxes at the merit rate for the second vertical. Can MN Ltd. do so? Explain with reason.

(EXAM NOV 18)

Answer:

As per proviso to section 10(2) of the CGST Act, 2017, where more than one registered persons are having the same PAN issued under the Income-tax Act, 1961, the registered person shall not be eligible to opt for the composition scheme unless all such registered persons opt to pay tax under composition scheme.

In the given case, since MN Ltd. has two business verticals (they are not separate entities under Income-tax Act, 1961), they would be registered under the same PAN. Therefore, MN Ltd. cannot opt for composition levy for only one of the business verticals and pay tax under regular scheme for other business vertical.

Concept Tested: Composition Scheme

17. Mr. Rajbeer, a registered person at Delhi, is in the business of selling goods relating to interior decoration under the firm name M/s. Rajbeer & Sons. He has opted for composition scheme for the Financial Year (FY) 2024-25.

His turnover for FY 2024-25 is Rs. 80 lakh and is expected to achieve Rs. 130 lakh in FY 2025-26. Discuss whether M/s Rajbeer & Sons can still enjoy the benefits of composition scheme in FY 2025-26.

His son Karan wants to start business of providing services relating to interior decoration, after completing post-graduation course in interior decoration under same firm name M/s Rajbeer & Sons with effect from 01.04.2025 and wants to enjoy the benefits of composition scheme under GST.

Advise Mr. Rajbeer and his son Karan.

(EXAM NOV 19)

Answer:

As per section 10 of the CGST Act, 2017, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.50 crore in a State/UT may opt for composition scheme, provided he is, inter alia, engaged in supply of goods and/or restaurant service.

However, a person who opts for composition scheme is permitted to supply services other than restaurant service of value not exceeding 10% of turnover in a State/UT in the preceding financial year or ₹ 5 lakh, whichever is higher.

In the given case, M/s. Rajbeer & Sons, engaged in business of selling goods relating to interior decoration, is eligible for composition scheme in FY 2025-26 since its aggregate turnover in preceding FY (viz. ₹ 80 lakh) does not exceed ₹ 1.5 crore.

If Karan wishes to start the business of providing services relating to interior decoration under the same firm name M/s Rajbeer & Sons, the sole proprietorship needs to be first converted into a partnership firm. Further, new GST registration under the new PAN is required to be obtained.

In such a case, the firm can provide services relating to interior decoration up to a value of ₹ 5 lakh (10% of zero turnover of last year or ₹ 5 lakh, whichever is higher) to continue enjoying the benefit of composition scheme in FY 2025-26.

Concept Tested: Composition Scheme

18. (i) Examine whether the suppliers are eligible for composition levy under section 10 of the CGST Act, 2017 in the following independent cases in the beginning of the current financial year.

(a) Technology Enterprises, registered in Jalandhar, Punjab, is engaged in manufacturing computer systems. Its aggregate turnover in the preceding financial year is Rs. 125 lakh. Technology Enterprises supplies the computer systems manufactured by it within the State of Punjab only. With a view to expand its business operations, it will also start providing the repairing services of computer systems in the current financial year.

(b) M/s. Siddharth & Sons, registered in Delhi, owns a restaurant 'Tasty Foods' with a turnover of Rs. 112 lakh in the preceding financial year. In view of the growing customer demand, it will also start intra-State trading of beverages in Delhi.

(c) Sitaram Associates, registered in Sikkim, is engaged in running a food chain 'Veg Kitchen' in the State. It has a turnover of Rs. 73 lakh in the preceding financial year. In the current financial year, it decides to shut down the food chain owing to huge losses being incurred in the said business. Instead, it will start providing intra-State architect services.

(d) Deepti Services Ltd., registered in Uttarakhand, is exclusively providing hair styling services. It has turnover of Rs. 34 lakh in the preceding financial year.

Will your answer be different, if Deepti Services Ltd. also start supplying beauty products alongwith providing hair styling services in the current financial year?

(ii) Varun & Arun Associates started a partnership firm of architects in Bhopal (Madhya Pradesh) on 01.04.2025. The firm provides architecture services, in Madhya Pradesh. It provided the following details of its turnover:

April - June	July - Sept	Oct - Dec
20 lakh	30 lakh	20 lakh

The firm has obtained the registration under section 22 of the CGST Act, 2017 and pays tax under composition scheme. Determine the tax liability of Varun & Arun Associates for the quarters: Apr- Jun, Jul-Sept and Oct-Dec.

Note: The rates of tax on architectural services are CGST- 9% and SGST-9%.

Answer:

(i) As per section 10(1) of the CGST Act, 2017, the following registered persons, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay tax under composition levy:

- i. Manufacturer,
- ii. Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and
- iii. Any other supplier eligible for composition levy.

The composition scheme under sub-sections (1) and (2) of section 10 can essentially be availed in respect of goods and only one service namely, restaurant service. However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be.

Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.

Further, the registered person should not be engaged in making any inter-State outward supplies of goods.

Furthermore, newly inserted section 10(2A) of the CGST Act, 2017 provides an option to a registered person, who is not eligible to pay tax under section 10(1) and 10(2), of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto ₹ 50 lakh. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of ₹ 50 lakh, subject to specified conditions.

One of such condition is that the registered person should not be engaged in making any inter- State outward supplies of goods or services.

In view of the above-mentioned provisions, the answer to the given independent cases is as under:-

(a) The turnover limit for being eligible for composition scheme under sub- sections (1) and (2) of section 10 of the CGST Act, 2017 for Jalandhar (Punjab) is ₹ 1.5 crore in the preceding financial year. Thus, Technology Enterprises can opt for said composition scheme as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is making intra-State supplies. Further, since the registered person opting for composition scheme can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher. Thus, Technology Enterprises can supply repair services up to a value of ₹ 12.5 lakh [10% of ₹125 lakh] in the current financial year.

(b) In the given case:-

- (i) the turnover in the preceding year is less than the eligible turnover limit under composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 for Delhi, i.e. ₹ 1.5 crore.

(ii) the supplier is engaged in providing restaurant service which is an eligible supply under said composition scheme.

(iii) the supplier wants to engage in trading of goods which is also an eligible supply under said composition scheme.

Thus, M/s. Siddharth & Sons is eligible for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017.

(c) The turnover limit for being eligible for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 for Sikkim is ₹ 75 lakh in the preceding financial year. However, a registered person who is exclusively engaged in supplying services other than restaurant services are not eligible for said composition scheme. Thus, Sitaram Associates cannot opt for composition scheme under sub-sections (1) and (2) of section 10.

However, the benefit of composition scheme under section 10(2A) of the CGST Act, 2017 is available in case of a registered person who is not eligible to pay tax under sub-sections (1) and (2) of section 10 provided its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.

Thus, in view of the above-mentioned provisions, Sitaram Associates cannot avail the benefit of composition scheme under section 10(2A) also as its aggregate turnover in the preceding financial year is more than ₹ 50 lakh.

(d) A service provider can opt for the composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 only if he is engaged in supply of restaurant services. Said scheme permits supply of marginal services for a specified value, but only when the same are supplied along with goods and/ or restaurant service.

Since Deepti Services Ltd. is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme sub-sections (1) and (2) of section 10 even though its turnover in the preceding year is less than ₹ 75 lakh, the eligible turnover limit for Uttarakhand.

However, since Deepti Services Ltd. is not eligible to opt for composition scheme under sub-sections (1) and (2) of section 10 and its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh, Deepti Services Ltd. is entitled to avail benefit of composition scheme under section 10(2A) of the CGST Act, 2017 in the current financial year.

Further, the answer will remain the same even if Deepti Services Ltd. also start supplying beauty products along with providing hair styling services in the current financial year since it fulfils the conditions laid down for availing the benefit of composition scheme under section 10(2A) of the CGST Act. It can avail the benefit of composition scheme under section 10(2A) till the time its aggregate turnover in the current year doesn't exceed ₹ 50 lakh.

(ii) The composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 is available in case of goods and restaurant service. Further, marginal services upto specified limit can be provided along with the supply of goods or restaurant service, as the case may be. Since, in the given case, Varun & Arun Associates is supplying services other than restaurant services, it is not eligible to pay tax under sub-sections (1) and (2) of section 10. However, section 10(2A) of the CGST Act, 2017 provides an option to a registered person, who is not eligible to pay tax under sub-sections (1) and (2) of section 10, of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto ₹ 50 lakh. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of ₹ 50 lakh, subject to specified conditions.

In the given case, Varun & Arun Associates has started the supply of services in the current financial year. Therefore, its aggregate turnover in the preceding financial year is Nil. Consequently, it is eligible to avail the benefit of composition scheme under section 10(2A) of the CGST Act in the current financial year. It becomes eligible for the registration when its aggregate turnover exceeds ₹ 20 lakh. While registering under GST, it has to opt for composition scheme under section 10(2A).

For determining its turnover of the State for payment of tax under composition scheme for services, turnover of April-June quarter

[₹ 20 lakh] shall be excluded as the value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act are to be excluded for this purpose.

On next ₹ 30 lakh [turnover of July–Sept quarter], it shall pay tax @ 6% [3% CGST and 3% SGST], i.e. CGST ₹ 90,000 and SGST ₹ 90,000.

By the end of July–Sept quarter, its aggregate turnover reaches ₹ 50 lakh*.

Consequently, its option to avail composition scheme under section 10(2A) shall lapse by the end of July–Sept quarter and thereafter, it is required to pay tax at the normal rate. Thus, the tax payable for Oct–Dec quarter is ₹ 20 lakh × 9%, i.e. CGST - ₹ 1,80,000 and SGST - ₹ 1,80,000.

*Note - While computing aggregate turnover for determining Varun & Arun Associates' eligibility to pay tax under composition scheme, value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act (i.e. turnover of April–June quarter), are included.

Number Based Questions

Concept Tested: RCM + Exemption

19. XYZ Ltd., New Delhi, manufactures biscuits under the brand name 'Tastypicks'. Biscuits are supplied to wholesalers and distributors located across India on FOR basis from the warehouse of the company located at New Delhi. The company uses multiple modes of transport for supplying the biscuits to its customers spread across the country. The transportation cost is shown as a line item in the invoice and is billed to the customers with a mark-up of 2% on total amount of freight paid (inclusive of taxes).

Flour used for the production process is procured from vendors located in Madhya Pradesh on ex-factory basis. The company engages goods transport agencies (GTA) to transport the flour from the factories of the vendors to its factory located in New Delhi.

The company has provided the following data relating to transportation of biscuits and flour in the month of April 20XX:

- For sales within the NCR region (Rs. 20,00,000), the company arranged a local mini- van belonging to an individual and paid him Rs. 54,000.
- For sales to locations in distant States (Rs. 1,78,00,000), the company booked the goods by Indian Railways and paid rail freight of Rs. 3,17,000.
- For sales to locations in neighbouring States (Rs. 55,00,000), the company booked the goods by road carriers (GTAs) and paid road freight of Rs. 3,73,000. Out of the total sales to neighbouring States, goods worth Rs. 10,00,000 were booked through a GTA which paid tax @ 18%. Freight of Rs. 73,000 was paid to such GTA.
- For purchase of flour from Madhya Pradesh (Rs. 25,00,000), the company booked the goods by a GTA and paid road freight of Rs. 55,000.
- For purchase of butter from Punjab (Rs. 15,00,000), the company booked the goods by a GTA and paid road freight of Rs. 35,000.
- For local purchase of baking powder, the company booked the goods by a GTA in a single carriage and paid road freight of Rs. 1,500.
- For transferring the biscuits (open market value - Rs. 4,00,000) to one of its sister concern in Rajasthan, the company booked the goods by a GTA and paid road freight of Rs. 40,000.

(i) Based on the particulars given above, compute the GST payable on the amount paid for transportation by XYZ Ltd. when it avails the services of different transporters.

(ii) Compute the GST charged on transportation cost billed by the company to its customers.

Note: - Assume the rate of GST on transportation of goods and biscuits to be 5% and 18% respectively [except where any other rate is specified in the question].

(RTP NOV 18) (MTP MAY 19)

Answer:

(i) Computation of GST payable on amount paid for transportation by XYZ Ltd. when it avails the services of different transporters

Particulars	Freight	GST payable
Transportation of biscuits in a local mini van belonging to an individual [Only the transportation of goods by road by a GTA is liable to GST. Therefore, transportation of goods by road otherwise than by a GTA is exempt from GST - Notification No. 12/2017 CT (R) & 9/2017 IT (R) both dated 28.06.2017.]	54,000	Nil
Transportation of biscuits by GTA [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	3,00,000	15,000
Transportation of biscuits by GTA @ 18% [When the GTA pays tax @ 18%, tax is payable by the GTA under forward charge and not by the recipient under reverse charge - Notification No. 10/2017 IT (R) dated 28.06.2017.]	73,000	13,140
Transportation of biscuits by Indian Railways	3,17,000	15,850
Transportation of flour by GTA [Services provided by GTA by way of transport (in a goods carriage) of, inter alia, flour are exempt from GST vide Notification No. 9/2017 IT (R) dated 28.06.2017.]	55,000	Nil
Transportation of butter by GTA [Though services provided by GTA by way of transport (in a goods carriage) of, inter alia, milk is exempt from GST vide Notification No. 9/2017 IT (R) dated 28.06.2017, road transport of butter will not be exempted as butter is milk product and not milk. GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	35,000	1,750
Transportation of baking powder by GTA [Services provided by a GTA by way of transport in a goods carriage of goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed ₹ 1,500, are exempt from GST vide Notification No. 9/2017 IT (R) dated 28.06.2017.] This exemption is withdrawn	1,500	75

Transportation of biscuits by GTA to sister concern [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	40,000	<u>2,000</u>
Total tax payable by XYZ Ltd. on availing services of different transporters		47,815

(ii) Computation of GST charged on transportation cost billed by XYZ Ltd. to its customers Since XYZ Ltd. is supplying biscuit son FOR basis the service of transportation of biscuits gets bundled with the supply of biscuits. Thus, the supply of biscuits and transportation service is a composite supply, chargeable to tax at the rate applicable to the principal supply (biscuits) i.e., 18% [Section 8(a) of the CGST Act, 2017 read with the definition of 'composite supply' under section 2(30) of the CGST Act, 2017 and 'principal supply' under section 2(90) of the CGST Act, 2017].

Particulars	Freight paid [₹] [A]	GST paid on freight [₹] [B]	Freight billed (with mark-up @ 2% on [A] + [B]) [₹]	GST charged @ 18% [₹]
Transportation of biscuits in a local mini van belonging to an individual	54,000	-	55,080	9,914
Transportation of biscuits by Indian Railways	3,17,000	15,850	3,39,507	61,111
Transportation of biscuits by GTA	3,00,000	15,000	3,21,300	57,834
Transportation of biscuits by GTA @ 18%	73,000	13,140	87,863	15,011
Total tax charged by XYZ Ltd. on Transportation cost billed to the customers*				143,871

*Note: It has been assumed that there is no mark-up on transportation cost billed to sister concern (non-customer).

Concept Tested: RCM + Exemption

20. M/s All-in-One, a partnership concern and a registered supplier under GST, is engaged in providing various services under one roof. The concern provides the following information pertaining to supply made/input services availed by it during the month of March 2020:

	Particulars	Rs.
(i)	Provided Direct Selling Agent service to Y Bank Ltd.	4,00,000
(ii)	Provided security services to ABC P. Ltd., a registered person under GST	60,000
(iii)	Provided security services to PSR Trust, an unregistered person under GST	1,00,000
(iv)	Provided renting of motor vehicle to Amaze Tours Ltd. and supply value included cost of fuel	75,000
(v)	Provided renting of motor vehicle to Priti & Co., CA firm and supply value included cost of fuel	40,000
(vi)	Availed representational service from PB and Co., a law firm towards a Consumer Court case	70,000

Determine the GST liability of M/s All-in-One for the month of March, 2025 by giving necessary explanations for treatment of various items. Rate of tax for both inward and outward supply is CGST/SGST @ 9% each except renting a vehicle, for which CGST/SGST @ 2.5% each is applicable. M/s All-in-One commenced its business from February, 2025. All the supplies are intra-State only.

Answer:

GST liability of M/s All-in-One

	Particulars	Value	CGST payable	SGST payable
A.	GST liability on outward supply			
(i)	Direct selling agent service to Y Bank Ltd. [Tax is payable under forward charge since the supplier of such service is a partnership firm and not an individual.]	4,00,000	36,000 [4,00,000 x 9%]	36,000 [4,00,000 x 9%]
(ii)	Security services to ABC P. Ltd., a registered person [Tax is payable under reverse charge by the recipient since security services are provided by a non-body corporate to a registered person.]	-		
(iii)	Security services to PSR Trust, an unregistered person [Tax is payable under forward charge since security services are provided by a non-body corporate to an unregistered person.]	1,00,000	9,000 [1,00,000 x 9%]	9,000 [1,00,000 x 9%]
(iv)	Renting of motor vehicle to Amaze Tours Ltd. where value included cost of fuel [Tax is payable under reverse charge by recipient since such services are provided by a non-body corporate to a body corporate and GST is payable @ 5%.]	-		
(v)	Renting of motor vehicle to Priti & Co., CA firm, where supply value included cost of fuel [Tax is payable under forward charge since such services are provided by a non-body corporate to a non-body corporate.]	40,000	1,000 [40,000 x 2.5%]	1,000 [40,000 x 2.5%]
	Total GST liability on outward supplies		46,000	46,000
B.	GST liability on inward supplies under reverse charge			

(vi)	Availed representational service from PB and Co, a law firm [Legal services provided by a partnership firm of advocates/individual advocate other than a senior advocate to a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration, are exempt from GST. Since M/s All-in-One started its business in February 2020, its turnover in the preceding financial year is zero making it eligible for exemption from registration in the preceding financial year and hence, the legal services provided to it are exempt from GST.]	70,000	-	-
	GST liability on inward supplies under reverse charge		-	-

Concept Tested: Composition Scheme

21. B & D Company, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification. The firm supplies these products only in the eastern part of Maharashtra. All the procurements (both goods and services) of the firm are from the suppliers registered under regular scheme in the State of Maharashtra. The firm pays tax under composition scheme. B & D Company has furnished the following details with respect to its turnover (exclusive of taxes):

Particulars	Turnover for the quarter ended 30th June (Rs.)	Turnover for the quarter ended 30th September (Rs.)
'P'	60,00,000	50,00,000
'Q'	17,65,000	17,00,000

The extract of the only bill book maintained by the firm showed the following details

Bill No.	Date	Value of products (exclusive of taxes)		Total (Rs.)
		'P' (Rs.)	'Q' (Rs.)	
2306	1 st October	2,00,000	3,000	2,03,000
2307	1 st October	1,36,000	2,250	1,38,250
2308	2 nd October	67,000	39,250	1,06,250
2309	3 rd October	58,750	33,750	92,500
2310	5 th October	1,00,000	-	1,00,000
2311	6 th October	94,000	6,000	1,00,000

2312	6 th October	-	17,000	17,000
2313	8 th October	50,000	6,000	56,000
2314	9 th October	60,000	9,000	69,000
2315
.....

Further, B & D Company paid freight of Rs. 1,40,000 to Goods Transport Agency during the period April to October. Assume equal amount of freight is paid each month on the 10th day of each month. Also, assume that the goods for which the freight is paid on 10th day of the month are transported between 11th to 20th day of the month. All the above amounts are exclusive of taxes, wherever applicable. Compute the GST liability (ignoring ITC provisions) of B & D Company for the period April to October under composition scheme under sub-sections (1) and (2) of section 10 showing calculations for each quarter separately. Note: Make

suitable assumptions wherever required. Rate of CGST and SGST on service of transportation of goods by GTA is 2.5% each wherein GTA has not opted to pay tax itself. Stock is valued at cost price.

Answer:

As per section 10(3) read with Notification No.14/2019 CT dated 07.03.2019 as amended, the option availed by a registered person to pay tax under composition scheme under sub-sections (1) and (2) of section 10 shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds ₹ 1.5 crore [₹ 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir].

As per section 2(6), aggregate turnover means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same PAN, to be computed on all India basis but excludes CGST, SGST/UTGST, IGST and GST Compensation Cess. In the given case, the firm is registered under the composition scheme in the State of Maharashtra. The aggregate turnover of the firm exceeds ₹ 1.5 crore on 3rd October [aggregate of both taxable and exempt turnover from 1st April to 3rd October, i.e. ₹ 1,50,05,000 (₹ 1,44,65,000 + ₹ 2,03,000 + ₹ 1,38,250 + ₹ 1,06,250 + ₹ 92,500)]

The inward supplies of goods transportation services in respect of which the firm has to pay tax under reverse charge have not been included in the aggregate turnover in terms of section 2(6). The tax is payable under reverse charge on such services as the applicable rate of tax on such services is given as 5% and not 12%, in which case the GTA would have been liable to pay tax under forward charge [Notification No. 13/2017 CT (R) dated 28.06.2017 as amended].

Thus, the firm will have to pay tax under regular scheme (Section 9) from 3rd October.

Output tax liability of B & D Company under composition scheme

During the period when the firm pays tax under composition scheme, i.e. from 1st April to 2nd October, tax will be payable on quarterly basis and no ITC will be available [Section 10(4) read with sub-sections (2) and (7) of section 39].

Further, since the firm is trading in goods, tax will be payable @

½% [Effective rate - 1% (½% CGST + ½% SGST)] of the turnover of taxable supplies of goods and services (i.e. 'P') in the State [Section 10(1) read with rule 7].

The tax liability for the quarters ended June, September and December under composition scheme will be computed as under:

Particulars	Quarter ended 30th June (₹)	Quarter ended 30th September (₹)	Quarter ended 31st December (₹)
Turnover of 'P' (Taxable supplies)	60,00,000	50,00,000	4,03,000 [2,00,000 + 1,36,000 + 67,000]
CGST @ 0.5% [A1]	30,000	25,000	2,015
SGST @ 0.5% [B1]	30,000	25,000	2,015
Inward supply on which tax is payable under reverse charge [Service of goods transportation availed from a GTA @ 5%]	60,000 [(1,40,000/7) x 3]	60,000 [(1,40,000/7) x 3]	Nil [Paid on 10th day for goods transported between 11th to 20th day of the month, so the same will be assessed under regular scheme.]
CGST @ 2.5% [A2]	1,500	1,500	-
SGST @ 2.5% [B2]	1,500	1,500	-
Total CGST [A1 + A2]	31,500	26,500	2,015
Total SGST [B1 + B2]	31,500	26,500	2,015
Total CGST liability for the period from 1st April to 2nd October		60,015 [31,500 + 26,500 + 2015]	
Total SGST liability for the period from 1st April to 2nd October		60,015 [31,500 + 26,500 + 2015]	

Concept Tested: Composition Scheme

22. Mr. Yash, doing business in the State of Kerala, commenced his business in the month of April and provides the following further information.

(i) His intra-State turnover for the first two quarters was as follows:

April - June - Rs. 20 lakh

July - September - Rs. 100 lakh

(ii) In each of the quarters, exempt supply made by him was 25% of the total turnover for the said quarter.

(iii) Since the product supplied by him was eligible for composition scheme, he opted for registration under composition scheme with effect from 1st July.

You are required to compute the tax payable by Mr. Yash under GST law from the above information:

(i) If he is a manufacturer

(ii) If he is a trader.

Answer:

As per section 10 read with rule 7, a registered person opting for composition levy for goods pays tax at the rates mentioned below during the current FY, in lieu of the tax payable by him under regular scheme:

Manufacturers, other than manufacturers of noticed goods	1% (½% CGST+ ½% SGST/UTGST) of the turnover in the State/ Union territory
Trader	1% (½% CGST+ ½% SGST/UTGST) of turnover of taxable supplies of goods & services in the State/ Union territory

Turnover prior to getting registered will not be considered for determining the turnover in a State/Union Territory.

(i) If Mr. Yash is a manufacturer

$$\text{CGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

$$\text{SGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

(ii) If Mr. Yash is a trader

$$\text{CGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$

$$\text{SGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$

Concept Tested: Composition Scheme

23. Mr. X, a trader dealing exclusively in supply of goods and paying tax under normal scheme (also eligible for composition scheme), submit the following details for coming financial year 2023-24. You are required to determine which scheme will be more beneficial to him and whether Mr. X should opt for composition scheme. Estimated data for coming financial year 2023-24 are as follows:

Particular	Amount (Rs.)
Inward supplies of goods from registered suppliers (amount exclusive of GST and goods chargeable to normal rate of GST @12%)	70,00,000
Outward supplies of goods to unregistered customers (sale price of goods inclusive of GST) – Normal Rate of GST is @12%	90,00,000

Other information is as given below:

- (i) Inherent nature expenses Rs. 4,50,000 per year under both the schemes.
- (ii) Books of account maintenance cost under normal scheme Rs. 2,00,000 yearly whereas under composition scheme it will be Rs. 75,000 yearly.
- (iii) Return filing expenses under normal scheme Rs. 48,000 yearly whereas under composition scheme it will be Rs. 12,000 yearly.

(4 Marks)

Answer:

Particulars	Composition scheme (Rs.)	Regular scheme (Rs.)
Tax payable under GST law	90,000 [Rs. 90,00,000 × 1%]	9,64,286 [Rs. 80,35,714* × 12%]
Less: ITC on inward supplies	A person opting for composition scheme is not entitled to any ITC.	<u>8,40,000</u> [Rs. 70,00,000 × 12%]
Net amount payable under GST law	90,000 [Forms part of cost]	1,24,286
Inherent expenses	4,50,000	4,50,000
Add: Books of accounts maintenance cost	75,000	2,00,000
Add: Return filing expenses	12,000	48,000
Add: Cost of inward supplies	<u>78,40,000</u>	<u>70,00,000</u>
Total cost involved	<u>84,67,000</u>	<u>76,98,000</u>
Sale Proceeds	<u>90,00,000</u>	<u>80,35,714</u>
Profit Margin (Sale proceeds Less Total Cost)	<u>5,33,000</u>	<u>3,37,714</u>

Thus, it can be concluded that Mr. X should opt for composition scheme for FY 2023-24 as it is more beneficial for him.

*Note-Outward supplies excluding GST = Rs. 80,35,714.29 (Rs. 90,00,000 × 100/112)

3

PLACE OF SUPPLY

1. M/s Fair Engineering Consultants, located and registered under GST in Gurugram, Haryana, provided architectural services to Mahal India Ltd., located and registered under GST in Mumbai, Maharashtra, for its hotel to be constructed on land situated in Dubai. Determine the place of supply of architectural services provided by M/s Fair Engineering Consultants to Mahal India Ltd.:
- (a) Gurugram, Haryana
 - (b) Mumbai, Maharashtra
 - (c) Dubai
 - (d) Either Maharashtra or Dubai, at the option of the recipient (1 Mark March 22)

Answer: (b) S. 12(3) place of supply is location of recipient if the immovable property is situated outside India

Theory

2. Explain the significance of the place of supply of goods and services under GST.

Answer:

The basic principle of GST is that it should effectively tax the consumption of such supplies at the destination thereof or as the case may be at the point of consumption. So, place of supply provision determines the place i.e. taxable jurisdiction where the tax should reach. The place of supply determines whether a transaction is intra-state or inter-state. In other words, the place of supply of goods or services is required to determine whether a supply is subject to SGST plus CGST in a given State or union territory or else would attract IGST if it is an inter-state supply.

Practical Theory

3. M/s Kingsize Airlines has issued a ticket/pass to Mr. Saxena, the winner of annual lucky draw, for travelling to anywhere in India. Determine the place of supply in this case.

Answer:

As per section 12(9) of the IGST Act, 2017, the place of supply of passenger transportation service to a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey. In the above case, the place of embarkation will not be available at the time of issue of invoice as the right to passage is for future use. Accordingly, place of supply cannot be the place of embarkation.

The proviso to section 12(9) provides that where the right to passage is given for future use and the point of embarkation is not known at the time of issue of right to passage, the place of supply of such service shall be determined in accordance with the provisions of 12(2). Thus, in such cases, the default rule shall apply i.e., the place of supply of services made to any person other than a registered person shall be the location of the recipient where the address on record exists and the location of the supplier of services in other cases.

4. The place of supply in relation to immovable property is the location of immovable property. Suppose a road is constructed from Delhi to Mumbai covering multiple states. What will be the place of supply of construction services? (MTP NOV 2019)

Answer:

Where the immovable property is located in more than one State, the supply of service is treated as made in each of the States in proportion to the value for services separately collected or determined, in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other reasonable basis as may be prescribed in this behalf [Explanation to section 12(3) for domestic supplies].

In the absence of a contract or agreement between the supplier and recipient of services in this regard, the proportionate value of services supplied in different States/Union territories (where the immovable property is located) is computed on the basis of the area of the immovable property lying in each State/ Union territories [Rule 4 of the IGST Rules].

5. XY Ltd. (registered in Rajasthan) received legal services from an attorney in UK (unrelated person) in relation to registration of a trademark in UK. A consideration of £ 8,000 was paid by the company to the attorney in UK. Determine the place of supply for the service and suggest if XY Ltd. is required to pay tax under reverse charge on this transaction.

Answer:

In the given case, the service provider is outside India, and the service recipient is in India. Thus, the place of supply will be determined on the basis of the provisions of section 13. Since the given service does not get covered under any of the specific provisions of section 13, the place of supply thereof will be governed by the general rule, i.e. place of supply of services will be the location of the recipient of service, which in this case is Rajasthan (India). Further, the given case is import of service in terms of section 2(11) as the supplier of service is located outside India, the recipient of service is in India and the place of supply of service is in India. Since the services are imported for a consideration from an unrelated person, the same tantamount to supply in terms of section 7(1)(b) of CGST Act and are liable to GST.

As per reverse charge Notification No. 10/2017 IT(R) dated 28.06.2017, if a service is supplied by a person located in a non- taxable territory to a person located in the taxable territory, other than non- taxable online recipient, the tax is payable by the recipient of service under reverse charge. Therefore, XY Ltd. will pay GST under reverse charge on £ 8000 paid by it to the attorney in UK.

6. Damani Industries has recruited Super Events Pvt. Ltd., an event management company of Gujarat, for organising the grand party for the launch of its new product at Bangalore. Damani Industries is registered in Mumbai. Determine the place of supply of the services provided by Super Events Pvt. Ltd. to Damani Industries. Will your answer be different if the product launch party is organised at Dubai?

Answer:

Section 12(7)(a)(i) stipulates that when service by way of organization of an event is provided to a registered person, place of supply is the location of recipient.

Since, in the given case, the product launch party at Bangalore is organized for Damani Industries (registered in Mumbai), place of supply is the location of Damani Industries, i.e. Mumbai, Maharashtra.

In case the product launch party is organised at Dubai, the answer will remain the same, i.e. the place of supply is the location of recipient (Damani Industries)- Mumbai, Maharashtra.

7. Musicera Pvt. Ltd. owned by Nitish Daani - a famous classical singer - wishes to organise a 'Nitish Daani Music Concert' in Gurugram (Haryana). Musicera Pvt. Ltd. (registered in Ludhiana, Punjab) enters into a contract with an event management company, Supriya (P) Ltd. (registered in Delhi) for organising the said music concert at an agreed consideration of Rs. 10,00,000. Supriya (P) Ltd. Books the lawns of Hotel Dumdum, Gurugram (registered in Haryana) for holding the music concert, for a lump sum consideration of Rs. 4,00,000. Musicera Pvt. Ltd. fixes the entry fee to the music concert at Rs. 5,000. 400 tickets for 'Nitish Daani Music Concert' are sold.

You are required to determine the CGST and SGST or IGST liability, as the case may be, in respect of the supply(ies) involved in the given scenario.

Will your answer be different if the price per ticket is fixed at Rs. 450? Note: Rate of CGST and SGST is 9% each and IGST is 18%. All the amounts given above are exclusive of taxes, wherever applicable. (RTP NOV 2018)

Answer:

In the given situation, three supplies are involved:

- (i) Services provided by Musicera Pvt. Ltd. to audiences by way of admission to music concert.
- (ii) Services provided by Supriya (P) Ltd. to Musicera Pvt. Ltd. by way of organising the music concert.
- (iii) Services provided by Hotel Dumdum to Supriya (P) Ltd. by way of accommodation in the Hotel lawns for organising the music concert.

The CGST and SGST or IGST liability in respect of each of the above supplies is determined as under:

- (i) As per the provisions of section 12(6), the place of supply of services provided by way of admission to, inter alia, a cultural event shall be the place where the event is actually held.

Therefore, the place of supply of services supplied by Musicera Pvt. Ltd. (Ludhiana, Punjab) to audiences by way of admission to the music concert is the location of the Hotel Dumdum, i.e. Gurugram, Haryana. Since the location of the supplier (Ludhiana, Punjab) and the place of supply (Gurugram, Haryana) are in different States, IGST will be leviable. Therefore, IGST leviable will be computed as follows: Consideration for supply (400 tickets @ Rs.5,000 per ticket) = Rs. 20,00,000 IGST @ 18% on value of supply = Rs. 20,00,000 x 18% = Rs. 3,60,000.

- (ii) Section 12(7)(a)(i) stipulates that the place of supply of services provided by way of organization of, inter alia, a cultural event to a registered person is the location of such person.

Therefore, the place of supply of services supplied by Supriya (P) Ltd. (Delhi) to Musicera Pvt. Ltd. (Ludhiana, Punjab) by way of organising the music concert is the location of the recipient, i.e. Ludhiana (Punjab).

Since the location of the supplier (Delhi) and the place of supply (Ludhiana, Punjab) are in different States, IGST will be leviable. Therefore, IGST leviable will be computed as follows:

Consideration for supply = Rs. 10,00,000

IGST @ 18% on value of supply = Rs. 10,00,000 x 18% = Rs. 1,80,000

- (iii) As per the provisions of section 12(3)(c) of the IGST Act, 2017, the place of supply of services, by way of accommodation in any immovable property for organizing, inter alia, any cultural function shall be the location at which the immovable property is located. Therefore, the place of supply of services supplied by Hotel Dumdum (Gurugram, Haryana) to Supriya (P) Ltd. (Delhi) by way of accommodation in Hotel lawns for organising the music concert shall be the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

Since the location of the supplier (Gurugram, Haryana) and the place of supply (Gurugram, Haryana) are in the same State, CGST and SGST will be leviable. Therefore, CGST and SGST leviable will be computed as follows:

Consideration for supply = Rs. 4,00,000 CGST @ 9% on value of supply = Rs. 4,00,000 x 9% = Rs. 36,000 SGST @ 9% on value of supply = Rs. 4,00,000 x 9% = Rs. 36,000

If the price for the entry ticket is fixed at Rs. 450, answer will change in respect of supply of service provided by way of admission

to music concert, as mentioned in point (i) above. There will be no IGST liability if the consideration for the ticket is Rs. 450 as the inter-State services by way of right to admission to, inter alia, musical performance are exempt from IGST vide Notification No. 9/2017 IT (R) dated 28.06.2017, if the consideration for right to admission to the event is not more than Rs. 500 per person. However, there will be no change in the answer in respect of supplies mentioned in point (ii) and (iii) above.

- 8. RST Inc., a corn chips manufacturing company based in USA, intends to launch its products in India. However, the company wishes to know the taste and sensibilities of Indians before launching its products in India. For this purpose, RST Inc. has approached ABC Consultants, Mumbai, (Maharashtra) to carry out a survey in India to enable it to make changes, if any, in its products to suit Indian taste. The survey is to be solely based on the oral replies of the surveyees; they will not be provided any sample by RST Inc. to taste. ABC Consultants will be paid in convertible foreign exchange for the assignment. With reference to the provisions of GST law, determine the place of supply of the service. Also, explain whether the said supply will amount to export of service? (MTP JULY 2021) (MTP MAY 2020)**

Answer:

As per section 13(2), in case where the location of the supplier of services or the location of the recipient of services is outside India, the place of supply of services except the services specified in sub-sections (3) to (13) shall be the location of the recipient of services. Sub-sections (3) to (13) provide the mechanism to determine the place of supply in certain specific situations.

The given case does not fall under any of such specific situations and thus, the place of supply in this case will be determined under sub-section (2) of section 13. Thus, the place of supply of services in this case is the location of recipient of services, i.e. USA.

As per section 2(6), export of services means the supply of any service when,-

- (a) the supplier of service is located in India;
- (b) the recipient of service is located outside India;
- (c) the place of supply of service is outside India;
- (d) the payment for such service has been received by the supplier of service in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and
- (e) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8.

Since all the above five conditions are fulfilled in the given case, the same will be considered as an export of service.

- 9. ABC Pvt. Ltd., New Delhi, provides support services to foreign customers in relation to procuring goods from India. The company identifies the prospective vendor, reviews product quality and pricing and then shares the vendor details with the foreign customer.**

The foreign customer then directly places purchase order on the Indian vendor for purchase of the specified goods. ABC Pvt. Ltd. charges its foreign customer cost plus 10% mark up for services provided by it. The company has charged US \$ 1,00,000 (exclusive of GST) to its foreign customer for the services provided by it. With reference to the provisions of GST law, examine whether the said supply will amount to export of service?

Answer:

Section 2(13) defines "intermediary" to mean a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his own account.

In this case, since ABC Pvt. Ltd. is arranging or facilitating supply of goods between the foreign customer and the Indian vendor, the said services can be classified as intermediary services.

If the location of the supplier of services or the location of the recipient of service is outside India, the place of supply is determined in terms of section 13. Since, in the given case, the recipient of supply is located outside India, the provisions of supply of intermediary services will be determined in terms of section 13.

As per section 13(8)(b), the place of supply in case of intermediary services is the location of the supplier, i.e. the location of ABC Pvt. Ltd. which is New Delhi.

As per section 2(6) of the IGST Act, 2017, export of services means the supply of any service when,-

- (a) the supplier of service is located in India;
- (b) the recipient of service is located outside India;
- (c) the place of supply of service is outside India;
- (d) the payment for such service has been received by the supplier of service in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and
- (e) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8.

Since, in the given case, place of supply is in India, this transaction does not tantamount to export of service.

Exam Tip: Provision for the intermediary is amended for Sep 26 Exam onwards and the place of supply will be as per general provisions. Suggest the learners to review the answer accordingly or refer to our lectures for Sep 26 Amendments

10. Mr. Murthy, an unregistered person and a resident of Pune, Maharashtra hires the services of Sun Ltd. an event management company registered in Delhi, for organising of the new product launch in Bengaluru, Karnataka.

- (i) Determine the place of supply of services provided by Sun Ltd.
- (ii) What would be your answer if the product launch takes place in Bangkok?
- (iii) What would be your answer if Mr. Murthy is a registered person and product launch takes place in-
 - (a) Bengaluru
 - (b) Bangkok?

(PAST EXAM MAY 2018) (MTP JULY 2021) (MTP NOV 2018)

Answer:

As per section 12(7)(a)(ii), when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient.

Since, in the given case, the service recipient [Mr. Murthy] is unregistered and event is held in India, place of supply is the location where the event is actually held, i.e. Bengaluru, Karnataka. The location of the supplier and the location of the recipient is irrelevant in this case.

However, if product launch takes place outside India [Bangkok], the place of supply will be the location of recipient, i.e. Pune, Maharashtra.

When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient vide

section 12(7)(a)(i).

Therefore, if Mr. Murthy is a registered person, then in both the cases, i.e. either when product launch takes place in Bengaluru or Bangkok, the place of supply will be the location of recipient, i.e. Pune, Maharashtra.

11. Mr. Mahendra Goyal, an interior decorator provides professional services to Mr. Harish Jain in relation to two of his immovable properties.

Determine the place of supply in the transactions below as per provisions of GST law in the following independent situations:

Case	Location of Mr. Mahendra Goyal	Location of Mr. Harish Jain	Property situated at
I	Delhi	Maharashtra	New York (USA)
II	Delhi	New York	Paris (France)

Explain the relevant provisions of law to support your conclusions. (PAST EXAM MAY 2018)

Answer:

Case I

As per section 12(3), where both the service provider and the service recipient are located in India, the place of supply of services directly in relation to an immovable property, including services provided by

interior decorators is the location of the immovable property. However, if the immovable property is located outside India, the place of supply is the location of the recipient.

Since in the given case, both the service provider (Mr. Mahendra Goyal) and the service recipient (Mr. Harish Jain) are located in India and the immovable property is located outside India (New York), the place of supply will be the location of recipient, i.e. Maharashtra.

Case II

As per section 13(4), where either the service provider or the service recipient is located outside India, the place of supply of services directly in relation to an immovable property including services of interior decorators is the location of the immovable property.

Since in the given case, service provider (Mr. Mahendra Goyal) is located in India and service recipient (Mr. Harish Jain) is located outside India (New York), the place of supply will be the location of immovable property, i.e. Paris (France).

12. Determine the place of supply for the following independent cases:

(i) **Grand Gala Events, an event management company at Kolkata, organizes two award functions for Narayan Jewellers of Chennai (Registered in Chennai, Tamil Nadu) at New Delhi and at Singapore.**

(ii) **Perfect Planners (Bengaluru, Karnataka) is hired by Dr. Kelvin (unregistered person based in Kochi, Kerala) to plan and organise his son's wedding at Mumbai, Maharashtra.**

Will your answer be different if the wedding is to take place in Malaysia?

Answer:

(i) When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient in terms of section 12(7)(a)(i).

Since, in the given case, the award functions at New Delhi and Singapore are organized for Narayan Jewellers (registered in Chennai), place of supply in both the cases is the location of Narayan Jewellers, i.e. Chennai, Tamil Nadu.

(ii) As per section 12(7)(a)(ii), when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient.

Since, in the given case, the service recipient [Dr. Kelvin] is unregistered and event is held in India, place of supply is the location where the event is actually held, i.e. Mumbai, Maharashtra.

However, if the wedding is to take place outside India [Malaysia], the place of supply is the location of recipient, i.e. Kochi, Kerala.

13. Priyank Sales of Pune, Maharashtra enters into an agreement to sell goods to Bisht Enterprises of Bareilly, Uttar Pradesh. While the goods were being packed in Pune godown of Priyank Sales, Bisht got an order from Sahil Pvt. Ltd. of Shimoga, Karnataka for the said goods. Bisht Enterprises agreed to supply the said goods to Sahil Pvt. Ltd. and asked Priyank Sales to deliver the goods to Sahil Pvt. Ltd. at Shimoga. You are required to determine the place of supply(ies) in the above situation. (RTP NOV 2019)

Answer:

The supply between Priyank Sales (Pune) and Bisht Enterprises (Bareilly) is a bill to ship to supply where the goods are delivered by the supplier [Priyank Sales] to a recipient [Sahil Pvt. Ltd. (Shimoga)] or any other person on the direction of a third person [Bisht Enterprises]. The place of supply in case of domestic bill to ship to supply of goods is determined in terms of section 10(1)(b).

As per section 10(1)(b), where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person.

Thus, in the given case, it is deemed that the Bisht Enterprises has received the goods and the place of supply of such goods is the principal place of business of Bisht Enterprises. Accordingly, the place of supply between Priyank Sales (Pune) and Bisht Enterprises (Bareilly) will be Bareilly, Uttar Pradesh.

This situation involves another supply between Bisht Enterprises (Bareilly) and Sahil Pvt. Ltd. (Shimoga). The place of supply in this case will be determined in terms of section 10(1)(a).

Section 10(1)(a) stipulates that where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

Thus, the place of supply in second case is the location of the goods at the time when the movement of goods terminates for delivery to the recipient (Sahil Pvt. Ltd.), i.e. Shimoga, Karnataka.

14. Asha Enterprises, supplier of sewing machines, is located in Kota (Rajasthan) and registered for purpose of GST in the said State. It receives an order from Deep Traders, located in Jalandhar (Punjab) and registered for the purpose of GST in the said State. The order is for the supply of 100 sewing machines with an instruction to ship the sewing machines to Jyoti Sons, located in Patiala (Punjab) and registered in the said State for purpose of GST. Jyoti Sons is a customer of Deep Traders. Sewing machines are being shipped in a lorry by Asha Enterprises.

Briefly explain the following:

a) the place of supply;

b) the nature of supply:- whether inter-State or intra-State and whether CGST/SGST or IGST would be

applicable in this case.

Answer:

The supply between Asha Enterprises (Kota, Rajasthan) and Deep Traders (Jalandhar, Punjab) is a bill to ship to supply where the goods are delivered by the supplier [Asha Enterprises] to a recipient [Jyoti Sons (Patiala, Punjab)] on the direction of a third person [Deep Traders].

In case of such supply, it is deemed that the said third person has received the goods and the place of supply of such goods is the principal place of business of such person [Section 10(1)(b)]. Thus, the place of supply between Asha Enterprises (Rajasthan) and Deep Traders (Punjab) will be Jalandhar, Punjab.

Since the location of supplier and the place of supply are in two different States, the supply is an inter-State supply in terms of section 7, liable to IGST.

This situation involves another supply between Deep Traders (Jalandhar, Punjab) and Jyoti Sons (Patiala, Punjab). In this case, since the supply involves movement of goods, place of supply will

be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, i.e. Patiala, Punjab [Section 10(1)(a)].

Since the location of supplier and the place of supply are in the same State, the supply is an intra-State supply in terms of section 8, liable to CGST and SGST.

15. Raman Row, a registered supplier under GST in Mumbai, Maharashtra is directed by Nero Enterprises, Kolkata, West Bengal to deliver goods valued at ₹ 12,00,000 to Fabricana of Aurangabad in Maharashtra.

Raman Row makes out an invoice at 9% tax rate under CGST and SGST respectively (scheduled rate) and delivers it locally in Maharashtra. Discuss and comment on the above levy of tax and determine the tax liability of goods in the above circumstances.

(MTP NOV 2020)

Answer:

The supply between Raman Row (Mumbai, Maharashtra) and Nero Enterprises (Kolkata, West Bengal) is a bill to ship to supply where the goods are delivered by the supplier [Raman Row] to a recipient [Fabricana (Aurangabad, Maharashtra)] or any other person on the direction of a third person [Nero Enterprises]. In such a case, it is deemed that the said third person has received the goods and the place of supply of such goods is the principal place of business of such person [Section 10(1)(b) of IGST Act, 2017].

Accordingly, the place of supply between Raman Row (Mumbai, Maharashtra) and Nero Enterprises (Kolkata, West Bengal) will be Kolkata and thus, it will be an inter-State supply liable to IGST. Hence, Raman Row should charge 18% IGST on ₹ 12,00,000, which comes out to ₹ 2,16,000.

This situation involves another supply between Nero Enterprises (Kolkata, West Bengal) and Fabricana (Aurangabad, Maharashtra).

The place of supply in this case will be the location of the goods at the time when the movement of goods terminates for delivery to the recipient i.e., Aurangabad, Maharashtra in terms of section 10(1)(a) of IGST Act, 2017. Thus, being an inter-State supply, the same will also be chargeable to IGST

16. Parth of Pune, Maharashtra enters into an agreement to sell goods to Bakul of Bareilly, Uttar Pradesh. While the goods were being packed in Pune godown of Parth, Bakul got an order from Shreyas of Shimoga, Karnataka for the said goods. Bakul agreed to supply the said goods to Shreyas and asked Parth to deliver the goods to Shreyas at Shimoga. You are

required to determine the place of supply(ies) in the above situation. (RTP NOV 2018)

Answer:

The supply between Parth (Pune) and Bakul (Bareilly) is a bill to ship to supply where the goods are delivered by the supplier [Parth] to a recipient [Shreyas (Shimoga)] or any other person on the direction of a third person [Bakul]. The place of supply in case of bill to ship to supply of goods is determined in terms of section 10(1)(b) of IGST Act, 2017. As per section 10(1)(b) of IGST Act, 2017, where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person.

Thus, in the given case, it is deemed that the Bakul has received the goods and the place of supply of such goods is the principal place of business of Bakul. Accordingly, the place of supply between Parth (Pune) and Bakul (Bareilly) will be Bareilly, Uttar Pradesh. This situation involves another supply between Bakul (Bareilly) and Shreyas (Shimoga). The place of supply in this case will be determined in terms of section 10(1)(a) of IGST Act, 2017. Section 10(1)(a) of IGST Act, 2017 stipulates that where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

Thus, the place of supply in second case is the location of the goods at the time when the movement of goods terminates for delivery to the recipient (Shreyas) i.e., Shimoga, Karnataka.

17. 'PQ', a statutory body, deals with the all the advertisement and publicity of the Government. It has issued a release order to 'Moon Plus' channel (registered in State 'A') for telecasting an advertisement relating to one of the schemes of the Government in the month of September 20XX. The advertisement will be telecasted in the States of 'A', 'B', 'C', 'D' and 'E'. The total value of the service contract entered into between 'Moon Plus' and 'PQ' is ₹ 10,00,000 (exclusive of GST). You are required to determine the place of supply of the services in the instant case as also the value of supply attributable to the States of 'A', 'B', 'C', 'D' and 'E'. Further, compute the GST liability [CGST & SGST or IGST, as the case may be] of 'Moon Plus' as also advise it as to whether it should issue one invoice for the entire contract value or separate State-wise invoices. The other relevant information is given hereunder: (RTP MAY 2020)

Table 1

States	Viewership Efigures of 'Moon Plus' Channel in the last week of June 20XX as provid ed by the Broadcast Audience Research Council
A	50,000
B + C	1,00,000
D + E	50,000

Table 2

States	Population as per latest census (in
A	50
B	180

C	20
D	100
E	25

The applicable rate of tax is as under:

CGST 9% SGST 9% IGST 18%

Answer:

As per section 12(14) of the IGST Act, 2017, the place of supply of advertisement services to the Central Government, a State Government, a statutory body or a local authority meant for the States or Union territories identified in the contract or agreement is taken as being in each of such States or Union territories (where the advertisement is broadcasted/ run /played/disseminated). Therefore, in the given case, the place of supply of advertisement service is in the States of 'A', 'B', 'C', 'D' and 'E'.

The value of the supply of such advertisement services specific to each State/Union territory is in proportion to the amount attributable to the services provided by way of dissemination in the respective States/Union territories determined in terms of the contract or agreement entered into in this regard.

In the absence of such a contract or agreement between the supplier and recipient of services, the proportionate value of advertisement services attributable to different States/Union territories (where the advertisement is broadcasted/run/played/disseminated) is computed in accordance with rule 3 of the IGST Rules, 2017.

As per rule 3(f) of the IGST Rules, 2017, in the case of advertisement on television channels, the amount attributable to the value of advertisement service disseminated in a State shall be calculated on the basis of the viewership of such channel in such State, which in turn, shall be calculated in the following manner, namely: -

- (i) the channel viewership figures for that channel for a State or Union territory shall be taken from the figures published in this regard by the Broadcast Audience Research Council;
- (ii) the figures published for the last week of a given quarter shall be used for calculating viewership for the succeeding quarter;
- (iii) where such channel viewership figures relate to a region comprising of more than one State or Union territory, the viewership figures for a State or Union territory of that region, shall be calculated by applying the ratio of the populations of that State or Union territory, as determined in the latest Census, to such viewership figures;
- (iv) the ratio of the viewership figures for each State or Union territory as so calculated, when applied to the amount payable for that service, shall represent the portion of the value attributable to the dissemination in that State or Union territory. Therefore, value of supply attributable to 'A', 'B', 'C', 'D' and 'E', will computed as under:

States	Viewership figures of 'Moon Plus' channel as provided by the Broadcast Audience	Viewership ratio of 'Moon Plus' channel in the States 'A', ('B' + 'C') and ('D' + 'E')	Proportionate value of advertisement services for States
A	50,000	50,000: 1,00,000:	$10,00,000 \times 1/4 = 2,50,000$
B + C	1,00,000	50,000 = 1:2:1	$10,00,000 \times 2/4 = 5,00,000$

D + E	50,000		$10,00,000 \times 1/4 = 2,50,000$
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State s	Population as per latest	Population ratio in the States 'B' & 'C' and 'D' & 'E'	Proportionate value of advertisement services in the States 'A', 'B', 'C', 'D' & 'E'
A	50		2,50,000
B	180	B:C = 180:20 = 9:1	$5,00,000 \times 9/ 10 = 4,50,000$
c	20		$5,00,000 \times 1/ 10 = 50,000$
D	100	D:E = 100:25 = 4:1	$2,50,000 \times 4/5 = 2,00,000$
E	25		$2,50,000 \times 1/ 5 = 50,000$

Since there are five different places of supply in the given case, 'Moon Plus' channel will have to issue five separate invoices for each of the States namely, 'A', 'B', 'C', 'D' & 'E' indicating the value pertaining to that State. The GST liability of 'Moon Plus' channel will, therefore, be worked out as under:

Computation of GST liability of 'Moon Plus'

States	Proportionate value of	CGST @ 9%	SGST @ 9%	IGST @18"/o
A	2,50,000	22,500	22,500	
B	4.50,000			81,000
c	50,000			9,000
D	2.00,000			36,000
E	50,000			9,000

Only in case of supply of services in State 'A', the location of supplier (State 'A') and the place of supply are in the same State, hence the same is an intra-State supply in terms of section 8(1) of the IGST Act, 2017 and is thus, liable to CGST and SGST. In all the remaining cases of supply of services, the location of the supplier (State 'A') and the places of supply (States 'B', 'C', 'D' & 'E') are in two different States, hence the same are inter-State supplies liable to IGST [Section 7(1)(a) of the IGST Act, 2017 read with section 5(1) of that Act].

18. Determine the place of supply in the following independent cases: (RTP JULY 2021)

- (i) Mr. Sahukaar (New Delhi) boards the New Delhi-Kota train at New Delhi. Mr. Sahukaar sells the goods taken on board by him (at New Delhi), in the train, at Jaipur during the journey.
- (ii) Vidhyut Pvt. Ltd. imports electric food processors from China for its Kitchen Store in Noida, Uttar Pradesh. Vidhyut Pvt. Ltd. is registered in Uttar Pradesh.
- (iii) Mr. Aatmaram, a manager in a Bank, is transferred from Bareilly, Uttar Pradesh to Bhopal, Madhya Pradesh. Mr. Aatmaram's family is stationed in Kanpur, Uttar Pradesh. He hires Gokul Carriers of Lucknow, Uttar Pradesh (registered in Uttar Pradesh), to transport his household goods from Kanpur to Bhopal.
- (iv) Bholunath, a resident of New Delhi, opens his saving account in New Delhi branch of Best Bank after undergoing the

KYC process. He goes to Amritsar for some official work and withdraws money from Best Bank's ATM in Amritsar thereby crossing his limit of free ATM withdrawals.

- (v) Mr. Chakmak, an architect (New Delhi), enters into a contract with Mr. Zeeshaan of New York to provide professional services in respect of immovable properties of Mr. Zeeshaan located in Pune and New York.

Answer:

- (i) Section 10(1)(e) of the IGST Act, 2017 lays down that place of supply of goods supplied on board a conveyance like aircraft, train, vessel, or a motor vehicle, is the location where such goods have been taken on board. Thus, in the given case, the place of supply of the goods sold by Mr. Sahukaar is the location at which the goods are taken on board, i.e. New Delhi and not Jaipur where they have been sold.
- (ii) As per section 11(a) of the IGST Act 2017, if the goods have been imported in India, the place of supply of goods is the place where the importer is located. Thus, in the present case, the place of supply of the goods imported by Vidhyut Pvt. Ltd. is Noida, Uttar Pradesh.
- (iii) As per section 12(8) of the IGST Act, 2017, the place of supply of services by way of transportation of goods, including by mail or courier provided to an unregistered person, is the location at which such goods are handed over for their transportation. Since in the given case, the recipient - Aatmaram - is an unregistered person, the place of supply is the location where goods are handed to Gokul Carriers over for their transportation, i.e. Kanpur.
- (iv) As per section 12(12) of the IGST Act, 2017, the place of supply of banking and other financial services, including stock broking services to any person is the location of the recipient of services in the records of the supplier of services. Thus, in the given case, the place of supply is the location of the recipient of services in the records of the supplier bank, i.e. New Delhi.
- (v) As per section 13(4) read with section 13(6) of the IGST Act, 2017, where services supplied directly in relation to an immovable property are supplied at more than one location, including a location in the taxable territory, the place of supply is the location in the taxable territory. Since in the given case, the immovable properties are located in more than one location including a location in the taxable territory, the place of supply of architect service is the location in the taxable territory, i.e. Pune.

19. Answer the following questions in the light of the place of supply provisions contained in the IGST Act, 2017:

- (i) Quickdeal Enterprises (Ahmednagar, Gujarat) opens a new branch office at Hissar, Haryana. It purchases a building for office from Ruhani Builders (Hissar) along with pre-installed office furniture and fixtures. Determine place of supply of the pre-installed office furniture and fixtures.
- (ii) Supra Events, an event management company at New Delhi, organizes an award function for Chirag Diamond Merchants of Varanasi (registered in U.P.), at Mumbai. Determine place of supply of the service supplied by Supra Events. Will your answer be different, if the award function is organised at Mauritius instead of Mumbai?

Answer:

- (i) Section 10(1)(c) of the IGST Act stipulates that if the supply does not involve movement of goods, the place of supply is the location of goods at the time of delivery to the recipient. Since there is no movement of office furniture and fixtures in the given case, the place of supply of such goods is their location at the time of delivery to the recipient (Quickdeal Enterprises) i.e., Hissar, Haryana.
- (ii) Section 12(7) of the IGST Act stipulates that the place of supply of services provided by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to a conference, fair, exhibition,

celebration or similar events is the location of recipient in a case where such service is provided to a registered person. In the given case, since the recipient (Chirag Diamond Merchants) is a registered person, the place of supply is the location of the recipient, i.e., Varanasi, U.P. Further, the place of supply will not change even if the award function is organised at Mauritius instead of Mumbai as the location of recipient remains unchanged. Thus, in that case also, the place of supply is the location of the recipient, i.e., Varanasi, U.P.

20. M/s Joinder Drills of Australia exports rough rock cutting diamonds to M/s Ankit Enterprises of India, a registered supplier in the State of Haryana. M/s Ankit Enterprises is expected to process them into tools and export the same to the supplier in Australia. The process does not involve any sophisticated process other than cutting, polishing and finishing. M/s Ankit Enterprises requests M/s Joinder Drills for use of such tools for his business in India for 3 months, which is agreed to by the supplier. It then exports it to the Australian supplier, invoicing it for ₹ 12,00,000 for processing it into the required tool. M/s Ankit Enterprises is of the assumption that it is an export transaction and therefore, it is entitled to treat it as a zero-rated supply and decides that no tax is payable under LUT although the rate applicable to such services for domestic supplies is

CGST - 9%, SGST - 9% and IGST - 18%.

State the provisions relating to the above supply of service and explain whether the stand taken by M/s Ankit Enterprises is correct and also determine the tax, if applicable, as the goods are now moving out of Haryana. (PAST EXAM NOV 2020)

Answer:

One of the conditions for a supply of service to qualify as export of service is that the place of supply of said service must be outside India. The place of supply of services supplied in respect of the goods which are temporarily imported into India for any other treatment/process and are exported after such treatment/process without being put to any use in India, other than that which is required for such treatment/process, is the location of recipient of such service [Second proviso to section 13(3)(a) of the IGST Act, 2017].

In view of the above, in the given case, the place of supply of the services provided by M/s Ankit Enterprises is the place where the services are actually performed, i.e., in India as the tools to be exported have been used in India for 3 months before their export. Resultantly, the supply of services by M/s Ankit Enterprises do not qualify as export of service.

Thus, the same is liable to GST of ₹ 1,83,051 (₹ 12,00,000/118 x 18). [It has been assumed that the amount of ₹ 12,00,000 is inclusive of GST.]

21. Determine place of supply along with reasons in the following cases:

- (i) Mr. X, an architect (Kolkata), provides interior decorator services to Mr. Y of New York (USA) in relation to his immovable property located in New Delhi.
- (ii) Mr. A (a Chartered Accountant registered in Kolkata) supplies services to his client in Bhubaneswar (registered in Bhubaneswar, Odisha).
- (iii) ABC Ltd. of Patna imported certain goods from XYZ Inc. of USA. The goods were imported through vessel and delivery of goods was taken at Kolkata, whereafter the movement terminates and the goods are stored.
- (iv) Mr. X, registered in Guwahati, has availed land-line services from BSNL. The telephone is installed in residential premises in Kolkata and the billing address is office of Mr. X in Guwahati.

- (v) Mr. X, residing in Chennai, is travelling with an Indian Airline aircraft and is provided with movie- on- demand service for ₹100 as on-board entertainment during Delhi-Chennai leg of a Bangkok- Delhi -Chennai flight.
- (vi) Mr. X of Kolkata purchased online tickets for Aquatica water park in Mumbai.
- (vii) Mr. Z, an unregistered person of Kolkata, sends a courier from New Delhi to his friend in Chennai, Tamil Nadu while he was on trip to New Delhi.
- (viii) Mr. X, a registered person in Ranchi, Jharkhand, buys shares from a broker in Patna on NSE, Mumbai. Determine the place of supply of brokerage service.
- (ix) XYZ Ltd., New Delhi entered into contract with an Indian airline for the supply of biscuit packets for further supply by airline to the passengers in Kolkata-Guwahati route. The biscuits were loaded on board in Lucknow. (PAST EXAM JAN 2021)

Answer:

- (i) New Delhi. In a case where location of the supplier or location of recipient of service is outside India, the place of supply of services supplied directly in relation to an immovable property including that of interior decorators is the place where the immovable property is located.
- (ii) Bhubaneswar, Odisha. The place of supply of services, except the specified services made to a registered person, is the location of such person.
- (iii) Patna. The place of supply of goods imported into India is the location of the importer.
- (iv) Kolkata. The place of supply of services by way of fixed telecommunication line is the location where the telecommunication line is installed for receipt of services.
- (v) Bangkok. The place of supply of services on board an aircraft is the location of the first scheduled point of departure of that aircraft or flight for the journey
- (vi) Mumbai. The place of supply of services provided by way of admission to an amusement park is the place where the park is located.
- (vii) New Delhi. The place of supply of services by way of transportation of goods by courier to a person other than a registered person is the location at which such goods are handed over for their transportation.
- (viii) Ranchi, (Jharkhand). The place of supply of stock broking services to any person shall be the location of the recipient of services on the records of the supplier of services. [It has been assumed that the location of the recipient of service is available in the records of the supplier of service.]
- (ix) Where the supply involves movement of goods, the place of supply of such goods is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. Therefore, the place of supply of biscuit packets sold by XYZ Ltd. to Indian Airlines is Lucknow. [It has been assumed that in the given case, the movement of goods (biscuit packets) terminates at Lucknow.]

Further, where the goods are supplied on board an aircraft, the place of supply shall be the location at which such goods are taken on board. Thus, the place of supply of biscuit packets sold by Indian Airlines to the passengers in Kolkata-Guwahati route is Lucknow.

22. Dobriyal Technocrats Ltd., registered in Gurgaon, Haryana, is engaged in manufacturing heavy steel machinery. It enters into an agreement with Mindsharp Associates, registered in Delhi, for imparting motivational training to the top management of Dobriyal Technocrats Ltd. in a 5-day residential motivational training programme at an agreed consideration of ₹ 20,00,000.

Mindsharp Associates books the conference hall alongwith the rooms of Hotel Chumchum, Neemrana (registered in Rajasthan) for the training programme, for a lump sum consideration of ₹ 12,00,000.

You are required to determine the place of supply in respect of the supply(ies) involved in the given scenario.

(RTP- NOV 2021)

Answer:

In the given situation, two supplies are involved:

- (i) Services provided by Mindsharp Associates to Dobriyal Technocrats Ltd. by way of providing motivational training to its top management.
- (ii) Services provided by Hotel Chumchum to Mindsharp Associates by way of accommodation in said hotel for organizing the training programme.

The place of supply in respect of each of the above supplies is determined as under:

- (i) As per the provisions of section 12(5)(a) of the IGST Act, 2017, the place of supply of services provided in relation to training and performance appraisal to a registered person, shall be the location of such person.

Therefore, the place of supply of services supplied by Mindsharp Associates to the registered recipient - Dobriyal Technocrats Ltd. by way of providing motivational training to its top management is the location of Dobriyal Technocrats Ltd., i.e. Gurgaon, Haryana.

- (ii) As per the provisions of section 12(3)(c) of the IGST Act, 2017, the place of supply of services, by way of accommodation in any immovable property for organizing, inter alia, any official/ business function including services provided in relation to such function at such property, shall be the location at which the immovable property is located.

Therefore, the place of supply of services supplied by Hotel Chumchum to Mindsharp Associates by way of accommodation of conference hall alongwith the rooms of Hotel Chumchum for the training programme shall be the location of the Hotel Chumchum, i.e. Neemrana, Rajasthan.

23. Determine the place of supply in respect of the following independent instances under the provisions of IGST Act, 2017:

- (i) Miss Poorva, an interior design consultant, having office at Chennai (Tamil Nadu), provided professional services to Mr. Nihil who resides in Dubai, for his two immovable properties under single contract, one property is outside India at Singapore and another at Surat (Gujarat).
- (ii) United Traders, having a registered place of business at Bengaluru (Karnataka), imported instruments used in COVID treatment from London (UK) through Vizag (Andhra Pradesh) Port.

Note: Your answer should also include relevant provisions of law. (4 Marks Dec '21)

Answer:

I. In a case where location of supplier or recipient of service is outside India, the place of supply of services of interior decorators provided directly in relation to an immovable property is the location of immovable property. Further, where such services are

supplied at more than one location,

including a location in the taxable territory, the place of supply of said services is the location of immovable property in the taxable territory. In view of the above provisions, place of supply of Miss. Poorva's (interior design consultant located in India) services provided to Mr. Nihil (recipient located outside India in Dubai) in respect of immovable properties, located in Surat (Gujarat) and in Singapore, is the location in taxable territory, i.e. Surat (Gujarat).

II. The place of supply of goods imported into India is the location of the importer. Thus, in the given case, place of supply of instruments imported by United Traders is Bengaluru (Karnataka).

24. Determine the place of supply for the following independent cases:

- I. Festival Event, an event management company at Mumbai, organises two business promotion events for Prabhu Enterprises (registered in Ahmedabad, Gujarat) at New Delhi and in Malaysia.**
- II. Global Planners (Jodhpur, Rajasthan) is hired by Mr. John (unregistered person based in Kochi, Kerala) to plan and organize his son's wedding at Mumbai, Maharashtra. Will your answer be different if the wedding is to take place in Singapore? (5 Marks Nov 22)**

Answer:

(i) When service of organization of event is provided to a registered person, the place of supply is location of recipient, whether event is held in India or outside India.

Thus, in the given case, place of supply of:

- event held at New Delhi is Ahmedabad, Gujarat, and
- event held at Malaysia is Ahmedabad, Gujarat.

(ii) ii. When service of organization of event is provided to an unregistered person, the place of supply is location where the event is held when event is held in India and place of supply is location of recipient where event is held outside India.

Thus, in the given case, place of supply:

- if wedding takes place at Maharashtra is Mumbai, Maharashtra, and
- if wedding takes place at Singapore is Kochi, Kerala.

25. Alpha is a manufacturer and supplier of a machine in India. Gamma of USA helps Alpha in selling the machine by identifying client in USA, viz., Beta who wants to purchase this machine and helps in finalizing the contract of supply of machine by Alpha to Beta. Gamma charges Alpha for his services of locating Beta and helping in finalizing the sale of machine between Alpha and Beta, for which Gamma invoices Alpha and is paid by Alpha for the same. Determine the place of supply of the services provided by Gamma to Alpha. (May 23)

Answer:

As per section 13(8)(b) of the IGST Act, 2017, the place of supply of the intermediary services shall be the location of the supplier of services. 'Intermediary' has been defined in of section 2(13) of the IGST Act, as a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his own account.

Further, the concept of intermediary services has been clarified vide Circular No. 159/15/2021 GST dated 21.09.2021 as follows:

(i) Minimum of three parties and two distinct supplies: There must be minimum of three parties, two principals transacting in the

supply of goods or services or securities (the main supply) and one intermediary arranging or facilitating (the ancillary supply) the said main supply.

- (ii) Intermediary service provider to have the character of an agent, broker or any other similar person: Intermediary only arranges or facilitates the main supply and does not himself provide the main supply. Thus, the role of intermediary is only supportive.
- (iii) Does not include a person who supplies such goods or services or both or securities on his own account: It implies that in cases wherein the person supplies the main supply, either fully or partly, on principal-to-principal basis, the said supply cannot be covered under the scope of "intermediary".
- (iv) Sub-contracting for a service is not an intermediary service: Sub-contractor provides the main supply, either fully or a part thereof, and does not merely arrange or facilitate the main supply between the principal supplier and his customers, and therefore, clearly is not an intermediary.

In the backdrop of the above discussion, while Alpha and Beta are the two principals involved in the main supply of the machinery, Gamma, is facilitating the supply of machine between Alpha and Beta. In this arrangement, Gamma is providing the ancillary supply of arranging or facilitating the 'main supply' of machine between Alpha and Beta and therefore, Gamma is an intermediary and is providing intermediary service to Alpha. Resultantly, in terms of section 13(8)(b) of the IGST Act, 2017, the place of supply of the intermediary services provided by Gamma shall be the location of the supplier of services, viz. outside India (USA).

Exam Tip: Provision for the intermediary is amended for Sep 26 Exam onwards and the place of supply will be as per general provisions. Suggest the learners to review the answer accordingly or refer to our lectures for Sep 26 Amendments

26. Rhea is a person registered under GST in Mysore, Karnataka. She transports certain goods by air to Mrs. Iyer who resides in Florida, USA. The air cargo operator by which goods are transported is registered in Bengaluru, Karnataka.

- I. **Determine the place of supply of such transport/courier service under GST law with supporting notes related to legal provisions. (2 Marks)**
'Mischievous Muppets' – a Kindergarten school in Pune, Maharashtra, has given the contract of catering service to a Pune based agency viz. **'Toddlers Catering Agency'**, registered under GST.
- II. **Whether the said catering service provided by 'Toddlers Catering Agency' in the school is taxable under GST law? (2 Marks)**

Answer with supporting notes related to legal provisions. (NOV 2023)

Answer:

- (i) The place of supply of services by way of transportation of goods, including by courier, to a place outside India is the place of destination of such goods. Hence, in the given case, place of supply of such services would be Florida, USA.
- (ii) Catering services provided to an educational institution providing services by way of pre-school education and education up to higher secondary school are exempt from GST. Thus, in the given case, catering service provided by "Toddlers Catering Agency" to "Mischievous Muppets" – a Kindergarten school is exempt from GST.

27. Zebrex, registered in Delhi, enters into a contract with Shine Ltd., an advertising company, located and registered in Gurugram, Haryana, to arrange the display of an advertisement of Zebrex's newly launched product on a hoarding placed in Marine Drive-Mumbai, Maharashtra for initial 3 months of the launch of the product. Shine Ltd., in turn, enters into a contract with the owner of Seaside Hotel located and registered in Marine Drive-Mumbai, Maharashtra for display of the advertisement on a hoarding placed in the lawn of the hotel. What will be the place of supply of service(s) provided in the

given case? (RTP MAY 2024)**Answer:**

In the given case, two supplies are involved:

- (i) Services provided by Shine Ltd. to Zebrex by way of arranging the display of the advertisement of its newly launched product, and
- (ii) Services provided by Seaside Hotel to Shine Ltd. by way of placing a hoarding in the lawn of the hotel.

The place of supply in each of the above supplies is as follows:

- (i) As per section 12(2)(a) of the IGST Act, 2017, the place of supply of services, except the services specified in sub-sections (3) to (14) of section 12 of the IGST Act, 2017, made to a registered person is the location of the person receiving the services. Advertisement services provided by Shine Ltd. to Zebrex is not covered in any of the sub-sections of section 12 of the IGST Act, 2017. Therefore, the place of supply shall be determined by the default provision under section 12(2)(a) of the IGST Act, 2017, viz. the location of the recipient.

Thus, the place of supply, in the given case, is the location of Zebrex, i.e. Delhi.

- (ii) In case where there is supply (sale) of space or supply (sale) of rights to use the space on the hoarding/ structure (immovable property) belonging to vendor to the client/advertising company for display of their advertisement on the said hoarding/ structure, the hoarding/structure erected on the land should be considered as immovable structure or fixture as it has been embedded in earth. Further, place of supply of any service provided by way of supply (sale) of space on an immovable property or grant of rights to use an immovable property shall be governed by the provisions of section 12(3)(a) of the IGST Act. Therefore, the place of supply of service provided by way of grant of rights to use the hoarding/ structure for advertising in this case would be the location where such hoarding/ structure is located.

Thus, the place of supply, in the given case, is location of hotel where the hoarding is located, viz. Marine Drive-Mumbai, Maharashtra.

28. Determine the 'place of supply' along with justification for the following independent cases:

- 1) Crystal Clear Water Ltd. (CCWL) is a manufacturer of mineral water and registered under GST in Mumbai, Maharashtra. CCWL enters into a contract with Global Advertising Agency (GAA) registered under GST in Ahmedabad, Gujarat for displaying its advertisement on hoardings at an awards event organized at Convention Centre Gandhinagar, Gujarat on 31.10.2025. the structure on which the hoardings are to be displayed is taken on rent by GAA from Mr. Kapoor (unregistered person based in Delhi.). Determine the 'place of supply' for tax invoice to be raised by GAA to CCWL.
- 2) Mr. Sunil (unregistered person under GST) is a resident of Delhi and currently posted in Dehradun, Uttarakhand. He went on an official visit to Arunachal Pradesh. He purchased a leather bag on 15.10.2025 from Arunachal Pradesh and shop keeper M/s ABC issued a tax invoice in the name of Mr. Sunil only. Mr. Sunil returned back to Dehradun along with leather bag. Determine the 'place of supply' for tax invoice issued by M/s. ABC to Mr. Sunil.
- 3) Mr. Pintu (unregistered person under GST), resident of Karnal, Haryana went to visit Shimla, Himachal Pradesh along with his family during holidays in the month of October 2025. Due to some medical emergency, he purchased some medicines on 20.10.2025 from a medical store at Mall Road, Shimla and the tax invoice was issued in the name of Mr. Pintu mentioning the address as Karnal, Haryana only. The medicines purchased were consumed in Shimla during the period of stay.

Determine the 'place of supply' for tax invoice issued by medical store to Mr. Pintu. [(5 Marks) MAY 2024]

Answer:

1. In the given case, services provided by GAA to CCWL are advertisement services. The place of supply of such services made to a registered person is location of such person.

Thus, place of supply for tax invoice to be raised by GAA to CCWL is location of CCWL, i.e. Mumbai, Maharashtra.

2. In case of supply of goods to an unregistered person over the counter (OTC), where address of such person is not recorded in the invoice, the place of supply is location of the supplier.

Since in the given case, the address of Mr. Sunil is not recorded in the invoice, place of supply is location of M/s ABC i.e., Arunachal Pradesh.

3. In case of supply of goods to an unregistered person over the counter (OTC), where address of such person is recorded in the invoice (i.e., name of State of said person is recorded in invoice), the place of supply is location as per said address.

Thus, in the given case, since the address of Mr. Pintu is recorded in the invoice, place of supply is Karnal / Haryana.

29. Determine the place of supply for the following independent cases:

- (i) ABC Events, an event management company at Kolkata, organises two award functions for Bhushan Jewellers of Chennai (registered in Chennai, Tamil Nadu) at New Delhi and in Singapore.
- (ii) Happy Planners (Bengaluru, Karnataka) is hired by Dr. Tripti (unregistered person based in Kochi, Kerala) to plan and organise her daughter's wedding at Mumbai, Maharashtra.
- (iii) Dhirubhai Pvt. Ltd. (New Delhi) imports a machine from Japan for being installed in its factory at New Delhi. To install such machine, Dhirubhai Pvt. Ltd. takes the service of an engineer who comes to India from Japan for this specific installation.
- (iv) Mr. Gogoi, an architect (New Delhi), provides professional services to Mr. George of New York in relation to his immovable property located in Pune.
- (v) Mr. Jigar, an unregistered person based in New Delhi hires a yacht from a company based in London, UK for 20 days.

(5 X 2=10 Marks) MTP May 2024

Answer:

(i) When service by way of organization of an event is provided to a registered person, place of supply is the location of such person in terms of section 12 of the IGST Act, 2017.

Since, in the given case, the award functions at New Delhi and Singapore are organized for Bhushan Jewellers (registered in Chennai), place of supply in both the cases is the location of Bhushan Jewellers, i.e. Chennai, Tamil Nadu.

(ii) As per section 12 of the IGST Act, 2017, when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient.

Since, in the given case, the service recipient [Dr. Tripti] is unregistered and event is held in India, place of supply is the location where the event is actually held, i.e. Mumbai, Maharashtra.

(iii) As per section 13 of the IGST Act, 2017, place of supply of services requiring physical presence of goods on which the services are to be performed is the location where the service is actually performed. Thus, in given case, the place of supply of installation service, which requires the physical presence of machinery, is the location where the service is actually

performed, i.e. New Delhi.

- (iv) As per section 13 of the IGST Act, 2017, place of supply of services supplied directly in relation to an immovable property is the location of immovable property located or intended to be located. Thus, in given case, the place of supply is the location of immovable property, i.e. Pune.
- (v) As per section 13 of the IGST Act, 2017, place of supply of services consisting of hiring of means of transport, including yachts but excluding aircrafts and vessels, up to a period of 1 month is the location of the supplier of services. Thus, in given case, the place of supply is the location of the supplier of services, i.e. London.

4

EXEMPTIONS

1. State which of the following statement is correct:

- (i) Services by any artist by way of performance in folk or classical art forms of music, dance, or theatre as a brand ambassador if the consideration charged for such performance is not more than Rs. 150,000/- is exempt.
- (ii) Services of life insurance business under Life micro- insurance product as approved by the Insurance Regulatory and Development Authority, having minimum amount of cover of Rs. 2,00,000/- is exempt
- (iii) Service by an acquiring bank, to any person in relation to settlement of an amount upto Rs. 2,500/- in a single transaction transacted through credit card, debit card, charge card or other payment card service is exempt.
- (iv) Services provided by a goods transport agency by way of transport in a goods carriage of, goods, where gross amount charged for the transportation of goods on a consignment transported in a single carriage is Rs. 2250/-, is exempt.
(2 Marks Oct '19, Apr'22)

Your options are-

- (a) (i)
- (b) (ii), (iii)
- (c) (ii), (iii), (iv)
- (d) None of the above

Answer: (d)

2. Drishti Public School (DPS) situated in Bilaspur in the State of Chhattisgarh has planned to celebrate its sports day in Bilaspur Stadium located at a distance of 20 km from the school precincts on 15th April. DPS has invited quotes from various suppliers for arranging tent, security and catering for students and teachers. The price has to be quoted including all applicable taxes.

X & Co., a supplier providing the services required above, is not sure of the GST impact on the above transactions. It seeks your help to determine whether GST is applicable on all the above services or not, so that it can quote the competitive price accordingly. (2 Marks March 22)

- (a) Tent, security and catering services: All taxable
- (b) Tent, security and catering services: All exempt
- (c) Tent and security services: Taxable; Catering services: exempt
- (d) Tent: Taxable; Security and catering services: exempt

Answer: (c)

3. Nivedita Foundation, a charitable trust registered under section 12AB of the Income-tax Act, 1961, owns and manages a newly constructed Dharamshala "GOVINDAM" in the precincts of a temple in Haridwar. GOVINDAM has 50 rooms, a huge party lawn and other amenities. Nivedita Foundation has received following receipts during the period from April to September:(Nov '22)

- (e) Rent of ₹ 25,00,000 from renting of rooms @ ₹ 1,000/- per day.
- (f) Rent of ₹ 9,00,000 from renting of party lawns for marriage and social functions @ ₹ 9,000/- per day.
- (g) Donations of ₹ 20,00,000 (including one donation of
- (h) ₹ 15,00,000/- received with specific direction to advertise the business activity of the donor).
- (i) You are required to determine the value of taxable supply of GOVINDAM during the period from April to September:
- (j) (a) ₹ 55,00,000
- (k) (b) ₹ 50,00,000
- (l) (c) ₹ 25,00,000
- (m) (d) ₹ 40,00,000

Answer: (d)

4. Which of the following activity is liable to GST?

- (i) Supply of food by a hospital to patients (not admitted) or their attendants or visitors
- (ii) Transportation of passengers by non-air-conditioned railways
- (iii) Services by a brand ambassador by way of folk- dance performance where consideration charged is ₹ 1,40,000
- (iv) Transportation of agriculture produce by air from one place to another place in India
- (v) Services by way of loading, unloading, packing, storage or warehousing of rice

Choose the most appropriate option.

- (a) (i), (v)
- (b) (iii), (iv), (v)
- (c) (i), (iii), (iv)
- (d) (iv), (v) (May 23)

Answer: (c)

Practical Theory

5. Examine whether the following independent intra-State services are exempt from GST:

- (a) Legal services provided by BMC & Partners, Delhi, a partnership firm of advocates, to Vastukaar Enterprises, registered in Delhi, providing architect services (with preceding financial year's aggregate turnover as Rs. 21 lakh).
- (b) Minimum balance charges collected by Dhanvarsha Bank from current account and saving account holders.

Answer:

- (a) Services provided by a partnership firm of advocates or an individual as an advocate other than a senior advocate, by way of legal services to a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration under the CGST Act, 2017, are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 (hereinafter referred to as exemption notification).

Since in the given case, services are being provided by the partnership firm of advocates - BMC & Partners to a business entity - Vastukaar Enterprises whose aggregate turnover in the preceding FY exceeded Rs. 20 lakh i.e. the threshold limit for

registration applicable to a service provider in Delhi, said services are not exempt from GST.

- (b) Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) are exempt from GST vide exemption notification.

However, service charges/ fees, documentation fees, broking charges, administrative charges, entry charges or such like fees or charges collected over and above interest on loan, advance or a deposit are not exempt and liable to GST.

In view of the above, minimum balance charges collected by Dhanvarsha Bank from current account and saving account holders are not exempt and are liable to GST.

6. **Shiva Medical Centre, a Multi-speciality hospital, is a registered supplier in Mumbai. It hires senior doctors and consultants independently, without entering into any employer-employee agreement with them. These doctors and consultants provide consultancy to the in-patients – patients who are admitted to the hospital for treatment – without there being any contract with such patients. In return, they are paid the consultancy charges by Shiva Medical Centre.**

However, the money actually charged by Shiva Medical Centre from the in-patients is higher than the consultancy charges paid to the hired doctors and consultants. The difference amount retained by the hospital, i.e. retention money, includes charges for providing ancillary services like nursing care, infrastructure facilities, paramedic care, emergency services, checking of temperature, weight, blood pressure, etc.

The Department took a stand that senior doctors and consultants are providing services to Shiva Medical Centre and not to the patients. Hence, their services are not the health care services and must be subject to GST. Further, GST is applicable on the retention money kept by Shiva Medical Centre.

You are required to examine whether the stand taken by the Department is correct. (RTP NOV 2018)

Answer:

No, the stand taken by the Department is not correct.

Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide exemption notification.

Health care services have been defined to mean any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India and includes services by way of transportation of the patient to and from a clinical establishment, but does not include hair transplant or cosmetic or plastic surgery, except when undertaken to restore or to reconstruct

anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.

Circular No. 32/06/2018 GST dated 12.02.2018 has clarified that the entire amount charged by the hospitals from the patients including the retention money and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients and is exempt from GST. In view of the same, GST is not applicable on the retention money kept by Shiva Medical Centre.

The circular also clarifies that services provided by senior doctors/ consultants/ technicians hired by the hospitals, whether employees or not, are also healthcare services exempt from GST. Hence, services provided by the senior doctors and consultants hired by Shiva Medical Centre, being healthcare services, are also exempt from GST.

7. **Vedanta Hospital, Gurgaon has its own restaurant – Annapurna Bhawan – in the basement which supplies food to its in-patients (patients admitted in the hospital) as per the advice of the doctor/nutritionist. Annapurna Bhawan also supplies**

food to other patients (who are not admitted) or their attendants or visitors. The food is prepared by the employees of the hospital and nothing is outsourced to any third-party vendors. Vedanta Hospital is of the view that all services provided by a clinical establishment are exempt from GST and thus, it is not liable to pay any tax. You are required to test the correctness of the view taken by Vedanta Hospital.

Answer:

Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide exemption notification. Circular No. 32/06/2018 GST dated 12.02.2018 has clarified that food supplied by the hospital canteen to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare services and is not separately taxable. Thus, it is exempt from GST. However, other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable.

In view of the same, GST is not applicable on the food supplied by Annapurna Bhawan to in-patients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or their attendants/visitors are taxable.

8. Indian Institutes of Management (IIM), Indore organizes a placement drive for the students studying in the campus. Many multinational companies register for the placement program and pay the registration fee of Rs. 1,00,000. IIM, Indore is of the view that such consideration received from multinational companies for participating in the placement program is exempt from GST. Explain whether the view taken by IIM, Indore is correct.

Answer:

Indian Institutes of Management Act, 2017 (IIM Act, 2017) empowers IIMs to (i) grant degrees, diplomas, and other academic distinctions or titles, (ii) specify the criteria and process for admission to courses or programmes of study, and (iii) specify the academic content of programmes. Resultantly, all the IIMs fall under purview of "educational institutions" as they provide education as a part of a curriculum for obtaining a qualification recognized by law for the time being in force. Further, the services provided by an educational institution to its students, faculty and staff are exempt from GST vide exemption notification.

However, in the given case, services have been provided by the educational institution (viz. IIM, Indore), to the multinational companies. Therefore, the same is not exempt from GST.

9. India Corporations Ltd., a Public Sector Undertaking (PSU), has taken loan from a banking company - Wellness Bank. The loan was guaranteed by the Central Government. India Corporations Ltd. defaulted in the repayment of such loan. Examine whether the services of guaranteeing of loan by the Central Government, in the given case, is liable to GST.

Answer:

Services supplied by Central Government, State Government, Union territory to their undertakings or Public Sector Undertakings (PSUs) by way of guaranteeing the loans taken by such undertakings or PSUs from the banking companies and financial institutions are exempt from GST vide exemption notification. In the present case, Central Government has guaranteed the loan taken by India Corporations Ltd. [a PSU], from Wellness Bank, [a banking company]. Consequently, services provided by the Central Government, in the form of guarantee of loan, are exempt from tax.

10. British High Commission, chief diplomatic mission of the United Kingdom in India, is providing advisory services to the students willing to travel to UK for further studies. The mission has organized a seminar for such students and a registration fee of Rs. 5,000 per student has been charged from the students for the same. You are required to determine whether the advisory services provided by British High Commission are liable to GST.

Answer:

Services by a foreign diplomatic mission located in India are exempt from GST vide exemption notification. Hence, in the given case, advisory services by British High Commission located in Delhi to the students are exempt from GST.

11. Bhushan Biomedical Waste Ltd. is providing service of bio-medical waste treatment to Vishudhi Pharma Company. For such services, Bhushan Biomedical Waste Ltd. has charged a fixed sum on monthly basis. Whether the service provided by Bhushan Biomedical Waste Ltd. is exempt under GST?

Answer:

Services provided by operators of the common bio-medical waste treatment facility to a clinical establishment by way of treatment or disposal of bio-medical waste or the processes incidental thereto were exempt GST vide exemption notification. Currently that exemption is withdrawn. Further, the term "clinical establishment" means a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India, or a place established as an independent entity or a part of an establishment to carry out diagnostic or investigative services of diseases

In the present case the bio-medical waste treatment services are being provided to a pharma company. Services provided by Bhushan Biomedical Waste Ltd. to Vishudhi Pharma Company are not exempt from GST.

12. Wisdom Public School, a higher secondary school in Delhi, is of the view that no tax is payable on the education provided by it to its students as education plays a significant and remedial role in balancing the socio-economic fabric of the country. Examine whether GST law provides any scope of exemption to supply of goods or services with particular reference to the contention raised by school?

Answer:

Yes, GST law provides the scope of exemption to supply of goods and services. Section 11 of CGST Act, 2017 provides that in the public interest, the Central or the State Government can exempt either wholly or partly, on the recommendations of the GST council, the supplies of goods or services or both from the levy of GST either absolutely or subject to conditions. Further, the Government can exempt, under circumstances of an exceptional nature, by special order any goods or services or both. As regards the contention raised by Wisdom Public School, the same is valid in law since Notification No. 12/2017 CT (R) dated 28.06.2017 specifically wholly exempts services provided by an educational institution to its students, faculty and staff.

13. Examine whether GST is payable in the following independent cases:-

- (i) Amar Jyoti Charitable trust, registered under section 10(23C)(v) of the Income-tax Act manages a temple in Shahdara, Delhi. It has given on rent a community hall, located within temple premises, to public for celebration of new year evening. Rent charged is ₹ 9,500.**
- (ii) Speed post services by Department of Post to Union Territory of Lakshadweep.**
- (iii) XY Ltd. has given on hire 7 trucks to Jaggi Transporters of Delhi (a goods transport agency) for transporting goods in Central and West Delhi. The hiring charges for the trucks are ₹ 6,200 per truck per day.**

Answer:

- (i) Renting of community hall by Amar Jyoti charitable trust is exempt from GST, as rent is less than ₹10,000 per day. The Exemption Notification No. 12/2017 CT (R) dated 28.06.2017/ Notification No.9/2017 IT (R) dated 28.06.2017 has exempted the said service wholly from GST.**

The said notification provides exemption to services by a person inter alia by way of renting of precincts of a religious place

meant for general public, owned or managed by an entity registered as a trust or an institution under section 10(23C)(v) of the Income-tax Act .

However, this exemption does not apply where renting charges of premises, community halls, kalyanmandapam or open area are ₹ 10,000 or more per day.

- (ii) GST is not payable in case of speed post services by Department of Post to Union territory of Lakshadweep. The Exemption Notification No. 12/2017 CT (R) dated 28.06.2017/ Notification No. 9/2017 IT (R) dated 28.06.2017 has exempted the said service wholly from GST.

Exemption Notification inter alia provides exemption to services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to the Central Government, State Government, Union territory. Therefore GST is payable, if such service is provided to a person other than Central Government/State Government/Union Territory.

- (iii) GST is not payable in case of hiring of trucks to Jaggi Transporters. The Exemption Notification No. 12/2017 CT (R) dated 28.06.2017/ Notification No. 9/2017 IT (R) dated 28.06.2017 provides exemption to services by way of giving on hire inter alia to a goods transport agency, a means of transportation of goods.

14. Determine whether GST is payable in respect of each of the following independent services provided by the registered persons:

- 1) Fees charged from office staff for in-house personality development course conducted by Mungerilal College providing education as part of a curriculum for obtaining a qualification recognised by Indian law – Rs. 10,000.
- 2) Bus fees collected from students by Rosemary College providing education as part of a curriculum for obtaining a qualification recognised by Indian law – Rs. 2,500 per month.
- 3) Housekeeping service provided by M/s. Clean Well to Himavarsha Montessori school, a play school, for cleaning its playground and classrooms – Rs. 25,000 per month.
- 4) Info link supplied 'Tracing Alphabets', an online educational journal, to students of UKG class of Sydney Montessori School – Rs. 2,000. (MTP NOV 2019)

Answer:

- 1) Services provided by an educational institution to its students, faculty and staff are exempt from GST vide exemption notification. Educational Institution has been defined to mean, inter alia, an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

Since Mungerilal College provides education as part of a curriculum for obtaining a qualification recognised by Indian law, the services provided by it to its staff by way of conducting personality development course would be exempt from GST.

- 2) Since Rosemary College provides education as a part of a curriculum for obtaining a qualification recognised by Indian law, the transport services provided by Rosemary College to its students are exempt from GST.

- 3) Services provided to an educational institution, by way of, inter alia, house-keeping services performed are exempt from GST vide exemption notification where such services are performed in such educational institution. However, such exemption is available only when the said services are provided to a pre-school education and a higher secondary school or equivalent.

In view of the above discussion, house-keeping services provided to Himavarsha Montessori Play School are exempt from GST since housekeeping services have been performed in such play school itself.

- 4) Services provided to an educational institution by way of supply of online educational journals or periodicals is exempt from GST vide exemption notification. However, such exemption is available only when the said services are provided to an educational institution providing education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

Therefore, supply of online journal to students of UKG class of Sydney Montessori School is not exempt from GST.

- 15. An individual acts as a referee in a football match organized by Sports Authority of India. He has also acted as a referee in another charity football match organized by a local sports club, in lieu of a lump sum payment. Discuss whether he is required to pay any GST?**

Answer:

Services provided to a recognized sports body by an individual inter alia as a referee in a sporting event organized by a recognized sports body is exempt from GST. Since in the first case, the football match is organized by Sports Authority of India, which is a recognized sports body, services provided by the individual as a referee in such football match will be exempt.

However, when he acts as a referee in a charity football match organized by a local sports club, he would not be entitled to aforementioned exemption as a local sports club is not a recognized sports body and thus, GST will be payable in this case.

- 16. RXL Pvt. Ltd. manufactures beauty soap with the brand name 'Forever Young'. RXL Pvt. Ltd. has organized a concert to promote its brand. Ms. Ahana Kapoor, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert worth Rs. 1,20,000 will be donated to a charitable organization. Whether Ms. Ahana Kapoor will be required to pay any GST?**

Answer:

Services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre are exempt from GST, if the consideration charged for such performance is not more than Rs. 1,50,000. However, such exemption is not available in respect of service provided by such artist as a brand ambassador. Since Ms. Ahana Kapoor is the brand ambassador of 'Forever Young' soap manufactured by RXL Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by RXL Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST. The fact that the proceeds of the concert will be donated to a charitable organization will not have any bearing on the eligibility or otherwise to the above-mentioned exemption.

- 17. Rahul Agri Millers Ltd., located in Haryana, is engaged in customs milling of paddy into rice. It does not pay GST on the same as it is of the view that the process of milling of paddy into rice is exempt under GST since is an intermediate production process in relation to cultivation of plants. However, Department demands tax on said activity contending that it is not eligible for said exemption. You are required to determine the veracity of the Department's contention. (MTP MAY 2019)**

Answer:

Yes, the contention of the Department is correct. As per Notification No. 12/2017 CT (R) dated 28.06.2017, carrying out an intermediate production process as job work in relation to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce is exempt under GST.

Milling of paddy is not an intermediate production process in relation to cultivation of plants. It is a process carried out after the process of cultivation is over and paddy has been harvested. Further, processing of paddy into rice is not usually carried out by cultivators, but by rice millers. Milling of paddy into rice also changes its essential characteristics.

Therefore, milling of paddy into rice cannot be considered as an intermediate production process in relation to cultivation of plants for food, fibre or other similar products or agricultural produce. In view of the above, it is clarified by CBIC that milling of paddy into rice is not eligible for exemption under said notification. Thus, GST is payable on the said activity.

18. Determine whether GST is payable in respect of each of the following independent services provided by the registered persons:

- (i) Housekeeping service provided by M/s. Dhruv Services Ltd. to Yash Public School, a play school, for cleaning its playground and classrooms - ₹ 25,000 per month.
- (ii) Dhara Link supplied 'Tracing Alphabets', an online educational journal, to students of UKG class of Addhyan Public School - ₹ 2,000.

(2 X 2=4 Marks Oct 22)

Answer:

In view of the same, GST is not applicable on the food supplied by Govindam Foods to in-patients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or their attendants/visitors are taxable.

- (i) Services provided to an educational institution, by way of, inter alia, house-keeping services performed are exempt from GST vide exemption notification where such services are performed in such educational institution. However, such exemption is available only when the said services are provided to a pre- school education and a higher secondary school or equivalent. In view of the above discussion, house-keeping services provided to Yash Public School (play school) are exempt from GST since housekeeping services have been performed in such play school itself.
- (ii) Services provided to an educational institution by way of supply of online educational journals or periodicals is exempt from GST vide exemption notification. However, such exemption is not available to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent. Therefore, supply of online journal to students of UKG class of Addhyan Public School is not exempt from GST.

19. A2X Services Limited, registered under GST, is engaged in providing various services to various educational institutions. The company provides the following information in respect of services provided during the month of April 2021:

S. No.	Description of services provided
(i)	Transportation of students & staff of 'Love All', a deemed University
(ii)	Catering services provided to 'Rank CBSE School'
(iii)	Security services provided to 'Win CBSE School', for its annual sports day held at SAL Sports Complex owned by Government of India
(iv)	Supply of online periodical science journal to 'Merit CBSE School' for its higher secondary students
(v)	Services, in relation to placement of students, to 'SKILL', a Government recognized vocational training college

Comment on the taxability or otherwise of the above transactions under GST law. Also state the correct legal provisions for the same. (5 Marks Dec'21)

Answer:

S.	Particulars	Taxability
(i)	Transportation of students and staff of deemed University [Taxable since transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	Taxable
(ii)	Catering services provided to "Rank CBSE School" [Catering services provided to an educational institution providing pre-school education or education up to higher secondary school or equivalent are exempt.]	Exempt
(iii)	Security services to "Win CBSE School" for its annual sports day held at SAI Sports complex [Security services provided to an educational institution providing pre-school education or education up to higher secondary school are exempt provided such services are performed in the premises of such institution. However, in this case, security services are being provided outside the school campus, and hence the same are taxable.]	Taxable
(iv)	Supply of online periodical science journal to school for its higher secondary students [Taxable since educational institutions providing service by way of pre- school education and education upto higher secondary school or equivalent are not eligible for exemption in respect of supply of online educational journals.]	Taxable
(v)	Services in relation to placement of students, to Government recognized vocational training college [Taxable since only services related to admission and conducting exams are exempt for vocational educational institutions.]	Taxable

20. Swasthya Nursing Home, a clinical establishment, offers the following services:

- (i) Rooms provided to the in-patients where the room charges per day are ₹ 6,500.
- (ii) Plastic surgery conducted to repair cleft lip of a new born baby.
- (iii) Air ambulance services to transport critically ill patients from distant locations to Swasthya Nursing Home.
- (iv) food to the in-patients as per the advice of the doctor/nutritionist from its restaurant - Annapurna Bhawan - located in the basement of Swasthya Nursing Home. The food is prepared by its employees and nothing is outsourced to any third-party vendors.
- (v) Homeopathic medical treatment.

Swasthya Nursing Home also operates a cord blood bank which provides services in relation to preservation of stem cells.

Determine whether GST is payable in respect of each of the above services provided by Swasthya Nursing Home. (May 23)

Answer:

Health care services provided by a clinical establishment, an authorised medical practitioner or para- medics are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017. In light of the same, the eligibility to exemption in respect of each service offered by Swasthya Nursing Home is examined below:

- (i) Not Exempt. Exemption available to health care services provided by a clinical establishment shall not apply to the services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU)/Critical Care Unit (CCU)/Intensive Cardiac Care Unit (ICCU)/Neo natal Intensive Care Unit (NICU)] having room charges exceeding ₹ 5000 per

day to a person receiving health care services.

- (ii) Exempt. Health care service does not include, inter alia, cosmetic or plastic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.

Therefore, plastic surgeries will not be entitled to the said exemption, but the plastic surgery conducted to repair a cleft lip will be eligible for exemption as it reconstructs anatomy or functions of body affected due to congenital defects (cleft lip).

- (iii) Exempt. Health care service includes services by way of transportation of the patient to and from a clinical establishment. Thus, air ambulance service to transport critically ill patients to Swasthya Nursing Home would be eligible for exemption under the said notification.

- (iv) Exempt. Circular No. 32/06/2018 GST dated 12.02.2018 has clarified that food supplied by the hospital canteen to the in-patients as advised by the doctor/nutritionists is a part of composite supply of health care services and is not separately taxable. Thus, it is exempt from GST.

- (v) Exempt. Since Homeopathy is a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010, the same would be eligible for exemption under the said notification.

Further, exemption available to services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation has been withdrawn and thus, said services are no longer exempt from GST. Therefore, services provided in relation to preservation of stem cells by the cord blood bank operated by Swasthya Nursing Home will be liable to GST.

- 21. Briefly explain the applicability of GST on the application fee charged for entrance or the fee charged for issuance of eligibility certificate for admission or for issuance of migration certificate by educational institutions. (Nov 23)**

Answer:

Educational services supplied by educational institutions to its students are exempt from GST vide Exemption Notification No. 12/2017 CT (R) dated 28.06.2017. As per said notification, services provided –by an educational institution to its students, faculty and staff; (aa) by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee are exempt from GST.

Therefore, it can be seen that all services supplied by an 'educational institution' to its students are exempt from GST. Further, consideration charged by the educational institutes by way of entrance fee for conduct of entrance examination is also exempt.

It has been clarified by CBIC vide Circular No. 177/09/2022 GST dated 03.08.2022 that the exemption is wide enough to cover the amount or fee charged for admission or entrance, or amount charged for application fee for entrance, or the fee charged from prospective students for issuance of eligibility certificate to them in the process of their entrance/admission to the educational institution. Services supplied by an educational institution by way of issuance of migration certificate to the leaving or ex- students are also covered by the exemption.

In view of the same, GST is not payable on the application fee charged for entrance or the fee charged for issuance of eligibility certificate for admission or for issuance of migration certificate by educational institutions.

- 22. Examine whether GST is exempted on the following independent supplies of services:**

- 1) Service provided by a private transport operator to Scholar Boys Higher Secondary School in relation to transportation of students to and from the school.
- 2) Services provided by way of vehicle parking to general public in a shopping mall.

Answer:

- 1) Yes, Services provided to an educational institution by way of transportation of students are exempted from GST.
- 2) No, Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, GST is payable on the same.

23. Discuss whether GST is payable in respect of transportation services provided by Raghav Goods Transport Agency in each of the following independent cases:

Customer	Nature of services provided	Amount charged
A	Transportation of milk	Rs. 20,000
B	Transportation consignment goods carriage	Rs. 3000
C	Transportation of chairs for a single consignee in the goods carriage	Rs.600

Answer:

Customer	Nature of services	Customer	Nature of services
A	Transportation of milk	Rs. 20,000	Exempt transportation of milk by GTA is exempt.
B	Transportation consignment goods carriage	Rs.3000	GST is payable. Exemption is available for transportation of goods only where the consideration for transportation of goods on a consignment transported in a single goods carriage does not exceed Rs. 1500
C	Transportation of chairs for a single consignee in the goods carriage	Rs. 600	Taxable. Transportation of goods where consideration of transportation of all goods for a single consignee does not exceed Rs. 750 is exempt.

24. Explain in brief whether the below mentioned independent cases of supply of services provided are exempt or taxable under GST as per the provisions of GST law including notifications issued thereunder:

- (i) Himalayan Wanderers Campsite, a registered entity under GST, has fixed up various tents in Shimla, for lodging purposes being offered to tourists and trekkers. The details of tents rented by Himalayan Wanderers Campsite on 8th December, 2022 is as under:

No. of tents rented	Amount of rent charged per tent per day	Nature of occupancy
10	Rs. 600	Single
15	Rs. 1,000	Double

- (ii) Fables Infotech LLP, a limited liability partnership firm having registered place of business in Hyderabad under GST, entered into a contract with Neeta Services for providing air-conditioned mini vans for 1 year for transportation of its female employees working in night shifts to be picked up from designated spots every day at 9.00 p.m. except weekends and dropped to the office. The same female employees were again picked up from office at 6.30 a.m. every morning except weekends and dropped back at the same spots from where they were picked up.

- (iii) HumTum Services Limited, registered under GST provided catering services to Baljatan Anganwadi, an educational

institute providing pre-school education amounting to Rs. 2,50,000 in the month of February, 2023.

- (iv) 50 women from different cities pursuing diploma in management courses, participated in the 'Leadership Program' designed especially for women for a duration of 9 months by IIM, Bangalore (a certificate as to their participation was awarded to each one of them after the completion of the programme).
- (v) Mr. Ashok rented his residential flat to his friend Dr. Kishore, who is not registered under CGST Act, 2017 for use as his medical clinic at a monthly rent of Rs. 15,000.

(MAY 2023) (5 Marks)

Answer:

- (i) **Taxable:** Since, exemption with respect to services provided by a campsite for lodging purposes has been withdrawn. Thus, there is no specific exemption with respect to services provided by a campsite for lodging purposes, services provided by Himalayan Wanderers Campsite are liable to GST.
- (ii) **Taxable:** Service of transport of passengers provided by Neeta Services are liable to GST since such services are being provided in a contract carriage which is airconditioned.
- (iii) **Exempt:** Since catering services provided to an educational institution providing preschool education are exempt from GST, HumTum Services Limited is not liable to pay GST.
- (iv) **Taxable:** Since short duration program provided by IIMs are not any qualification recognized by law, GST is payable in the given case.
- (v) **Taxable:** Since residential dwelling is rented for use other than residence, GST is payable on the same.

25. Briefly explain the applicability of GST on the application fee charged for entrance or the fee charged for issuance of eligibility certificate for admission or for issuance of migration certificate by educational institutions. (RTP NOV 2023)

Answer:

Educational services supplied by educational institutions to its students are exempt from GST vide Exemption Notification No. 12/2017 CT (R) dated 28.06.2017. As per said notification, services provided -

- (a) by an educational institution to its students, faculty and staff;
- (aa) by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee are exempt from GST.

Therefore, it can be seen that all services supplied by an 'educational institution' to its students are exempt from GST. Further, consideration charged by the educational institutes by way of entrance fee for conduct of entrance examination is also exempt.

It has been clarified by CBIC vide Circular No. 177/09/2022 GST dated 03.08.2022 that the exemption is wide enough to cover the amount or fee charged for admission or entrance, or amount charged for application fee for entrance, or the fee charged from prospective students for issuance of eligibility certificate to them in the process of their entrance/admission to the educational institution. Services supplied by an educational institution by way of issuance of migration certificate to the leaving or ex-students are also covered by the exemption.

In view of the same, GST is not payable on the application fee charged for entrance or the fee charged for issuance of eligibility certificate for admission or for issuance of migration certificate by educational institutions.

Number Based Questions

26. Sarva Sugam Charitable Trust, a trust registered under section 12AA of the Income – tax Act, 1961, provides the following information relating to supply of its services for the month of August:

Renting of residential dwelling for use as a residence	18,00,000
Renting of rooms for devotees (Charges per day Rs. 750)	6,00,000
Renting of kalyanamandapam (Charges per day Rs. 15,000)	12,00,000
Renting of halls and open space (Charges per day Rs. 7,500)	10,75,000
Renting of shops for business (Charges per month Rs. 9,500)	4,75,000
Renting of shops for business (Charges per month Rs. 12,000)	7,50,000

Compute the GST liability of Sarva Sugam Charitable Trust for the month of August assuming that the above amounts are exclusive of GST and rate of GST, wherever applicable, is 18%.

Note: The rooms/ Kalyanamandapam/ halls/ open space/ shops owned by the trust are located within the precincts of a religious place, meant for general public, owned by the trust.

Answer:

Renting of precincts of a religious place meant for general public, owned/managed by, inter alia, an entity registered as a charitable trust under section 12AA of the Income–tax Act are exempt from GST vide exemption notification. However, said exemption is not available if:

- (i) charges for rented rooms are Rs. 1,000 per day or more;
- (ii) charges for rented community halls, Kalyan mandapam, open area are Rs. 10,000 per day or more;
- (iii) charges for rented shops are Rs. 10,000 per month or more.

Further, services by way of renting of residential dwelling for use as residence are also exempt vide exemption notification.

Computation of GST liability of Sarva Sugam Charitable Trust for August

Particulars	Value (Rs.)	GST @ 18% (Rs.)
Renting of residential dwelling for use as residence [Exempt vide exemption notification]	18,00,000	Nil
Renting of rooms for devotees [Exempt since charges per day are below Rs.1,000]	6,00,000	Nil
Renting of Kalyanamandapam [Taxable since charges per day exceed Rs.10,000]	12,00,000	2,16,000
Renting of halls and open spaces [Exempt since charges per day are below Rs. 10,000]	10,75,000	Nil
Renting of shops for business [Exempt since charges per month are below Rs.10,000]	4,75,000	Nil

Renting of shops for business [Taxable since charges per month exceed Rs. 10,000]	7,50,000	1,35,000
Total		3,51,000

27. Mr. Nagarjun, a registered supplier of Chennai, has received the following amounts in respect of the activities undertaken by him during the month of September:

S. No.	Particulars	Amount (Rs.)
(i)	Amount charged for service provided to recognized sports body as selector of national team.	50,000
(ii)	Commission received as an insurance agent from insurance company.	65,000
(iii)	Amount charged as business correspondent for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts.	15,000
(iv)	Service to foreign diplomatic mission located in India.	28,000
(v)	Funeral services.	30,000

He received the services from unregistered goods transport agency for his business activities and paid freight of Rs. 45,000 (his aggregate turnover of previous year was Rs. 9,90,000).

Note: All the transactions stated above are intra-State transactions and also are exclusive of GST.

You are required to calculate gross GST liability (ignoring ITC provisions) of Mr. Nagarjun for the month of September assuming that the rate of GST, wherever applicable, is 18% except the GTA services where the rate of GST is 5%. Working notes should form part of your answer.

(PAST EXAM MAY 2018) (MTP NOV 2020) (MTP NOV 2018)

Answer:

Computation of gross GST liability of Mr. Nagarjun

Particulars	Value (Rs.)	GST (Rs.)
Supplies on which Mr. Nagarjun is liable to pay GST under forward charge		
Amount charged for service provided to recognized sports body as selector of national team [Note 1]	50,000	9,000
Commission received as an insurance agent from insurance company [Note 2]	Nil	Nil
Amount charged as business correspondent for the services provided to the urban branch of a nationalised bank with respect to savings bank accounts [Note 3]	15,000	2,700
Services provided to foreign diplomatic mission located in India [Note 4]	28,000	5,040
Funeral services [Note 5]	Nil	Nil
Supplies on which Mr. Nagarjun is liable to pay GST under reverse charge		

Services received from GTA [Note 6]	45,000	2,250
GST payable		18,990

Notes:

- Services provided to a recognized sports body by an individual only as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST vide exemption notification. Thus, service provided as selector of team is liable to GST.
- Commission for providing insurance agent's services is liable to GST. However, the tax payable thereon is to be paid by the recipient of service i.e., insurance company, under reverse charge in terms of Notification No. 13/2017 CT (R) dated 28.06.2017. Thus, Mr. Nagarjun will not be liable to pay GST on such commission.
- Services provided by business correspondent to a banking company with respect to accounts in its rural area branch are exempt from GST vide exemption notification. Thus, such services provided in respect of urban area branch will be taxable.
- While services provided by a foreign diplomatic mission located in India are exempt from GST vide exemption notification, services provided to such mission are taxable.
- Funeral services being covered in Schedule III of CGST Act are not a supply and thus, are outside the ambit of GST.
- GST on services provided by a GTA (not paying tax @ 18%) to, inter alia, a registered person is payable by the recipient of service i.e., the registered person, under reverse charge in terms of Notification No. 13/2017 CT (R) dated 28.06.2017. The turnover of previous year is irrelevant in this case.

28. Vividh Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka, having turnover of Rs. 200 lakh in the last financial year. It has furnished the following information for the month of June.

Particulars	Amount (Rs.) excluding GST
Services provided by way of a labour contract for repairing a single residential unit otherwise than as a part of residential complex	1,30,000
Fee received from students of a competitive exam training academy run by Vividh Pvt. Ltd.	5,40,000
4 buses each with a seating capacity of 72 passengers given on hire to State Transport Undertaking	6,00,000
Rent paid to Local Municipal Corporation for premises taken on rent for competitive exam training academy	2,50,000
Goods transport services received from GTA, tax is payable on such services @ 18%	1,80,000

Compute gross GST liability (ignoring ITC provisions) of Vividh Pvt. Ltd. for the month of June assuming that the above amounts are exclusive of GST and rate of GST, wherever applicable, is 18% unless otherwise mentioned.

Answer:

Computation of gross GST liability of Vividh Pvt. Ltd.

Particulars	Value of	GST @ 18% (Rs.)
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	supply (Rs.)	
Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide exemption notification. Labour contracts for repairing, are thus, taxable.]	1,30,000	2,34,000
Fee received from students of competitive exam training academy [Fee received from students of competitive exam training academy is taxable as it is not an educational institution since competitive exam training does not lead to grant of a recognized qualification]	5,40,000	97,200
Buses each with seating capacity of 72 passengers given on hire to State Transport Undertaking [Services by way of giving on hire to a state transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers, are exempt from GST vide exemption notification.]	6,00,000	Nil
Services on which tax is payable under reverse charge:		
Rent paid to Local Municipal Corporation [GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.]	2,50,000	45,000
GTA services availed [Since GTA is paying tax @ 18%, tax is payable under forward charge by GTA only and not by Vividh Pvt. Ltd.]	1,80,000	Nil
Gross GST payable		3,76,200

29. "Chanakya Academy" is registered under GST in the State of Uttar Pradesh. The Academy runs the following educational institutions:

- (i) 'Keshav Institute of Technology' (KIT), a private engineering college in Ghaziabad. KIT also runs distance learning post graduate engineering programmes. Exams for such programmes are conducted in select cities at centres appointed by the KIT. All the engineering courses including the distance learning post graduate engineering programme run by KIT are recognised by the law [The All India Council for Technical Education (AICTE)].
- (ii) 'Little Millennium', a pre-school in Lucknow.
- (iii) 'Bright Minds', a coaching institute in Kanpur. The Institute provides coaching for Institute of Banking Personnel Selection (IBPS) Probationary Officers Exam.
- (iv) 'Spring Model' a higher secondary school affiliated to CBSE Board.

The Academy provides the following details relating to the expenses incurred by the various institutions run by it during the period April to September:

S. No.	Particulars	KIT	Little Millennium	Bright Minds	Spring

(Rs.)	(Rs.)	(Rs.)	(Rs.)
(i) Printing services for printing the question papers (paper and content are provided by the Institutions)	2,50,000	1,50,000	2,00,000
(ii) Paper procured for printing the question papers	4,30,000	2,58,000	3,44,000
(iii) Honorarium to paper setters and examiners (not on the rolls of the Institution)	5,00,000		
(iv) Rent for exam centers taken on rent like schools etc., for conducting examination	8,00,000	1,00,000	
(v) Subscription for online educational journals [Little Millennium has taken the subscription for online periodicals on child development and experiential learning]	4,00,000	80,000	2,20,000
(vi) Hire charges for buses used to transport students and faculty from their residence to the institutions and back	4,80,000	5,50,000	1,30,000
(vii) Catering services for running a canteen in the campus for students (Catering services for KIT include a sum of Rs. 60,000 for catering at a student event organised in a banquet hall outside the campus)	3,20,000	2,60,000	1,80,000
(viii) Security and housekeeping services for the institution(s) (Security and housekeeping services for Spring Model include a sum of Rs. 80,000 payable for security and housekeeping at the student event organised in a banquet hall outside the campus)	6,00,000	4,00,000	3,75,000

With the help of the above details, determine the amount of GST payable, if any, (ignoring ITC provisions) on goods and services received during April to September by the various educational institutions run by the 'Chanakya Academy'; all the amounts given above are exclusive of taxes, wherever applicable.

Note: Rate of GST on goods is 12%, catering service is 5% and on other services is 18%.

(RTP NOV 2019) (MTP MAY 2019)

Answer:

(i) Exemption notification exempts select services provided to an educational institution. Here, the "educational institution" means an institution providing services by way of,-

- (a) pre-school education and education up to higher secondary school or equivalent;
- (b) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
- (c) education as a part of an approved vocational education course;

The select services which are exempt when provided to an educational institution are-

- (a) transportation of students, faculty and staff;
- (b) catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory;
- (c) security or cleaning or house-keeping services performed in such educational institution;
- (d) services relating to admission to, or conduct of examination by, such institution;
- (e) supply of online educational journals or periodicals

However, the services mentioned in points (i), (ii) and (iii) are exempt only when the same are provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

Also, the supply of online educational journals or periodicals is not exempt from GST when provided to-

- (i) pre-school education and education up to higher secondary school or equivalent; or
- (ii) education as a part of an approved vocational education course. Further, services by way of giving on hire motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent is exempt¹⁷.

In the given case, all the engineering courses including the distance learning post graduate engineering programme run by KIT are recognised by the law [The All India Council for Technical Education (AICTE)]. Therefore, since KIT imparts education as a part of a curriculum for obtaining a qualification recognised by the Indian law, the same is an educational institution in terms of the exemption notification.

Similarly, Little Millennium and Spring Model, being a pre-school and a higher secondary school respectively are also educational institutions in terms of the exemption notification.

However, Bright Minds, being a coaching centre, training candidates to secure a banking job, is not an educational institution in terms of the exemption notification. Hence, none of the select services (mentioned above) will be exempt when provided to Bright Minds.

In the light of the foregoing provisions, the amount of GST payable on goods and services received by these educational institutions during April to September is computed as under:

Particulars	KIT	Little Millennium	Bright Minds	Spring Model
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Printing services for printing the question papers (paper and content are provided by the Institutions)	Exempt [Services provided To educational institution in relation to conduct of examination]		27,000 [1,50,000 x 18%]	Exempt
Paper procured for printing the	51,600		30,960	41,280

question papers [Supply of select services to educational institutions is exempt and not supply of goods to such educational institutions]	[4,30,000 x 12%]		[2,58,000 x 12%]	[3,44,000 x 12%]
Honorarium to paper setters and examiners (not on the rolls of the educational institution)	Exempt [Services provided to educational institution in relation to conduct of examination]			
Rent for exam centres taken on rent like schools etc., for conducting examination	Exempt [Services provided to educational institution in relation to conduct of examination]		18,000 [1,00,000 x 18%]	
Subscription for online educational journals [Little Millennium has taken the subscription for online periodicals on child development and experiential learning]	Exempt	14,400 [80,000 x 18%]	39,600 [2,20,000 x 18%]	43,200 [2,40,000 x 18%]
Hire charges for buses used to transport students and faculty from their residence to the institutions and back	86,400 [4,80,000 x 18%]	Exempt	23,400 [1,30,000 x 18%]	Exempt
Catering services for running a canteen in the campus for students [Catering service provided to pre-school and the higher secondary school is exempt irrespective of whether the same is provided within or outside the premises of the pre-school and the higher secondary school]	16,000 [3,20,000 x 5%]	Exempt	9,000 [1,80,000 x 5%]	Exempt
Security and housekeeping services for the institution(s) [Security and housekeeping service provided to pre-school and the higher secondary school for the student event organised in a banquet hall will be taxable as only the security and housekeeping service provided within the premises of the pre-school and the higher secondary	1,08,000 [6,00,000 x 18%]	Exempt	67,500 [3,75,000 x 18%]	14,400 [80,000 x 18%]

school are exempt.]				
Total GST payable on goods and services received	2,62,000	14,400	2,15,460	98,880

30. Pethalal has obtained registration in the current financial year in Uttar Pradesh. His turnover in the preceding financial year was ₹ 19,90,000. He has received the following amounts in respect of the activities undertaken by him in the month of September

S.No	Particulars	Amount
(i)	Funeral services	8,80,00
(ii)	Services of warehousing of jaggery	50,000
(iii)	Electrically operated bus given on hire to Municipal Corporation	5,00,000
(iv)	Service provided to recognized sports body as commentator	2,00,000
(v)	Commission received as an insurance agent from insurance company	65,000
(vi)	Commission received as business facilitator for the services provided to the urban branch of nationalized bank with respect to savings bank accounts	15,000
(vii)	Security services (supply of security personnel) provided to Damodar Engineering College (DEC)* [registered under GST] for the security of the college premises *All the engineering courses run by DEC are	28,000

Further, he has received following services in the month of September:

S.No.	Particulars	Amount
(a)	Freight paid to unregistered goods transport agency for his business activities relating to serial No (ii)	1,00,000
(b)	Legal advice received from M/s Kanoon Associates, a partnership firm seeking advice in relation to tax	50,000

All the transactions stated above are intra-State transactions and amounts given are exclusive of GST, wherever applicable.

You are required to calculate net GST payable by Pethalal for the month of September. There was no opening balance of input tax credit.

Rate of CGST and SGST is 9% each for all the outward supplies made by Pethalal. (RTP MAY 2020)

Answer:

Computation of net GST payable by Pethalal

Particulars	Amount	CGST	SGST
Supplies on which Pethalal is liable to pay GST under forward charge	8,80,000		

Funeral services [Note 1]			
Services of warehousing of jaggery [Note 2]	50,000		
Services by way of giving on hire electrically operated buses to Municipality [Note 3]	5,00,000	18,000	18,000
Service provided to recognized sports body as commentator taxable @ 9% CGST & 9% SGST [Note 4]	2,00,000		
Commission received as an insurance agent from insurance company [Note 5]	65,000		
Commission received as business facilitator For the services provided to the urban branch of a nationalized bank with respect to savings bank accounts [Note 6]	15,000		
Security services (supply of security personnel) provided to DEC for the security of the college premises [Note 7]	28,000		
Value of taxable supply			
Total tax liability on outward supplies (A)	2,00,000	18,000	18,000
Supplies on which Pethalal is liable to pay GST under Reverse Charge			
Services received from GTA taxable at 2.5% CGST & 2.5% SGST (Note 8)	1,00,000	2,500	2,500
Legal services received [Note 9]	50,000		
Value of taxable supply	1,00,000		
Total tax liability on inward supplies under reverse charge (B) - payable in cash [Note 10]		2,500	2,500
ITC available on Input Services [Note 8]		NIL	NIL
Net GST Payable (A)+(B)		20,500	20,500

Notes:

- Funeral services being covered in entry 4 of Schedule III to the CGST Act, 2017 are not a supply and thus, are outside the ambit of GST.
- Services by way of storage/ warehousing of, inter alia, jaggery are exempt from GST vide Exemption Notification No. 12/2017 CT(R) dated 28.06.2017 (hereinafter referred to as exemption notification). Thus, services of warehousing of jaggery are exempt.
- Services by way of giving on hire to a local authority, an Electrically operated vehicle (EOV) meant to carry more than 12 passengers are exempt vide exemption notification. Buses are EOVs meant to carry more than 12 passengers. Hence, services of giving electrically operated buses on hire to Municipal Corporation are exempt from GST.
- Services provided to a recognized sports body by an individual only as a player, referee, umpire, coach or team manager for

participation in a sporting event organized by a recognized sports body are exempt from GST vide exemption notification. Thus, service provided as commentator is liable to GST.

- 5) Though commission for providing insurance agent's services to any person carrying on insurance business is liable to GST, the tax payable thereon is to be paid by the recipient of service i.e., insurance company, under reverse charge in terms of Notification No. 13/2017 CT(R) dated 28.06.2017 (hereinafter referred to as reverse charge notification). Thus, Pethalal will not be liable to pay GST on such commission.
- 6) Services provided by a business facilitator to a banking company with respect to accounts in its rural area branch are exempt from GST vide exemption notification. Thus, services provided by him in respect of urban area branch of the bank will be taxable. However, the tax payable thereon is to be paid by the recipient of service i.e., banking company, under reverse charge in terms of reverse charge notification. Hence, Pethalal will not be liable to pay GST on commission received for said services.
- 7) Services provided to an educational institution, by way of security services performed in such educational institution are exempt from GST only when said services are provided to an institution providing services by way of pre-school education and education up to higher secondary school or equivalent, vide exemption notification. Thus, in the given case, security services provided to DEC are not exempt. Further, the tax on security services (supply of security personnel) provided by any person other than a body corporate to a registered person is payable by the recipient of service under reverse charge in terms of reverse charge notification. Hence, Pethalal will not be liable to pay GST in the given case.
- 8) GST on services provided by a GTA (not paying tax @ 18%) to, inter alia, a registered person is payable by the recipient of service i.e., the registered person, under reverse charge in terms of reverse charge notification. Since in the given case, GTA is unregistered, Pethalal is liable to pay tax under reverse charge @ 5% (CGST @ 2.5% and SGST @ 2.5%). Further, since said input services are being exclusively used for effecting non-taxable supplies [funeral services], input tax credit of the GST paid on the same will not be available.
- 9) Legal services provided by a partnership firm of advocates to a business entity (with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017) are exempt from GST vide exemption notification. Since the aggregate turnover of Pethalal did not exceed ₹ 20 lakh [the applicable threshold limit for registration for Pethalal being a supplier of services] in the preceding FY, legal services received by him are exempt from GST.
- 10) As per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.
- 11) Since all the transactions given hereunder are intra-State, CGST and SGST are payable in terms of section 9(1) of the CGST Act, 2017

31. Parikshit Ltd., engaged in providing a bouquet of services, is registered under GST law. It furnishes the following information for the month of March in relation to various services provided by it:

Particulars	Rs.
Fees from prospective employers for campus interview in its college	5,20,000
Five buses each with seating capacity of 40 passengers given on hire to State Transport Undertaking	6,50,000

Receipts of 'Shiny', a commercial coaching institute providing coaching in the field of commerce (A certificate was awarded to each trainee after completion of the training)	1,82,000
Interest received on fixed deposits of the company with Dhanvarsha Bank	6,50,000
Receipt from running a boarding school (Including receipts for providing residential dwelling service of Rs. 18,20,000)	39,00,000
Receipts of 'Sikshit Samudai'- an Industrial Training Institute(ITI) affiliated to the National Council for Vocational Training	2,60,000
(NCVT). Courses run by said ITI are in disputed trades	
Receipts of 'Pratibha Institute',an institute registered with Directorate General of Employment and Training (DGET),Union Ministry of Labour and Employment, running a	1,30,000
Modular Employable SkillCourse (MESC) approved by the National Council for Vocational Training (NCVT)	
Professional services provided to foreign diplomatic mission located in India	1,04,000

Compute the GST payable by Parikshit Ltd. assuming that all the above receipts are exclusive of GST wherever applicable and the rate of GST applicable on all the supplies is 18%. (RTP JULY 2021)

Answer:

Computation of GST payable by Parikshit Ltd. for the month of March

Particulars	Value {Rs}	GST @ 18%
		{Rs}
Fees from prospective employers for campus interview in its college (Taxable since such services are not specifically exempt)	5,20,00 0	93,600
Five buses each with seating capacity of 40 passengers given on hire to State Transport Undertaking [Services by way of giving on hire to State Transport undertaking (STU),a motor vehicle meant to carry more than 12 passengers, are exempt vide Notification No.12/2017 CT{R} dated 28.06.2017{hereinafter referred to as exemption notification}]	Nil	Nil
Receipts of Shiny ~ a coaching institute [Services provided by an educational institute to its students,faculty and staff are exempt vide exemption notification.However, coaching is not an educational institution.]	1,82,000	32,760
Interest received on fixed deposits of the company with Dhanvarsha Bank [Services by way of extending deposits,loans or advances in so far as the consideration is represented by way of interest or discount {other than interest involved in credit card services} are exempt vide exemption notification]	Nil	Nil
Receipts from Boarding School including receipts for residential dwelling service [Services	Nil	Nil

provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. Boarding School providing education up to higher secondary school or equivalent is an educational institution since it provides composite supply of education service coupled with other services like providing dwelling units for residence and food wherein the principal supply is supply of education service.]		
Receipts of Sikshit Samudai [Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. Sikshit Samudai is an educational institution running approved vocational education course.]	Nil	Nil
Receipts of 'Pratibha Institute' running Modular Employable Skill Course [Services provided by an educational institution to its students, faculty and exempt vide exemption notification. Pratibha Institute is an educational institution running approved vocational education course.]	Nil	Nil
Professional service to the services provided to foreign diplomatic mission located in India [While services provided by a foreign diplomatic mission located in India are exempt from GST vide exemption notification, no such exemption is available to the services provided to such mission.]	1,04,000	18,720
GST payable	8,06,000	1,45,080

32. BODMAS Ltd., providing educational services, furnishes you with the following information for the various services provided by it for the month of March, 2019: (PAST EXAM NOV 2019)

Particulars	Rs
Receipts from running a Boarding School (including receipts for providing residential dwelling service of 14,00,000)	30,00,000
Receipts of 'Gyan Uday' - an Industrial Training Institute (ITI) affiliated to the National Council for Vocational Training (NCVT)	2,00,000
Receipts of 'Lakshya', an institute, registered with Directorate General of Employment and Training (DGET), Union Ministry of Labour and Employment running a Modular Employable Skill Course (MESC) approved by the National Council for Vocational Training (NCVT)	1,00,000
Receipts of Wizard", a Commercial Coaching Institute providing commercial coaching in the field of arts and science (no certificate was issued on completion of the training)	80,000
Fees from prospective employers for campus interview	4,00,000
Renting of furnished flats for temporary stay to different persons	5,00,000
Receipts of 'Concepts', a Commercial coaching institute providing coaching in the field of commerce	1,40,000

(a certificate was awarded to each trainee after completion of the training)	
Receipts of Gurukul School providing education upto higher secondary	5,00,000

Compute the value of taxable supply assuming that all the above receipts are exclusive of GST.

Answer:

Services provided by an educational institution to its students, faculty and staff are exempt vide Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017. Further, an educational institution means, inter alia, an institution providing services by way of-

- (i) education up to higher secondary school or equivalent;
- (ii) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
- (iii) education as a part of an approved vocational education course.

In view of the aforesaid provisions, value of taxable supply of BODMAS Ltd. for the month of March, 2019 has been computed as follows:

Particulars	Amount
Receipts from Boarding School including receipts for residential dwelling service [Educational institution providing education up to higher secondary school or equivalent]	Exempt
Receipts of Gyan Uday [Educational institution running approved vocational education course (assuming that such courses are run in designated trades)]	Exempt
Receipts of Lakshya running Modular Employable Skill Course [Educational institution running approved vocational education course]	Exempt
Receipts of Wizard –a coaching institute [Taxable since coaching institute is not an educational institution]	80,000
Fees from prospective employers for campus interview (Taxable since such services are not specifically exempt]	4,00,000
Renting of furnished flats for temporary stay to different persons* [Not exempt since services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, are exempt only when the value of supply of a unit of accommodation is below Rs.1,000 per day.] *It has been assumed that rent per flat per day \geq Rs 1,000.	5,00,000
Receipts of Concepts –a coaching institute [Taxable since coaching institute is not an educational institution]	1,40,000

Receipts of Gurukul School providing education upto higher secondary	Exempt
Value of taxable supply	11,20,000

33. Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons: (MTP NOV 2020)

Particulars	Gross amount charged (Rs.)
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961	50,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,20,000
Amount charged for service provided by commentator to a recognized sports body	1,00,000

Answer:

Computation of value of taxable supply

Particulars	(Rs.)
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 [Note-1]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-2]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-3]	5,20,000
Service provided by commentator to a recognized sports body [Note-4]	1,00,000

Notes:

- Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
- Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
- Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are taxable from GST.
- Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by

commentators are liable to GST.

34. Super Lever Limited is engaged in manufacturing of taxable electronic goods. Its two manufacturing units are located in Mumbai and Nagpur and both the units are registered under GST in the State of Maharashtra. The company has another manufacturing unit in Bangalore, registered under GST in the State of Karnataka and a retail showroom located in Ahmedabad, registered under GST in the State of Gujarat.

The company has provided the following details of the activities/transactions undertaken in a tax period:

S.N	Particulars	Mumbai	Nagpur
(i)	Sale of taxable goods	12,50,000	13,50,000
(ii)	Interest received on fixed deposits with a nationalised bank		1,08,000
(iii)	Sale of securities [Such securities were purchased for ₹ 2,75,000]	4,50,000	
(iv)	Sale of agricultural land in the vicinity of the manufacturing plant [Stamp duty was paid on ₹ 1,85,00,000]		1,85,00,000
(v)	Sale of old factory building which was not used anymore [Stamp duty was paid on ₹ 75,00,000]	90,00,000	
(vi)	Transfer of actionable claims (other than lottery, betting and gambling)		2,00,000

With the help of above information, you are required to determine the value of exempt supply provided by Nagpur unit and Mumbai unit. Will your answer be different if the value of exempt supply provided by Nagpur unit and Mumbai unit is to be determined, for the purpose of apportionment of ITC under section 17(3)? (Nov'22)

Answer:

As per section 2(47), exempt supply means supply of any goods or services or both which attracts nil rate of GST or which may be wholly exempt from GST and includes nontaxable supply. An activity or transaction which is not a supply per se is not an exempt supply. In view of the same, the value of exempt supply by Nagpur unit and Mumbai unit has been computed as under:

Particulars	Mumbai	Nagpur
Sale of taxable goods	--	--
Interest received on fixed deposits [Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest are exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017]	--	1,08,000
Sale of securities [Securities are neither goods nor services in terms of section 2(52) and 2(102) of the CGST Act, 2017. Hence, sale of securities is neither a supply of goods nor a supply of services. Thus, the same is not an exempt supply.]	--	--
Sale of agricultural land [Sale of land is neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, 2017. Hence, the same is not an exempt supply.]	--	--
Sale of old factory building [Sale of building is neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, 2017, provided the entire	--	--

consideration has been received after issue of completion certificate by the competent authority or after its occupation, whichever is earlier. Hence, the same is not an exempt supply.]		
Transfer of actionable claims (other than lottery, betting and gambling) [Transfer of actionable claims (other than lottery, betting and gambling) is neither a supply of goods nor a supply of services in terms of para 6 of Schedule III to the CGST Act, 2017. Hence, the same is not an exempt supply.]	--	--
Total value of exempt supply	Nil	1,08,000

However, value of exempt supply by Nagpur unit and Mumbai unit for the purpose of apportionment of ITC under section 17(3) is not same and is determined as follows:

As per section 17(3), value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause

- of paragraph 5 of Schedule II, sale of building. As per explanation to section 17(3), the expression "value of exempt supply" shall not include the value of activities or transactions specified in Schedule III, except sale of land and, subject to clause
- of paragraph 5 of Schedule II, sale of building. Further, as per explanation to Chapter V (Input Tax Credit) of the CGST Rules, 2017, the value of exempt supply in respect of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security.

Further, as per explanation 1 to rule 43, the aggregate value of exempt supplies, inter alia, excludes the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances.

In view of the aforesaid provisions, value of exempt supply by Nagpur unit and Mumbai unit for the purpose of apportionment under section 17(3) is as follows:

Particulars	Mumbai	Nagpur
Interest received on fixed deposits [Excluded from value of exempt supply by virtue of explanation 1 to rule 43]	--	--
Sale of securities [1% of ₹ 4,50,000] [Includible as per section 17(3). Value of exempt supply in respect for security is 1% of the sale value of such security.]	4,500	--
Sale of agricultural land [Includible as per section 17(3). Value of exempt supply in respect of land is the value adopted for paying stamp duty.]	--	1,85,00,000
Sale of old factory building [Includible as per section 17(3). Value of exempt supply in respect of building is the value adopted for paying stamp duty.]	75,00,000	--
Transfer of actionable claims (other than lottery, betting and gambling) [Excluded from value of exempt supply by virtue of explanation to section 17(3).]	--	--
Total value of exempt supply	75,04,500	1,85,00,00

35. Vividh Pvt. Ltd. is engaged in supplying various services in Bangalore. It is registered in the State of Karnataka. It has furnished the following information for the month of June:

S.No.	Particulars	Amount (Rs.)
(i)	Services provided by way of fumigation in a warehouse of agricultural produce.	13,00,000
(ii)	Service of transportation of passengers by metered cabs provided through Webcastle Ltd., an electronic commerce operator (ECO)	5,40,000
(iii)	4 buses each with a seating capacity of 72 passengers given on hire to State Transport Undertaking (STU). Such buses run on a route and timing as decided by STU.	6,00,000
(iv)	Goods transport services received from GTA for transporting the goods to be used in respect of the buses given on hire to STU. Tax on such services is payable @ 18%.	1,80,000

Compute net GST payable in cash by Vividh Pvt. Ltd. for the month of June assuming that the above amounts are exclusive of GST and rate of GST, wherever applicable, is 18% unless otherwise mentioned. (RTP MAY 2023)

Answer:

Computation of gross GST liability of Vividh Pvt. Ltd.

Particulars	GST (Rs.)
Services by way of fumigation in a warehouse of agricultural produce. [Taxable since the exemption earlier available with respect to the services provided by way of fumigation in a warehouse of agricultural produce has been withdrawn.]	2,34,000 [13,00,000 × 18%]
Service of transportation of passengers by metered cabs through Webcastle Ltd., an ECO [Taxable since services of transport of passengers by metered cabs supplied through ECO are not exempt from GST. However, tax on such services shall be paid by ECO. Therefore, Vividh Pvt. Ltd. is not liable to pay GST on the same.]	Nil
Buses with seating capacity of 72 passengers each given on hire to State Transport Undertaking [Services by way of giving on hire to a state transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers, are exempt from GST irrespective of whether such vehicles are run on routes and timings as decided by the State Transport Undertakings.]	Nil
Total GST payable	2,34,000
Less: Goods transport services availed [Since GST is payable @ 12% on goods transport services, GST is payable by the GTA under forward charge mechanism and not by Vividh Pvt. Ltd.]	Nil
Further, ITC of the same is not available as such services are exclusively used for supplying the exempt services of giving on hire the buses to STU.]	

Net GST payable in cash	2,34,000
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36. Mr. Dev is registered as a regular tax-payer under GST in Mumbai, Maharashtra since July 2017. His turnover for the previous year 2022-23 was Rs. 2 crore. He provides the following information pertaining to various outward supplies made by him during the month of April, 2023:

Sr. No.	Particulars	Amount Charged (Rs.)
(i)	Services by way of storage/warehousing of raw vegetable fibre such as cotton flex, jute etc.	4,00,000
(ii)	Supply of online mathematics journal to 'Model CBSE' school for its secondary and higher secondary students.	2,00,000
(iii)	Made a composite supply of goods and services to M/s. Maharashtra State Development Corporation, a Government Entity, by way of activity in relation to function entrusted to a Panchayat under article 243G of the constitution. Value of supply of goods constituted 23% of value of said composite supply.	1,40,000
(iv)	Sitting fees received for attending a committee meeting as an independent director from M/s. ABC Ltd.	1,00,000
(v)	Insurance commission received as an insurance agent from XYZ Insurance Company Ltd., registered under GST.	1,25,000
(vi)	Services provided to the State Government of Maharashtra for conducting fitness training program for its employees. 71% of the total expenditure incurred for the program was borne by the State Government.	1,50,000
(vii)	Honorarium received by Mr. Dev to appear as a guest anchor on a TV channel.	25,000
(viii)	Amount received for services provided to a recognized sports body as a commentator.	6,00,000

From the above information, compute the total GST liability of Mr. Dev (on which tax to be paid by Mr. Dev) for the month of April, 2023.

All the supplies are intra-State supplies and the rate of taxes are CGST and SGST @ 9% each. All the figures given are exclusive of GST, wherever applicable.

Reason for the treatment of each item needs to be given.

(NOV 2023) (9 Marks)

Answer:

Computation of total GST payable by Mr. Dev

	Particulars	Amount (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)
(i)	Storage/warehousing of raw vegetable fibres	4,00,000	36,000	36,000

	[Services by way of storage/ warehousing of raw vegetable fibre is not exempt.]			
(ii)	Supply of online journal to school [Not exempt, since such services are exempt only when they are provided to an educational institution providing education as a part of a curriculum for obtaining a recognised qualification. Thus, exemption from GST is not available when such services are provided to a secondary and higher secondary school.]	2,00,000	18,000	18,000
(iii)	Composite supply of goods and services to State Development Corporation [Not exempt since exemption in respect of composite supply of goods and services by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution is not available when such supply is made to a government entity.]	1,40,000	12,600	12,600
(iv)	Sitting fees for attending meeting as an independent director [Services provided by an independent director to company are not in course/relation of employment are thus outside the scope of Schedule III of CGST Act, 2017. So, they qualify as supply. Further, tax on such services is payable by company under reverse charge.]	-	-	-
(v)	Insurance Commission received as an insurance agent [Tax on services provided by insurance agent to insurance company is payable by such company under reverse charge.]	-	-	-
(vi)	Services provided to State Government for fitness training program [Not exempt, since services provided to the State Government under any training programme are exempt only when 75% or more of the total expenditure for the same is borne by the State Government.]	1,50,000	13,500	13,500
(vii)	Honorarium received to appear as guest anchor [Liable to GST, since it is not specifically exempt and is not declared as 'neither a supply of goods nor a supply of service' under Schedule III of the CGST Act, 2017.]	25,000	2,250	2,250
(viii)	Services provided to a recognized sports body as a commentator [Services by an individual as a commentator to a recognized	6,00,000	54,000	54,000

	sports body are not exempt.]			
	Total GST payable by Mr. Dev		1,36,350	1,36,350

37. Mr. Ayush is a registered supplier in Ahmedabad (Gujarat) under GST law. He provides the following information pertaining to various outward supplies made by him during the month of March, 2024:

S. No.	Particulars	Amount (Rs.)
(i)	Vijay Vayapar Chamber of Commerce organized a business summit. Nuba Pvt. Ltd., manufacturer of readymade garments, sponsored the summit and paid sponsorship fee of Rs. 1,80,000 to Vijay Vayapar Chamber of Commerce. Mr. Ayush, an independent director of Nuba Private Ltd., provided the services to the company in relation to this and Nuba Private Ltd. paid Rs. 40,000 to him as remuneration.	40,000
(ii)	Supply of railway equipment's by way of transportation by a vessel from one place in India to another.	1,20,000
(iii)	Services by way of storage/warehousing of processed tea used for beverage as green tea.	70,000
(iv)	Health care services by his clinical establishment of providing rooms having room charges Rs. 3,100 per day to a person receiving health care services.	3,00,000
(v)	Services of a guest house, for lodging purposes, having value of supply of a unit of accommodation Rs. 800 per day	72,000

All above amounts are exclusive of GST. All the supplies are intra-State supply and assume the rate of taxes are IGST @ 18% and CGST & SGST @ 9% each.

From the above information, compute the GST liability of each item separately, on which tax to be paid by Mr. Ayush for the month of March, 2024.

Correct provision of law should form the part of your answer.

(5 Marks) (NOV 2024)

Answer:

Computation of GST liability of Mr. Ayush

	Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)
(i)	Service provided to Nuba Pvt. Ltd. [Tax on services provided in the capacity of an independent director is payable by the recipient - Nuba Pvt. Ltd. under reverse charge mechanism and not by Mr. Ayush.]	--	--
(ii)	Supply of transportation of railway equipment by vessel [Taxable, since it is not specifically exempt. Transportation of specified goods by vessel from one place in India to another are exempt. However, railway equipment is not a specified good. Exemption earlier available to	10,800	10,800

	transportation of railway equipment by vessel from one place in India to another was withdrawn.]		
(iii)	Storage/warehousing of processed tea [Taxable, since storage/warehousing of only agricultural produce is exempt but processed tea is not an agricultural produce.]	6,300	6,300
(iv)	Health care services of providing rooms by his clinical establishment [Exempt, since room charges do not exceed Rs. 5,000 per day.]	-	-
(v)	Services of a guest house for lodging purposes [Taxable, since exemption with respect to services provided by guest house for lodging purposes with value of supply up to Rs. 1,000 per day, was withdrawn.]	6,480	6,480

38. M/s SIP, a proprietary firm registered under GST, is engaged in providing various services under one roof. The firm provides the following information pertaining to supplies made/input services availed by it during the month of March:

S. No.	Particulars	Amount (Rs.)
1.	Amount collected for loading, unloading, packing and warehousing of potato chips	15,000
2.	Fees paid for yoga camp conducted by a charitable trust registered under section 12AB of the Income-tax Act, 1961 for employees of the firm	20,000
3.	Interest received on fixed deposits with APNA Bank by the firm	30,000
4.	Professional services provided to foreign diplomatic mission located in India	50,000
5.	Recovery agent services provided to ABC Finance Ltd. – an NBFC located in Delhi	1,00,000
6.	Security services (by way of supply of security personnel) provided to XYZ Ltd. – a registered person under GST	80,000
7.	Receipts from running an educational institution (a Senior Secondary School) for services provided to its students (including receipts for providing residential dwelling service of Rs. 18,20,000 by the institution to the students)	35,00,000
8.	Supply value including cost of fuel for provision of renting of motor vehicle for transportation of passengers' service to NPS Ltd.	88,000

Determine the GST liability (inclusive of liability for the supplies received also) of M/s SIP for the month of March with necessary explanation for treatment of each item. Rate of tax for both inward and outward supply is CGST and SGST @ 9% each except for the service of renting a vehicle for transportation of passengers for which CGST and SGST @ 2.5% each is applicable. All the supplies are intra-State only. All amounts given hereunder are exclusive of GST.

(9 Marks) (MTP Nov 2023)

Answer
Computation of GST liability of M/s SIP for the month of March:

S. No.	Particulars	CGST (Rs.)	SGST (Rs.)
1.	Loading, unloading, packing and warehousing of potato chips [Loading, unloading, packing and warehousing of agricultural produce is exempt. However, potato chips is not an agricultural produce.]	1,350 [15,000 × 9%]	1,350 [15,000 × 9%]
2.	Fees paid for yoga camp [Services provided by a charitable trust registered under section 12AB of the Incometax Act by way of advancement of yoga are exempt.]	--	--
3.	Interest received on fixed deposits [Services of extending fixed deposits in so far as the consideration is represented by way of interest are exempt.]	--	--
4.	Professional services provided to foreign diplomatic mission located in India [Not specifically exempt.]	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]
5.	Recovery agent services provided to ABC Finance Ltd., an NBFC [Since such services are being provided to an NBFC, tax on the same is payable by recipient - ABC Finance Ltd. - under reverse charge (RCM).]	--	--
6.	Security services provided to XYZ Ltd., a registered person [Since such services are being provided by a non-body corporate to a registered person, tax on the same is payable by recipient - XYZ Ltd. - under reverse charge (RCM).]	--	--
7.	Receipts from running an educational institution (including receipts for residential dwelling service) [Services provided by an educational institution and services by way of renting of residential dwelling for use as residence are exempt.]	--	--
8.	Renting of motor vehicle service [Since services of renting of motor vehicle including cost of fuel with tax payable @ 2.5% CGST/SGST is being provided by a non-body corporate to a body corporate, tax on the same is payable by recipient - NPS Ltd. - under RCM.]	--	--
	Total GST liability	5,850	5,850

39. Kinjal checked-in at the 'Laze Tourist Lodge' in Madurai on 15th March, 2024. The room rent for the same was Rs. 900 per day for a single room. She checked-out on 17th of March, 2024 and payment in respect to the same was received by the lodge via cheque at the time of checking-out and entered in the books on the same date. The lodge decided to issue her the invoice on the same date when the amount would get credited in its bank account.

The lodging of hotel rooms which was exempted upto Rs. 1,000 earlier became chargeable to tax from 18th March, 2024.

Under the GST law, determine the time of supply and taxability of the service of lodging in the hands of 'Laze Tourist Lodge' if the cheque gets credited into the bank account of 'Laze Tourist Lodge' on 20th of March, 2024.

Note: Assume that all the days covered in the above case are working days. (5 Marks)

(MTP Nov 2024)

Answer

In the given case,

Date of receipt of payment is:-

(a) Date of entry of payment in books of account [17th March, 2024] or (b) Date of credit of payment in bank account [20th March, 2024] whichever is earlier, viz., 17th March, 2024.

Date of issue of invoice is 20th March, 2024 (since lodge decided to issue invoice on date of credit of payment in its bank account.)

Since in the given case of change in rate of tax (on 18th March, 2024):

- services have been supplied and payment has been received, before such change in rate
- but invoice is issued after the change in rate, time of supply is date of receipt of payment, viz. 17th March, 2024.

Since the service of lodging upto a value of Rs. 1,000 was exempted at the time of supply, no GST is payable in the given case.

40. Determine whether GST is payable in respect of each of the following independent services provided by the registered persons:

- 1) Service provided to a Governmental Authority by way of slum improvement and upgradation.
- 2) Fees of Rs. 20,000 charged from office staff for in-house personality development course conducted by Banarsidas College providing education as part of a curriculum for obtaining a qualification recognised by Indian law.
- 3) Bus fees of Rs. 2,000 per month collected from students by RPSD College providing education as part of a curriculum for obtaining a qualification recognised by Indian law.
- 4) Housekeeping service provided by M/s. Buff Ltd. to Bloom Montessori school, a play school, for cleaning its playground and classrooms for Rs. 30,000 per month.
- 5) Grow Buds supplied 'Gratitude Jot', an online educational journal, to students of UKG class of Seeds Montessori School for Rs. 2,000.

(5 Marks) (MTP May 2024)

Answer)

- 1) Services provided to a Governmental Authority by way of slum improvement and upgradation is specifically exempt from GST vide exemption notification under GST law.
- 2) Services provided by an educational institution to its students, faculty and staff are exempt from GST vide exemption

notification. Educational Institution has been defined to mean, inter alia, an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

Since Banarsidas College provides education as part of a curriculum for obtaining a qualification recognised by Indian law, the services provided by it to its staff by way of conducting personality development course would be exempt from GST, it being an educational institution.

- 3) Since RPSD College provides education as a part of a curriculum for obtaining a qualification recognised by Indian law, the transport services provided by RPSD College to its students are exempt from GST.
- 4) Services provided to an educational institution, by way of, inter alia, house-keeping services performed are exempt from GST vide exemption notification provided such services are performed in such educational institution. However, such exemption is available only when the said services are provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

In view of the above discussion, house-keeping services provided to Bloom Montessori Play School are exempt from GST since housekeeping services have been performed in such play school itself.

- 5) Services provided to an educational institution by way of supply of online educational journals or periodicals is exempt from GST vide exemption notification. However, such exemption is not available to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

Therefore, supply of online journal to students of UKG class of Seeds Montessori School is not exempt from GST.

5

TIME OF SUPPLY

Multiple Choice Questions

1. Lalla (Pedewala) owns a famous sweets shop located and registered under GST in Vrindavan, Uttar Pradesh. He received an order for 100 kg of sweets on 2nd May from Parindey Travels (P) Ltd., located in same locality of Vrindavan and registered under GST, for a total consideration of ₹ 50,000. Complete order of sweets was delivered to Parindey Travels Ltd. on 5th May but without invoice, as accountant of Mr. Lalla was on leave on that day. However, the invoice was raised for the same on 6th May, when the accountant joined the office after leave. Payment in full was made on 7th May. Determine the time of supply of goods in this case. (Nov '23)
 - (a) 2nd May
 - (b) 5th May
 - (c) 6th May
 - (d) 7th May (Nov 23)

Answer: (b)

Practical Theory

2. Kanchenjunga Pvt. Ltd. supplies taxable goods to Suttlej Pvt. Ltd. for Rs. 2,50,000 on 23rd June and issues the invoice on 25th June. Payment for the goods is made by Suttlej Pvt. Ltd. on 15th July. Determine the time of supply of goods for the purpose of payment of tax.

Answer:

In terms of section 12(2), the time of supply of goods is the earlier of, the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment. However, Notification No. 66/2017 CT dated 15.11.2017 specifies that a registered person (excluding composition supplier and specified actionable Claims) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. As per section 31(1), invoice for supply of goods should be issued before or at the time of removal of goods for supply to the recipient, where supply involves movement of goods. Therefore, time of supply of goods is 23rd June being the last date on which invoice ought to have been issued and not 25th June when the invoice is actually issued.

3. An online portal, Best Info, raises invoice for database access on 21st February on Roy & Bansal Ltd. The payment is made by Roy & Bansal Ltd. by a demand draft sent on 25th February, which is received and entered in the accounts of Best Info on 28th February. Best Info encashes the demand draft and thereafter, gives access to the database to Roy & Bansal Ltd from 3rd March. In the meanwhile, the rate of tax is changed from 1st March. Determine the time of supply of the service of database access by Best Info.

Answer:

As issuance of invoice and receipt of payment (entry of the payment in Best Info's accounts) occurred before the change in rate of

tax, the time of supply of service by the online portal is earlier of the date of issuance of invoice (21st February) or date of receipt of payment (28th February) i.e., 21st February. This would be so even though the service commences after the change in rate of tax [Section 14(b)(ii)].

4. Trust Industries Ltd. has entered into a contract with VST Ltd. to supply gas by a pipeline to VST Ltd. for a period of one year. As per the terms of the contract-

- (i) VST Ltd. shall make monthly payments [Payment for a month shall be made by 7th day of the next month]
- (ii) Every quarter, Trust Industries Ltd. shall issue a statement of account showing the quantity and value of goods dispatched, payments received and payment due.
- (iii) The differential amount, if any, as mentioned in the statement of account shall be paid by VST Ltd. The details of the various events are:

August 5, September 5, October 6	Payments of Rs. 2 lakh made in each month for the quarter July-September
October 3	Statement of accounts for the quarter July - September issued by the supplier showing amount of Rs. 2,56,000 as unpaid
October 17	Balance payment of Rs. 56,000 received by supplier for the quarter July - September

Determine the time of supply of goods for the purpose of payment of tax. (MTP JULY 2021)

Answer:

As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier and specified actionable Claims) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. As per section 31(4), in case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice is issued before or at the time of each such statement is issued or, as the case may be, each such payment is received. Therefore, invoices should be issued for Rs. 2 lakh each on or before August 5, and September 5, when monthly payments of Rs. 2 lakh are received. Further, invoice should also be issued for differential payment of Rs. 2,56,000 on or before October 3, when statement of account is issued. Thus, assuming that the invoice is issued on August 5, September 5 and October 3, the time of supply for the purpose of payment of tax will be August 5 and September 5 respectively for goods valued at Rs. 2 lakh each and October 3 for the goods valued at Rs. 2,56,000.

5. Renduhoot Ltd. enters into a contract with XYZ Ltd. on 2nd July 2025 for a period of 2 years for construction of a new building - to be used for commercial purposes - for a total consideration of Rs. 150 lakh. As per the terms of contract, Renduhoot Ltd. is required to make payment at different stages of completion of the building namely, 50%, 75% and 100%. Determine the time of supply using relevant details given as under:

Stage	Date of various stages	Date of issuance of invoice	Date of payment	Amount paid (Rs.)
Initial booking	02.07.2025	02.07.2025	02.07.2025	15 lakh

50% completion of building	15.03.2026	22.03.2026	29.03.2026	60 lakh
75% completion of building	20.06.2026	24.07.2026	23.07.2026	35 lakh
100% completion of building	30.09.2026	30.09.2026	20.09.2026	40 lakh

Answer:

As per section 13, the time of supply of services is the earlier of the dates arrived at by methods (A) and (B), as follows:

- A. Date of invoice or date of receipt of payment (to the extent the invoice or payment covers the supply of services), whichever is earlier, if the invoice is issued within the time prescribed under section 31;
- B. Date of provision of service or date of receipt of payment (to the extent the payment covers the supply of services), whichever is earlier, if the invoice is not issued within the time prescribed under section 31

Since in the present case, the construction services are provided under a contract for a period exceeding three months with periodic payment obligations, such services would fall within the ambit of term "continuous supply of services" as defined under section 2(33).

As per section 31(5), in case of continuous supply of services, the invoice should be issued either (i) on/ before the due date of payment or (ii) before/ at the time when the supplier of service receives the payment, if the due date of payment is not known (iii) on/ before the date of completion of the milestone event when the payment is linked to completion of an event [Section 31(5)].

Accordingly, the time of supply with respect to each of the stages of completion is as follows:

Stages of Completion	Time of supply
Initial booking	Since invoice is issued within the prescribed time limit, earlier of the date of issue of invoice or date of receipt of payment is the time of supply. However, date of issuance of invoice (02.07.2025) and date of receipt of payment (02.07.2025) are the same. Therefore, time of supply is 02.07.2025.
50%	Since invoice has not been issued on or before the date of 50% completion, earlier of date of provision of service (15.03.2026) or date of receipt of payment (29.03.2026), i.e. 15.03.2026 is the time of supply.
75%	Since invoice has not been issued on or before the date of 75% completion, earlier of date of provision of service (20.06.2026) or date of receipt of payment (23.07.2026), i.e. 20.06.2026 is the time of supply.
100%	Since invoice is issued within the prescribed time limit, earlier of the date of issue of invoice (30.09.2026) or date of receipt of payment (20.09.2026), i.e. 20.09.2026 is the time of supply.

6. Mint Industries Ltd., a registered supplier, imports business support services from Green Inc. of USA on 13th August. The relevant invoice for \$ 1,20,000 is raised by Green Inc on 18th August. Mint Industries Ltd. makes the payment against the said invoice as follows:

Case I	22nd September
Case II	27th December

Determine time of supply in each of the aforesaid cases.

Answer:

In case of services supplied by any person located in a non-taxable territory to any person other than non-taxable online recipient, tax is payable under reverse charge by the person located in the taxable territory. [Notification No. 10/2017 IT (R) dated 28.06.2017]. Hence, in the given case, since the business support services are provided by Green Inc (located in non-taxable territory) to Mint Ltd. (person other than non-taxable online recipient and located in taxable territory), tax is payable under reverse charge by Mint Ltd.

The time of supply of services taxable under reverse charge is the earlier of the following:

- (i) Date of payment, or
- (ii) Date immediately following 60 days since issue of invoice (or any other document in lieu of invoice) by the supplier

Or Date of Invoice issued by Recipient (Amendment).

If it is not possible to determine the time of supply by using these parameters, then the time of supply will be the date of entry of the service in the books of account of the recipient of supply.

In view of the aforesaid provisions, the time of supply in each of the given cases will be as under:

CASE	Time of supply
CASE I	Since Mint Ltd makes the payment within 60 days of the date of issue of invoice, the time of supply is the date of payment, i.e. 22 nd September.
CASE II	As Mint Ltd. makes the payment after 60 days from the date of invoice, time of supply is the date immediately following the said period of 60 days, i.e. 61 st day which is 18 th October.

7. Kothari Ltd., Mumbai, holds 51% of shares of Wilson Inc., a USA based company. Wilson Inc. provides business auxiliary services to Kothari Ltd. From the following details, determine the time of supply of service provided by Wilson Inc: (MTP JULY 2021)

Agreed consideration	US \$1,00,000
Date on which services are provided by Wilson Inc.	16 th June
Date on which invoice is issued by Wilson Inc.	19 th August
Date of debit in the books of account of Kothari Ltd.	30 th September
Date on which payment is made by Kothari Ltd.	23 rd December

Answer:

Since Kothari Ltd. holds 51% shares of Wilson Inc., Kothari Ltd. and Wilson Inc. are 'associated enterprises' as per section 92A of the Income-tax Act, 1961. As per second proviso to section 13(3), in case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply is the earlier of the following two dates

Date of entry in the books of account of the recipient of supply [which is Kothari Ltd. in the present case]	30 th September
OR	
Date of payment [by Kothari Ltd. in the present case]	23 rd December

Thus, time of supply is 30th September.

8. Basis the following information, determine the time of supply:

S. No.	Event	Date
(1)	Commencement of provision of service	05 th June
(2)	Completion of service	10 th October
(3)	Invoice issued	20 th October
(4)	Payment received by cheque and entered in the books	15 th October
(5)	Amount credited in Bank account	18 th October
(6)	Rate changed from 12% to 18%	16 th October

Note: Assume that all the days covered in the above case are working days.

Answer:

The explanation to section 14 lays down that the date of receipt of payment is the date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account, whichever is earlier. However, the date of receipt of payment is the date of credit in the bank account if such credit in the bank account is after 4 working days from the date of change in the rate of tax.

In the given case, the payment has been credited in the bank account within 4 working days from the date of change in the rate of tax. Therefore, the date of receipt of payment is 15th October being the date of entry in the books of account of the supplier which is earlier than the date of credit of the payment in the bank account (18th October).

As per section 14(a)(iii), in case of change in rate of tax, if the service is supplied before the change in rate of tax and the invoice is issued after the change in rate of tax but the payment is received before such change in rate of tax, the time of supply is the date of receipt of payment.

Therefore, applying the provisions of section 14(a)(iii) to the given case, the time of supply is 15th October.

9. M/s KLM Ltd., a publishing and printinghouse registered in Maharashtra, is engaged in supply of books, letter cards, envelopes, guides and reference materials. The following information is provided by the company:

Event	Printing of books	Printing of envelopes
Date of entering into printing contract	16th March	20th March
Date of receipt of advance	20th March	25th March
Date of completion of printing	10th April	5th April
Date of issue of invoice	15th May	10th April
Date of removal of books and letter heads to buyer	13th May	7th April
Date of receipt of balance payment	31st May	30th April

In respect of printing of books, content was supplied by the author. For printing of envelopes, the design and logo were supplied by the buyer.

Determine the time of suppl(ies) for the purpose of payment of tax.

Answer:

As per Circular No. 11/11/2017 GST dated 20.10.2017, in case of printing of books where only content is supplied by the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore, such supplies would constitute supply of service. In case of supply of printed envelopes by the printer using its physical inputs including paper to print the design, logo etc. supplied by the recipient of goods, predominant supply is supply of goods and the supply of printing of the content [supplied by the recipient of supply] is ancillary to the principal supply of goods and therefore, such supplies would constitute supply of goods. Accordingly, the time of supply of books and envelopes will be governed by sections 12 and 13 respectively. In terms of section 12(2), the time of supply of goods is the earlier of, the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment. However, Notification No. 66/2017 CT dated 15.11.2017 specifies that a registered person (excluding composition supplier and specified actionable Claims) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

As per section 31(1), invoice for supply of goods should be issued before or at the time of removal of goods for supply to the recipient, where supply involves movement of goods. Therefore, in the given case, the last date by which invoice ought to have been issued is 7th April. Thus, the time of supply of envelopes for the purpose of payment of tax is 7th April.

As per section 13, the time of supply of services is the earlier of the dates arrived at by methods (A) and (B), as follows:

- A. Date of invoice or date of receipt of payment (to the extent the invoice or payment covers the supply of services), whichever is earlier, if the invoice is issued within the time prescribed under section 31;
- B. Date of provision of service or date of receipt of payment (to the extent the payment covers the supply of services), whichever is earlier, if the invoice is not issued within the time prescribed under section 31.

Since in the given case, invoice for the services is not issued within 30 days, the time of supply for the advance received is the date of receipt of payment, i.e. 20th March being earlier than the date of provision of service. However, the time of supply for the balance payment is the date of provision of service, i.e. 10th April being earlier than the date of receipt of balance payment.

10. Andes Pvt. Ltd., a registered supplier, manufactures product 'A' and 'B'. While 'A' is taxable under forward charge, 'B' is taxable under reverse charge. The following details are provided in relation to two individual supplies of products 'A' and 'B' made by the company:

S. No.	Date	Event
(i)	10 th February	Payment of Rs. 1,00,000 made by buyer for supply of 'A' to be delivered in the month of March
(ii)	13 th February	Receipt of Rs. 1,00,000 [as mentioned in point (i) above]
(iii)	17 th February	Payment of Rs. 2,00,000 made by buyer for supply of 'B' to be delivered in the month of March
(iv)	20 th February	Receipt of Rs. 2,00,000 [as mentioned in point (iii) above]
(v)	5 th March	Product 'A' manufactured and removed

(vi)	6th March	Receipt of product 'A' [as mentioned in point (v) above] by the buyer
(vii)	10th March	Product 'B' manufactured and removed
(viii)	23rd March	Receipt of product 'B' [as mentioned in point (vii) above] by the buyer
(ix)	4th March	Invoice for Rs. 2,00,000 issued for supply of 'A'
(x)	11th March	Invoice for Rs. 4,00,000 issued for supply of 'B'
(xi)	25th March	Payment made by the buyer of 'A'
(xii)	31st March	Payment [as mentioned in point (xi) above] received
(xiii)	1st April	Payment made by the buyer of 'B'
(xiv)	4th April	Payment [as mentioned in point (xiii) above] received

Determine the time of suppl(ies) of goods for the purpose of payment of tax.

Answer:

In terms of section 12(2), the time of supply of goods is the earlier of, the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment. However, Notification No. 66/2017 CT dated 15.11.2017 specifies that a registered person (excluding composition supplier and specified actionable Claims) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

Also, it is important to note that the relief of not paying GST at the time of receipt of advance is available only in case of supply of goods, the tax on which is payable under forward charge. In case of reverse charge, GST is payable at the time of payment, if payment is recorded/made before receipt of goods (advance payment) [Section 12(3)].

Therefore, time of supply of product 'A', which is taxable under forward charge, is 4th March being the date of issue of invoice. However, time of supply of product 'B', which is taxable under reverse charge, is 17th February to the extent of Rs. 2,00,000 paid as advance being the earliest of the three stipulated dates namely, date of receipt of goods (23rd March), date of payment (17th February) and date immediately following 30 days of issuance of invoice (11th April). For balance Rs. 2,00,000, the time of supply of product 'B' is 23rd March being the earliest of the three stipulated dates namely, date of receipt of goods (23rd March), date of payment (1st April) and date immediately following 30 days of issuance of invoice (11th April).

11. Mr. Mahendra Sharma, an interior decorator registered at Ahmedabad (Gujarat), provided service to one of his clients XYZ Company Ltd., registered at Pune (Maharashtra). The provision of service was completed on 10-08-20XX and payment received was entered in the books of Mr. Mahendra Sharma on 11-08-20XX. With effect from 16/08/20XX, applicable GST rate was increased from 5% to 12%. However, payment for the service received was credited in his bank account on 17/08/20XX and invoice for the same was raised on 23-08-20XX.

Mr. Mahendra Sharma claimed that he is liable to pay IGST @ 5%. But the department took the view that he is liable to pay IGST @ 12%.

Examine the correctness of Mr. Mahendra Sharma's contention and determine the time of supply and applicable rate of tax as per the statutory provisions.

Would your answer undergo any change in the above case if the payment was credited to the bank account on 14-08-20XX instead of 17-08-20XX?

Note: You may assume that all days are working days. (PAST EXAM NOV 2018)

Answer:

As per section 14 of the CGST Act, 2017, in case of change in rate of tax, date of receipt of payment is earlier of:

- (i) date of entering payment in the books of account of the supplier (11.08.20XX) or
- (ii) date on which the payment is credited to his bank account (17.08.20XX).

However, if the payment is credited in the bank account after 4 working days from the date of change in the rate of tax, the date of receipt of payment will be the date of credit in the bank account.

In the given case, since the payment has been credited in the bank within 4 working days from the date of change in the rate of tax, the date of receipt of payment will be 11.08.20XX [i.e., earlier of 11.08.20XX or 17.08.20XX].

Section 14 further provides that where goods and/or services have been supplied before the change in rate of tax (10.08.20XX) and the payment has been received before the change in rate of tax (11.08.20XX), but the invoice for the same is issued after the change in rate of tax (23.08.20XX), the time of supply shall be the date of receipt of payment.

Therefore, in the given case, the time of supply will be 11.08.20XX and the applicable rate of tax will be rate prevalent at the time of supply, i.e. IGST @ 5%.

Therefore, the contention of Mahendra Sharma is correct.

Further, if the date on which the payment is credited to bank account of supplier is 14.08.20XX, the date of receipt of payment will continue to be 11.08.20XX [i.e., earlier of 11.08.20XX or 14.08.20XX] since the payment is credited in the bank account before change in rate of tax. Consequently, with other things remaining the same, the time of supply and the applicable rate of tax will remain the same.

12. Determine the time of supply from the following particulars:

8th September	Community hall booked for marriage, Sum agreed Rs 1,20,000 Advance Rs 20,000 recorded in the books of account
10th September	Advance amount credited in bank account.
2nd November	Marriage Held in the community hall
18th December	Invoice issued for RS 1,20,000 indicating the balance of Rs 20,000
22nd December	Balance Rs 1,00,000 recorded in the books of accounts.
24th December	Payment on Rs 1,00,000 credited in the bank account.

Answer:

As per section 31(2) of the CGST Act, 2017 read with rule 47 of CGST Rules, 2017 a tax invoice is to be issued within 30 days of supply of service. In the given case, the invoice is not issued within the prescribed time limit. As per section 13(2)(b) of CGST Act, 2017, in a case where the invoice is not issued within the prescribed time, the time of supply of service is

- (i) date of provision of service or
- (ii) date of recording the payment in the books of account of the supplier or

(iii) date of crediting of payment in the supplier's bank account whichever is earlier.

Therefore, the time of supply of service to the extent of advance of

₹ 20,000 is 8th September (date of recording the payment in the books of account) as it is earlier than the date of crediting of payment in the bank account and the date of provision of service.

The time of supply of service to the extent of the balance ₹ 1,00,000 is 2nd November, which is the date of provision of service as it is earlier than the other two events in this case.

13. Chiku Traders is a registered supplier of plastic goods. On 10th April, 20XX, Chiku Traders received an order from Neelu Traders for supply of a consignment of plastic goods. Chiku Traders gets the consignment ready by 15th April, 20XX. The invoice for the consignment was issued the next day, 16th April, 20XX. Neelu Traders collects the consignment from the godown of Chiku Traders on 25th April, 20XX and hands over the cheque towards payment on the same date. The said payment is entered in the books of accounts of Chiku Traders on 26th April, 20XX and amount is credited in their bank account on 27th April, 20XX.

Determine the time of supply of the plastic goods supplied by Chiku Traders to Neelu Traders as per the provisions of CGST Act, 2017. (PAST EXAM NOV 2018) (MTP MAY 2020)

Answer:

In terms of section 12(2) of the CGST Act, the time of supply of goods is the earlier of the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment. However, Notification No. 66/2017 CT dated 15.11.2017 specifies that a registered person (excluding composition supplier and specified actionable claims) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. As per section 31(1), the invoice in case of supply of goods needs to be issued either before or at the time of removal/delivery of goods. In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, time of supply is the date of issue of invoice, which is 16th April, 20XX.

14. A machine has to be supplied at site. It is done by sourcing various components from vendors and assembling the machine at site. The details of the various events are:

17 th September	Purchase order with advance of Rs. 50,000 is received for machine worth Rs. 12 Lakh and entry duly made in the seller's books of account.
20 th October	The machine is assembled, tested at site and accepted by buyer
23 rd October	Invoice raised
4 th November	Balance payment of Rs. 11,50,000 received.

Determine the time of supply(ies) in the above scenario for the purpose of payment of tax.

Answer:

As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier and specified actionable Claims) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Therefore, the time of supply for the

purpose of payment of tax for the entire amount of ₹ 12,00,000 is 20th October which is the date on which the goods were made available to the recipient as per section 31(1)(b), and the invoice should have been issued on this date [Section 12(2)(a)].

15. Investigation shows that ABC & Co carried out service of cleaning and repairs of tanks in an apartment complex, for which the Apartment Owners' Association showed a payment in cash on 4th April to them against work of this description. The dates of the work are not clear from the records of ABC & Co. ABC & Co have not issued invoice or entered the payment in their books of account.

Answer:

The time of supply cannot be determined vide the provisions of clauses (a) and (b) of section 13(2) as neither the invoice has been issued nor the date of provision of service is available as also the date of receipt of payment in the books of the supplier is also not available. Therefore, the time of supply will be determined vide clause (c) of section 13(2) i.e., the date on which the recipient of service shows receipt of the service in his books of account. Thus, time of supply will be 4th April, the date on which the Apartment Owners' Association records the receipt of service in its books of account.

16. Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

S.no	Date of receipt of goods	Date of payment by the recipient of goods	Date of issue of invoice by the supplier of goods
i)	July 1	August 10	June 29
ii)	July 1	June 25	June 29
iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29
iv)	July 5	Payment is entered in the books of account on June 28 and debited to recipient's bank account on June 30	June 1
v)	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29
vi)	August 1	August 10	June 29

Answer:

S.no	Date of receipt of goods (1)	Date of payment by the recipient of goods (2)	Date of invoice by the supplier of goods (3)	Date immediately following 30 days from the date of invoice (4)	Time of supply of goods [Earlier of (1), (2) & (4)] (5)
i)	July 1	August 10	June 29	July 30	July 1
ii)	July 1	June 25	June 29	July 30	June 25

iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29	July 30	June 30 for part payment and July 1 for balance amount
iv)	July 5	Payment is entered in books of accounts on June 28 and debited in recipient's bank on June 30	June 1	July 2	June 28, when payment is entered in the books of accounts of the recipient
v)	July 1	Payment is entered in books of accounts on June 30 and debited in recipient's bank on June 26	June 29	July 30	June 26, when payment is debited in the bank account of the recipient
vi)	August 1	August 10	June 29	July 30	July 30, 31st day of issuance of invoice

17. Kabira Industries Ltd engaged the services of a transporter for road transport of a consignment on 17th June and made advance payment for the transport on the same date, i.e. 17th June.

However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July. Invoice was received from the transporter on 22nd July. What is the time of supply of the transporter's service?

Note: Transporter's service is taxed on reverse charge basis.

Answer:

Time of supply of service taxable under reverse charge is the earlier of the following two dates in terms of section 13(3)

- Date of payment
- 61st day from the date of issue of invoice or
- **Date of Invoice issued by Recipient (Amendment)**

In this case, the date of payment precedes 61st day from the date of issue of invoice by the supplier of service. Hence, the date of payment, i.e. 17th June, will be treated as the time of supply of service [Section 13(3)(a)].

18. Raju Pvt Ltd. receives the order and advance payment on 5th January for carrying out an architectural design job. It delivers the designs on 23rd April. By oversight, no invoice is issued at that time, and it is issued much later, after the expiry of prescribed period for issue of invoice. When is the time of supply of service?

Answer:

Since the invoice has not been issued within the prescribed time period, time of supply of service will be the earlier of the following two dates in terms of section 13(2)(b):

- Date of provision of service

- Date of receipt of payment

The payment was received on 5th January and the service was provided on 23rd April. Therefore, the date of payment, i.e. 5th January is the time of supply of the service in this case.

- 19. Investigation shows that 150 cartons of ceramic capacitors were dispatched on 2nd August but no invoice was raised and the transaction (dispatch of cartons) was not entered in the accounts. There was no evidence of receipt of payment. What is the time of supply of 150 cartons for the purpose of payment of tax?**

Answer:

As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier and specified actionable Claims) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. In this case since the invoice has not been issued, the time of supply for the purpose of payment of tax will be the last date on which the invoice is required to be issued. The invoice for supply of goods must be issued on or before the dispatch of goods, i.e. on 2nd August. Therefore, the time of supply for the purpose of payment of tax for the goods will be 2nd August, the date when the invoice should have been issued.

- 20. An order is placed on Ram & Co. on 18th August for supply of a consignment of customized shoes. Ram & Co. gets the consignment ready and informs the customer and issues the invoice on 2nd December. The customer collects the consignment from the premises of Ram & Co. on 7th December and electronically transfers the payment on the same date, which is entered in the accounts on the next day, 8th December. What is the time of supply of the shoes for the purpose of payment of tax?**

Answer:

As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier and specified actionable Claims) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, the time of supply for the purpose of payment of tax is the date of issue of invoice, which is 2nd December.

- 21. A firm of lawyers issues invoice for services to ABC Ltd. on 17th Feb. The payment is contested by ABC Ltd. on the ground that on account of negligence of the firm, the company's case was dismissed by the Court for non-appearance, which necessitated further appearance for which the firm is billing the company. The dispute drags on and finally payment is made on 3rd November. Identify the time of supply of the legal services. Note: Legal services are taxable on reverse charge basis.**

Answer: Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13(3):

- Date of payment [3rd November]
- 61st day from the date of issue of invoice [19th April] or
- Date of Invoice issued by Recipient (Amendment)

The date of payment comes subsequent to the 61st day from the issue of invoice by the supplier of service.

Therefore, the 61st day from the date of supplier's invoice has to be taken as the time of supply. This fixes 19th April as the time of supply.

22. Dhruv & Co. sends certain textile products for dyeing to Bhanushali Manufacturers on job work basis on 16th August. On 18th August, Dhruv & Co. credited 100% of the job work charges to the bank account of Bhanushali Manufacturers in advance and recorded it in its books of accounts on the same date. Bhanushali Manufacturers issues the invoice for the same in first week of September.

Assuming that inputs are received back by Dhruv & Co. after job work in the month of October (i.e. within time limit prescribed under section 143 of the CGST Act, 2017), determine the time of supply for such job work done by Bhanushali Manufacturers. (rtp- nov 2021)

Answer:

As per Schedule II of the CGST Act, 2017, the activity by way of any treatment or process which is applied to another person's goods is a supply of services. Hence, job work is squarely covered within the purview of supply of services. Accordingly, the time of supply shall be determined as per section 13 of the CGST Act, 2017.

As per section 13, time of supply of services where invoice has been issued within 30 days of provision of services is:

- (a) date of issuance of invoice, or
- (b) date of recording the payment in the books of accounts of the supplier, or
- (c) date on which payment is credited in the bank account of the supplier, whichever is earlier.

In the present case, the service charges for job work are paid as advance at the time of sending inputs to job worker. Hence the time of supply of job work services shall be triggered at the time of payment of advance by Dhruv & Co., i.e. 18th August.

23. Anuja checked-in at the 'Welcome Tourist Lodge' in Madurai on 15th July, 2022. The room rent for the same was Rs. 900 per day for a single room. She checked-out on 17th of July, 2022 and payment in respect to the same was received by the lodge via cheque at the time of checking-out and entered in the books on the same date. The lodge decided to issue her the invoice on the same date when the amount would get credited in its bank account.

The lodging of hotel rooms which was exempted upto Rs. 1,000 earlier became chargeable to tax from 18th July, 2022.

Under the GST law, determine the time of supply and taxability of the service of lodging in the hands of 'Welcome Tourist Lodge' if the cheque gets credited into the bank account of 'Welcome Tourist Lodge' on 20th of July, 2022.

Note: Assume that all the days covered in the above case are working days.

(5 Marks) (NOV 2023)

Answer:

In the given case,

Date of receipt of payment is:-

- (a) Date of entry of payment in books of account [17th July 2022] or
- (b) Date of credit of payment in bank account [20th July 2022] whichever is earlier, viz., 17th July 2022.

Date of issue of invoice is 20th July 2022 (since lodge decided to issue invoice on date of credit of payment in its bank account.)

Since in the given case of change in rate of tax (on 18th July, 2022):

- services have been supplied and payment has been received, before such change in rate
- but invoice is issued after the change in rate, time of supply is date of receipt of payment, viz. 17th July, 2022.

Since the service of lodging upto a value of Rs. 1,000 was exempted at the time of supply, no GST is payable in the given case.

24. Basis the following information, determine the time of supply:

S. No.	Event	Date
(1)	Commencement of provision of service	05 th June
(2)	Completion of service	10 th October
(3)	Invoice issued	20 th October
(4)	Payment received by cheque and entered in the books	15 th October
(5)	Amount credited in Bank account	18 th October
(6)	Rate changed from 12% to 18%	16 th October

Note: Assume that all the days covered in the above case are working days. (4 Marks) (MTP May 2023)

Answer

The explanation to section 14 of the CGST Act, 2017 lays down that the date of receipt of payment is the date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account, whichever is earlier. However, the date of receipt of payment is the date of credit in the bank account if such credit in the bank account is after 4 working days from the date of change in the rate of tax.

In the given case, the payment has been credited in the bank account within 4 working days from the date of change in the rate of tax. Therefore, the date of receipt of payment is 15th October being the date of entry in the books of account of the supplier which is earlier than the date of credit of the payment in the bank account (18th October).

As per section 14(a)(iii) of the CGST Act, 2017, in case of change in rate of tax, if the service is supplied before the change in rate of tax and the invoice is issued after the change in rate of tax but the payment is received before such change in rate of tax, the time of supply is the date of receipt of payment.

Therefore, applying the provisions of section 14(a)(iii) to the given case, the time of supply is 15th October.

25. K Ltd., Mumbai, holds 51% of shares of WS Inc., a USA based company. WS Inc. provides business auxiliary services to K Ltd.

From the following details, determine the time of supply of service provided by WS Inc:

Agreed consideration US \$1,00,000

Date on which services are provided by WS Inc. 16th June

Date on which invoice is issued by WS Inc. 19th August

Date of debit in the books of account of K Ltd. 30th September

Date on which payment is made by K Ltd. 23rd December (4 Marks) (MTP Nov 2023)

Answer)

Since K Ltd. holds 51% shares of WS Inc., K Ltd. and WS Inc. are 'associated enterprises' as per section 92A of the Income-tax Act, 1961. As per second proviso to section 13(3), in case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply is the earlier of the following two dates:

Date of entry in the books of account of the recipient of supply [which is K Ltd. in the present case]	30 th September
OR	OR
Date of payment [by K Ltd. in the present case]	23 rd December

Thus, time of supply is 30th September.

26. Determine the time of supply in the following cases:

Bhansali Ltd. sells goods to Chopra Ltd. on 4th June. The goods are taxable under reverse charge. Invoice for the same is issued on 4th June. Chopra Ltd. receives the goods on 12th June. Chopra Ltd. records the payment in the books of account on 30th June and the same is debited from the bank account of C Ltd. on 2nd July.

Answer

(i) Time of supply of the goods is 12th June being the earliest of the three stipulated dates namely:

- date of receipt of goods,
- date of payment and
- date immediately following 30 days of issuance of invoice.

6

VALUE OF SUPPLY

1. Korelal Printon (P) Ltd., a registered person under GST in the State of Jammu & Kashmir, is engaged in the business of offset printing and is providing services to various book publishers. A publisher situated in the State of Himachal Pradesh, a registered person under GST, sent content of the books to be printed by Korelal Printon (P) Ltd. in PDF format. The publisher also sent paper worth ₹ 4.00 lakh (excluding GST) to the printer, free of cost, for the purposes of printing its books on 10 th February, as per the agreement between them. Korelal Printon (P) Ltd. raised an invoice of ₹ 1.50 lakh (excluding GST) against printing of books and returned the printed books through challan to the publisher on 20th August. The Proper Officer intercepted the vehicle and claimed that Korelal Printon (P) Ltd. should have sent the invoice of ₹ 5.50 lakh, i.e. including the value of free of cost paper supplied by the publisher.

You may suitably advice which one of the following is the correct option-

- (a) The value of supply of paper for job work is to be included in the invoice in terms of section 15 of the CGST Act, 2017.
- (b) The goods sent for job work i.e. paper sent for printing is a composite supply
- (c) Korelal Printon (P) Ltd. has entered into an agreement of printing books. Therefore, he is liable to pay tax on the gross value of ₹ 5.50 lakh.
- (d) Korelal Printon (P) Ltd. has entered into an agreement of printing books. Therefore, he is liable to pay tax on the net value of ₹ 1.50 lakh. (2 Marks MTP April '23)

Answer: (d)

2. Dhoomketu, registered under GST in Virar, Maharashtra, is appointed as a del-credre agent by Bigbang Ltd. He sells shoes to his customers locally within the same State. Bigbang Ltd. is also registered under GST in Maharashtra.

During the current financial year, Bigbang Ltd. supplied taxable goods worth ₹ 9.50 crore whose open market value is ₹ 9.82 crore, from its Navi Mumbai unit to Dhoomketu. Dhoomketu has further sold these goods for ₹ 10.10 crore by raising invoices using his own GSTIN.

Dhoomketu has received a commission of ₹ 65 lakh from Bigbang Ltd. during the year and has guaranteed the payment of the value of such goods from the customers to

Bigbang Ltd. Dhoomketu has also provided financial assistance in the form of larger credit period to his customers, on which he has also earned interest of ₹ 25 lakh.

Compute the value of supply of Bigbang Ltd. and Dhoomketu for the current financial year assuming that both of them wish to adopt minimum value of supply to the extent possible.

- (a) Bigbang Ltd.: ₹ 9.09 crore and Dhoomketu: ₹ 11.00 crore
- (b) Bigbang Ltd.: ₹ 10.05 crore and Dhoomketu: ₹ 10.85 crore
- (c) Bigbang Ltd.: ₹ 10.15 crore and Dhoomketu: ₹ 10.85 crore
- (d) Bigbang Ltd.: ₹ 10.15 crore and Dhoomketu: ₹ 75.00 lakh (May 23)

Answer: (a)

Practical Theory

3. Rustagi & Co. manufactures customized products at its unit situated in Madhya Pradesh. Cost of production for Rustagi & Co. for 1000 products is Rs. 20,00,000. These products require further processing before sale, and for this purpose products are transferred from its Madhya Pradesh unit to its another unit in Himanchal Pradesh. The value declared on the invoice for such transfer is the cost of production of such products.

The Himanchal Pradesh unit, apart from processing its own products, engages in processing of similar products of other persons who supply the products of the same kind and quality. Thereafter, the Himanchal Pradesh unit sells these processed products to wholesalers. There are no other factories in the neighbouring area which are engaged in the same business as that of Himanchal Pradesh unit.

1,000 units of the products of same kind and quality are supplied to Himanchal Pradesh unit, at the time when goods are sent by Madhya Pradesh unit, by another manufacturer located in Himanchal Pradesh. The ex-factory price of such goods is Rs. 19,00,000. The Himanchal Pradesh unit of Rustagi & Co. is eligible for full ITC.

Determine the value of 1000 products supplied by Rustagi & Co. to its Himanchal Pradesh unit. (PAST EXAM MAY 2018)

Answer:

As per section 25(4), a person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act. Therefore, units of Rustagi & Co. in Madhya Pradesh and Himanchal Pradesh are distinct persons under GST.

As per rule 28(1), the value of the supply of goods between distinct persons, other than where the supply is made through an agent, shall-

- (a) be the open market value of such supply;
- (b) if open market value is not available, be the value of supply of goods of like kind and quality;
- (c) if value cannot be determined under the above methods, be cost of the supply plus 10% mark-up or be determined by other reasonable means, in that sequence.

Rule 28(1) also provides that where the goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person.

Further, rule 28(1) provides that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods or services.

In the given case, the option of valuing the goods @ 90% of the price charged by the recipient to his unrelated customer is not available as the goods are not further supplied 'as such' but only after processing at Himachal Pradesh unit. However, since the Himanchal Pradesh unit is eligible for full ITC, the value declared by the Madhya Pradesh unit in the invoice for transfer of such products, i.e. Rs. 20,00,000 shall be deemed to be the open market value of the products.

Thus, the value of 1000 products supplied by Rustagi & Co. to its Himanchal Pradesh unit in terms of rule 28(1) is the open market value of such products which is Rs. 20,00,000.

4. Dev Enterprises is the supplier of water coolers. Dev Enterprises supplied water coolers to an unrelated party, Vimal Traders for consideration of Rs. 2,95,000 (inclusive of GST @ 18%). Vimal Traders also gave some materials to Dev

Enterprises [valuing Rs. 10,000 (exclusive of GST)] as consideration for such supply.

At the same time, Dev Enterprises has supplied the same goods to another unrelated person at price of Rs. 2,97,360 (inclusive of GST@18%).

You are required to:

- 1) Determine the value of goods supplied by Dev Enterprises to Vimal Traders.
- 2) What would your answer be if price of Rs.2,97,360 is not available at the time of supply of goods to Vimal Traders? Explain briefly.

Answer:

In the given case, price is not the sole consideration for the supply. Apart from monetary consideration, the buyer has given some material to the supplier as consideration for such supply. Hence, the value of the supply cannot be determined on the basis of the transaction value in terms of section 15(1).

Here, the value will be determined with the help of rule 27 which specifies that where the consideration for a supply is not wholly in money, the value will be the open market value.

Open market value of a supply means the full value in money, excluding the applicable GST, where the supplier and the recipient of the supply are not related and the price is the sole consideration, to obtain such supply at the same time when the supply being valued is made.

Therefore, in the given case, the open market value of the goods supplied is Rs. 2,52,000 (Rs. 2,97,360 x 100/118) and is therefore, the value of such goods.

Rule 27 further provides that if open market value of the supply is not known, the value of the supply will be the consideration in money plus the money equivalent to the non-monetary consideration if such amount is known at the time of supply.

Therefore, the value in the given case will be (Rs. 2,95,000 x 100/118) + Rs. 10,000, which is Rs. 2,60,000.

5. AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten or specified chemical residues. AKJ Foods Pvt. Ltd. does the testing and charges a testing fee for the same from the customer. AKJ Foods Pvt. Ltd. argues that such testing fees should not form part of the consideration for the sale as it is a separate activity. Is his argument correct in the light of section 15?

Answer:

Section 15(2) mandates the addition of certain elements to transaction value to arrive at taxable value. Clause (c) of section 15(2) specifies that amount charged for anything done by the supplier in respect of the supply at the time of or before delivery of goods or supply of services shall be included in taxable value.

Since AKJ Foods Pvt. Ltd. does the testing before the delivery of goods, the charges there for will be included in the taxable value. Therefore, AKJ Foods Pvt. Ltd.'s argument is not correct. The testing fee should be added to the price to arrive at taxable value of the consignment.

Concept: Value + Exemption

6. In the case of transactions at (i) and (ii) below, determine whether the amounts received are liable to GST. Briefly explain the applicable statutory provisions in support of your conclusions.

- (i) ABC Ltd., a registered bank, recovered cheque discounting charges of ₹ 5,250 from a customer, C & Co. (2 Marks May '22)
- (ii) T Ltd., a dealer in air-conditioners, supplies each unit at a list price of ₹30,000 per unit. He also has an EMI scheme where the customer can take delivery of air conditioner on a monthly EMI of ₹ 10,500 payable in three installments and issues separate invoice for the interest component and loan services. T Ltd. Charges ₹ 600 extra for any delay in payment of monthly installments and this amount was recovered from customer Venkat for delay in payment of his 2nd installment. (2 Marks)
- (iii) M/s Aerospace Airlines, having registered place of business in Mumbai under GST, issued a ticket from London to Delhi to Mr. Ajit Khanna, a resident of Agra, UP, who is not registered under the GST. Determine the 'place of supply' with supporting notes related to legal provisions. (1 Mark May '22)

Answer:

- (i) Cheque discounting is exempt from GST only to the extent consideration is represented by way of discount. Any charges other than discount is not exempt from GST.

Thus, charges recovered on cheque discounting by ABC Ltd. are liable to GST.

Note: In the above Answer, it has been assumed that the cheque discounting charges are the service charges collected over and above discount. However, it is also possible to assume that the said charges represent the discount amount. In that case, said charges will be exempt from GST.

- (ii) Service of extending deposits, loans or advances in so far as the consideration is represented by way of interest is exempt. Extra charges recovered for delay in payment of 2nd monthly instalment is taxable and is includible in the value of supply of the air conditioner.
- (iii) The place of supply of passenger transportation service to Mr. Ajit Khanna -an unregistered person - is London, i.e. the place where he embarked on the conveyance for a continuous journey.

7. Examine whether the following discounts ought to be excluded to determine the value of supply:

- (i) Company offering 20% discount for purchases above Rs. 10,000 Company offering additional discount of 1% on purchase of 10,000 pieces in a year
- (ii) After selling a product, the company re-values the product at a lower value and issues credit note to the buyer for the differential amount

Answer:

- (i) The given case is a case of staggered discounts where rate of discount increases with increase in purchase volume. Such discounts are shown on the invoice itself. Therefore, the same are excluded to determine the value of supply.
- (ii) The given case is a case of volume discount which are offered by the suppliers to their stockists, etc. Such discounts are established in terms of an agreement entered into at or before the time of supply though not shown on the invoice as the actual quantum of such discounts gets determined after the supply has been effected and generally at the year end. Such type of volume discounts are excluded to determine the value of supply provided they satisfy the parameters laid down in section 15(3) including the reversal of ITC by the recipient of the supply as is attributable to the discount on the basis of document (s) issued by the supplier.
- (iii) This is a case of secondary discounts. These are the discounts which are not known at the time of supply or are offered after the

supply is already over. Therefore, such discounts shall not be excluded while determining the value of supply.

8. Rajesh & Co., a partnership firm, provides financial and management consultancy to group of companies for an annual retainership fee of Rs. 15 lakh. Further, the firm is provided with a car (along with a driver) for its exclusive use throughout the year. The fuel cost is also borne by the Group. Rajesh & Co. pays GST on the amount of Rs. 15 lakh.

Is the value for the service provided by Rajesh & Co. correct under GST law? If not, please elaborate.

Answer:

Rajesh & Co. gets a car along with driver (including the fuel) for the whole year, which is an additional non-monetary consideration for its services. The monetary value of such additional consideration must be added to the retainer fee (Rs. 15 lakh) in order to arrive at the value of the taxable service provided by Rajesh & Co, as per rule 27 relating to valuation.

9. The supplies of commodity 'y' to the market are channelled through a State Marketing Corporation which conducts an auction each day to arrive at the price. Gupta and Co. supplies commodity 'y' through the State Marketing Corporation.

How will the supply of 'y' made by Gupta and Co. to State Marketing Corporation be valued for paying tax?

Answer:

The State Marketing Corporation is an 'agent' in the meaning of the expression as defined in section 2(5), which includes an auctioneer. Therefore, the value of supply of 'y' will be determined in terms of rule 29 relating to valuation.

There is no open market for the first supply of commodity 'y', as it is compulsorily supplied to the State Marketing Corporation. However, Gupta & Co. has the option of valuing the supply of 'y' at 90% of price of goods of like kind and quality sold by the State Marketing Corporation to its unrelated customers.

If the value cannot be determined by this method, it needs to be determined on the basis of the cost plus 10% mark up as per rule 30 or on the basis of Best Judgement Method as per rule 31, in that order.

Number Based Questions

10. SA Ltd. is a manufacturer of biscuits. The price of a 200 gm pack of biscuit sold by SA Ltd. is Rs. 30. It has received subsidy of Rs. 5 per pack of biscuit sold from NM Ltd. as part of NM Ltd.'s CSR activity. SA Ltd. supplied 1000 packs of biscuits @ Rs. 25 per pack to one of its wholesalers namely, MA Pvt. Ltd. during a tax period. Loading charges of Rs. 1200 have also been charged separately from MA Pvt. Ltd. MA Pvt Ltd. delayed the payment of consideration and thus, paid Rs.5,000 as interest (no separate amount of GST is paid on the interest by MA Ltd.) in the next tax period. Assume the rate of GST to be 18%. Determine the value of taxable supply made by SA Ltd.

Answer:

Computation of value of taxable supply

Particulars	Rs.
Price of 1,000 packs of biscuits @ Rs. 25	25,000

Add: Subsidy received from NM Ltd. @ Rs. 5 for 1000 packs of biscuits [Note 1]	5,000
Loading charges [Note 2]	1,200
Interest for delay in payment of consideration [Note 3] (rounded off)	4,237
Value of taxable supply	35,437

Notes:

- 1) As per section 15(2)(e), subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments should be included in the value.
- 2) As per section 15(2)(c), incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services should be included in the value.
- 3) As per section 15(2)(e), interest or late fee or penalty for delayed payment of any consideration for any supply should be included in the value. However, as per section 12(6), the time of supply to the extent it relates to an addition in the value of supply by way of interest is the date when such interest is received. In the given case, since GST has not been paid separately on the interest, the same is inclusive of GST. Thus, the value has been computed by making back calculations. The time of supply in relation to the addition in value by way of such interest will fall in the next tax period on the date when the same is received.

11. Prada Forex Private Limited, registered in Delhi, is a money changer. It has undertaken the following purchase and sale of foreign currency: (RTP NOV 2019) (RTP NOV 2018)

- (i) 1,000 US \$ are purchased from Nandi Enterprises at the rate of Rs. 74 per US \$. RBI reference rate for US \$ on that day is Rs. 74.60.
- (ii) 2,000 US \$ are sold to Menavati at the rate of Rs. 74.50 per US\$. RBI reference rate for US \$ for that day is not available.

Determine the value of supply in each of the above cases in terms of rule 32(2)(a) and rule 32(2)(b).

Answer:

Rule 32(2) prescribes the provisions for determining the value of supply of services in relation to the purchase or sale of foreign currency, including money changing.

Determination of value under rule 32(2)(a)

- (i) Value of supply of services for a currency, when exchanged from, or to, Indian Rupees, shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India (RBI) reference rate for that currency at that time, multiplied by the total units of currency. Thus, value of supply is:

= (RBI reference for US \$ - Buying rate of US \$) × Total number of units of US \$ bought = (74.6 - 74) × 1,000 = Rs. 600/- When the RBI reference rate for a currency is not available, the value shall be 1% of the gross amount of Indian Rupees provided or received by the person changing the money. Thus, value of supply is:

= 1% of the gross amount of Indian Rupees received

= 1% of (74.50 × 2,000)

= Rs. 1,490/-

Determination of value under rule 32(2)(b)

Rule 32(2)(b) provides that value in relation to the supply of foreign currency, including money changing shall be deemed to be -

S. No.	Currency exchanged	Value of supply
1.	UptoRs. 1,00,000	1% of the gross amount of currency exchanged OR Rs. 250 whichever is higher
2.	Exceeding Rs. 1,00,000 and uptoRs. 10,00,000	Rs. 1,000 + 0.50% of the (gross amount of currency exchanged - 1,00,000)
3.	Exceeding Rs. 10,00,000	Rs. 5,500 + 0.1% of the (gross amount of currency exchanged - 10,00,000) OR Rs. 60,000 whichever is lower

Thus, the value of supply in the given cases would be computed as under:

(i) Gross amount of currency exchanged = Rs. 74 × 1,000 = Rs. 74,000. Since the gross amount of currency exchanged is less than Rs. 1,00,000, value of supply is 1% of the gross amount of currency exchanged i.e. 1% of Rs. 74,000 or Rs. 250, whichever is higher, i.e. = Rs. 740/-

(ii) Gross amount of currency exchanged = Rs. 74.50 × 2,000 = Rs. 1,49,000.

Since the gross amount of currency exchanged exceeds Rs. 1,00,000 but is less than Rs. 10,00,000, value of supply is Rs. 1,000 + 0.50% of (Rs. 1,49,000 - Rs. 1,00,000), i.e. = Rs. 1,245/-

12. X Pvt. Ltd., a money changer, has exchanged US \$ 10,000 to Indian rupees @ Rs. 74 per US \$. X Pvt. Ltd. wants to value the supply in accordance with rule 32(2)(b) of CGST Rules.

Determine the value of supply made by X Pvt. Ltd. (MTP NOV 2019)

Answer:

As per rule 32(2)(b) of CGST Rules, the value in relation to the supply of foreign currency, including money changing, is deemed to be-

- (i) 1% of the gross amount of currency exchanged for an amount up to Rs. 1,00,000, subject to a minimum amount of Rs. 250;
- (ii) Rs. 1,000 and 0.5% of the gross amount of currency exchanged for an amount exceeding Rs. 1,00,000 and up to Rs. 10,00,000.

Therefore, the value of supply, made by X Pvt. Ltd., under rule 32(2)(b) of CGST Rules is computed as under

Particulars	Rs.	Rs.
Value of currency exchanged in Indian Rupees (Rs.74 x US \$10000)	740000	
Upto Rs.100000		1000
For Rs.640000 (0.5% x Rs.640000)		3200

Value of supply		4200
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13. UB & Sons is an air travel agent. Compute the value of supply of service made by the firm during a month with the help of following particulars furnished by it:

Particulars	Basic fare (Rs.)	Other charges and fee (Rs.)	Taxes (Rs.)	Total value of tickets (Rs.)
Domestic Bookings	1,00,900	9,510	4,990	1,15,400
International Bookings	3,16,880	20,930	15,670	3,53,480

Answer:

Computation of value of supply of services made by UB & Sons in a month

Particulars	Rs.	Rs.
Basic fare in case of domestic bookings	1,00,900	
Value of supply @ 5% [A] Refer Note below		5,045
Basic fare in case of international bookings	3,16,880	
Value of supply @ 10% [B] Refer Note below		31,688
Value of supply [A] + [B] (rounded off)		36,733

Note:

As per rule 32(3) of CGST Rules, the value of the supply of services in relation to booking of tickets for travel by air provided by an air travel agent is 5% of the basic fare in the case of domestic bookings, and 10% of the basic fare in the case of international bookings.

14. M/s Global Travels is providing money changer and air travel agent services to various clients. From the information provided below, you are required to calculate the value of taxable supply for the month of March 2020:

(i) It had converted US \$ 6,000 into Singapore dollar 9,000. RBI reference rate at that time was ₹ 72 per US \$ and for Singapore dollar, it was ₹ 52.

(ii) It had booked domestic ticket value of ₹ 7,00,000 and international ticket value of ₹ 15,00,000.

Additional information:

The concern has not opted to value the money change under rule 32(2)(b) of the CGST Rules, 2017. Basic air fare component under both domestic and international ticket value is 70% and 60% respectively.

(PAST EXAM NOV 2020)

Answer:

(i) Since in the given case, neither of the currencies exchanged is Indian Rupees, value of taxable supply, in terms of rule 32(2)(a) of the CGST Rules, 2017, is 1% of lower of the following: US dollar converted into Indian rupees at RBI reference rate = US \$ 6,000 × Rs. 72 = Rs. 4,32,000

Singapore dollar converted into Indian rupees at RBI reference rate

= Singapore dollar 9,000 × Rs. 52 = Rs. 4,68,000 Value of taxable service for the month of March 2020 = 1% of Rs. 4,32,000 = Rs. 4,320

(ii) ii. Computation of value of taxable supply

Particulars	Rs.	Rs.
Basic fare in case of domestic bookings [Rs. 7,00,000 × 70%]	4,90,000	
Value of taxable supply @ 5% [A] [Rule 32(3) of the CGST Rules, 2017]		24,500
Basic fare in case of international bookings [Rs. 15,00,000 × 60%]	9,00,000	
Value of taxable supply @ 10% [B] [Rule 32(3) of the CGST Rules, 2017]		90,000
Value of taxable supply [A] + [B]		1,14,500

15. Arihant Life Insurance Company Ltd. (ALICL) has charged gross premium of Rs. 180 lakh from policy holders with respect to life insurance policies in the 2025-26; out of which Rs. 100 lakh have been allocated for investment on behalf of the policy holders. Compute the value of supply of life insurance services provided by ALICL:

- (i) if the amount allocated for investment has been intimated by ALICL to policy holders at the time of supply of service.
- (ii) if the amount allocated for investment has not been intimated by ALICL to policy holders at the time of providing of service.
- (iii) if the gross premium charged by ALICL from policy holders is only towards risk cover.

Note: ALICL has started its operations in the year 2025-26. Thus, the entire gross premium of Rs. 180 lakh is the premium for the first year of all the policies.

ALICL has not issued any single premium annuity policy.

Answer:

As per rule 32(4), of the CGST Rules, value of supply of services in relation to life insurance services is the gross premium reduced by the amount allocated for investment on behalf of the policy holder, if such an amount is intimated to the policy holder at the time of supply of service; in all other cases, 25% of the premium in the 1st year and 12.5% of the premium in subsequent years

However, where the entire premium paid by the policy holder is only towards risk cover, such gross premium is the value of supply of life insurance services. In the light of the aforesaid provisions, value of supply of life insurance services provided by ALICL in financial year 2025-26 will be computed as follows:

- (i) Amount allocated for investment intimated to policy holder at the time of supply of service Value of service = Rs. (180-100) lakh = Rs. 80,00,000
- (ii) Amount allocated for investment not intimated to policyholders at the time of supply of service Value of service = 25% of Rs. 180 lakh = Rs. 45,00,000
- (iii) Gross premium received is only towards risk cover Value of service = Rs. 180 lakh

16. Chirayu Life Insurance Company Limited (CLICL) has collected premium from policy subscribers. It does not intimate the amount allocated for investment to subscribers of the policy at the time of collection of premium. The company has provided the following details in relation to its receipts:

Sl. No.	Particulars	Amount
1.	Premium for only risk cover	25,00,000
2.	Premium from new policy subscribers	40,00,000
3.	Renewal premium	80,00,000
4.	Single premium on annuity policy	1,00,00,000

All amounts are exclusive of tax. You are required to compute the value of supply by CLICL in terms of rule 32(4). (PAST EXAM MAY 2019)

Answer:

As per rule 32(4), the value of supply of services in relation to life insurance business, when the amount allocated for investment/savings on behalf of the policy holder is not intimated to the policy holder at the time of supply of service, is-

- (i) in case of single premium annuity policies, 10% of single premium charged from the policy holder;
- (ii) in all other cases, 25% of the premium charged from the policy holder in the first year and 12.5% of the premium charged from the policy holder in subsequent years;
- (iii) in case the entire premium paid by the policy holder is only towards the risk cover in life insurance, the premium so paid.

Therefore, in the given case, the value of the services provided by CLICL will be computed as under:

Computation of value of supply for CLICL

Particulars	Amount (Rs.)
Premium for only risk cover	25,00,000
Premium from new policy subscribers 25% of Rs. 40,00,000	10,00,000
Renewal premium 12.5% of Rs. 80,00,000	10,00,000
Single premium on annuity policy 10% of Rs. 1,00,00,000	10,00,000
Total value of supply	55,00,000

17. Dushyant rents out a commercial building owned by him to Bharat for the month of December, for which he charges a rent of Rs. 19,50,000. Dushyant pays the maintenance charges of Rs. 1,00,000 (for the December month) as charged by the local society. These charges have been reimbursed to him by Bharat. Also, Dushyant has paid municipal tax of Rs. 2,85,000 which he has not charged from Bharat. You are required to determine the value of supply and the GST liability of Dushyant for the month of December assuming CGST and SGST rates to be 9% each. Note: All the amounts given above are exclusive of GST.

(RTP MAY 2020)

Answer:

Computation of the value of supply and the GST liability of Dushyant for the month of December

Particulars	Amount (Rs.)
Rent of the commercial building	19,50,000
Maintenance charges paid to the local society, reimbursed by Bharat [Note 1]	1,00,000
Municipal tax paid by Dushyant [Note 2]	Nil
Value of supply	20,50,000
CGST @ 9%	1,84,500
SGST @ 9%	1,84,500

Notes:

Since such charges are reimbursed by the tenant (Bharat), such charges ultimately form part of the rent paid by Bharat to Dushyant and thus, form part of the value. Since municipal tax is paid by the supplier (Dushyant) and not charged to the recipient, the same is not includible in the value.

18. BW Ltd. manufactures tobacco products. It has provided the following particulars relating to goods sold by it to CF Ltd.

The final amount charged from CF Ltd. is Rs. 69,600 less discount @ 2%. Determine the value of taxable supply made by BW Ltd.

Particulars	Rs.
Price of the goods (exclusive of all taxes/duties and discounts)	60,000
Excise duty	6,000
Packing charges	2,000
Freight (arranged by BW Ltd.)	1,600
Total amount billed to CF Ltd. before any discount	69,600
Discount @ 2% of the price of goods recorded in the invoice	

Answer:

Computation of value of taxable supply

Particulars	Rs.
Price of the goods (exclusive of taxes and discounts)	60,000
Add: Excise duty [Note 1]	6,000
Packing charges [Note 2]	2,000
Freight [Note 3]	1,600

Less: Discount @ 2% on Rs. 60,000 [Note 4]	(1,200)
Value of taxable supply	68,400

Notes:

- As per section 15(2)(a), any taxes, duties, cesses, fees and charges other than CGST, SGST, UTGST, IGST and GST Compensation Cess, if charged separately by the supplier should be included in the value of supply. Thus, excise duty charged separately has been added in the value.
- As per section 15(2)(c), incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply should be included in the value. Thus, packing charges have been added in the value.
- Since transport is arranged by the supplier, the contract of supply becomes a composite supply; the principal supply being the supply of goods. Therefore, freight becomes part of the value of the composite supply.
- As per section 15(3)(a), the value of the supply does not include any discount which is given before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply. Therefore, since in this case, discount is known at the time of supply and recorded in the supply, it is deductible from the value.

19. Vayu Ltd. provides you the following particulars relating to goods supplied by it to Agni Ltd.:

Particulars	Amount (Rs.)
List price of the goods (exclusive of taxes/duties and discounts)	76,000
Special packing at the request of customer to be charged to the customer	5,000
Duty levied by local authority on the sale of such goods	4,000
CGST and SGST charged in invoice	14,400
Subsidy received from an NGO in relation to the goods sold (The price of Rs. 76,000 given above is after considering the subsidy)	5,000

Vayu Ltd. offers 3% discount on the list price of the goods which is recorded in the invoice for the goods. Determine the value of taxable supplies made by Vayu Ltd. (MTP NOV 2018)

Answer:

Computation of value of taxable supplies by Vayu Ltd.

Particulars	Rs.
List price of the goods	76,000
Add: Special packing [Note 1]	5,000
Duty levied by local authority on sale of goods [Note 2]	4,000
CGST and SGST charged [Note 2]	-
Subsidy received from an NGO [Note 3]	5,000
Less: Discount offered = 3% of List price = Rs. 76,000 × 3% [Note-4]	(2,280)

Value of taxable supplies	87,720
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Notes:

- 1) Being incidental expenses charged by the supplier to the recipient of supply, packing charges are includible in the value as per section 15(2)(c).
- 2) Taxes, duties, etc. levied under any law for the time being in force other than CGST, SGST/UTGST, IGST are includible in the value as per section 15(2)(a).
- 3) Subsidy directly linked to the price received from a non- Government body is includible in the value in terms of section 15(2)(e).
- 4) Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a).

20. Aviant Ltd., registered in Noida (Uttar Pradesh), is a supplier of machinery used for making bottle caps.

The supply of machinery is effected as under:

- The wholesale price of the machinery (excluding all taxes and other expenses) at which it is supplied in the ordinary course of the business to various customers is Rs. 42,00,000. However, the actual price at which the machinery is supplied to an individual customer varies within a range of $\pm 10\%$ depending upon the terms of contract of supply with the particular customer.
- Apart from the price of the machinery, Aviant Ltd. charges from the customer the following incidental expenses:
 - associated handling and loading charges of Rs. 10,000
 - installation and commissioning charges of Rs. 1,00,000
- The machinery can be dismantled and erected at another site, if required. The above charges are compulsorily levied in every case of supply of machinery.
- Transportation of machinery to the customer's premises is arranged by Aviant Ltd. through a third- party service provider [Goods Transport Agency (GTA)]. The customer enters into a separate service contract with the GTA and pays the freight directly to it.
- A cash discount of 2% on the price of the machinery is offered at the time of supply, if the customer agrees to make the payment within 15 days of the receipt of the machinery at his premises. In the event of failure to make the payment within the stipulated time, the company-
 - recovers the discount (no separate amount of GST is recovered) given; and
 - charges simple interest @ 1% per month or part of the month (no separate amount of GST is recovered) on the total amount due from the customer (towards the machinery supplied) from the date of making the supply till the date of payment. However, no interest is charged on the tax dues.
- For every machinery supplied, Aviant Ltd. receives a price linked subsidy of Rs. 2,00,000 from its holding company Diligent Ltd.

Aviant Ltd. has supplied a machinery to an unrelated party, Daffodil Pvt. Ltd. on 1st August at a price of Rs. 40,00,000 (excluding all taxes). Invoice was issued on 1st August by Aviant Ltd. The corporate office of Daffodil Ltd., which is at New Delhi, has entered into contract with Aviant Ltd. for supply of machinery. However, the machinery has been installed at Daffodil Pvt. Ltd's registered manufacturing unit located in Gurugram (Haryana). Daffodil Pvt. Ltd. has paid the freight

directly to the GTA. Discount @ 2% on the price of machinery excluding taxes was given to Daffodil Pvt. Ltd. as it agreed to make the payment within 15 days. However, Daffodil Pvt. Ltd. paid the consideration on 31st October.

Assume the rates of taxes to be as under:

Bottle cap making machine		
CGST -6%	SGST -6%	IGST - 12%
Service of transportation of goods		
CGST -	SGST -	IGST - 5%
2.5%	2.5%	
Other services involved in the above supply		
CGST - 9%	SGST - 9%	IGST - 18%

Calculate the GST payable [CGST, SGST or IGST, as the case may be] on the machinery and support your conclusions with legal provisions in the form of explanatory notes. Make suitable assumptions, wherever needed.

Answer:

Computation of GST liability of Aviant Ltd.

Particulars	(Rs.)
Price of machine [Note 1]	40,00,000
Add: Handling and loading charges [Note 2]	10,000
Installation and commissioning charges [Note 3]	1,00,000
Transportation cost [Note 4]	Nil
Price linked subsidy from Diligent Ltd. [Note 5]	2,00,000
Total price of the machine	43,10,000
Less: 2% cash discount on price of machinery = Rs. 40,00,000 × 2% [Note 6]	(80,000)
Taxable value of supply	42,30,000
Tax liability for the month of August [Note 10]	
IGST @ 12% [Note 8 and Note 7] - [A]	5,07,600
Tax liability for the month of October [Note 10]	
Add: Interest collected @ 3% on Rs. 41,10,000 [Note 9]	1,23,300
Cash discount recovered [Note 9]	80,000
Value of interest and cash discount inclusive of tax	2,03,300
IGST = (Rs. 2,03,300/112) × 12% - [B]	21,782
Total IGST payable on the machinery [A] + [B]	5,29,382

Notes:

- 1) As per section 15(1), the value of a supply is the transaction value i.e., the price actually paid or payable for the said supply when the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply..
- 2) All incidental expenses charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c).
- 3) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply in terms of section 15(2)(c).
- 4) Transportation cost has not been included in the value of supply of the machinery as it is a separate service contract between the customer and the third-party service provider. The customer pays the freight directly to the service provider.

The supplier (Aviant Ltd), in this case, merely arranges for the transport and does not provide the transport service on its own account. Therefore, there will be no impact from valuation point of view on transport expenses incurred for supply of machinery as the supplier is not the party to such supply of services.

- 1) Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments are includible in the value of supply in terms of section 15(2)(e).
- 2) Cash discount was deducted by Aviant Ltd. upfront at the time of supply on 1st August, and hence, the same is excluded from the value of supply as it did not form part of the transaction value.
- 3) In the given case-
 - the location of the supplier is in Noida (UP); and
 - the place of supply of machinery is the place of installation of the machinery i.e., Gurugram (Haryana) in terms of section 10(1)(d) of the IGST Act, 2017.

Therefore, the given supply is an inter-State supply as the location of the supplier and the place of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply will be leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

- 4) The given supply is a composite supply involving supply of goods (machinery) and services (handling and loading and installation and commissioning) where the principal supply is the supply of goods.

As per section 8(a), a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly. Thus, tax rate applicable to the goods (machinery) has been considered.

- 5) Interest for the delayed payment (which excludes subsidy related amount of Rs 2,00,000 as the same was not recoverable from the recipient) of any consideration for any supply is includible in the value of supply in terms of section 15(2)(d). Further, cash discount recovered will also be includible in the value of supply as now the transaction value i.e., the price actually paid for the machinery is devoid of any discount.

The cash discount not allowed and interest are inclusive of tax. Thus, tax payable thereon has to be computed by making back calculations in terms of rule 35.

- 6) Invoice for the supply has been issued on 1st August . Thus, the time of supply of goods is 1st August in terms of section 12(1)(a). As per section 12(6), the time of supply in case of addition in value by way of interest, late fee, penalty etc. for delayed payment of consideration for goods is the date on which the supplier receives such addition in value. Thus, the time of supply of interest

received and cash discount recovered on account of delayed payment of consideration is 31st October, the date when the full payment was made. The supplier may issue a debit note for such interest and cash discount recovered.

21. Laxmi Ltd. of Bhopal (Madhya Pradesh) is a supplier of machinery. Laxmi Ltd. has supplied machinery to PQR Enterprises in Indore (Madhya Pradesh) on 1st October, 20XX. The invoice for supply has been issued on 1st October, 20XX. Thus, the time of supply of machinery is 1st October, 20XX. Laxmi Ltd. and PQR Enterprise are not related. Following information is provided:

Basic price of machinery excluding all taxes but including design and engineering charges of ₹ 10,000 and loading charges of ₹ 20,000 – ₹20,00,000. Laxmi Ltd. provides 2 years free warranty for the machinery. Laxmi Ltd. also provides an extended one year warranty on payment of additional charges of ₹ 1,00,000. The extended warranty is given by the manufacturer at the time of supply of goods to the buyer and that the same is not available separately.

PQR Enterprises opted for one year warranty.

Laxmi Ltd. has collected consultancy charges in relation to pre- installation planning of ₹ 10,000 and freight and insurance charges from place of removal to buyer's premises of ₹ 20,000. Laxmi Ltd. received subsidy of ₹ 50,000 from Central Government for supplying the machinery to backward region since receiver was located in a backward region. Laxmi Ltd. also received ₹ 50,000 from the joint venture partner of PQR Enterprises for making timely supply of machinery to the recipient.

A cash discount of 1% on the basic price of the machinery is offered at the time of supply, if PQR Enterprises agrees to make the payment within 30 days of the receipt of the machinery at his premises.

Discount @ 1% was given to PQR Enterprises as it agreed to make the payment within 30 days.

The machinery attracts CGST and SGST @ 18% (9% + 9%) and IGST @18%.

Compute the CGST and SGST or IGST payable, as the case may be, on the machinery (PAST EXAM MAY 2018)

Answer:

Computation of GST Payable

Particulars	Rs.
Price of the machinery [Note 1]	20,00,000
Add: Extended warranty cost [Note 2]	1,00,000
Consultancy charges in relation to pre- installation planning [Note 4]	10,000
Freight and insurance charges [Note 3]	20,000
Subsidy received from Central Government [Note 5]	Nil
Receipts from Joint Venture of PQR Enterprises [Note 5]	50,000
Less: 1% discount on basic price* = Rs. 20,00,000	(20,000)
x 1% [Note 6]	
Value of supply	21,60,000
CGST @ 9% [Note 7]	1,94,400

SGST @ 9% [Note 7]

1,94,400

- 1) Laxmi Ltd. and PQR Enterprises are not related and price is assumed to be the sole consideration for the supply. Therefore, in terms of section 15(1) of the CGST Act, 2017, the value of the supply is the transaction value i.e., price actually paid or payable for the machinery by PQR Enterprises. Design and engineering charges are includible in the value of supply as any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is so includible in terms of section 15(2)(c) of CGST Act, 2017. Further, loading charges being incidental expenses charged by the supplier to the recipient of supply, are includible in the value as per section 15(2)(c) of the CGST Act, 2017.
- 2) Supply of machinery (goods) with supply of ancillary services like extended warranty, is a composite supply, the principle supply of which is the supply of machinery. [Section 2(30) of the CGST Act, 2017 read with section 2(90) of that Act]. Thus, value of such ancillary supply is includible in the value of composite supply.
- 3) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.
- 4) Supply of machinery (goods) with supply of ancillary services like freight and insurance is a composite supply, the principle supply of which is the supply of machinery [Section 2(30) of the CGST Act, 2017 read with section 2(90) of that Act]. Thus, value of such ancillary supply is includible in the value of composite supply.
- 5) Subsidies provided by the Central Government and State Governments are not includible in the value of supply in terms of section 15(2)(e) of the CGST Act, 2017. However, subsidy directly linked to the price received from a non-Government body is includible in the value in terms of section 15(2)(e).
- 6) Cash discount has been given to PQR Enterprises upfront at the time of supply and thus, would have been recorded in the invoice and hence, the same is excluded from the value of supply in terms of section 15(3)(a) of the CGST Act, 2017.
- 7) In the given case-
 - the location of the supplier is in Bhopal (Madhya Pradesh); and
 - the place of supply of machinery is the location of the machinery at the time at which the movement of the same terminates for delivery to the recipient i.e., Indore (Madhya Pradesh) vide section 10(1)(a) of IGST Act, 2017.

Therefore, as per section 8(1) of IGST Act, 2017, the given supply is an intra-State supply as the location of the supplier and the place of supply are in the same State. Thus, the supply will be leviable to CGST and SGST. *Note: It is also possible to take a view that the basic price of the machinery is ₹ 19,70,000 [₹ 20,00,000

- ₹ 10,000

- ₹ 20,000] and design and engineering charges and loading charges are added to such price.

In that case, 1% of discount amount will come out to be ₹ 19,700, value of supply would be ₹ 21,60,300 and CGST and SGST would be ₹ 1,94,427 each.

22. M/s Jonty India Ltd. a manufacturer of heavy machines registered at Jaipur (Rajasthan) supplied one machine to M/s. Dhanuka Ltd. of Udaipur (Rajasthan) on 05-02-2018 under an invoice of the same date. Using the information given below, compute the value of the machine and the GST payable (CGST & SGST or IGST as the case may be) in cash for the month of February, 2018 by M/s Jonty India Ltd. with appropriate working notes.

Assume Rate of CGST, SGST and IGST on the machine to be 9%, 9% and 18% respectively.

Sl. No.	Particulars	Amount in Rs.
(i)	The Basic price of the machine (exclusive of taxes and discount).	28,50,000
(ii)	Trade discount is allowed at 3% on the basic price and is shown in the invoice.	85,500
(iii)	Secondary packing (in iron sheets) charges for safe transportation of the machine on the request of buyer.	30,000
(iv)	Design and engineering charges of the machine	90,000
(v)	Tax levied by Municipal Authority on the sale of the machine.	25,000
(vi)	Subsidy received by the supplier from the State Government to encourage manufacture of the machine. (Price given above are net of subsidy and directly linked)	80,000
(vii)	Pre-delivery inspection charges paid to an independent agency in terms of the agreement for supply. The amount was paid by M/s. Dhanuka Ltd.	22,000
(viii)	Interest amount paid by M/s. Dhanuka Ltd. for delay in payment for the machine.	12,000
	Inward Supplies	
(i)	IGST paid on food items for consumption by employees working in the factory.	8,000
(ii)	SGST and CGST (Rs. 15,000 each) paid on Electrical transformer used in the manufacturing process.	30,000

Note:

- (i) M/s Jonty India Ltd. has no input tax credit balance at the beginning of February, 20XX. All the other conditions necessary for availing the eligible input tax credit have been fulfilled.
- (ii) There are no other transactions of supplies during the month of February, 20XX.
- (iii) M/s Jonty India Ltd. and M/s. Dhanuka Ltd. are not related persons.

(PAST EXAM NOV 2018).

Answer:

Computation of value of machine sold by M/s. Jonty India Ltd.

Particulars	Rs.
Basic price of machine	28,50,000
Add: Secondary packing [Note 1(i)]	30,000
Design and engineering charges [Note 1(ii)]	90,000
Tax levied by Municipal Authority [Note 1(iii)]	25,000
Pre-delivery inspection charges paid by M/s. Dhanuka Ltd. [Note 1(iv)]	22,000
Interest for delay in payment [Rs. 12,000 x 100/118] [Note 1(v)] - (rounded off)	10,169
Less: 3% Trade discount on basic price of machinery = Rs. 28,50,000 x 3% [Note 2]	<u>(85,500)</u>

Taxable value of supply	29,41,669
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Computation of net GST payable (in cash) by M/s. Jonty India Ltd. for the month of February, 2018

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)
Tax on value of Rs. 29,41,669 (rounded off)	2,64,750	2,64,750
Less: Input tax credit [ITC] of tax paid on electrical transformer used in the manufacturing process [Note 3]	<u>15,000</u>	<u>15,000</u>
Net GST payable	2,49,750	2,49,750

Notes:

- 1) As per section 15(2) of the CGST Act, 2017-All incidental expenses, including packing, charged by the supplier to the recipient of a supply are includible in the value of supply.
 - (i) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply.
 - (ii) Any taxes levied under any law for the time being in force other than CGST/SGST/UTGST/IGST, if charged separately by the supplier are includible in the value of supply.
 - (iii) Any amount that the supplier is liable to pay in relation to such supply, but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods and/or services is includible in the value of supply.
 - (iv) Interest for the delayed payment of any consideration for any supply is includible in the value of supply.
 Further, it is assumed that such interest is inclusive of tax and that the same has been received by M/s. Jonty India Ltd. in the month of February itself. Therefore, the time of supply of such interest will be in February, 20XX and the same will be considered while paying the tax liability of that month.
 - (v) Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments are includible in the value of supply. Since in the given case, subsidy is received from State Government, the same has not been included in the value of supply presuming it to be directly linked to the price.
- 2) Trade discount has been shown in the invoice and hence, the same is excluded from the value of supply in terms of section 15(3)(a) of the CGST Act, 2017.
- 3) ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply [Section 17(5)(b)(i)]. Further, since transformers are used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).
- 4) In the given case
 - the location of the supplier is in Jaipur (Rajasthan); and
 - the place of supply of machinery is the location of the machinery at the time at which the movement of the same terminates for delivery to the recipient i.e., Udaipur (Rajasthan) vide section 10(1)(a) of IGST Act, 2017.

Therefore, as per section 8(1) of IGST Act, 2017, the given supply is an intra-State supply as the location of the supplier and the place of supply are in the same State. Thus, the supply will be leviable to CGST and SGST

23. Determine the value of supply and the GST liability, to be collected and paid by the owner, with the following particulars:

Particulars	Rs
Rent of the commercial building	18,00,000
Maintenance charges collected by local society from the owner and reimbursed by the tenant	2,50,000
Owner intends to charge GST on refundable advance as GST is applicable on advance	6,00,000
Municipal taxes paid by the owner	3,00,000

GST rates applicable on renting of business premises are as follows: CGST 9%, SGST 9% Provide suitable explanations where required.

Answer:

Computation of Value of Supply and GST Liability:

Particulars	Rs
Rent of the commercial building	18,00,000
Maintenance charges collected by the local society from the owner and reimbursed by the tenant [Being reimbursed by the tenant such charges ultimately form part of the rent paid by the tenant to the owner and thus will form part of the value]	2,50,000
Refundable advance [Being refundable the advance is in the nature of security deposit which does not constitute consideration in terms of sec 2(31) of the CGST Act 2017 and thus is not includible in the value]	NIL
Municipal taxes paid by the owner[Being an expenditure incurred by the supplier the same is not includible in the value assuming that such taxes are not charged to the recipient]	NIL
Value of Supply	20,50,000
CGST @ 9%	1,84,500
SGST @ 9%	1,84,500

Note: Rent and Maintenance charges are assumed to be exclusive of GST.

24. Surya Agencies has agreed to supply goods to customer's premises. Goods valued ₹ 80,000 are taxable @ 5% IGST as it is an interstate supply. It also pays freight and transit insurance of ₹ 12,000. GTA is a registered entity and has charged GST (9% CGST and 9% SGST) under forward charge.

(i) Compute the invoice value of supply including IGST.

(ii) What will be the invoice value of supply including IGST, if the supply was under ex-factory basis instead of door-delivery basis?

(PAST EXAM NOV 2019)

Answer:

Computation of invoice value of supply

(i) When supplier agrees to supply the goods at customer's premises, i.e. freight and transit insurance are paid by the supplier,

invoice value of supply will be computed as follows

Particulars	Amount (Rs.)
Value of goods supplied	80,000
Add: Freight and transit insurance [Since the supplier has agreed to deliver the goods at the customer's premises and to pay for freight and insurance, the contract of supply becomes a composite supply, the principal supply being the supply of goods.]	12,000
Total	92,000
Add: IGST @ 5% [Being a composite supply, GST at the rate applicable for principal supply will be charged]	4,600
Invoice value of supply	96,600

(ii) When supplier agrees to supply the goods on ex-factory basis, i.e. the buyer pays the freight and transit insurance, invoice value of supply will be computed as follows:

Particulars	Amount (Rs.)
Value of goods supplied	80,000
Add: IGST @ 5% of Rs. 80,000	4,000
Invoice value of supply	84,000

Note: The above answer is based on the view that part (ii) of the question is an independent case and thus, the information provided in the first paragraph of the question regarding payment of freight and transit insurance by Surya Agencies does not apply to it. Moreover, when the contract is ex-factory, it implies that the freight and insurance will be the buyer's responsibility and seller will have no role, whatsoever, in delivering the goods to the customer's premises.

25. X Ltd., a manufacturer of heavy machines registered at Mumbai (Maharashtra), supplied one machine to Y Ltd. in Pune (Maharashtra) on 19.02.2026 under an invoice of the same date. Using the information given below, compute the value of machine and the GST payable (CGST, SGST and IGST as the case may be) in cash for the month of February 2026 by X Ltd. with appropriate working notes. Assume rate of CGST, SGST and IGST on the machine to be 9%, 9% and 18% respectively

Sl. No.	Particulars	Amount (Rs.)
1	The basic price of the machine (exclusive of taxes and discount)	18,00,000
2	Trade discount is allowed at 10% on the basic price and is shown in the invoice.	1,80,000
3	Secondary packing (in iron sheets) charged for safe transportation of the machine on the request of buyer	30,000
4	Design and engineering charges of the machine paid by Y Ltd. to X Ltd.	90,000

5	Pre-delivery inspection charges paid by Y Ltd. to an independent agency "Inspection India". In terms of the agreement for supply, it was the discretion of the buyer 'Y Ltd.' to appoint, if it so desires, any agency for pre-delivery inspection, and also to itself pay to such agency.	22,000
6	Interest amount paid by Y Ltd. for delay in payment of the machine, said interest was paid by Y Ltd. in April 2020	12,000
	INWARD SUPPLY: IGST paid on food items for consumption by employees working in the factory. The said food items are provided as per the declared company policy which is duly informed to the employees while they are recruited and forms part of their appointment letter, though there is no such obligation in law.	10,000

X Ltd. has no input tax credit balance at the beginning of February 2020. All the other conditions necessary for availing the eligible input tax credit have been fulfilled. There is no other transaction of supplies during the month of February 2020. X Ltd. and Y Ltd. are not related persons.

Provide your answers with reasons and with reference to the provisions of law.

(PAST EXAM JAN 2021)

Answer:

Computation of value of machine and GST payable in cash

Particulars		Amount (Rs.)
Price of machine		18,00,000
Add: Secondary packing	Incidental expenses including packing charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods are includible in the value of the supply.	30,000
Design and engineering charges		90,000
Pre-delivery inspection charges	The amount incurred by the recipient of the supply is added only if the same was the liability of the supplier.	Nil
Add: - Interest for delayed payment [12000/118%] [Interest for delayed payment is includible in the value of the machine. Further, it has been assumed to be inclusive of GST.]		<u>10169</u>
Less: Discount @ 10% on basic price [Discount is allowed as the same is given at the time of supply and is shown in the invoice]		<u>(1,80,000)</u>
Value of the machine		<u>17,50,169</u>
Less: Interest for delayed payment liable to tax only on date of receipt		<u>(10169)</u>
Taxable value of the machine in February, 2020		<u>17,40,000</u>

Tax liability for the month of February	<u>1,56,600</u>
CGST @ 9%	<u>1,56,600</u>
SGST@ 9%	
[Since the movement of goods terminates for delivery to the recipient in the same State, it is an intra-State supply.]	
Less: ITC [ITC on supply of, inter alia, food and beverages is blocked if the employer is not under a statutory obligation to provide the same to its employees]	<u>Nil</u>
GST payable in cash	<u>1,56,600</u>
CGST @ 9%	<u>1,56,600</u>
SGST@ 9%	

26. Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colourful Pvt. Ltd.

Particulars	Rs
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by the Municipal Authority on the sale of such goods	5,000
Packing charges (not included in price above)	1,000

Black and White Pvt. Ltd. received Rs. 2000 as a subsidy from a NGO on sale of such goods. The price of Rs. 50,000 of the goods is after considering such subsidy. Black and White Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods. Determine the value of taxable supply made by Black and White Pvt. Ltd.

Answer:

Computation of value of taxable supply

Particulars	Rs.
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Includible as per sec 15(2)(a)]	5,000
Packing charges [Includible in the value as per sec 15(2)(c)]	1,000
Subsidy received from a non-govt body [Since subsidy is received from a non-govt body the same is included in the value in terms of sec 15(2)(e)]	2,000
TOTAL	58,000
Less: Discount @ 2% on Rs. 50,000 [Since discount is known at the time of supply and recorded in the supply it is deductible as per sec 15(3)(a)]	1,000
Value of taxable supply	57,000

27. Samridhi Advertisers conceptualized and designed the advertising campaign for a new product launched by New Moon Pvt

Ltd. for a consideration of Rs. 5,00,000. Samriddhi Advertisers owed Rs. 20,000 to one of its vendors in relation to the advertising service provided by it to New Moon Pvt Ltd. Such liability of Samriddhi Advertisers was discharged by New Moon Pvt Ltd. New Moon Pvt Ltd. delayed the payment of consideration and thus, paid Rs. 15,000 as interest. Assume the rate of GST to be 18%. Determine the value of taxable supply made by Samriddhi Advertisers.

Answer:

Computation of value of taxable supply

Particulars	Rs
Service Charges	5,00,000
Payment made by New Moon Pvt Ltd to vendor of Samriddhi Advertisers [Liability of the supplier being discharged by the recipient is includible in the value in terms of sec 15(2)(b)]	20,000
Interest for delay in payment of consideration [Includible as per sec 15(2)(d)-Refer note below] (Rounded off)	12,712
Value of taxable supply	5,32,712

Note:

The interest for delay in payment of consideration will be includible in the value of supply but the time of supply of such interest will be the date when such interest is received in terms of section 13(6). Such interest has been assumed to be inclusive of GST and thus, the value has been computed by making back calculations $[(\text{Interest} \times 100) / (100 + \text{tax rate})]$

28. Allfit Laboratories Ltd. is a registered supplier of bulk drugs in Delhi paying tax under regular scheme. It manufactures bulk drugs and supplies the same in the domestic and overseas market. The bulk drugs are supplied within Delhi and in the overseas market directly from the company's warehouse located in South Delhi. For supplies in other States of India, the company has appointed consignment agents in each such State. However, supplies in Gurgaon (Haryana) and Noida (U.P.) are effected directly from South Delhi warehouse. The drugs are supplied to the consignment agents from the South Delhi warehouse.

Allfit Laboratories Ltd. also provides drug development services to drug manufacturers located in India, including testing of their new drugs in its laboratory located in Delhi.

The company has furnished the following information for the month of January, 20XX

Particulars	
Advance received towards drug development services to be provided to Orochem Ltd., a drug manufacturer, located in Delhi [Drug development services have been provided in February, 20XX and invoice is issued on 28.02.20XX]	5,00,000
Advance received for bulk drugs to be supplied to Novick Pharmaceuticals, a wholesale dealer of drugs in Gurgaon, Haryana (Invoice for the goods is issued at the time of delivery of the drugs in March, 20XX)	6,00,000
Supply of bulk drugs to wholesale dealers of drugs in Delhi	60,00,000
Bulk drugs supplied to Anchor Pharmaceuticals Inc., USA under LUT [Consideration received in convertible foreign exchange]	90,00,000

Drug development services provided to Uni pharma Ltd., a drug manufacturer. Located in Delhi	6,00,000
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You are required to determine the GST liability [CGST & SGST or IGST, as the case may be] of Allfit Laboratories Ltd. for the month of January, 20XX with the help of the following additional information furnished by it for the said period:

- 1) Consignments of bulk drugs were sent to Cardinal Pharma Pvt. Ltd. and Rochester Medicos – agents of Allfit Laboratories Ltd. in Punjab and Haryana respectively. Cardinal Pharma Pvt. Ltd. And Rochester Medicos supplied these drugs under their invoices to the Medical Stores located in their respective States for Rs. 60,00,000 and Rs. 50,00,000 respectively.
- 2) Bulk drugs have been supplied to Ronn Medicos a wholesale dealer of bulk drugs in Gurgaon, Haryana for consideration of Rs. 15,00,000. Allfit Laboratories Ltd. owns 72% shares of Ronn Medicos Pvt. Ltd. Open market value of the bulk drugs supplied to Ronn Medicos Pvt. Ltd. is Rs. 30,00,000. Further, Ronn Medicos Pvt. Ltd. is not eligible for full input tax credit. (MTP MAY 2018)

Note:

- (i) All the given amounts are exclusive of GST, wherever applicable.
- (ii) Assume the rates of GST to be as under:

You are required to make suitable assumptions, wherever necessary. (RTP NOV 2019)

Answer:

Computation of GST Liability of Allfit Laboratories Ltd. for the month of January, 20XX

Particulars	CGST	SGST	IGST
Advance received for drug development services supplied to Orochem Ltd. a drug manufacturer Located in Delhi [Note:1]	45,000 (5,00,000 x 9%)	45,000 (5,00,000 x 9%)	
Advance received for bulk drugs to be supplied to Novick Pharmaceuticals, a wholesale dealer of drugs in Gurgaon. Haryana [Note:2]			Nil
Supply of bulk drugs to of drugs in Delhi [Note - 3]	1,50,000 (60,00,000 x 2.5%)	1,50,000 (60,00,000 x 2.5%)	
Bulk drugs supplied to Anchor Pharmaceutical Inc.. USA under LUT [Note:4]			Nil
Supply of drug development Uni pharma Ltd.. a drug located In Delhi [Note :5]	54,000 [6,00,000 x 9%]	54,000 [6,00,000 x 9%]	
Supply of bulk drugs to agents - Cardinal Pharma Pvt. Rochester Medicos of Haryana [Note :6]			4,95,000 [99,00,000 x 5%]
Supply of bulk drugs to Ronn Gurgaon, Haryana [Note - 7]			1,50,000

			[30, 00,000 x
Total GST liability	2,49,000	2,49,000	6,45, 000

Notes:

1) Being an intra -State supply of services, supply of drug development services to Orochem Ltd. of Delhi is subject to CGST and SGST @ 9% each. Further, in terms of section 13(2) of the CGST Act, the time of supply of services is the earlier of the date of invoice or date of receipt of payment, if the invoice is issued within 30 days of the supply of service. In the given case, invoice is issued within 30 days of the supply of service. Therefore, time of supply of services will be date of receipt of advance and hence, GST is payable on the advance received in January, 20XX.

2) Being an inter - State supply of goods, supply of bulk drugs to Novick Pharmaceuticals of Gurgaon, Haryana is subject to IGST @ 5%. Further, in terms of section 12(2) of the CGST Act, the time of supply of goods is the earlier of the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment.

However, Notification No. 66/2017 CT dated 15.11.2017 specifies that time of supply of goods for the purpose of payment of tax is the date of issue of invoice/last date of issue of invoice.

Thus, GST is not payable at the time of receipt of advance against supply of goods. The time of supply of the advance received for bulk drugs to be supplied to Novick Pharmaceuticals is the time of issue of invoice, which is in March, 20XX. Thus, said advance will be taxed in March, 20XX and not in January, 20XX.

3) Being an intra - State supply of goods, supply of bulk drugs to wholesale dealers of drugs in Delhi is subject to CGST and SGST @ 2.5 % each.

4) Section 2(5) of the IGST Act defines export of goods as taking goods out of India to a place outside India. In view of the said definition, supply of the bulk drugs to Anchor Pharmaceuticals Inc. of USA under LUT is export of goods.

Export of goods is a zero - rated supply [Section 16(1) of the IGST Act]. A zero - rated supply under LUT is made without payment of integrated tax [Section 16(3)(a) of IGST Act].

5) Being an intra -State supply of services, supply of drug development services to Unipharma Ltd. of Delhi is subject to CGST and SGST @ 9% each.

6) Value of supply of goods made through an agent is determined as per rule 29 of the CGST Rules.

Accordingly, the value of supply of goods between the principal and his agent is the open market value of the goods being supplied, or at the option of the supplier, is 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer, where the goods are intended for further supply by the said recipient. In the given case, since open market value is not available, value of bulk drugs supplied to consignment agents

- Cardinal Pharma Pvt. Ltd. and Rochester Medicos

- will be 99,00,000 [90% of (60,00,000 + 50,00,000)].

Further, being an inter

-State supply of goods, supply of bulk drugs to the consignment agents is subject to IGST @ 5%.

7) If any person directly or indirectly controls another person, such persons are deemed as related persons. [Clause (a)(v) of explanation to section 15 of the CGST Act]. In the given case, since Allfit Laboratories Ltd. owns 72% shares of Ronn Medicos,

both are related persons.

- 8) Value of supply of goods between related persons (other than through an agent) is determined as per rule 28 of the CGST Rules. Accordingly, the value of supply of goods between related persons is the open market value of such goods and not the invoice value. Furthermore, since Ronn Medicos is not eligible for full input tax credit, value declared in the invoice cannot be deemed to be the open market value of the goods. Thus, open market value of the bulk drugs supplied to Ronn Medicos, i.e 30,00,000 is the value of supply of such goods. Further, being an inter -State supply of goods, supply of bulk drugs to Ronn Medicos is subject to IGST @ 5%.

29. Power Engineering Pvt. Ltd., a registered supplier, is engaged in providing expert maintenance and repair services for large power plants that are in the nature of immovable property, situated all over India.

The company has its Head Office at Bangalore, Karnataka and branch offices in other States. The work is done in the following manner.

- The company has self-contained mobile workshops, which are container trucks fitted out for carrying out the repairs. The trucks are equipped with items like repair equipment, consumables, tools, parts etc. to handle a wide variety of repair work.
- The truck is sent to the client location for carrying out the repair work. Depending upon the repairs to be done, the equipment, consumables, tools, parts etc. are used from the stock of such items carried in the truck.
- In some cases, a stand-alone machine is also sent to the client's premises in such truck for carrying out the repair work.
- The customer is billed after the completion of the repair work depending upon the nature of the work and the actual quantity of consumables, parts etc. used in the repair work.
- Sometimes the truck is sent to the company's own location in other State(s) from where it is further sent to client locations for repairs.

Work out the GST liability [CGST & SGST or IGST, as the case may be] of Power Engineering Pvt. Ltd., Bangalore on the basis of the facts as described, read with the following data for the month of November 20XX

S. no	Particulars	Rs.
A.	Truck sent to own location in Tamil Nadu (i) Value of items contained in the truck -3,00,000 (II) Value of truck - 25., 00,000	
B.	Truck sent to a client location in Tamil Nadu for carrying out repairs. Stand -alone machine is also sent in the truck to client location for repairs - Value of Items contained in the truck - 2,85,000 - Value of Standalone Machinery- 4,00,000 - Value of truck - 20,00,000 (Billing for repairs to be done afterwards depending upon the actual items used)	

c.	Truck sent to a client location in Karnataka for carrying out repairs (i) Value of items contained in the truck- 1,06,000 (ii) Value of truck - 20,00,000 (Billing for repairs to be done afterwards depending upon the actual Items used)	
D.	Invoices raised for repair work carried out in Tamil Nadu (including the invoice for repair work done in B]	70,00,000
E.	Invoices raised for repair work carried out In Karnataka [including the invoice for repair work done in C]	12,00,000

Also, specify the document(s), if any, which need to be issued by Power Engineering Pvt. Ltd., Bangalore for the above transactions. All the given amounts are exclusive of GST, wherever applicable. Assume the rates of taxes to be as under:

Items used for repairs		
CGST - 6%	SGST -6%	IGST - 12%
Container truck, Stand-alone machines		
CGST - 2.5%	SGST -2.5%	IGST - 5%
Works contract for repairs and maintenance of immovable property		
CGST - 9%	ISGST -9%	IGST -18%

You are required to make suitable assumptions, wherever necessary. (MTP NOV 2019) (MTP NOV 2018)

Answer:

Computation of GST Liability of Power Engineering Pvt. Ltd., Bangalore for the month of November 20XX

S.No	Particulars	Rs
A.	Items sent in container truck to own location in Tamil Nadu - IGST@ 12% (Note1)	36,000
	Container truck sent to own location in Tamil Nadu (Note 2)	-
B.	Stand-alone machine sent in container truck to client location in Tamil Nadu for carrying out repairs [Note 3]	.
	Container truck sent to client location in Tamil Nadu [Note 3]	.
	Items sent in container truck to client location in Tamil Nadu, for carrying out repairs [Note 4]	-
c.	Container truck sent to client location in Kaniataka [Note 3]	-
	Items sent in container truck to client Location in Karnataka, for carrying out repairs (Note 4)	-
D.	Invoices raised for repair work canied out in Tamil Nadu: IGST @ 18% (Note 5 and Note 6)	12,60,000
E.	Invoices raised for repair work carried out In Karnataka:CGST 9% + SGST 9% [Note 5 and Note 7)	2,16,000

Total GST liability	15,12,000
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Notes:

- 1) Movement of goods without any consideration to a 'distinct person' as specified in section 25(4) of the CGST Act, 2017 is deemed to be a supply in terms of section 7 read with Schedule I of the said Act. The purchase value is taken as taxable value, being the open market value in terms of rule 28(a) of the CGST Rules 2017. (However, if the regional office is eligible to take full input tax credit, any value may be declared in the tax invoice and that will be taken to be the open market value in terms of the second proviso to the same rule.)

In the given case-

- the location of the supplier is in Bangalore (Karnataka); and
- the place of supply of items contained in the truck is the location of such goods at the time at which the movement of goods terminates for delivery to the recipient i.e., Tamil Nadu in terms of section 10(1)(a) of the IGST Act, 2017.

Therefore, the given supply of items is an inter-State supply as the location of the supplier and the place of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply is leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

Since the activity is a supply, a tax invoice is to be issued by Power Engineering Pvt. Ltd. in terms of section 31(1)(a) of the CGST Act, 2017 for sending the items to its own location in Tamil Nadu.

- 2) As per section 25(4) of the CGST Act, 2017, a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons'. Schedule I to the CGST Act, 2017 specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25 of the CGST Act, 2017, when made in the course or furtherance of business is one such activity included in Schedule I under para 2. However, in view of the GST Council's recommendation, it has been clarified that the inter-State movement of various modes of conveyance between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST. Applicable CGST/SGST/IGST, however, shall be leviable on repairs and maintenance done for such conveyance [Circular No. 1/1/2017 IGST dated 07.07.2017].

Since the activity is not a supply, tax invoice is not required to be issued by Power Engineering Pvt. Ltd. However, a delivery challan is to be issued by the company in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the truck to its own location in Tamil Nadu.

- 3) Supply of goods without consideration is deemed to be a supply inter alia when the goods are supplied to a 'distinct person'. However, in this case, stand-alone machine and container truck are moved to client location and not between 'distinct persons'. Hence, the same will fall outside the scope of definition of supply and will not be leviable to GST. Here again, a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the stand-alone machines and container truck to client location.
- 4) As per section 2(119) of the CGST Act, 2017, 'works contract' means a contract for, inter alia, repair, maintenance of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract.

In this case, the supplier provides maintenance and repair services for power plants that are in the nature of immovable property and uses consumables and parts, wherever necessary, for the repairs. Hence, the contract is that of a works contract.

Further, as per section 2(30) of the CGST Act, 2017, a works contract is a 'composite supply' as it consists of taxable supplies of both goods and services which are naturally bundled and supplied in conjunction with each other. The composite supply of works contract is treated as supply of

service in terms of para 6(a) of Schedule II to the CGST Act, 2017.

The items used in relation to the repair and maintenance work could be consumables or could be identifiable items/parts. In either case, the transfer of property in goods is incidental to a composite supply of works contract service. Thus, the value of the items actually used in the repairs will be included in the invoice raised for the service and will be charged to tax at that point of time. Here again, a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the items for carrying out the repairs.

- 5) The activity is a composite supply of works contract, which is treated as supply of service. As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly

Since the activity is a supply of service, a tax invoice is to be issued by Power Engineering Pvt. Ltd. in terms of section 31(2) of the CGST Act, 2017.

- 6) In the given case -

- the location of the supplier is in Bangalore (Karnataka); and
- the place of supply of works contract services relating to the power plant (immovable property) is the location at which the immovable property is located i.e., Tamil Nadu in terms of section 12(3)(a) of the IGST Act, 2017. Therefore, the given supply is an inter-State supply as the location of the supplier and the place of supply of services are in two different States [Section 7(3)(a) of IGST Act, 2017]. Thus, the supply will be leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

- 7) In the given case, the location of the supplier and the place of supply of works contract services are within the same State. Therefore, the given supply is an intra-State supply in terms of section 8(2) of IGST Act, 2017 and thus, chargeable to CGST and SGST.

30. Mr. NY, a supplier of goods pays GST under regular scheme. Mr. NY is not eligible for any threshold exemption. He has made the following outward taxable supplies during September 20XX:

Particulars	Rate of Tax			Amount
	CGST	SGST	JGST	
Intra State Supply of goods				
Product A	6%	6%	-	8,00,000
Product B	9%	9%	-	2,00,000
Inter State Supply of goods				
Product A	-	-	12%	3,00,000
Product B	-	-	18%	1,50,000

He has also furnished the following information in respect of supplies received by him during September 20XX:

Particulars	Rate of Tax			Amount
	CGST	SGST	JGST	
Intra State Supply of goods				
Product A	6%	6%	-	2,00,000
Product B	9%	9%	-	1,00,000
Inter State Supply of goods				
Product A	-	-	12%	1,50,000
Product B	-	-	18%	80,000

Mr. NY has following ITCs with him at the beginning of September 20XX:

Particulars	
CGST	40,000
SGST	28,000
IGST	44,600

Note:

- (i) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (ii) All the conditions necessary for availing the ITC have been fulfilled.

Compute net GST payable by Mr. NY for the month of September 20XX. Make suitable assumptions wherever required.

Answer:

Computation of GST payable by Mr. NY for the month of September, 20XX:

S.	Particulars	CGST	SGST	IGST
(i)	Intra-State supply of goods			
	Product A	48,000	48,000	
	Product B	18,000	10,000	
(ii)	Inter-State supply of goods			
	Product A			36,000
	Product B			27,000
	Total	66,000	66,000	63,000

Computation of total ITC available

S. No.	Particulars	CGST	SGST	IGST
(i)	Opening balance	40,000	28,000	44,600
(ii)	Inter State supply of goods			
	Product A	12,000	12,000	1
	Product B	9,000	9,000	
(iii)	Inter-State supply of goods			
	Product A			18,000
	Product B			14,400
	Total	61,000	49,000	77,000

Particulars	CGST	SGST	IGST
GST payable	66,000	66,000	63,000
Less: ITC	(61,000)-	(14,000)-	(63,000)-
		(49,000)-	
Net GST payable	5,000	3,000	Nil

Note 1. ITC of IGST shall be first utilize fully to pay IGST, CGST and SGST in that order.

Note 2. IGST credit after setting it against IGST liability of Rs. 63,000/-

i.e. Rs. 14,000/- to be adjusted first with SGST liability since CGST credit is almost sufficient to set off CGST liability.

31. Jaskaran, a registered supplier of Delhi, has made the following supplies in the month of January, 20XX:

(RTP NOV 2018)

S.No.	Particulars	Amount*
(i)	Supply of 20,000 packages at 30 each to Sukhija [Each package consists of 2 chocolates, 2 fruit Balloons]	6,00,000
(ii)	10 generators hired out to Morarji Banquet Halls, of transporting the generators 1000 for each warehouse to the Morarji Banquet Halls	2,50,000
(iii)	500 packages each consisting of 1 chocolate and Free gift to Delhi customers on the occasion of [Cost of each package is 12. but the open market goods and of goods of like kind and quality is not/ has not been taken on the items contained in the package]	
(iv)	Catering services provided free of cost for elder function In Delhi [Cost of providing said services is Rs. 55,000 but services and of services of like kind and quality is not available]	

***excluding GST**

You are required to determine the GST liability [CGST & SGST and/or IGST, as the case may be] of Jaskaran for the month of January, 20XX with the help of the following additional information furnished by him for the said period:

- 1) Penalty of ₹ 10,000 was collected from Sukhija Gift Shop for the payment received with a delay of 10 days.
- 2) The transportation of the generators from Jaskaran's warehouse to the customer's premises is arranged by Jaskaran through a Goods Transport Agency (GTA) who pays tax @ 18%.
- 3) Assume the rates of GST to be as under

Goods/services supplied	CGST	SGST	IGST
Chocolates	9%	9%	18%
Fruitjuice bottles	6%	6%	12%
Toy balloons	2.5%	2.5%	5%
Service of renting of	9%	9%	18%
Catering service	9%	9%	18%

Answer:

Computation of GST liability of Jaskaran for the month of January, 20XX

Particulars	CGST	SGST	IGST
Supply of 20,000 packages to Sukhlja Gift Shop, Punjab [Note-1]			1,09,526 (6,08,475 x 18%)
Renting of '10 generators to Morari Banquet Halls, Chandigarh (Note-2)			45,000 (2,50,000 x 18%)
500 packages given as free gift to the customers (Note-3)	Nil	Nil	Nil
Catering services provided free of cost for elder brother's business Inaugural function In Delhi (Note-3)	5,445 (60,500 x 9%)	5,445 (60,500 x 9%)	
Total GST liability (rounded off)	5,445	5,445	1,54,526

Notes:

- 1) As per section 2(74) of the CGST Act, 2017, mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply. Supply of a package containing chocolates, fruit juice bottles and a packet of toy balloons is a mixed supply as each of these items can be supplied separately and is not dependent on any other. Further, as per section 8(b) of the CGST Act, 2017, the mixed supply is treated as a supply of that particular supply which attracts the highest rate of tax. Thus, in the given case, supply of packages is treated as supply of chocolates [since it attracts the highest rate of tax]. Consequently, being an inter-State supply of goods, supply of packages to Sukhija Gift Shop of Punjab is subject to IGST @ 18%

each.

Further, value of supply includes interest or late fee or penalty charged for delayed payment of any consideration for any supply in terms of section 15(2)(d) of the CGST Act, 2017. Thus, penalty of ₹ 10,000 [considered as inclusive of GST] collected from Sukhija Gift Shop for the delayed payment will be included in the value of supply. The total value of supply is ₹ 6,08,475 [₹ 6,00,000 + (₹ 10,000 × 100/118)]

- 2) Services by way of transportation of goods by road except the services of a Goods Transportation Agency (GTA) are exempt vide Notification No. 9/2017 IT (R) dated 28.06.2017. Since Jaskaran is not a GTA, transportation services provided by him are exempt from GST. However, since the generators are invariably hired out along with their transportation till customer's premises, it is a case of composite supply under section 2(30) of the CGST Act, 2017 wherein the principal supply is the renting of generator. As per section 8(a) of the CGST Act, 2017, the composite supply is treated as the supply of the principal supply. Therefore, the service of transportation of generators will also be taxed at the rate applicable for renting of the generator (principal supply). Consequently, being an inter-State supply of service, service of hiring out the generators to Morarji Banquet Halls of Chandigarh is subject to IGST @ 18% each.
- 3) As per section 7(1)(c) of the CGST Act, 2017, an activity made without consideration can be treated as supply only when it is specified in Schedule I of the CGST Act, 2017. Para 2. of Schedule I provides that supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business, are to be treated as supply even if made without consideration. However, since the question does not provide that customers are related to Jaskaran, free gifts given to the customers cannot be considered as a supply under section 7. Consequently, no tax is leviable on the same.

Further, the catering services provided by Jaskaran to his elder brother without consideration will be treated as supply as Jaskaran and his elder brother, being members of same family, are related persons in terms of explanation (a)(viii) to section 15 of the CGST Act, 2017 and said services have been provided in the course/furtherance of business. Value of supply of services between related persons, other than through an agent is determined as per rule 28(1) of the CGST Rules, 2017. Accordingly, the value of supply is the open market value of such supply; if open market value is not available, the value of supply of goods or services of like kind and quality. However, if value cannot be determined under said methods, it must be worked out based on the cost of the supply plus 10% mark-up.

Thus, in the given case, value of catering services provided to the elder brother of Jaskaran is ₹ 60,500 [₹ 55,000 × 110%]. Further, being an intra-State supply of services, catering services are subject to CGST and SGST @ 2.5% each.

- 4) As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA) provided such GTA has not paid GST @ 18%. Since in the given case, Jaskaran has received services from a GTA who has paid GST @ 18%, reverse charge provisions will not be applicable.

32. Skylark Pvt. Ltd., Noida (Uttar Pradesh) is engaged in various kinds of commercial activities. It Manufactures taxable goods as also provides certain services. The company has branch office in New Delhi. The Head office at Noida and the branch office in New Delhi are registered under GST. The branch office at New Delhi is eligible for full input tax credit.

The company has reported a total turnover of ₹ 256 crore (exclusive of GST) for the month of August 20XX. The following information is provided by the company in relation to such turnover:

- (i) The turnover includes ₹ 45 crore from sale of securities which were purchased for ₹ 30 crore in the month of January last year.
- (ii) The company supplied goods worth ₹ 50 crore to ABC Ltd. in UK under a letter of undertaking (LUT). The total export proceeds are received in the month of August 20XX itself; ₹ 30 crore in foreign currency and balance ₹ 20 crore in Indian rupees.
- (iii) The company provided consulting services to Sherpa & Sons in Nepal for ₹ 30 crore under a LUT. The entire consideration is received in Indian rupees in the month of August 20XX itself, with the permission of RBI.
- (iv) The turnover includes supply of goods worth ₹ 10 crore to Shanghai Jianguo Trading Company Ltd., a company based in China. As per the sale contract, the goods were to be assembled at Shanghai Jianguo Trading Company Ltd.'s office in Gurugram, Haryana. The payment of the goods is received in convertible foreign exchange in the month of August 20XX itself.
- (v) Goods worth ₹ 20 crore are supplied under a LUT to DEF Pvt. Ltd. located in a SEZ in the State of Uttar Pradesh.
- (vi) Goods worth ₹ 40 lakh were being procured from a vendor in Japan. While the goods were in transit, the company secured an order for the said goods for ₹ 50 lakh from a buyer in Thailand. Thus, the goods were directly sent to Thailand without entering India.
- (vii) The company owns three immovable properties in Noida. The first building is let out for running a printing press at ₹ 10 lakh per month. The second building is let out for residential purpose at ₹ 5 lakh per month. The third building is let out to a Cold Storage operator at ₹ 5 lakh per month. The cold storage operator sub-lets the building as a warehouse to store potatoes.
- (viii) The remaining turnover comprised of taxable goods sold within the State and outside the State in the ratio of 3:2. Total turnover of ₹ 256 crore includes the turnover referred to in points (i) to (vii) above. In addition to above -
 - (a) the company transferred its stock (taxable goods) from Noida to Delhi branch without any consideration; the value declared in the invoice is ₹ 4.5 crore (exclusive of GST). The cost of production of such goods is ₹ 10 crore. Such stock is sold to independent buyers at ₹ 15 crore (exclusive of GST).
 - (b) the company had sent goods worth ₹ 12 crore (exclusive of GST) to M/s Sharma Traders in Haryana on approval basis on 15th January, 20XX, 15th February 20XX & 15th March 20XX (₹ 4 crore each month). Goods sent during all the three months are approved in the month of September 20XX.

Compute the GST liability [CGST & SGST or IGST, as the case may be] of Skylark Pvt. Ltd., Noida for the month of August 20XX. Make suitable assumptions wherever required.

Assume the rates of taxes to be as under:

	CGST	SGST	IGST
Good	6%	6%	12%
Services	9%	9%	18%

(RTP MAY 2020)

Answer:

Computation of GST liability of Skylark Pvt. Ltd. for the month of August 20XX

S. No.	Particulars	Value [Rs in crores]	CGST @ 6% [Rs, in crores]	SGST @ 6% [Rs. in crores]	IGST @ 12% [Rs. in crores]
Goods					
(i)	Export of goods to ABC Ltd. in UK under a letter of undertaking	50			Nil
(ii)	(LUT) [Note 1] Supply of goods to Shanghai	10			1.20
(iii)	Jianguo Trading Company Ltd. [Note 2]	20			Nil
(iv)	Goods supplied to DEF Pvt, Ltd. located in a SEZ [Note3]	60.18	3.6108	3.6108	-
(v)	Sale within the State [Note 4]	40.12			4.8144
(vi)	Sale outside the State [Note4]	4.5			0.54
(vii)	Stock transfer from Noida to Delhi [Note 5]	4.00			0.48
	Goods sent for sale on approval basis on 15th February, 20XX [Note 6]				7.0344

S.No.	Particulars	Value [Rs in crores]	CGST @ 6% [Rs, in Crores]	SGST @ 6% [Rs. In Crores]	IGST @ 12% [Rs. In crores]
	Total tax liability on goods [A]		3.6108	3.6108	

Services			CGST @ 9% [Rs. in crores }	SCGST @ Rs. In crores }	IGST @ 18% [Rs. in crores]
(i)	Export of services to Nepal under LUT [Note 7]	30			Nil
(ii)	Receipts from rening of buildings [Note 6]	0.15	0.0135	0.0135	
	Total tax liability on services [B]		0.0135	0.0135	
Neither goods nor services					
(i)	Sale of securities [Note 9]	45	Nil	Nil	Nil
(ii)	Goods procured from vendor in Japan and supplied to buyer in Thailand [Note 10]	0.50			Nil
	Total tax liability on goods and services [(A) + (B)]		3.6243	3.6243	7.0344

Notes:

(1) As per section 2(5) of the IGST Act, 2017, export of goods means taking goods out of India to a place outside India. Receipt of consideration in foreign exchange is not a pre-requisite for export of goods.

Export of goods is a zero rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero rated supply is supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.

(2) As per section 2(5) of the IGST Act, 2017, export of goods means taking goods out of India to a place outside India. Since, in the given case, the goods are being assembled in India (Gurugram, Haryana), the same are not exported. Hence, the place of supply thereof will be governed by section 10 of the IGST Act, 2017 which prescribes the provisions for determining the place of supply of goods other than supply of goods imported into or exported from India. As per section 10(1)(d) of the IGST Act, 2017, where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly. Therefore, in the given case, the place of supply will be Gurugram, Haryana.

Since the location of the supplier (Uttar Pradesh) and the place of supply (Haryana) are in two different States, the same is an inter-State supply liable to IGST [Section 7(1)(a) of the IGST Act, 2017 read with section 5(1) of that Act].

(3) As per section 7(5)(b) of the IGST Act, 2017, supply of goods and/or services to a special economic zone (SEZ) unit is treated to be a supply of goods and/or services in the course of inter-State trade or commerce. Therefore, supply of goods to a SEZ unit located within the same State shall be liable to IGST [Section 5(1) of the IGST Act, 2017].

Supply of goods and/or services to a SEZ unit is a zero rated supply in terms of section 16(1)(b) of the IGST Act, 2017. A zero rated supply is supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.

(4) Remaining turnover will be calculated as under ₹ 256 crore

- (₹ 45 crore + ₹ 50 crore + ₹ 30 crore + ₹ 10 crore + ₹ 20 crore + ₹ 0.50 crore + ₹ 0.10 crore + ₹ 0.05 crore + ₹ 0.05 crore)
= ₹ 100.30 crore

Supply within the State - ₹

100.30 crore x 3/5 = ₹ 60.18

Supply outside the State - ₹

100.30 crore x 2/5 = ₹ 40.12

Supply within the State is intra-State supply in terms of section 8(1) of IGST Act, 2017 and thus, chargeable to CGST and SGST.

Supply outside the State is inter

- State supply chargeable to IGST [Section 7(1) of IGST Act, 2017 read with section 5(1) of the said Act].

(5) As per section 25(4) of the CGST Act, 2017, a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons'.

Schedule I to the CGST Act, 2017 specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25 of the CGST Act, 2017, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

In the given case

- the location of the supplier is in Noida (Uttar Pradesh); and

- the place of supply is the location of such goods at the time at which the movement thereof terminates for delivery to the recipient i.e., Delhi, in terms of section 10(1)(a) of the IGST Act, 2017.

Therefore, the stock transfer by Noida office to Delhi branch is an inter-State supply as the location of the supplier and the place

of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply is liable to IGST in terms of section 5(1) of the IGST Act, 2017.

Rule 28 of the CGST Rules, 2017 prescribes the provisions to determine the value of supply of goods or services or both between distinct or related persons, other than through an agent.

Second proviso to the said rule lays down that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods or services.

Therefore, the value of supply in this case will be ₹ 4.5 crore and open market value and cost of production of the goods will be irrelevant.

- (6) As per section 31(7) of the CGST Act, 2017, where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued before or at the time of supply or six months from the date of removal, whichever is earlier.

In the given case, the time period of six months for goods sent on 15th February, 20XX expires on 15.08.20XX. Therefore, the invoice for the said goods shall be issued on 15.08.20XX and in terms of section 12(2)(a) of the CGST Act, 2017 read with Notification No. 66/2017 CT dated 15.11.2017, this date would also be the time of supply of such goods. Thus, such goods will be liable to tax in the month of August 20XX.

Goods sent in the month of January would have been taxed in the month of July and goods sent in the month of March would be taxed in the month of September.

Here,

- the location of the supplier is in Noida (Uttar Pradesh); and
- the place of supply is the location of the goods at the time at which the movement thereof terminates for delivery to the recipient i.e., Haryana in terms of section 10(1)(a) of the IGST Act, 2017.

Since the location of the supplier (Uttar Pradesh) and the place of supply (Haryana) are in two different States, the same is an inter-State supply liable to IGST [Section 7(1)(a) of the IGST Act, 2017 read with section 5(1) of that Act].

- (7) The given case is an export of service as per section 2(6) of the IGST Act, 2017, as-

- (i) the supplier of service is located in India (Noida);
- (ii) the recipient of service is located outside India (Nepal);
- (iii) the place of supply of service is outside India (Place of supply of consulting service will be the location of recipient, i.e. Nepal);
- (iv) the payment for such service has been received by the supplier of service in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India (Receipt of export consideration in Indian rupees is permitted by RBI in the given case); and
- (v) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8.

Export of services is a zero rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero rated supply is supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.

- (8) Letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or

partly, is a supply of service in terms of para 2(b) of the Schedule II to the CGST Act, 2017. Services by way of renting of residential dwelling for use as residence is exempt from tax [Notification No. 12/2017 CT (R) dated 28.06.2017]. Therefore, rent of ₹ 10 lakh received from letting out of building for printing press will be liable to tax and rent of ₹ 5 lakh received from letting out of building for residential purposes will be exempt from tax.

Further, services by way of loading, unloading, packing, storage or warehousing of agricultural produce is exempt from tax [Notification No. 12/2017 CT (R) dated 28.06.2017]. However, in the given case, the Cold Storage Operator and not Skylark Pvt. Ltd. is engaged in warehousing of agricultural produce. Therefore, the Cold Storage

Operator providing warehousing services for potatoes, being an agricultural produce, will be eligible for such exemption and services provided by Skylark Pvt. Ltd., being services of renting of immovable property (₹ 5 lakh), will be liable to tax.

In case of letting out of first and third buildings,

- the location of the supplier is in Noida (Uttar Pradesh); and
- the place of supply is the location of the immovable property, i.e. Noida in terms of section 12(3)(a) of the IGST Act, 2017.

Since the location of the supplier (Uttar Pradesh) and the place of supply (Noida) are in the same State, the same is an intra-State supply in terms of section 8(1) of the IGST Act, 2017 and is thus, liable to CGST and SGST.

- (9) GST is leviable on supply of goods and/or services [Section 9(1) of the CGST Act, 2017]. Securities are specifically excluded from the definition of goods and services as provided under clause (52) and clause (102) respectively of section 2 of the CGST Act, 2017. Therefore, sale of securities will not be liable to GST.
- (10) Paragraph 7 of the Schedule III to CGST Act, 2017 provides that supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India (third country shipments) is treated neither as a supply of goods nor a supply of services. Thus, there is no GST liability on such sales. Further, since such goods do not enter India at any point of time, customs duty and IGST leviable on imported goods will also not be leviable on such goods.

33. Kaushal Manufacturers Ltd., registered in Delhi, is a manufacturer and supplier of electronic home appliances. It is paying tax under regular scheme. It supplies the electronic home appliances in the domestic as well as overseas market. For supplies in other States of India, the company has appointed consignment agents in each such State, except Gurgaon, Haryana and Noida, Uttar Pradesh, where the goods are supplied directly from its Delhi warehouse.

In the month of January, consignments of electronic home appliances were sent to Cardinal Electricals Pvt. Ltd. and Rochester Technos – agents of Kaushal Manufacturers Ltd. in Punjab and Madhya Pradesh respectively. Cardinal Electricals Pvt. Ltd. and Rochester Technos supplied these electronic home appliances under their invoices to the stores located in their respective States for ₹ 40,00,000 and ₹ 70,00,000 respectively. Open market value of such appliances is not available. Further, in January, electronic home appliances have been supplied to Ronn Technomart – a wholesale dealer of electronic home appliances in Noida, Uttar Pradesh for consideration of ₹ 23,00,000, from its Delhi warehouse. Kaushal Manufacturers Ltd. owns 75% shares of Ronn Technomart. Open market value of the electronic home appliances supplied to Ronn Technomart is ₹ 30,00,000. Further, Ronn Technomart is not eligible for full input tax credit.

Kaushal Manufacturers Ltd. also provides repair and maintenance services to electronic appliance manufacturers located in India.

The company has also furnished the following information for the month of January:

Particulars	₹
Supply of electronic home appliances to wholesale dealers of such appliances in Delhi	84,00,000
Electronic home appliances supplied to Anchor Electricals Inc., USA under LUT [Consideration received in convertible foreign exchange]	1,26,00,000
Repair and maintenance services provided to Unitech Ltd., an electronic appliance manufacturer, located in Delhi	8,40,000
Advance received towards repair and maintenance services to be provided to Orelec Ltd., an electronic appliance manufacturer, located in Delhi [Repair and maintenance services have been provided in February and invoice is issued on 28th February]	7,00,000
Advance received for electronic home appliances to be supplied to Novick Electricals, a wholesale dealer of such appliances in Gurgaon, Haryana [Invoice for the goods is issued at the time of delivery of the electronic appliances in March]	8,40,000

You are required to determine the gross GST liability [CGST & SGST and/or IGST] of Kaushal Manufacturers Ltd. for the month of January.

Note:

(i) All the given amounts are exclusive of GST, wherever applicable.

(ii) Assume the rates of GST to be as under:

Goods/services supplied	CGST	SGST	IGST
Electronic home appliances	2.5%	2.5%	5%
Repair and maintenance services	9%	9%	18%

You are required to make suitable assumptions, wherever necessary. (RTP NOV 2021)

Answer:

Computation of gross GST Liability of Kaushal Manufacturers Ltd. for the month of January

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Supply of electronic home appliances to consignment agents - Cardinal Electricals Pvt. Ltd. and Rochester Technos of Punjab and Madhya Pradesh [Note - 1]			4,95,000 [99,00,000 × 5%]
Supply of electronic home appliances to Ronn Technomart of Noida, Uttar Pradesh [Note - 2]			1,50,000 [30,00,000 × 5%]
Supply of electronic home appliances to wholesale dealers of such appliances in Delhi [Note - 3]	2,10,000 [84,00,000 × 2.5%]	2,10,000 [84,00,000 × 2.5%]	

Electronic home appliances supplied to Anchor Electricals Inc., USA under LUT [Note - 4]			Nil
Supply of repair and maintenance services to Unitech Ltd., an electronic appliance manufacturer, located in Delhi [Note - 5]	75,600 [8,40,000 × 9%]	75,600 [8,40,000 × 9%]	
Advance received for repair and maintenance services supplied to Orelec Ltd., a electronic appliances manufacturer, located in Delhi [Note - 6]	63,000 [7,00,000 × 9%]	63,000 [5,00,000 × 9%]	
Advance received for electronic home appliances to be supplied to Novick Electricals, a wholesale dealer of electronic appliances in Gurgaon, Haryana [Note - 7]			Nil
Total GST liability	3,48,600	3,48,600	6,45,000

Notes:

- Value of supply of goods made through an agent is determined as per rule 29 of the CGST Rules, 2017. Accordingly, the value of supply of goods between the principal and his agent is the open market value of the goods being supplied, or at the option of the supplier, is 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer, where the goods are intended for further supply by the said recipient.

In the given case, since open market value is not available, value of electronic home appliances supplied to consignment agents - Cardinal Electricals Pvt. Ltd. and Rochester Technos - will be ₹ 99,00,000 [90% of (40,00,000 + 70,00,000)]. Further, being an inter-State supply of goods, supply of electronic home appliances to the consignment agents is subject to IGST @ 5%.

- If any person directly or indirectly controls another person, such persons are deemed as related persons. [Clause (a)(v) of explanation to section 15 of the CGST Act]. In the given case, since Kaushal Manufacturers Ltd. owns 75% shares of Ronn Technomart, both are related persons.

Value of supply of goods between related persons (other than through an agent) is determined as per rule 28 of the CGST Rules, 2017. Accordingly, the value of supply of goods between related persons is the open market value of such goods and not the invoice value. Furthermore, since Ronn Technomart is not eligible for full input tax credit, value declared in the invoice cannot be deemed to be the open market value of the goods. Thus, open market value of the electronic home appliances supplied to Ronn Technomart, i.e. ₹ 30,00,000 is the value of supply of such goods. Further, being an inter-State supply of goods, supply of electronic home appliances to Ronn Technomart is subject to IGST @ 5%.

- Being an intra-State supply of goods, supply of electronic home appliances to wholesale dealers of said appliances in Delhi is subject to CGST and SGST @ 2.5 % each.
- Section 2(5) of the IGST Act defines export of goods as taking goods out of India to a place outside India. In view of the said definition, supply of the electronic home appliances to Anchor Electricals Inc. of USA under LUT is export of goods.

Export of goods is a zero-rated supply [Section 16(1) of the IGST Act]. A zero-rated supply under LUT is made without payment of integrated tax [Section 16(3)(a) of IGST Act].

4. Being an intra-State supply of services, supply of repair and maintenance services to Unitech Ltd. of Delhi is subject to CGST and SGST @ 9% each.
5. Being an intra-State supply of services, supply of repair and maintenance services to Orelec Ltd. of Delhi is subject to CGST and SGST @ 9% each. Further, in terms of section 13(2) of the CGST Act, the time of supply of services is the earlier of the date of invoice or date of receipt of payment, if the invoice is issued within 30 days of the supply of service. In the given case, invoice is issued within 30 days of the supply of service.

Therefore, time of supply of services will be date of receipt of advance and hence, GST is payable on the advance received in January.

6. Being an inter-State supply of goods, supply of electronic home appliances to Novick Electricals of Gurgaon, Haryana is subject to IGST @ 5%. Further, in terms of section 12(2) of the CGST Act, the time of supply of goods is the earlier of the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment.

However, Notification No. 66/2017 CT dated 15.11.2017 specifies that time of supply of goods for the purpose of payment of tax is the date of issue of invoice/last date when the invoice ought to have been issued under section 31.

Thus, GST is not payable at the time of receipt of advance against supply of goods. The time of supply of the advance received for electronic home appliances to be supplied to Novick Electricals is the time of issue of invoice, which is in March. Thus, said advance will be taxed in March and not in January

34. **Rolly Polly Manufacturers Ltd., registered in Mumbai (Maharashtra), is a manufacturer of footwear. It imports a footwear making machine from USA. Rolly Polly Manufacturers Ltd. avails the services of Rudra Logistics, a licensed customs broker with its office at Ahmedabad (Gujarat), in meeting all the legal formalities for getting the said machine cleared from the customs station.**

Rolly Polly Manufacturers Ltd. also authorizes Rudra Logistics to incur, on its behalf, the expenses in relation to clearance of the imported machine from the customs station and bringing the same to its warehouse at Mumbai. These expenses would be reimbursed by Rolly Polly Manufacturers Ltd. to Rudra Logistics on actual basis. In addition, Rolly Polly Manufacturers Ltd. will also pay the agency charges to Rudra Logistics for the services rendered by it.

Rudra Logistics raised an invoice in July, 20XX as follows:

S.No	Particulars	Amount* (₹)
(i)	Agency charges	5,00,000
(ii)	Unloading of machine at Kandla port, Gujarat	50,000
(iii)	Charges for transport of machine from Kandla port, Gujarat to Rudra Logistics' godown in Ahmedabad, Gujarat	25,000
(iv)	Charges for transport of machine from Rudra Logistics' Ahmedabad godown to the warehouse of Rolly Polly Export Import House in Mumbai, Maharashtra	28,000
(v)	Customs duty on machine	5,00,000
(vi)	Dock dues	50,000
(vii)	Port charges	50,000

(viii)	Hotel expenses	45,000
(ix)	Travelling expenses	50,000
(x)	Telephone expenses	2,000

*exclusive of GST wherever applicable

Compute the value of supply made by Rudra Logistics with the help of given information. Would your answer be different if Rudra Logistics charges ₹ 13,00,000 as a lump sum consideration for clearing the imported machine from the customs station and bringing the same to the warehouse of Rolly Polly Manufacturers Ltd.? (9 Marks March '19, MTP March '22)

Answer:

As per explanation to rule 33 of the CGST Rules, 2017, a "pure agent" means a person who-

- enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;
- neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;
- does not use for his own interest such goods or services so procured; and
- receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

The supplier needs to fulfil ALL the above conditions in order to qualify as a pure agent. In the given case, Rudra Logistics has been authorised by the recipient of supply - Rolly Polly Manufacturers Ltd. - to incur, on its behalf, the expenses incurred in relation to clearance of the imported machine from the customs station and bringing the same to the warehouse of the recipient, i.e. expenses mentioned in S.No. (ii) to (vii). Further, Rudra Logistics does not hold any title to said services and does not use them for his own interest.

Lastly, Rudra Logistics receives only the actual amount incurred to procure such services in addition to agency charges. Thus, Rudra Logistics qualifies as a pure agent.

Further, rule 33 of the CGST Rules, 2017 stipulates that notwithstanding anything contained in the provisions of Chapter IV - Determination of Value of Supply, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely-

- the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient;
- the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and
- the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

Since conditions (i) to (iii) mentioned above are satisfied in the given case, expenses (ii) to (vii) incurred by Rudra Logistics as a pure agent of Rolly Polly Manufacturers Ltd. shall be excluded from the value of supply.

Accordingly, value of supply made by Rudra Logistics will be computed as under:

Particulars	Amount (₹)
Agency charges	5,00,000
Add: Unloading of machine at Kandla port, Gujarat	Nil
Add: Charges for transport of machine from Kandla port, Gujarat to its Rudra	Nil
Add: Charges for transport of machine from Rudra Logistics' Ahmedabad godown to the warehouse of Rolly Polly Export Import House in Mumbai, Maharashtra	Nil
Add: Customs duty	Nil
Add: Dock charges	Nil
Add: Port charges	Nil
Add: Hotel expenses	45,000
Add: Travelling expenses	50,000
Add: Telephone expenses	<u>2,000</u>
Value of supply	5,97,000

However, if Rudra Logistics charges ₹ 13,00,000 as a lump sum consideration for getting the imported machine cleared from the customs station and bringing the same to the warehouse of Rolly Polly Manufacturers Ltd., Rudra Logistics would incur expenses (ii) to (vii) for its own interest (as the agreement requires it to get the imported machine cleared from the customs station and bring the same to the Rolly Polly Manufacturers Ltd.'s warehouse). Thus, Rudra Logistics would not be considered as a pure agent of Rolly Polly Manufacturers Ltd. for said services.

Consequently, in that case, value of supply will be ₹ 13,00,000.

35. Bansiwala Electronics Ltd. (hereinafter referred to as BEL) is engaged in manufacturing televisions. It is registered in the State of Haryana. It has appointed distributors across the country who sell the televisions manufactured by it. The maximum retail price (MRP) printed on the package of a television is ₹ 12,000. The applicable rate of GST on televisions is 18%. BEL dispatches the stock of televisions to its distributors ordered by them on a quarterly basis.

In order to promote its sales, the Sales Head of BEL has formulated a sales promotion scheme on 1st April. Under this scheme, BEL offers a discount of 10% (per television) on televisions supplied to the distributors if the distributors sell 500 televisions in a quarter. The discount is offered on the price at which the televisions are sold to the distributors (excluding all charges and taxes).

It appoints Relish Electronics (an unrelated party as per GST Law) as its distributor in Haryana on 1st April and dispatches 750 televisions on 8th April as stock for the quarter April-June. BEL has sold the televisions to distributor - Relish Electronics at ₹ 8,400 per television (exclusive of applicable taxes). Relish Electronics has requested BEL for a special packing of the televisions delivered to it for which BEL has charged ₹ 1,200 per television.

Relish Electronics places a purchase order of 1,000 televisions with BEL for the quarter July - September. The distributor reports sales of 700 televisions for the quarter April -June and 850 televisions for the quarter July-September. The discount policy offered by BEL as explained above is also available to Relish Electronics as per the distributorship agreement.

While Relish Electronics reverses the input tax credit availed for the quarter July–September, it has failed to reverse the input tax credit availed for the quarter April –June.

Examine the scenario with reference to section 15 and compute the taxable value of televisions supplied by BEL to Relish Electronics during the quarters April–June and July–September assuming the rate of tax applicable on the televisions as 18%. (9 Marks April 22) (9 Marks) (MTP May 2023)

Answer:

Section 15(3)(a) of the CGST Act, 2017 allows discounts to be deducted from the value of taxable supply if the same is given before or at the time of the supply and if such discount has been duly recorded in the invoice issued in respect of such supply. In other words, pre-supply discounts recorded in invoices are allowed as deduction. Further, post supply discounts are also allowed as deduction from the value of supply under section 15(3)(b) of the CGST Act, 2017 if-

- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.

In the given case, Relish Electronics is entitled for 10% discount on televisions supplied by BEL for the quarters April–June as well as July–September as it has sold more than 500 televisions in each of these quarters. However, since the sales targets are achieved after the entire stock for the respective quarters of April–June and July–September has been dispatched, the discounts on the televisions supplied to Relish Electronics for the quarters of April–June and July–September is a post-supply discount.

Such post-supply discount will be allowed as a deduction from the value of supply since the discount policy was known before the time of such supply and the discount can be specifically linked to relevant invoices (invoices pertaining to televisions supplied to Relish Electronics for the quarters of April–June and July– September) provided Relish Electronics reverses the input tax credit attributable to the discount on the basis of document issued by BEL.

The value of supply for the quarters of April–June and July–September will thus, be computed as under:

Computation of value of supply for the quarter – April–June

Particulars	Amount (₹)
Price at which the televisions are supplied to Relish	8,400
Add: Packing expenses [Note 2]	1,200
Less: Discount [Note 3]	Nil
Value of taxable supply of one unit of television	9,600
Value of taxable supply of televisions for the quarter April–June [₹ 9,600 x 750]	₹2,00,000

Notes:

- 1) The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of section 15(1) presuming that the supplier and the recipient of supply are not related and price is the sole consideration for the supply as the supplier and recipient are not related parties. The value of supply includes incidental expenses like packing charges in terms of section 15(2)(c).

- 2) Since Relish Electronics has not reversed the input tax credit attributable to such discount on the basis of document issued by BEL, the conditions specified in section 15(3)(b) have not been fulfilled. Thus, the post-supply discount will not be allowed as deduction from the value of supply.

Computation of value of supply for quarter - July-September

Particulars	Amount
Price at which the televisions are supplied to Relish Electronics [Note 1]	8,400
Add: Packing expenses [Note 2]	1,200
Less: Discount [Note 3]	(840)
Value of taxable supply of one unit of television	8,760
Value of taxable supply of televisions for the quarter July-September [₹ 8,760 x 1,000]	87,60,000

Notes:

- The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of section 15(1) presuming that the supplier and the recipient of supply are not related and price is the sole consideration for the supply as the supplier and recipient are not related parties.
- The value of supply includes incidental expenses like packing charges in terms of section 15(2)(c).
- Since all the conditions specified in section 15(3)(b) have been fulfilled, the post-supply discount will be allowed as deduction from the value of supply. The input tax credit to be reversed will work out to be ₹1,51,200 [1,000 x (8,400 x 10%) x 18%].

36. Jupiter Chemicals Ltd. (JC) is a manufacturer of industrial chemicals. It has its factory at Haridwar, Uttarakhand and is registered under GST. It has its subsidiary company, Angel Traders Pvt. Ltd. (AT), with holding of 75% of its share capital. AT is engaged in trading of chemicals manufactured by JC in North India and is registered under GST in Delhi at warehouse address. JC has also appointed a consignment agent - Popular Distributors (PD) - in Chennai which is catering the Southern India market. JC has also setup a state of art research and development centre along with laboratory near the Haridwar factory and undertakes testing and development services for chemicals from outside customers across the country. Following information is available for the month of April 2021 of JC Haridwar:

S. No.	Particulars	Amount(₹)
(i)	JC supplies the chemicals to PD Chennai during the month. (PD sold the above said goods to the unrelated wholesalers in the States of Tamil Nadu and Andhra Pradesh for ₹ 60,00,000 during the same month). Open market value is ₹ 55,00,000	45,00,000
(ii)	JC supplied chemicals to AT during the month. (AT further sold the said chemicals to unrelated retailers in Delhi for ₹ 42,00,000 and AT is not eligible for full input tax credit). Open Market value is ₹ 38,00,000	30,00,000
(iii)	JC exports chemicals to South Africa with payment of IGST and consideration for the same was received in convertible foreign exchange.	28,00,000

(iv)	JC provided inter-State supply of testing services to various customers during the month	8,50,000
(v)	Supply of chemical to one of its customers in Mumbai who required the chemical to be tested before dispatch and subject to test report coming according to his parameters. Testing was successful and testing charges of ₹ 50,000 were charged extra.	6,50,000 (excluding testing charges)
(vi)	Supply of chemical at subsidized rate for research and development activity not related to the business of JC to an unrelated charitable association in Haridwar, Uttarakhand. Open market value of the chemical is ₹ 6,50,000.	5,00,000

Assume that the rates of GST on chemicals are LGST-12%, CGST-6% and SGST-6%, and on testing and development services are LGST-18% and SGST-9%. You are required to determine the taxable value (most beneficial) and GST liability (LGST, CGST and SGST separately) of Jupiter Chemicals (JC) Haridwar for the month of April 2021. (9 Marks Dec '21)

Answer:

Determination of taxable value and GST liability of Jupiter Chemicals (JC) Haridwar for the month of April 2021

S. No.	Particulars	Taxable value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Inter-State supply of chemicals to consignment agent - PD, Chennai [Value, at the option of supplier, is: (i) Open market value (OMV) [55,00,000] or (ii) 90% of price charged for goods of like kind and quality to unrelated customers who further supply such goods (90% of ₹ 60,00,000)1.]	54,00,000*			6,48,000 [54,00,000× 12%]
(ii)	Inter-State supply of chemicals to related person - AT [Value of supply of goods to a related person who supplies such goods as such, the option of supplier, is: (i) OMV, if OMV is available [₹38,00,000] or (ii) 90% of price charged for goods of like kind and quality to unrelated customers (90% of ₹ 42,00,000)2]	37,80,000*			4,53,600 [37,80,000× 12%]
(iii)	Export of chemicals to South Africa	28,00,000	--	--	3,36,000

					[28,00,000×
(iv)	Inter-State supply of testing services	8,50,000			1,53,000 [8,50,000×18%
(v)	Inter-State supply of chemical to customer in [Any amount charged for anything done by supplier in respect of supply of goods at the time of/before delivery of goods is includible in the value of supply.]	7,00,000			84,000 [7,00,000×12%
(vi)	Intra-State supply of to an unrelated charitable association in Haridwar [In case of supply made to unrelated recipient where price is the sole consideration for supply, value of the supply is the transaction value which is price actually paid for the supply.]	5,00,000	30,000 [5,00,000×6%]	30,000 [5,00,000×6%]	
	Total	1,40,30,000	30,000	30,000	16,74,600

1) It has been assumed that the expression "above said goods" in the question means goods of like kind and quality.

2) It has been assumed that the expression "said chemicals" in the question means goods of like kind and quality.

*Note Since the question requires to compute the most beneficial taxable value of supply, lower of the two values has been taken as value of supply.

37. Mangesh Enterprises, Goa, a registered supplier, has made the following supplies in the month of February 2026:

Supply of guest house accommodation with facilities of cooling, heating, internet and parking to customers on daily rentals of ₹ 1,500. Mangesh Enterprises has 20 guest suites. During the month, there was 50% occupancy. Catering and food service were supplied separately to those who opted for it at a cost of ₹ 500 per day of occupancy. Total amount collected for catering and food service was ₹ 70,000.

Supplied monthly air-conditioner maintenance services (intra- State) to a software company under a contract effective 1st February, 2026 for six months. According to the terms of service in the contract, the software company is liable to pay service charges of ₹ 12,000 for the entire period plus cost of spares and replacements at actuals. Taxes are separate and payable in accordance with statute. Mangesh Enterprises is yet to raise an invoice, though service was provided for February, 2026. During the month, the company has not provided any spares or replacements as part of maintenance service. Further, the concern has not received any amount towards above services.

Assume rates of GST as under:

S.No.	Particulars	Rate of GST (CGST +
1	Air conditioner	18%
2	Food catering service	5%

3	Renting of guest house	18%
4	Parking service	18%

With the help of the above information, examine each of the above supplies made by Mangesh Enterprises for the month of February, 2026 and determine the rate and the amount of GST applicable on the supplies made.

(2 + 2 = 4 Marks May '22)

Answer:

I. Determination of rate and amount of GST

Particulars	Rate of GST	GST [CGST+SGST] (₹)
Composite supply of renting of guest house with other facilities [Renting of guest house being principal supply.]	18% (Rate of principal supply)	₹5,600 [37,800+37,800] [₹ 1,500 × 20 suites × 50% × 28 days × 18%]
Separate supply of catering and food services	5%	3,500 [1,750+1,750] [₹ 70,000 × 5%]

II. Rate of GST applicable in the given case is 18%, i.e., the rate of GST applicable on air-conditioner maintenance service. Since the given supply is a continuous supply of service where in terms of contract, due date is not ascertainable, the time of supply of said services does not fall in February 2022 and thus, no GST is payable for said month.

38. M/s Diva Fashions (Proprietor Ms. Diva), a registered supplier in Ludhiana (Punjab) under GST law, has made the following supplies in the month of February 2026:

- (i) Supply of designer silk dresses packed in designer boxes to a boutique in Mumbai, (Maharashtra) as per contract entered with the boutique amounting to Rs. 25,00,000.
- (ii) Supply of 600 kits (at Rs. 1,000 each kit) amounting to Rs. 6,00,000 to Mrs. Arora in Amritsar (Punjab). Each kit consisted of 1 silk dupatta, 1 sari brooch and 1 lipstick.
- (iii) M/s Diva Fashions organizes a fashion show in Chandigarh. Zion Exports Ltd, a registered entity in Jaipur (Rajasthan) has sponsored the show for which M/s Diva Fashions received Rs. 7,50,000 from it.
- (iv) 200 kits are given as free gifts to customers on the occasion of 5th anniversary of M/s Diva Fashions. Each kit consists of 1 silk dupatta and 1 sari brooch. Cost of each kit is Rs. 350. The open market value of such kit of goods and of goods of like kind and quality is not available. Input tax credit has not been taken on the goods contained in the kit.
- (v) Professional services provided free of cost by Ms. Diva to her independent married sister to set up her own boutique in Delhi. Cost of providing such services is Rs. 1,00,000, but the open market value of such services and of services of like kind and quality is not available.
- (vi) M/s Diva Fashions enters into a contract on 1st February, 2024 for 3 years with Miss Shikha, a local model to act as a

brand ambassador for their products for Rs. 1 lakh (exclusive of GST – 18% IGST, 9% CGST and SGST each) per annum. Miss Shikha terminated the contract on 2nd February 2026. As per the contract, M/s Diva Fashions received 25% of the total contract fees paid to Miss Shikha as the contract is terminated before 3 years, on 15th February, 2026. Miss Shikha had received the contract fee for 2 years at the time of termination of the contract.

Other information is given below –

- All above amounts are exclusive of GST.
- Mrs. Arora paid interest of Rs. 8,850 (inclusive of GST) for delay in making payment to M/s Diva Fashions.
- Assume rates of GST as under:

S. No.	Particulars	Rate of IGST	Rate of CGST	Rate of SGST
1	Silk Dresses	18%	9%	9%
2	Designer Boxes	28%	14%	14%
3	Silk Dupatta	12%	6%	6%
4	Sari Brooch	18%	9%	9%
5	Lipstick	5%	2.5%	2.5%
6	Sponsorship received from Zion Exports Ltd.	28%	14%	14%
7	Professional services	18%	9%	9%

From the above information, compute the total GST liability of M/s Diva Fashions for the month of February 2026. Working notes should form part of your answer. (MAY 2023) (9 Marks)

Answer:

Computation of total GST liability of M/s Diva Fashions month of February, 2023

Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Supply of silk dresses in designer boxes [Since supply of silk dresses in designer boxes is naturally bundled, it is a composite supply which is treated as the supply of the principal supply (viz. silk dresses). Accordingly, rate of principal supply, i.e. silk dresses will be charged.]	25,00,000			4,50,000 [25,00,000 x 18%]
Supply of kits of silk dupatta, sari brooch and lipstick [Since supplies are not naturally bundled and a single price is being charged, it is a mixed supply. It is treated as supply of that particular supply which attracts highest tax rate (i.e., sari brooch).]	6,00,000	54,000 [6,00,000 x 9%]	54,000 [6,00,000 x 9%]	

Since sponsorship services are provided to a body corporate -	₹,50,000			Nil
Zion Exports Ltd., tax is payable under reverse charge by recipient.				
Free gifts to customers [Not a supply as it is made without consideration and is also not covered in Schedule I because customers are not related persons.]	Nil			
Professional services provided free of cost [Not a supply as it is made without consideration and is also not covered in Schedule I because sister being independent is not a related person.]	Nil			
Fee received for termination of contract [Being 'liquidated damages', they are merely compensation for loss due to breach of the contract and not the consideration for tolerating non-performance of contract.]	Nil			
Interest received for delayed payment (excluding GST) [Includible in value of original supply. Further, since it is received in February itself, time of supply is when it is received i.e., February.]	₹,500 [8,850 x 100/118]	675 [₹,500 x 9%]	675 [₹,500 x 9%]	
GST liability		54,675	54,675	4,50,000

39. Fortune 365 is an online money gaming platform operating from UAE. It provides its users a platform to play and win money in different games that are available on its portal.

In the month of December, Player A, an unregistered person located in India, deposited an amount of Rs. 10,000 (inclusive of GST) in the master wallet available on the portal of Fortune 365. Subsequently, following transactions were undertaken by Player A in said month:

- (i) Player A utilized the amount of Rs. 2,000 from the master wallet towards playing a virtual racing game on the portal. As a winning amount, Rs. 10,000 was credited to the master wallet of Player A. ii. On another portal operated by Fortune 365 in the name of Bet 180, Player A placed a bet of face value of Rs. 11,000 on an international wrestling match. The amount of such bet was paid by the master wallet of Player A. However, he lost the bet and hence the bet amount of Rs. 11,000 with applicable taxes was transferred from the master wallet to the bank account of Bet 180.
- (ii) Player A transferred the balance amount from the master wallet to his bank account after the aforesaid transactions. Assume all the above transactions to be exclusive of GST unless otherwise specified.
- (iii) Rate of GST applicable is 28% (Please ignore the bifurcation of GST amount into CGST, SGST and IGST.)

Based on the information provided above, answer the following questions, providing brief reasons:

- 1) Compute the total GST payable on the aforesaid given transactions.
- 2) Determine the net amount transferred by Player A to his bank account after the aforesaid transactions.

Ascertain whether Fortune 365 is required to obtain registration under GST in India. Will your answer be different if Player A is registered under GST in India? (RTP MAY 2024)

(For May 26 exam onwards, the rate of GST for Specified actionable claims are 40% w.e.f 22nd Sep 2025, however the ICAI question and answers are kept as such. Online money gaming is considered illegal from 1st October 2025, however earlier transactions are still taxed at 28%)

Answer:

The value of online money gaming related supply shall be determined as per rule 31B. As per said rule, the value of supply of online gaming, including supply of actionable claims involved in online money gaming, shall be the total amount paid or payable to or deposited with the supplier by way of money or money's worth, including virtual digital assets, by or on behalf of the player.

Further, rule 31A provides the manner of determining the value of supply of actionable claim in the form of chance to win in betting. The value for such supply shall be 100% of the face value of the bet.

In accordance with the above provisions:

1) **Total GST payable on given transactions is as follows:**

(i) Value of supply of online money gaming = Total amount deposited with the supplier by the player in terms of rule 31B
 = Initial deposit of Rs. 10,000 (inclusive of GST) by Player A with Fortune 365 after excluding GST = Rs. 7,812.50 (Rs. 10,000 × 100/128)

GST payable = Rs. 7,812.50 × 28%
 = Rs. 2,188 - [A]

(ii) Value of supply of online bet = 100% of the face value of the bet in terms of rule 31A = Rs. 11,000

GST payable = Rs. 11,000 × 28%
 = Rs. 3,080 - [B]

Total amount of GST that would be collected by the Government on the given transactions = [A] + [B] = 5,268 (rounded off)

2) **Total amount transferred by Player A to his bank account from the master wallet is as follows:**

Particulars	Amount (Rs.)
Initial Deposit	10,000
Less - GST on deposit	2,188
Less - Payment for virtual racing game	2,000
Add - Winning from virtual racing game	10,000
Less - Payment for bet placed on Bet 180	11,000
Less - GST on the bet place on Bet 180	3,080
Net balance available for transfer	1,732

- 3) As per section 24(xia), every person supplying online money gaming from a place outside India to a person in India shall be

required to obtain registration on a mandatory basis in India. Accordingly, Fortune 365 being a supplier of online money gaming operating from UAE and supplying services in India shall be liable to obtain registration compulsorily in India. The answer will not change irrespective of the fact that Player A is registered under GST in India or not.

40. M/s. Win here 2407 is an online money gaming platform operating from Singapore. It provides its users a platform to play and win money in different games etc. that are available on its web portal.

In the month of October 2023, Mr. Anil (player), an unregistered person located in India, deposited an amount of Rs. 15,000 (inclusive of GST) in the master wallet available on the portal of M/s Win here 2407. Subsequently, following transactions were undertaken by Mr. Anil during the month of October, 2023.

- (i) Mr. Anil utilized the amount of Rs. 2,500 from the master wallet towards playing a virtual racing game on the portal. As a winning amount Rs. 11,000 was credited to the master wallet of Mr. Anil.
- (ii) On another portal operated by M/s Win here 2407 in the name of Win 90, Mr. Anil placed a bet of face value of Rs. 12,000 on an international cricket match. The amount of such bet was paid through the master wallet with applicable taxes and accordingly, the bet amount of Rs. 12,000 with applicable taxes was transferred from the master wallet of Mr. Anil to the bank account of Win 90. However, he lost the bet.
- (iii) Mr. Anil transferred the balance amount from the master wallet to his bank account after doing the aforesaid transactions.

Based on the information provided above, answer the following questions, providing reasons in brief:

- 1) Compute the taxable value under GST law and total GST payable on the aforesaid given transactions in the hands of M/s Win here 2407 in India.
- 2) Determine the net amount transferred by Mr. Anil from the master wallet to his bank account after the aforesaid transactions.

Note:

Assume all the above transactions to be exclusive of GST unless otherwise specified. Rate of GST applicable is 28% (ignore the bifurcation of GST amount into CGST and SGST or IGST). Calculate amount of value and tax rounded off to nearest rupee. (For May 26 exam onwards, the rate of GST for Specified actionable claims are 40% w.e.f 22nd Sep 2025, however the ICAI question and answers are kept as such. Online money gaming is considered illegal from 1st October 2025, however earlier transactions are still taxed at 28%)

(5 Marks) (MAY 2024)

Answer:

1) Computation of taxable value of supply and total GST payable

(i) **Value of supply** of online money gaming = Total amount deposited with the supplier by the player

= Initial deposit of Rs. 15,000 (inclusive of GST) by Mr. Anil with M/s Winhere 2407 after excluding GST = Rs. 11,719 (Rs. $15,000 \times 100/128$) [rounded off]

GST payable = Rs. 11,719 × 28%

= Rs. 3,281 (rounded off) - [A]

(ii) Value of supply of online bet = 100% of the face value of the bet = Rs. 12,000

GST payable = Rs. 12,000 × 28%

= Rs. 3,360 – [B]

Total amount payable = [A] + [B] = Rs. 6,641

2) Computation of net amount transferred by Mr. Anil from the master wallet to his bank account

Particulars	Amount (Rs.)
Initial Deposit	15,000
Less – GST on deposit	(3,281)
Less – Payment for virtual racing game	(2,500)
Add – Winning from virtual racing game	11,000
Less – Payment for bet placed on Win 90	(12,000)
Less – GST on the bet placed on Win 90	(3,360)
Net balance transferred	4,859

41. Mr. Sharma, director of VEE Ltd., provides personal guarantee on 31.10.2025 to a nationalized bank for sanctioning the cash credit facility of Rs. 100 lakh sanctioned in favour of VEE Ltd. Mr. Sharma was not paid any consideration for the same by VEE Ltd.

Whether the said activity undertaken by Mr. Sharma will be considered as supply? If yes, what will be the value of such services? Explain in brief the relevant provisions of GST law. (MAY 2024) (5 Marks)

Answer:

Since director and company are related persons in terms of Schedule I of the CGST Act, 2017, the activity of providing personal guarantee by a director to the banks/ financial institutions for securing credit facilities for their companies is to be treated as a supply of service, even when made without consideration.

Thus, the activity of providing personal guarantee by Mr. Sharma to the nationalized bank will qualify as supply.

Value of such supply will be the open market value (OMV) in terms of rule 28 of the CGST Rules, 2017.

However, as per RBI Guidelines, no consideration by way of commission, brokerage fees or any other form, can be paid to the director by the company, directly or indirectly, in lieu of providing personal guarantee to the bank for borrowing credit limits, except in exceptional cases.

42. M/s Ronak Ltd. having a registered head office in Maharashtra, provides a service to its branch office in Kerala in the month of April, 2024 by way of carrying out administrative work with the use of service of the employees working in the head office. However, the head office has not included the salary cost of employees involved in providing the said services while issuing tax invoice to its branch office.

You are required to decide the following:

What will be the value of service and also discuss whether the salary cost of head office employees involved in providing

the said services has to be mandatorily included in the computation of value of service provided by head office to branch office (when full ITC is available to the concerned branch office)?

What will be the value of service if head office has not issue invoice to the branch office?

Also discuss in brief the relevant provisions of GST law. (NOV 2024) (5 Marks)

Answer:

- 1) The value of supply of services by Head Office (HO) to its Branch Office (BO) [HO and BO being the distinct persons], shall be the open market value (OMV) of such supply.

Further, where the recipient - BO - is eligible for full input tax credit (ITC), the value declared in the invoice by HO shall be deemed to be OMV of such services.

Moreover, the cost of any particular component of said services including the salary cost of the HO employees involved in providing the said services is not required to be mandatorily included in the value of the services in the invoice.

- 2) If HO has not issued a tax invoice to the BO and the recipient - BO - is eligible for full ITC, the value of service by HO to BO may be deemed to be declared as Nil and may be deemed as OMV of such services.

7
INPUT TAX CREDIT

Q No	Concept Tested	Q No	Concept Tested
1	Blocked Credit	35	Conditions for availing ITC - Rule 36
2	Blocked Credit	36	Eligibility of ITC
3	Circular Buy one Get one Free	37	Computation of Net GST Liability
4	Apportionment of Credit - Simple	38	Computation of GST Liability
5	180 Days Payment Conditions	39	Circular on Cost and Profit Petroleum in NET GST COMPUTATION
6	Blocked Credit	40	Computation of Net GST Liabilities
7	Blocked Credit	41	Computation of Net GST Payable
8	Blocked Credit	42	Computaton of ITC Eligible
9	S 18 Availing ITC	43	ITC Composition Levy Scheme and Apportionment
10	Restriction of Credit Rule 86A	44	ITC Composition Levy Scheme and Apportionment
11	ITC on Capital Goods u/s 18(6)	45	ITC Composition Levy Scheme and Apportionment
12	Apportionment of Credit	46	Computation of Net GST Payable and Apportionment
13	Apportionment of Credit	47	Computation of ITC Eligible
14	Input Service Distributor	48	Computation of Net GST Payable
15	Input Service Distributor	49	Computation of Net GST Payable and Apportionment of Credit
16	Input Service Distributor	50	Computation of Net GST Payable and Circular on Cost Petroleum
17	Input Service Distributor	51	Computation of Net GST Payable
18	Input Service Distributor	52	Computation of Net GST Payable and Apportionment of Credit
19	Utilisation of Credit Ledger	53	Computation of Net GST Payable and Apportionment of Credit
20	ITC on Capital Goods under S. 18	54	Computation of Net GST Payable
21	ITC on Capital Goods under S. 18	55	Computation of Net GST Payable
22	ITC on Stock under S. 18	56	Computation of Net GST Payable
23	Apportionment of Credit	57	Computation of Net GST Payable
24	Apportionment of Credit	58	Computation of Net GST Payable
25	Apportionment of Credit	59	Blocked Credit and Insurance Circular
26	Apportionment of Credit	60	Computation of Net GST Payable
27	Net GST Computation	61	Computation of Exempt Supply Value u/s 17(3)
28	Net GST Computation	62	Computation of Net GST Payable
29	Net GST Computation	63	Computation of Net GST Payable
30	Net GST Computation	64	Net GST Payable and Apportionment of Credit
31	Net GST Computation	65	Computation of ITC Eligible
32	Apportionment of Credit	66	Computation of Gross GST Liability
33	Apportionment of Credit	67	Computation of ITC Eligible
34	Apportionment of Credit		

Concept : Blocked Credit

1. Xenon Pvt. Ltd., Agra, is a registered supplier engaged in the manufacture of taxable goods. Goods valued at Rs. 10,50,000 were supplied by the company to Freshbite Pvt. Ltd., a registered supplier located at Ferozabad, without the cover of an invoice with a fraudulent intent in FY 2023–24. Since the company evaded tax by not issuing the invoice for the supply, a show cause notice was issued by the proper officer under section 74 requiring the company to pay tax @ 12% [Rs. 1,26,000] and applicable interest and penalty. The company paid the tax, interest and penalty after the order was passed by the proper officer. Examine the ITC entitlement of Freshbite Pvt. Ltd. in respect of tax of Rs. 1,26,000 paid by Xenon Pvt. Ltd.

Answer:

As per section 17(5), tax paid under sections 74 (Till FY 23–24) is not available as ITC. Further, rule 36(3) also lays down that tax paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts cannot be availed as ITC by a registered person. In the given case, Xenon Pvt. Ltd. has paid tax in pursuance of an order issued under section 74. Therefore, Freshbite Pvt. Ltd. cannot avail ITC of such tax.

Concept : Blocked Credit

2. Flamingo Ltd. is an airlines providing passenger transportation services by air. The company offers meals of premium quality to passengers on board the aircraft. The value of such meals is compulsorily included in the price of the air ticket. The company avails outdoor catering services of Dhaniaram Pvt. Ltd. for providing such meals to its customers. Examine whether Flamingo Ltd. can avail ITC on such outdoor catering service availed by it.

Answer:

As per section 17(5)(i)(b), ITC on supply of inter alia food and beverages and outdoor catering is blocked. However, ITC in respect of such goods or services or both shall be available where an inward supply of such goods or services or both is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply. In the given case, Flamingo Ltd. is availing outdoor catering service to provide outdoor catering (meals) to the passengers on board the aircraft. Since ITC in respect of outdoor catering is available if the same is used for making an outward taxable supply as an element of a taxable composite or mixed supply, Flamingo Ltd. can avail ITC on outdoor catering service procured by it.

Concept : Circular Buy one Get one Free

3. Jumbo Sales Pvt. Ltd., a supplier of readymade garments, announced 'Buy One get Two free' offer on Men's T-Shirts on Diwali to boost its sales. You are required to advise the company on the availability of ITC in respect of inward supplies used in relation to such supply.

Answer:

It may appear at first glance that in case of offers like "Buy One, Get One Free", one item is being "supplied free of cost" without any consideration. As per clause (a) of section 7(1) read with clause (c) thereof, goods or services which are supplied free of cost (without any consideration) shall not be treated as supply except in case of activities mentioned in Schedule I.

Circular No. 92/11/2019 GST dated 28.03.2019 has clarified the entitlement of ITC in the hands of supplier in respect of sales promotional scheme like 'buy one get one free'. Such promotional offers are not individual supplies of free goods, but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one. Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined as per the provisions of section 8. ITC shall be available to the supplier for the inputs, input

services and capital goods used in relation to supply of goods or services or both as part of such offers.

Therefore, the given case is not the case of individual supplies of free goods, but a case of three individual supplies where a single price is being charged for the entire supply. Thus, Jumbo Sales Pvt. Ltd. Will be entitled to avail ITC on inputs, input services and capital goods used in relation to supply of T- Shirts as part of such offer.

Concept : Apportionment of Credit - Simple

4. A garment factory receives a Government order for making uniforms for a commando unit. This supply is exempt from tax under a notification issued under section 11 of the CGST Act. The fabric is separately procured for the supply, but thread and lining material for the collars are the ones which are used for other taxable products of the factory.

The turnover (exclusive of taxes) of the other products of the factory and exempt uniforms in July is Rs. 4 crore and Rs. 1 crore respectively, the ITC on thread and lining material procured in July is Rs. 5000 and Rs. 15000 respectively.

Answer:

Thread and lining material are inputs which are used for making taxable as well as exempt supplies. Therefore, credit on such items will be apportioned and credit attributable to exempt supplies will be reversed in terms of rule 42.

Credit attributable to exempt supplies = Common credit x (Exempt turnover/ Total turnover)

Common credit = Rs. 15,000 + Rs. 5,000 = Rs. 20,000 Exempt turnover = Rs. 1 crore

Total turnover = Rs. 5 crore [Rs. 1 crore + Rs. 4 crore]

Credit attributable to exempt supplies = (Rs. 1 crore /Rs. 5 crore) x Rs. 20,000 = Rs. 4,000.

Ineligible credit of Rs. 4,000 will be reversed in Form GSTR-3B. Credit of Rs. 16,000 will be eligible credit for the month of July.

Concept : 180 Days Payment Conditions

5. A registered supplier of taxable goods supplied goods valued at Rs. 2,24,000 (inclusive of CGST Rs. 12,000 and SGST Rs. 12,000) to Mohan Ltd. under forward charge on 15th August for which tax invoice was also issued on the same date. The inputs were received by Mohan Ltd. on 15th August. Mohan Ltd. availed credit of Rs. 24,000 on 20th September by filing Form GSTR-3B for August month. However, Mohan Ltd. did not make any payment towards such supply along with tax thereon to the supplier. Is Mohan Ltd. eligible to avail ITC on such supply?

Discuss ITC provisions if Mohan Ltd. makes the payment of Rs. 2,24,000 to the supplier on 18th March of next calendar year.

Answer:

As per section 16, Mohan Ltd. is eligible to avail ITC of the tax paid on inputs received by it on the basis of the invoice issued by the supplier provided other conditions for availing ITC are fulfilled.

Payment of value of the goods along with the tax to the supplier is not a pre-requisite at the time of availing credit, but Mohan Ltd. has to pay the said amount within 180 days from the date of issue of invoice. If Mohan Ltd, fails to do so the ITC of Rs. 24,000 will be added to its output tax liability with interest. Such interest will be paid @ 18% p.a. from the date of utilizing the credit till the date when the amount added to the output tax liability is paid [Second proviso to section 16(2) read with rule 37].

If Mohan Ltd. makes the payment of Rs. 2,24,000 (Value + tax) to the supplier on 18th March of next calendar year, i.e. after the expiry of 180 days from date of issue of invoice, Mohan Ltd. can reavail the credit of Rs. 24,000 while filing form GSTR-3B for the month of March.

Concept : Blocked Credit

6. With reference to the provisions of section 17, examine the availability of ITC in the following independent cases:

- (i) MBF Ltd., an automobile company, has availed works contract service for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently.
- (ii) Shah & Constructions procured cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients.
- (iii) ABC Ltd. availed maintenance & repair services from "Jaggi Motors" for a truck used for transporting its finished goods. (RTP NOV 2019)

Answer:

- (i) Section 17(5)(c) blocks input tax credit in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Further, the term "plant and machinery" means apparatus, equipment and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods and/or services and includes such foundation or structural support but excludes land, building or other civil structures, telecommunication towers, and pipelines laid outside the factory premises. Thus, in view of the above-mentioned provisions, ITC is available in respect of works contract service availed by MBF Ltd. as the same is used for construction of plant and machinery which is not blocked under section 17(5)(c). It is assumed that the expenditure incurred towards works contract service is capitalised in the books of MBF Ltd. and no depreciation has been claimed on the tax component.
- (ii) Section 17(5)(d) blocks ITC on goods and/or services received by a taxable person for construction of an immovable property (other than plant and machinery) on his own account even though such goods and/or services are used in the course or furtherance of business. Thus, ITC on goods and/or services used in the construction of an immovable property is blocked only in those cases where the taxable person constructs the immovable property for his own use even if the immovable property being constructed is used in the course or furtherance of his business. In the given case, Shah & Constructions has used the goods and services for construction of immovable property for some other person and not on its own account. Hence, ITC in this case will be allowed.
- (iii) On a conjoint reading of section 17(5)(a) and 17(5)(ab), it can be concluded that ITC is allowed on repair and maintenance services relating to motor vehicles, which are eligible for input tax credit. Further, as per section 17(5)(a) ITC is allowed on motor vehicles which are used for transportation of goods. Thus, ITC on maintenance & repair services availed from "Jaggi Motors" for a truck used for transporting its finished goods is allowed to ABC Ltd.

Concept : Blocked Credit

7. Krishna Motors is a car dealer selling cars of an international car company. It also provides maintenance and repair services of the cars sold by it as also of other cars. It seeks your advice on availability of ITC in respect of the following expenses incurred by it during the course of its business operations:
- (i) Cars purchased from the manufacturer for making further supply of such cars. Two of such cars are destroyed in accidents while being used for test drive by potential customers.
 - (ii) Works contract services availed for constructing a car parking shed in its premises

Answer:

As per section 16(1), every registered person can take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business. However, section 17(5) specifies certain goods and services on which the input tax credit is not available.

In the light of the foregoing provisions, the availability of ITC in respect of the various expenses incurred by Krishna Motors is discussed below:

(i) Section 17(5)(a) specifically blocks ITC on motor vehicles for transportation of passengers having approved seating capacity of not more than thirteen persons. However, the same is allowed when the motor vehicles are used, inter alia, for further supply of such vehicles. Thus, ITC on cars purchased from the manufacturer for making further supply of such cars will be allowed.

However, ITC on the cars destroyed in accident will not be allowed as the ITC on goods destroyed for whichever reason is specifically blocked under section 17(5)(h).

(ii) Section 17(5)(c) specifically blocks ITC on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Since, in this case the car parking shed is not a plant and machinery and the works contract service is not used for further supply of works contract service, ITC thereon will not be allowed.

Concept : Blocked Credit

8. A company has entered to an agreement with a customer for the manufacture and supply of cement pipes for their exclusive use. A company manufactured the product but before receiving the inspection certificate, their customer rejected some quantity of goods on the grounds of quality. As per agreement, the rejected quantity will be destroyed in front of the customer and shall not be sold. Examine the issue in the light of statutory provisions and suggest future course of action to the assessee as to whether any liability arises as per the provisions of GST law.

Answer:

Section 17 of the CGST Act, 2017 blocks ITC in respect of destroyed goods. Accordingly, since in the given case the cement pipes have been destroyed, ITC attributable to such pipes will not be allowed [Section 17(5)(h) of the CGST Act, 2017]. Thus, in the given case, if the credit has already been availed, the same will need to be reversed.

Concept : S 18 Availing ITC

9. Happy Ltd. located at Alwar (Rajasthan), exclusively manufactures and sells the product "Shine & Shine", which is exempt from GST. Happy Ltd. sells "Shine & Shine" only within Rajasthan. The turnover of Happy Ltd. in the previous year was Rs. 60 lakhs. Happy Ltd. purchased additional machinery (Capital Goods) for manufacturing "Shine & Shine" on 1st April, 2025. The invoice for supply of machinery also was issued on 1st April, 2025. The purchase price of the machinery was Rs. 25 lakh exclusive of CGST and SGST @ 12% (6% + 6%). On 1st December, 2025 exemption available on the product "Shine & Shine" was withdrawn by the Central Government and CGST and SGST @ 18% (9% + 9%) was imposed thereon. The turnover of Happy Ltd. on 30th September, 2025 was Rs. 45 lakh.

Examine the issue and provide the answers (with supporting explanatory note for each answer) to the following:

(i) Does Happy Ltd. have to register under CGST Act, 2017?

(ii) Can Happy Ltd. take Credit of tax paid on the machinery purchased? If yes, what is the amount of Input Tax Credit (ITC) that can be availed? (Past Exam Nov 18)

Answer:

- (i) As per section 22 of the CGST Act, 2017, a supplier is liable to be registered under GST in the State/ UT from where he makes the taxable supply if his aggregate turnover in a financial year (FY) exceeds Rs. 40 lakh in the state of Rajasthan. The term 'aggregate turnover' includes exempt turnover also.

However, a person exclusively engaged in making exempt supplies is not liable to registration in terms of section 23(1) of CGST Act, 2017.

In view of combined reading of above provisions, although the 'aggregate turnover' of Happy Ltd. exceeds the applicable threshold limit of Rs. 40 lakh on 30.09.2025 [Rs. 45 lakh], it was not required to be registered till 30.11.2025 as it supplied only exempted goods till that day. Therefore, Happy Ltd. needs to register within 30 days from 01.12.2025 (the date on which its supplies became taxable) as its turnover had already exceeded the threshold limit of Rs. 40 lakh on 01.12.2025

- (ii) As per section 17 of the CGST Act, the input tax credit (ITC) on capital goods used or intended to be used exclusively for effecting exempt supplies is disallowed. However, where an exempt supply by a registered person becomes a taxable supply, such person gets entitled to take proportionate ITC on such capital goods in terms of section 18(1)(d) of CGST Act, 2017. Thus, a non-registered person cannot take ITC on capital goods under this provision.

Further, a person who has applied for registration within thirty days from the date on which he becomes liable to registration and has been granted such registration is also not entitled to take ITC on capital goods held with him on the day immediately preceding the date from which he becomes liable to pay tax in terms of section 18(1)(a) of CGST Act, 2017. In the given case, Happy Ltd. is not registered at the time when its exempt supply becomes taxable. Thus, the company cannot take proportionate ITC on capital goods as mentioned above.

Further, the company will also not be entitled for credit on capital goods held with it when it applies for registration in the prescribed manner.

Concept : Restriction of Credit Rule 86A

- 10. M/s Fly-by-Night, tour operators, availed input tax credit in respect of certain transactions where no such supplier was existent or from a person not doing any business from the registered place of business. Jurisdictional Deputy Commissioner of GST wants to restrict the utilization of the credit by M/s Fly-by- Night. You have been approached by M/s Fly -by-Night to give your advice on the following questions raised by it: (PAST EXAM NOV 2020)**

- (i) Is it possible for the Department to restrict the utilization of credit which is already availed?**
(ii) If yes, under what circumstances this can be done by the Department?

Answer:

- (i) Yes, it is possible for the Department to restrict the utilization of credit which is already availed if there are reasons to believe that such ITC has been fraudulently availed or is ineligible as per Rule 86A of CGST Rules 2017.

- (ii) The restrictions can be imposed under the following circumstances:

(a) ITC has been availed on the basis of tax invoices/valid documents

- Issued by a non-existent supplier or by a person not conducting any business from the registered place of business; or
- Without receipt of goods or services or both; or
- The tax in relation to which has not been paid to the Government

- (b) Registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business; or
- (c) Registered person availing ITC is not in possession of tax invoice/valid.

Number Based Questions

Concept: ITC on Capital Goods u/s 18(6)

11. On 25th August, M/s Agarwal & Agarwal, a registered supplier of taxable goods located in Bengaluru (Karnataka), purchased one machine for Rs. 12,39,000 (including IGST) from one supplier of Maharashtra who issued the invoice on the same date. M/s Agarwal & Agarwal put the machinery to use on the same day and availed ITC for the eligible amount.

M/s Agarwal & Agarwal used the machine in the process of manufacture of taxable goods. However, M/s Agarwal & Agarwal sold this machine to Mr. Suresh Kumar of Andhra Pradesh on 20th August of next year for Rs. 7,50,000 (excluding IGST).

With reference to section 18(6), determine the amount payable, if any, by M/s Agarwal & Agarwal at the time of sale of the machine.

Note: The applicable rate of IGST is 18%.

Answer:

As per section 18(6), if capital goods/ plant and machinery on which ITC has been taken are supplied (outward) by a registered person, he must pay an amount that is higher of the following:

- (a) ITC taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods or
- (b) Tax on transaction value of such outward supply determined under section 15.

Accordingly, the amount payable on supply of machinery by M/s Agarwal & Agarwal shall be computed as follows:

Particulars	Amount (Rs.)
ITC taken on the machinery (Rs. 12,39,000 × 18/118)	1,89,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine	28,350
(i) For the previous year = (Rs. 1,89,000 × 5%) × 3 quarters	18,900
(ii) For the current year = (Rs. 1,89,000 × 5%) × 2 quarters	
Amount required to be paid (A) **	1,41,750
Duty leviable on transaction value (Rs. 7,50,000 × 18%) (B)	1,35,000
Amount payable towards disposal of machine is higher of (A) and (B)	1,41,750
Thus, M/s Agarwal & Agarwal is required to pay an amount of Rs.1,41,750 at the time of sale of machinery.	

** In the above solution, amount payable towards disposal of machine has been computed on the basis of rule 40(2), i.e. ITC to be reversed for the period of use of capital goods/machine has been computed @ 5% for every quarter or part thereof from the date of the issue of invoice.

However, the said amount can also be computed in accordance with rule 44(6), i.e. ITC involved in the remaining useful life (in

months) of the capital goods/ machine can be reversed on pro-rata basis, taking the useful life as 5 years.

Concept: Apportionment of Credit

12. With the help of information given below in respect of a manufacturer for the month of September compute the ITC credited to the Electronic Credit Ledger, for the month. Also, compute the amount of ITC to be added to the output tax liability for the month of September. Ignore interest, if any.

Particulars	Amount (Rs.)
Outward supply of taxable goods (exclusive of taxes)	70,000
Outward supply of exempt goods	40,000
Total turnover	1,10,000
Inward supplies	GST paid (Rs.)
Capital goods used exclusively for taxable outward supply	2,000
Capital goods used exclusively for exempt outward supply	1,800
Capital goods used for both taxable and exempt outward supply	4,200

Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

Answer:

Computation of ITC credited to Electronic Credit Ledger and amount of ITC to be added to the output tax liability for the month of September

Particulars	ITC (Rs.)
Capital goods used exclusively for taxable supply [Since used exclusively for taxable supply, full ITC is available under rule 43(1)(b)]	2,000
Capital goods used exclusively for exempt supply [Since used exclusively for exempt supply, ITC is not available under rule 43(1)(a)]	Nil
Capital goods used for both taxable and exempt supply - Common credit (Tc) [Commonly used for taxable and exempt supplies - Rule 43(1)(c)]	4200
Total ITC credited to Electronic Credit Ledger for the month of September	6,200
Common credit for the month of September (Tm)	70
= $Tc \div 60 = 4,200 \div 60$ [Rule 43(1)(e)]	
Common credit attributable to exempt supplies in a month (Te) = $(E \div F) \times Tm^*$ where, 'E' is the aggregate value of exempt supplies, made, during the tax period, and 'F' is the total turnover in the State of the registered person during the tax period [Rule 43(1)(g)] = $(40,000/1,10,000) \times Rs. 70$ (rounded off)	25.45
Amount to be added to the output tax liability for the month of September [Rule 43(1)(h)]	25.45

Concept: Apportionment of Credit

13. X, a manufacturer of roofing sheets, has total ITC of Rs. 1,60,000 available with him on 01st June. He provides the following

information pertaining to the goods and services procured during the month of June:

1. Input tax on raw materials is Rs. 40,000. The raw material is used for both taxable and exempt activity.
2. Input tax on catering services procured from 'Harvest Caterers' in connection with his housewarming ceremony is Rs. 10,000.
3. Input tax on raw materials used in manufacture of exempt supplies of Rs. 2 lakh is Rs. 20,000.
4. Input tax on cosmetic and plastic surgery of manager of the factory is Rs. 30,000.

Total turnover for the month of June is Rs. 60 lakh exclusive of tax.

Compute the ITC available for the month of June and net GST payable from Electronic Cash Ledger by X for the month of June. Rate of GST is 18% (Ignore CGST, SGST or IGST for the sake of simplicity).

Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. All the purchases are made from registered suppliers. (PAST EXAM MAY 2019)

Answer:

Computation of ITC available and net GST payable from Electronic Cash Ledger for the month of June

Particulars	Amount (Rs.)
GST on taxable turnover for the month of June [Rs. 60,00,000 × 18%]	10,80,000
Less: ITC available as on 30th June in terms of rule 42	
ITC available in the Electronic Credit Ledger on 1 st June	Rs. 1,60,000
Add: Total ITC credited to the Electronic Credit Ledger in the month of June [Refer working note below]	Rs. 40,000
Less: ITC out of common credit attributable to exempt supply [Refer working note below]	(Rs. 1,290)
Net GST payable from Electronic Cash Ledger	8,81,290

Working Note:

Computation of ITC (out of common credit) attributable to exempt supplies

Particulars	Amount (Rs.)
Input tax on raw materials [Note 1]	40,000
Input tax on catering for housewarming [Note 2]	Nil
Input tax on inputs contained in exempt supplies [Note 3]	Nil
Input tax on cosmetic and plastic surgery of CEO of company [Note 4]	Nil
Total ITC credited to the Electronic Credit Ledger in terms of rule 42 in the month of June	40,000
Common credit [Note 5]	40,000
ITC attributable towards exempt supplies [Note 6]	1,290

Notes:

1. Being used in the course or furtherance of business, input tax on raw materials is available as ITC and is credited to the Electronic Credit Ledger [Section 16(1)].
2. ITC on outdoor catering is blocked in terms of section 17(5) if the same is not used for making an outward supply of outdoor catering or as an element of a taxable composite/mixed supply. Hence, the same is not credited to the Electronic Credit Ledger [Rule 42].
3. Input tax on inputs used for making exempt supplies is not available as ITC and thus, not credited to the Electronic Credit Ledger in terms of rule 42.
4. ITC on cosmetic and plastic surgery is blocked in terms of section 17(5) if the same are not used for making the same category of outward supply or as an element of a taxable composite/ mixed supply. Hence, the same is not credited to the Electronic Credit Ledger [Rule 42].
5. Since there are no inputs and input services which are used exclusively for effecting taxable supplies, the entire ITC credited to Electronic Credit Ledger, i.e. Rs. 40,000 will be the common credit [Rule 42].
6. ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period / Total turnover during the tax period) = Rs. 40,000 x Rs. 2,00,000/ Rs. 62,00,000 - (rounded off) = Rs. 1,290

Concept: Input Service Distributor
14. Ceramity Ltd. has following units:

A: Factory in Tumkur, Karnataka; turnover of Rs. 27 crores in 2025- 26;

B: Service centre in Hyderabad, Telangana; turnover of Rs. 1 crore in 2025-26;

C: Service centre in Chennai, Tamil Nadu; turnover of 2 crores in 2025-26;

Ceramity Ltd.'s corporate office functions as ISD. It has to distribute ITC of Rs. 9 lakh for May, 2026. Of this, an invoice involving tax of Rs. 3 lakh pertains to technical consultancy for Tumkur unit.

Explain in brief how should the ITC be distributed?

Answer:

As per rule 39(d) relating to ITC, -

- Rs. 3 lakh is attributable to Tumkur unit, and will be transferred to Tumkur unit only.
- Rs. 6 lakh have to be distributed among Tumkur unit and the service centres in Hyderabad and Chennai in proportion of their turnover in the previous FY, that is, in 2019-20.
- Tumkur unit will get (27 crore / 30 crore) x 6 lakh = Rs. 5.4 lakh;
- Hyderabad service centre will get (1 crore /30 crore) x 6 lakh = Rs. 20,000; and
- Chennai service centre will get (2 crore /30 crore) x 6 Lakh = Rs. 40,000.

Ceramity Ltd. should issue ISD invoices (from GSTN obtained separately for ISD) for distributing ITC (as calculated above) to its units. It should be clearly indicated in the invoices that the same are issued only for distribution of ITC.

Concept: Input Service Distributor

15. XYZ Ltd, having its head Office at Mumbai, is registered as ISD. It has three units in different cities situated in different States namely 'Mumbai', 'Jabalpur' and 'Delhi' which are operational in the current year.

M/s XYZ Ltd furnishes the following information for the month of July:

- (i) CGST paid on services used only for Mumbai Unit: Rs. 3,00,000/-
- (ii) IGST, CGST & SGST paid on services used for all units: Rs. 12,00,000/-

Total turnover of the units for the previous financial year are as follows: -

Total Turnover of three units	Rs. 10,00,00,000
Turnover of Mumbai unit	Rs. 5,00,00,000
Turnover of Jabalpur unit	Rs. 3,00,00,000

Determine the credit to be distributed by XYZ Ltd. to each of its three units.

Answer:

Particulars	Credit distributed to all units (Rs.)			
	Total credit available	Mumbai	Jabalpur	Delhi
CGST paid on services used only for Mumbai Unit	300000	300000	0	0
IGST, CGST & SGST paid on services used for all units Distribution on pro rata basis to all the units which are operational in the current year	12,00,000	6,00,000	3,60,000	2,40,000
Total	15,00,000	9,00,000	3,60,000	2,40,000

Note 1: Credit distributed pro rata on the basis of the turnover of all the units is as under: -

(a) Unit Mumbai: $(Rs. 5,00,00,000 / Rs. 10,00,00,000) * Rs. 12,00,000 = Rs. 6,00,000$

(b) Unit Jabalpur: $(Rs. 3,00,00,000 / Rs. 10,00,00,000) * Rs. 12,00,000 = Rs. 3,60,000$ (c) Unit Delhi: $(Rs. 2,00,00,000 / Rs. 10,00,00,000)$

* $Rs. 12,00,000 = Rs. 2,40,000$

Concept: Input Service Distributor

16. Arise India Pvt. Ltd., a company engaged in manufacturing of various goods, has its corporate office at Mumbai and manufacturing units in Pune and Chennai and service centres in Kolkata and Bengaluru. The manufacturing units at Pune and Chennai and service centres at Kolkata and Bengaluru are registered in Maharashtra, Tamil Nadu, West Bengal and Karnataka respectively. The corporate office is registered as an input service distributor. All the units and centres of Arise India Pvt. Ltd. are operational in the current year. The corporate office intends to distribute input tax credit (ITC) for the month of October 20XX. The following details are available for such distribution:

Table 1

Unit/centre	Turnover for the quarter ending	Eligible ITC on input services attributable to a specific unit/centre, for the month of October 20XX
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	September 20XX* (₹)	(₹)
Pune	20,00,000	IGST-3,00,000;
		CGST-30,000;
		SGST-30,000
Chennai	30,00,000	IGST-24,000;
		CGST-6,000;
		SGST -6,000
Kolkata	10,00,000	Nil
Bengaluru	40,00,000	Nil

Table 2

Chennai unit manufactures exempted products.

Compute the amount of ITC to be distributed to each of the units and centres. (RTP MAY 2020)

S.No.	Particulars	CGST	SGST	IGST
(i)	Input services used by all units and centres			
(a)	Eligible ITC under the provisions of the GST law	1,20,000	1,20,000	2,40,000
(b)	Ineligible ITC in terms of section 17(5) of the CGST Act, 2017	40,000	40,000	80,000
(ii)	Inputs used by Pune unit and Kolkata centre	60,000	60,000	
(iii)	Input services used by Chennai unit and Bengaluru centre (ITC pertaining to such invoices is eligible ITC under the provisions of the GST law)	30,000	30,000	10,000

Answer:

Computation of ITC to be distributed by ISD

S. No.	Particulars	Pune unit (₹)	Chennai unit (₹)	Kolkata centre (₹)	Bengaluru centre (₹)
(i)	IGST credit of ₹ 3,00,000, CGST credit of ₹ 30,000 and SGST credit of ₹ 30,000 specifically attributable to Pune unit [Note 1]	3,00,000 (IGST) 30,000 (CGST) 30,000 (SGST)			
(ii)	IGST credit of ₹ 24,000, CGST credit of ₹ 6,000 and SGST credit		36,000 (IGST)		

	of ₹ 6,000 specifically attributable to Chennai unit [Note 2]				
(iii)	Eligible ITC pertaining to input services used by all units and centres [Note 3]	24,000 (CGST) 24,000 (SGST) 48,000 (IGST)	1,44,000 (IGST)	48,000 (IGST)	1,92,000 (IGST)
(iv)	Ineligible ITC pertaining to input services used by all units and centres [Note 4]	8,000 (CGST) 8,000 (SGST) 16,000 (IGST) Nil	48,000 (IGST)	16,000 (IGST)	64,000 (IGST)
(v)	Inputs used by Pune unit and Kolkata centre [Note 5]		Nil	Nil	Nil
(vi)	Input services used by Chennai unit and Bengaluru centre [Note 6]		30,000 (IGST)		40,000 (IGST)

Notes:

- 1) IGST credit of ₹ 3,00,000, CGST credit of ₹ 30,000 and SGST credit of ₹ 30,000 specifically attributable to Pune unit will be distributed as IGST credit of ₹ 3,00,000, CGST credit of ₹ 30,000 and SGST credit of ₹ 30,000 respectively, only to Pune unit, since recipient is located in the same State in which ISD is located [Section 20(2)(c) of the CGST Act, 2017 read with clauses (e) & (f)(i) of sub-rule (1) of rule 39 of the CGST Rules, 2017].
- 2) Total GST credit (CGST+ SGST + IGST) of ₹ 36,000 specifically attributable to Chennai unit will be distributed as IGST credit of ₹ 36,000, only to Chennai unit, since recipient and ISD are located in different States [Section 20(2)(c) of the CGST Act, 2017 read with clauses (e) & (f)(ii) of sub-rule (1) of rule 39 of the CGST Rules, 2017].
- 3) Eligible ITC of CGST [₹ 1,20,000], SGST [₹ 1,20,000] and IGST [₹ 2,40,000] will be distributed among the units and centres in the ratio of their turnover of the last quarter [Section 20(2)(e) of the CGST Act, 2017 read with clause (a)(ii) of the explanation to the said section and rule 39(1)(b) of the CGST Rules, 2017].

Ratio of the turnover of the units and centres in last quarter, previous to the month during which ITC is to be distributed:

= 20 lakh : 30 lakh : 10 lakh : 40 lakh

= 2: 3: 1: 4

Therefore,

Pune unit will get = ₹ 24,000 [1,20,000 x (2/10)] as CGST credit, ₹ 24,000 [1,20,000 x (2/10)] as SGST credit and ₹ 48,000 [2,40,000 x

(2/10)] as eligible IGST credit [Clauses (e) & (f)(i) of sub-rule (1) of rule 39 of the CGST Rules, 2017].

Chennai unit will get = ₹ 1,44,000 [₹ 4,80,000 × (3/10)] as IGST credit [Clauses (e) & (f)(ii) of sub-rule (1) of rule 39 of the CGST Rules, 2017]. The credit attributable to a recipient is distributed even if such recipient is making exempt supplies [Clause (d) of sub-rule (1) of rule 39 of the CGST Rules, 2017].

Kolkata centre will get = ₹ 48,000 [₹ 4,80,000 × (1/10)] as IGST credit [Clauses (e) & (f)(ii) of sub-rule (1) of rule 39 of the CGST Rules, 2017].

Bengaluru will get = ₹ 1,92,000 [₹ 4,80,000 × (4/10)] as IGST credit [Clauses (e) & (f)(ii) of sub-rule (1) of rule 39 of the CGST Rules, 2017].

- 4) Ineligible ITC of CGST [₹ 40,000], SGST [₹ 40,000] and IGST [₹ 80,000] will also be distributed among the units and centres in the ratio of their turnover of the last quarter [Section 20(2)(e) of the CGST Act, 2017 read with clause (a)(ii) of the explanation to the said section and rule 39(1)(b) of the CGST Rules, 2017].

Ratio of the turnover of the units and centres in last quarter, previous to the month during which ITC is to be distributed:

= 20 lakh : 30 lakh : 10 lakh : 40 lakh

= 2: 3: 1: 4

Therefore, Pune unit will get = ₹ 8,000 [40,000 × (2/10)] as CGST credit, ₹ 8,000 [40,000 × (2/10)] as SGST credit and ₹ 16,000 [80,000 × (2/10)] as eligible IGST credit. Chennai unit will get = ₹ 48,000 [₹ 1,60,000 × (3/10)] as IGST credit.

Kolkata centre will get = ₹ 16,000 [₹ 1,60,000 × (1/10)] as IGST credit.

Bengaluru will get = ₹ 64,000 [₹ 1,60,000 × (4/10)] as IGST credit.

- 5) ISD mechanism is meant only for distributing the credit on common invoices pertaining to input services only and not goods (inputs or capital goods).
- 6) Eligible ITC of CGST [₹ 30,000], SGST [₹ 30,000] and IGST [₹ 10,000] will be distributed among the Chennai unit and Bengaluru centre in the ratio of their turnover of the last quarter [Section 20(2)(d) of the CGST Act, 2017 read with clause (a)(ii) of the explanation to the said section and rule 39(1)(b) of the CGST Rules, 2017].

Ratio of the turnover of the Chennai unit and Bengaluru centre in last quarter, previous to the month during which ITC is to be distributed:

= 30 lakh : 40 lakh Therefore,

Chennai unit will get = ₹ 30,000 [₹ 70,000 × (3/7)] as IGST credit. Bengaluru unit will get = ₹ 40,000 [₹ 70,000 × (4/7)] as IGST credit.

Concept: Input Service Distributor

17. **Input Service Distributor (ISD) of a company is registered separately in the State of Kerala and is distributing Input Tax Credit (ITC) to other units in the company. Following details are furnished for a particular month, and you are required to help the ISD department in distributing the ITC to other units that are carrying on manufacturing, supplying goods and services to customers.**

Sl. No.	Particulars	Amount in lakh (₹)
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	Turnover in the relevant month of each of the units:	
(1)	Mumbai (Maharashtra)	12.00
(2)	Bangalore (Karnataka)	60.00
(3)	Hyderabad (Andhra Pradesh)	36.00
(4)	Trivandrum (Kerala)	72.00
(5)	Total ITC available during the month with the ISD (includes CGST/SGST & IGST) on account of supplies received during the month	48.00
(6)	From the above, ITC exclusive to Bangalore unit, available as IGST credit	12.00
(7)	From the above, ITC exclusive to Trivandrum and Hyderabad units (CGST and SGST of ₹ 3.00 lakh each)	6.00
(8)	Rest of the credit available is allocable as common credit to all the units and is received from local suppliers in Kerala.	
(9)	Basic value of a debit note received, during the month, in respect of a previous supply, with rate of tax @ 12% IGST being charged and shown separately	50.00
(10)	Total value in the credit note received, during the month, applicable exclusively to Kerala unit, taxed at the rate of 9% CGST and 9% SGST, which is charged and indicated separately	118.00

Also make your comments regarding the amount of ITC in credit notes, if exceeds the ITC from invoices and debit notes in a particular month for all or any of the units. (PAST EXAM NOV 2020)

Answer:

Computation of the amount of credit distributed by the ISD to various units of the company (It has been logically assumed that credit to be distributed by ISD is credit of input services.)

proportion of their turnover of the relevant month, i.e., 1:5:3:6. Further, ITC will be distributed to Mumbai, Bangalore and Hyderabad unit as IGST and to Trivandrum unit as CGST and SGST.]											
Additional ITC [₹ 6 lakh (₹ 50 lakh* × 12%)] on account of debit note received** from supplier to be distributed among all four units in			0.4			2			1.2		2.4

proportion of their turnover of the relevant month, i.e., 1:5:3:6. [ITC of IGST is distributed as IGST only.]												
ITC to be reduced on account of credit note received from supplier, exclusive to Kerala unit# 9% of (₹ 118 lakh## × 100/118)										9	9	
Total ITC apportioned to each unit	0	0	2.4	0	0	24	0	0	9.2	-1	-1	2.4
Negative amount apportioned to Trivandrum unit shall be added to its output tax liability since ITC distributed to it by ISD is less than the amount reduced on account of credit note										1	1	

*Being basic value of the debit note received, the amount of ₹ 50 lakh has been assumed to be exclusive of taxes.

** It has been most logically assumed that the additional ITC of ₹ 6 lakh on account of the debit note received during the month from a supplier in respect of a previous supply pertains to all the four units.

#It has been most logically assumed that there is one unit of the company located in Kerala and i.e., Trivandrum unit.

Being total value in credit note received, the amount of ₹ 118 lakh has been assumed to be inclusive of taxes.

Concept: Input Service Distributor

18. Sarani Weavers, at Pune, Maharashtra is a registered input service distributor and intends to distribute ITC for the month of March. The following are the details available for such distribution:

Branch	Turnover of the last quarter (Rs.)	ITC specifically applicable to the branch (Rs.)
Ganganagar Branch (Rajasthan)	10,00,000	IGST - Rs. 12,000 CGST - Rs. 3,000 SGST -Rs. 3,000
Madhugiri Branch (Karnataka)	5,00,000	Nil

Kosala Branch (UP)	15,00,000	Nil
Mumbai Branch (Maharashtra)	20,00,000	IGST – Rs. 1,50,000 CGST– Rs. 15,000 SGST– Rs. 15,000

LTC available on input services used commonly by all branches is as under:

CGST – Rs. 60,000

SGST – Rs. 60,000

IGST – Rs. 1,20,000

LTC (IGST) of Rs. 10,000 pertaining to March (last year) was inadvertently not distributed. Whether the same can be considered for distribution in March this year?

Madhugiri, Karnataka branch uses input services to manufacture exempted products. Turnover excludes duties & taxes payable to Central and State Government. Determine the manner of input tax distribution.

Answer:

As per section 20 read with rule 39:

- (i) Total GST credit (CGST+ SGST + IGST) of Rs. 18,000 specifically attributable to Ganganagar Branch, Rajasthan will be distributed as IGST credit of Rs. 18,000 only to Ganganagar Branch, Rajasthan [Since recipient and ISD are located in different states].
- (ii) IGST credit of Rs. 1,50,000, CGST credit of Rs. 15,000 and SGST credit of Rs. 15,000 specifically attributable to Mumbai Branch, Maharashtra will be distributed as IGST credit of Rs. 1,50,000, CGST credit of Rs. 15,000 and SGST credit of Rs. 15,000 respectively, only to Mumbai Branch, Maharashtra [Since recipient is located in the same State in which ISD is located].
- (iii) CGST credit of Rs. 60,000, SGST credit of Rs. 60,000 and IGST credit of Rs.1,20,000 have to be distributed among the three branches and Mumbai Branch, Maharashtra in proportion of their turnover of the last quarter.
 - Ganganagar Branch, Rajasthan will get: Rs. 48,000 [$Rs.2,40,000 \times (10,00,000 / 50,00,000)$] as IGST credit.
 - Madhugiri Branch, Karnataka will get: Rs. 24,000 [$Rs.2,40,000 \times (5,00,000 / 50,00,000)$] as IGST credit.
 - The credit attributable to a recipient is distributed even if such recipient is making exempt supplies.
 - Kosala Branch, UP will get: Rs. 72,000 [$Rs.2,40,000 \times (15,00,000 / 50,00,000)$] as IGST credit.
 - Mumbai Branch, Maharashtra will get:
Rs. 24,000 [$60,000 \times (20,00,000 / 50,00,000)$] as CGST credit, Rs.24,000 [$60,000 \times (20,00,000 / 50,00,000)$] as SGST credit and Rs. 48,000 [$1,20,000 \times (20,00,000 / 50,00,000)$] as IGST credit.

ITC of Rs. 10,000 of March (last year) cannot be distributed in March this year as ITC available for distribution in a month is to be distributed in the same month.

Concept: Utilisation of Credit Ledger

19. George Pvt. Ltd., a registered supplier of goods at Kerala who pays GST under regular scheme, has made the following transactions (exclusive of tax) during a tax period:

Purchases (Rs.)	Sales (Rs.)	Tax Rate
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5,00,000 [Purchases made from registered person in New Delhi]	10,00,000 [Sale made to registered person in New Delhi]	IGST - 18% CGST - 9% SGST - 9%
2,50,000 [Purchases made from registered person in Trivandrum, Kerala]	8,00,000 [Sales made to registered person in Trivandrum]	

The company has complied with all the conditions for availing the ITC. The following further information regarding various balances available with it on the first day of the tax period, is provided by the company:

Source	Taxes (Rs.)	Interest (Rs.)	Penalty (Rs.)
CGST	50,000	1500	500
SGST	30,000	1500	500
IGST	1,00,000	2000	500

Compute the minimum net CGST, SGST and IGST payable from the Electronic Cash Ledger by George Pvt. Ltd. for the tax period as also ITC to be carried forward to next tax period, if any. (PAST EXAM MAY 2019)

Answer:

Computation of minimum net CGST, SGST and IGST payable from the electronic cash ledger by George Pvt. Ltd. for the tax period

Particulars	Amount (Rs.)	CGST @9% (Rs.)	SGST @9% (Rs.)	IGST @ 18%(Rs.)
Sales made outside Kerala (New Delhi) [Being inter-State sale, the same is liable to IGST]	10,00,000			1,80,000
Sales made in Trivandrum [Being intra- State sale, the same is liable to CGST & SGST]	8,00,000	72,000	72,000	
Less: ITC available during the tax period for set off [Refer Working Note Below]		(72,000) CGST	(10,000) IGST	(1,80,000)
			(52,500) SGST	
Net tax liability payable in cash		Nil	9,500	Nil
ITC to be carried forward to next tax period		500 (72,500-70,000)	Nil (52,500-52,500)	Nil (1,90,000 -1,90,000)
Working Note:				
ITC available during the tax period is computed as under:				
Opening balance of ITC		50,000	30,000	1,00,000

Purchases from New Delhi [Being inter-State purchase, IGST would have been paid on it.]	5,00,000			90,000
Purchases from Trivandrum	2,50,000	22,500	22,500	
Total input tax credit		72,500	52,500	1,90,000

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross- utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow. Interest and penalty paid are not available as credit for payment of output tax liability under GST.

Concept: ITC on Capital Goods under S. 18

20. Vijay Pvt. Ltd. of Chennai, Tamil Nadu, exclusively manufactures and sells product 'V2Z' which is exempt from GST vide notifications with certain taxable supplies. The company sells product 'V2Z' only within Tamil Nadu and it is registered under GST under regular scheme. Further, all the inward supplies of the company are taxable under forward charge. The company expects the sales to grow in the current year. Owing to the growing demand for the product, the company decided to increase its production capacity and purchased additional machinery exclusively used for manufacturing 'V2Z' on 1st August, 2023. The purchase price of such machinery was Rs. 45 lakh (exclusive of GST @ 18%).

However, with effect from 1st December, 2023, exemption available on 'V2Z' was withdrawn by the Central Government and GST @ 12% was imposed thereon. Can Vijay Pvt. Ltd take input tax credit on additional machinery purchased exclusively for manufacturing 'V2Z'? If yes, then when and how much credit can be availed?

Advice Vijay Pvt. Ltd. on the above issues with reference to the provisions of GST law.

Correct provisions of law should form the part of your answer. (5 Marks) (NOV 2024)

Answer:

Where an exempt supply of goods by a registered person becomes a taxable supply, such person shall be entitled to take ITC, inter alia, in respect of capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable i.e. Nov 30, 2023.

ITC on capital goods can be claimed after reducing the tax paid on such capital goods by 5% per quarter of a year or part thereof from the date of the invoice.

Thus, Vijay Pvt. Ltd. can take following amount of ITC on additional machinery purchased exclusively for manufacturing "V2Z" by making an electronic declaration in prescribed form specifying the details of capital goods on the day immediately preceding the date from which such supply becomes taxable within 30 days of becoming eligible to avail ITC:

$$\begin{aligned}
 &= (\text{Rs. } 45 \text{ lakh} \times 18\%) - (\text{Rs. } 45 \text{ lakh} \times 18\% \times 5\% \times 2 \text{ quarters}) \\
 &= \text{Rs. } 8,10,000 - \text{Rs. } 81,000 \\
 &= \text{Rs. } 7,29,000
 \end{aligned}$$

Concept: ITC on Capital Goods under S. 18

21. Gautam Pvt. Ltd., Coimbatore, Tamil Nadu, exclusively manufactures and sells product 'Alpha' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells product 'Alpha' only within Tamil Nadu and it not registered under GST. Further, all the inward supplies of the company are taxable under forward charge. The turnover of the company in the previous year was ₹ 55 lakh. The company expects the sales to grow by 15% in the current year. Owing to the growing demand for the product, the company decided to increase its production capacity and purchased additional machinery for manufacturing 'Alpha' on 1st July. The purchase price of such capital goods was ₹ 30 lakh exclusive of GST @ 18%.

However, effective from 1st November, exemption available on 'Alpha' was withdrawn by the Central Government and GST @ 12% was imposed thereon. The turnover of the company for the half year ended on 30th September was ₹ 60 lakh.

- (a) The Board of Directors of Gautam Pvt. Ltd. wants to know whether they have to register under GST (after withdrawal of exemption notification)?
- (b) In case in the above question, Gautam Pvt. Ltd. is already registered with respect to certain taxable supplies being made by it along with manufacture of exempt product 'Alpha', other facts remaining the same, can it take input tax credit on additional machinery purchased exclusively for manufacturing 'Alpha'? If yes, then when and how much credit can be availed?

Advice Gautam Pvt. Ltd. on the above issues with reference to the provisions of GST law. (Nov 23)

Answer:

(a) Section 22(1) of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, inter alia, provides that every supplier who is exclusively engaged in intra-State supply of goods is liable to be registered under GST in the State/ Union territory from where he makes the taxable supply of goods only when aggregate turnover in a financial year exceeds ₹ 40,00,000.

However, the above provisions are not applicable to few specified States, i.e. States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand.

Further, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration in terms of section 23(1)(a) of the CGST Act, 2017.

In the given case, the turnover of the company for the half year ended on 30th September is ₹ 55 lakh which is more than the applicable threshold limit of ₹ 40 lakh. Therefore, as per section 22 of the CGST Act, 2017, the company will be liable to registration. However, since Gautam Pvt. Ltd. supplied exempted goods till 31st October, it was not required to be registered till that day; though voluntary registration was allowed under section 25(3) of the CGST Act, 2017.

However, the position will change from 1st November as the supply of goods become taxable from that day and the turnover of company is above ₹ 40 lakh. It is important to note here that in terms of section 2(6) of the CGST Act, 2017, the aggregate turnover limit of ₹ 40 lakh includes exempt turnover also.

Therefore, turnover of 'Alpha' before 1st November will also be considered for determining the threshold limit even though the same was exempt from GST. Therefore, the company needs to register within 30 days from 1st November (the date on which it becomes liable to registration) in terms of section 25(1) of the CGST Act, 2017.

(b) Rule 43(1)(a) of the CGST Rules, 2017 disallows input tax credit on capital goods used or intended to be used exclusively for effecting exempt supplies.

However, as per section 18(1)(d) of the CGST Act, 2017, where an exempt supply of goods and/or services by a registered person becomes a taxable supply, such person gets entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable.

Rule 40(1)(a) of the CGST Rules, 2017 lays down that the credit on capital goods can be claimed after reducing the tax paid on such capital goods by 5% per quarter of a year or part thereof from the date of the invoice.

Therefore, in the given case, Gautam Pvt. Ltd. could not claim credit on machinery till the time the supply of product 'Alpha' for which said machinery was being used was exempt. However, it can claim credit from 31st October - the day immediately preceding the date

from which the supply of product 'Alpha' became taxable (1st November).

The credit will be available for the remaining useful life of the machinery and will be computed as follows:

Date of purchase of machinery	1st July
Date on which credit becomes eligible	31st October
Number of quarters for which credit is to be reduced	2 (including
GST paid on machinery [₹ 30,00,000 × 18%]	₹ 5,40,000
Credit to be reduced [₹5,40,000 × 5% × 2]	₹ 54,000
Amount of credit that can be taken [₹	₹4,86,000

Concept: ITC on Stock under S. 18

22. Quanto Enterprises is not required to register under CGST Act. However, it applied for voluntary registration on 17th September. Registration certificate has been granted to the firm on 25th September. The CGST and SGST liability of the firm for the month of September is Rs. 24,000 each. The firm is not engaged in making inter- State outward taxable supplies. Quanto Enterprises provides the following information regarding capital goods and inputs held in stock by it as on 24th September:

Particulars	Amount (Rs.)
Inputs procured on 2nd September lying in stock	
- CGST @ 6%	4,500
- SGST @ 6%	4,500
Input received on 21st July contained in semi-finished goods held in stock:	
- CGST @ 6%	7,500
- SGST @ 6%	7,500
Value of inputs contained in finished goods held in stock- Rs. 2,00,000 [Such inputs were procured on 19th September last year. Invoice for the goods was also dated the same day]	
- IGST @ 18%	36,000
Inputs valued at Rs. 50,000 procured on 13th September lying in stock:	
- IGST @ 18%	9,000
Capital goods procured on 12th September	
-CGST @ 6%	12,000
-SGST @ 6%	12,000

You are required to compute the net GST payable from Electronic Cash Ledger by Quanto Enterprises for the month of September. You are also required to mention reasons for treatment of all above items.

Answer:

Computation of net GST payable from Electronic Cash Ledger by Quanto Enterprises for the month of September

Particulars	CGST (Rs)	SGST (Rs)
Output tax liability for the month	24,000	24,000
Less: ITC [Notes 1 & 2]	9,000 (IGST)	12,000 (SGST)
	12,000 (CGST)	
Net GST payable (from electronic cash ledger)	3,000	12,000

Notes:

- Credit of IGST is first utilized towards payment of IGST and thereafter for CGST and SGST in any order and in any proportion. Credit of CGST and SGST can be utilized only after IGST credit has been fully utilized [Rule 88A read with sections 49(5), 49A and 49B].

Since Quanto Enterprises does not make any inter-State supply, in the above answer, entire credit of IGST has been utilized towards payment of CGST. Credit of IGST can also be utilised against SGST liability or against both CGST and SGST liabilities in any proportion and thus, the final answer will change accordingly.

- As per section 18(1)(b) a person who takes voluntary registration is entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished/ finished goods held in stock on the day immediately preceding the date of grant of registration.

However, he cannot take ITC in respect of capital goods held on the day immediately preceding the date of grant of registration.

ITC on inputs needs to be availed within 1 year from the date of issue of the invoice by the supplier [Section 18(2)].

In this case, since Quanto Enterprises has been granted voluntary registration on 25th September, it will be entitled to ITC on inputs held in stock and inputs contained in semi-finished/ finished goods held in stock, on 24th September. In view of the said provisions, eligible ITC for Quanto Enterprises is computed as follows:

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Inputs held in stock since 2nd September	4,500	4,500	
Inputs received on 21st July contained in semi-finished goods held in stock	7,500	7,500	
Inputs contained in finished goods held in stock which were procured on 19th September last year [Procured prior to one year, hence ITC cannot be availed]			Nil
Inputs held in stock since 13th September			9,000
Capital goods procured on 12th September	Nil		Nil
Total ITC	12,000	12,000	9,000

Concept: Apportionment of Credit

- XYZ Pvt. Ltd. is a manufacturing company registered under GST in the State of Uttar Pradesh. It manufactures two taxable products 'Alpha' and 'Beta' and one exempt product 'Gama'. On 1st October, while product 'Beta' got exempted through an

exemption notification, exemption available on 'Gama' got withdrawn on the same date. The turnover (exclusive of taxes) of 'Alpha', 'Beta' and 'Gama' in the month of October was Rs. 9,00,000, Rs. 10,00,000 and Rs. 6,00,000.

XYZ Pvt. Ltd. has furnished the following details: (RTP MAY 2019)

S. No.	Particulars	Price (Rs.)	GST (Rs.)
(a)	Machinery 'U' purchased on 1st October for being used in manufacturing all the three products	2,00,000	36,000
(b)	Machinery 'V' purchased on 1st October for being used in manufacturing product 'Alpha' and 'Gama'	1,00,000	18,000
(c)	Machinery 'W' purchased on 1st October for being exclusively used in manufacturing product 'Beta'	3,00,000	54,000
(d)	Machinery 'Y' purchased on 1st October four years ago for being exclusively used in manufacturing product 'Beta'. From 1st October, such machinery will also be used for manufacturing product 'Gama'.	4,00,000	72,000
(e)	Machinery 'Z' purchased on 1st October two years ago for being used in manufacturing all the three products	3,00,000	54,000
(f)	Raw Material used for manufacturing 'Alpha' purchased on 5th October	1,50,000	27,000
(g)	Raw Material used for manufacturing 'Beta' purchased on 10th October	2,00,000	36,000
(h)	Raw Material used for manufacturing 'Gama' purchased on 15th October	1,00,000	18,000

Compute the following:

- (i) Amount of ITC credited to Electronic Credit Ledger, for the month of October
- (ii) Amount of aggregate value of common credit (Tc)
- (iii) Common credit attributable to exempt supplies, for the month of October
- (iv) GST liability of the company payable through Electronic Cash Ledger, for the month of October

Note: Assume that all the procurements made by the company are from States other than Uttar Pradesh. Similarly, the company sells all its products in States other than Uttar Pradesh. Rate of IGST is 18%. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Ignore interest, if any and make suitable assumptions wherever required.

Answer:

S. No.	Particulars	ITC (Rs.)
(i)	Amount of ITC credited to Electronic Credit Ledger, for the month of October	
	Machinery 'U' - 'A' [Note 1]	36,000
	Machinery 'V' [Note 2]	18,000
	Machinery 'W' [Note 3]	-
	Machinery 'Y' [Note 4]	-

Machinery 'Z' [Note 5]	-
Raw Material used for manufacturing 'Alpha' [Note 6]	27,000
Raw Material used for manufacturing 'Beta' [Note 6]	-
Raw Material used for manufacturing 'Gama' [Note 6]	18,000
Amount of ITC credited to Electronic Credit Ledger, for the month of October	99,000
(ii) Aggregate value of common credit (Tc) – Note 7	
Value of 'A' for Machinery 'U' purchased on 1st October	36,000
Value of 'A' for Machinery 'Z' purchased on 1st October 2 years ago for effecting both taxable and exempt supplies	54,000
Input tax claimed on Machinery 'Y' purchased on 1st October 4 years ago for effecting taxable supplies but used for effecting both taxable and exempt supplies from 1st October in the current year [Note 8]	72,000
Aggregate value of common credit (Tc)	1,62,000
(iii) Common credit attributable to exempt supplies, for the month of October	
Common credit for the month of October (Tm) [Note 9]	2,700
Common credit attributable to exempt supplies, for the month of October (Te) – Note 10	1,080
(iv) Computation of GST liability of the company for October payable through Electronic Cash Ledger	
IGST payable on 'Alpha' [Rs. 9,00,000 x 18%]	1,62,000
IGST payable on 'Beta' [Exempt]	Nil
IGST payable on 'Gama' [Rs. 6,00,000 x 18%]	1,08,000
Total IGST payable on outward supply	2,70,000
Less: ITC available in the Electronic Credit Ledger (99000-1080)	97,920
IGST payable from Electronic Cash Ledger	1,72,080

Notes:

- (1) ITC in respect of capital goods used commonly for effecting taxable supplies and exempt supplies denoted as 'A' shall be credited to the electronic credit ledger [Rule 43(1)(c)].
- (2) ITC in respect of capital goods used or intended to be used exclusively for effecting supplies other than exempted supplies but including zero rated supplies shall be credited to the electronic credit ledger [Rule 43(1)(b)].
- (3) ITC in respect of capital goods used or intended to be used exclusively for effecting exempt supplies shall not be credited to electronic credit ledger [Rule 43(1)(a)].
- (4) Machinery 'Y' is being used for effecting both taxable and exempt supplies from 1st October. Prior to that it was exclusively used for effecting taxable supplies. Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.
- (5) Machinery 'Z' is being used for effecting both taxable and exempt supplies from 1st October two years ago.

Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.

- (6) ITC in respect of inputs used for effecting taxable supplies will be credited in Electronic Credit Ledger. ITC in respect of inputs used for effecting exempt supplies will not be credited in the electronic credit ledger [Rule 42].
- (7) The aggregate of the amounts of 'A' credited to the electronic credit ledger in respect of common capital goods whose useful life remains during the tax period, to be denoted as 'Tc', shall be the common credit in respect of such capital goods [Rule 43(1)(d)].
- (8) Where any capital goods which were used exclusively for effecting taxable supplies are subsequently also used for effecting exempt supplies, the ITC claimed in respect of such capital goods shall be added to arrive at the aggregate value of common credit 'Tc' [Proviso to rule 43(1)(d)].
- (9) ITC attributable to a month on common capital goods during their useful life (Tm) shall be computed in accordance with rule 43(1)(e) as under:

$$= Tc \div 60$$

$$= Rs. 1,62,000 \div 60$$

$$= Rs. 2,700$$

The useful life of any capital goods shall be considered as five years from the date of invoice and the said formula shall be applicable during the useful life of the said capital goods

- (10) The amount of common credit attributable towards exempted supplies, be denoted as 'Te', and shall be calculated as:

$$Te = (E \div F) \times \text{Sum of } Tms \text{ where,}$$

'E' is the aggregate value of exempt supplies, made, during the tax period, and

'F' is the total turnover in the State of the registered person during the tax period [Rule 43(1)(g)].

$$= Tm \times \text{Turnover of exempt supplies during the month of October} / \text{Total turnover of XYZ Pvt. Ltd. during the month of October}$$

$$= Rs. 2,700 \times 10,00,000 / 25,00,000 = Rs. 1,080$$

- (11) Common credit attributable to the exempt supplies (Te) along with the applicable interest (which is to be ignored in this case) shall, during every tax period of the useful life of the concerned capital goods, be reduced from the Credit Ledger of the person for the tax period [Rule 43(1)(h)].

Concept: Apportionment of Credit

24. 'All-in-One Store' is a retail chain of departmental store having presence in almost all metro cities across India. Both exempted as well as taxable goods are sold in such Stores. The Stores operate in rented properties. All-in-One Stores pay GST under regular scheme.

In Mumbai, the Store operates in a rented complex, a part of which is used by the owner of the Store for personal residential purpose. All-in-One Store, Mumbai furnishes following details for a month:

(i) Aggregate value of various items sold in the Store: Taxable items – Rs. 42,00,000

Items exempted vide a notification – Rs. 12,00,000 Items not leviable to GST – Rs. 3,00,000

(ii) Mumbai Store transfers to another All-in-One Store located in Goa certain taxable items for the purpose of distributing the same as free samples. The value declared in the invoice for such items is Rs. 5,00,000. Such items are

sold in the Mumbai Store at Rs. 8,00,000.

(iii) Aggregate value of various items procured for being sold in the Store:

Taxable items – Rs. 55,00,000

Items exempted vide a notification – Rs. 15,00,000 Items not leviable to GST – Rs. 5,00,000

(iv) Freight paid to goods transport agency (GTA) for inward transportation of taxable items – Rs. 1,00,000

(v) Freight paid to GTA for inward transportation of exempted items – Rs. 80,000

(vi) Freight paid to GTA for inward transportation of non-taxable items – Rs. 20,000

(vii) Monthly rent payable for the complex – Rs. 5,50,000 (one third of total space available is used for personal residential purpose).

(viii) Activity of packing the items and putting the label of the Store along with the sale price has been outsourced. Amount paid for packing of all the items – Rs. 2,50,000

(ix) Salary paid to the regular staff at the Store – Rs. 2,00,000

(x) GST paid on inputs used for personal purpose – Rs. 5,000

(xi) GST paid on renting of car services availed for transportation of employees, which is not obligatory under any law – Rs. 4,000

(xii) GST paid on items given as free samples – Rs. 4,000

Given the above available facts, you are required to compute the following:

- A. Input tax credit (ITC) credited to the Electronic Credit Ledger
- B. Common Credit
- C. ITC attributable towards exempt supplies out of common credit
- D. Eligible ITC out of common credit
- E. Net GST payable from Electronic Cash Ledger for the month

Note:

1. Wherever applicable, GST under reverse charge is payable @ 5% by All-in-One Stores. Rate of GST in all other cases is 18% (Ignore CGST, SGST or IGST for the sake of simplicity). GTA has not opted to pay taxes under FCM.
2. All the purchases are made from registered suppliers.
3. Wherever applicable, the amounts given are exclusive of taxes.
4. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. (RTP NOV 2018)

Answer:

A. Computation of ITC credited to Electronic Credit Ledger

As per rule 42, the ITC in respect of inputs or input services being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies and partly for effecting exempt supplies, shall be attributed to the purposes of business or for effecting taxable supplies.

ITC credited to the electronic credit ledger of registered person ['C1'] is calculated as under- $C1 = T - (T1+T2+T3)$

Where,

T	=	Total input tax involved on inputs and input services in a tax period.
T1	=	Input tax attributable to inputs and input services intended to be used exclusively for non-business Purposes
T2	=	Input tax attributable to inputs and input services intended to be used exclusively for effecting exempt Supplies
T3	=	Input tax in respect of inputs and input services on which credit is blocked under section 17(5)

Computation of total input tax involved [T]

Particulars	(Rs.)
GST paid on taxable items [Rs. 55,00,000 x 18%]	9,90,000
Items exempted vide a notification [Since exempted, no GST is paid]	Nil
Items not leviable to tax [Since non-taxable, no GST is paid]	Nil
GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items - [Rs. 1,00,000 x 5%]	5,000
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items - [Rs. 80,000 x 5%]	4,000
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items - [Rs. 20,000 x 5%]	1,000
GST paid on monthly rent - [Rs. 5,50,000 x 18%]	99,000
ST paid on packing charges [Rs. 2,50,000 x 18%]	45,000
Salary paid to staff at the Store [Services by an employee to the employer in the course of or in relation to his employment is not a supply in terms of para 1 of the Schedule III and hence, no GST is payable thereon].	Nil
GST paid on inputs used for personal purpose	5,000
GST paid on rent a cab services availed for business purpose	4,000
GST paid on items given as free samples	4,000
Total input tax involved during the month [T]	11,57,000

Computation of T1, T2, T3

Particulars	(Rs.)
GST paid on monthly rent attributable to personal purposes [1/3 of Rs. 99,000]	33,000
GST paid on inputs used for personal purpose	5,000
Input tax exclusively attributable to non-business purposes [T1]	38,000

GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items [As per sec 2(47), exempt supply means, inter alia, supply which may be wholly exempt from tax by way of a notification issued under section 11. Hence, input service of inward transportation of exempt items is exclusively used for effecting exempt supplies.]	4,000
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items [Exempt supply includes non-taxable supply in terms of section 2(47). Hence, input service of inward transportation of non-taxable items is exclusively used for effecting exempt supplies.]	1,000
Input tax exclusively attributable to exempt supplies [T2]	5,000
GST paid on rent a cab services availed for business purpose [ITC on rent a cab service is blocked under section 17(5)(b)(i) as the same is not used by All-in-One Store for providing the rent a cab service or as part of a taxable composite or mixed supply.]	4,000
GST paid on items given as free samples [ITC on goods inter alia, disposed of by way of free samples is blocked under section 17(5)(h)].	4,000
Input tax for which credit is blocked under section 17(5) [T3] **	8,000

**Since GST paid on inputs used for personal purposes has been considered while computing T1, the same has not been considered again in computing T3.

ITC credited to the electronic credit ledger

$$C1 = T - (T1+T2+T3)$$

$$= \text{Rs. } 11,57,000 - (\text{Rs. } 38,000 + \text{Rs. } 5,000 + \text{Rs. } 8,000) = \text{Rs. } 11,06,000$$

B. Computation of Common Credit

$$C2 = C1 - T4$$

where C2 = Common Credit

T4 = Input tax credit attributable to inputs and input services intended to be used exclusively for effecting taxable supplies

Computation of T4,

Particulars	(Rs.)
GST paid on taxable items	9,90,000
GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items	5,000
Input tax exclusively attributable to taxable supplies [T4]	9,95,000

$$\text{Common Credit } C2 = C1 - T4$$

$$= \text{Rs. } 11,06,000 - \text{Rs. } 9,95,000$$

$$= \text{Rs. } 1,11,000$$

C. Computation of ITC attributable towards exempt supplies out of common credit

ITC attributable towards exempt supplies is denoted as 'D1' and calculated as-

$$D1 = (E \div F) \times C2$$

where,

'E' is the aggregate value of exempt supplies during the tax period, and 'F' is the total turnover in the State of the registered person during the tax period

Aggregate value of exempt supplies during the month

$$= \text{Rs. } 15,00,000 \text{ (Rs. } 12,00,000 + \text{Rs. } 3,00,000)$$

Total turnover in the State during the tax period

$$= \text{Rs. } 65,00,000 \text{ (Rs. } 42,00,000 + \text{Rs. } 12,00,000 + \text{Rs. } 3,00,000 + \text{Rs. } 8,00,000)$$

Note: Transfer of items to Store located in Goa is inter-State supply in terms of section 7 of the IGST Act, 2017 and hence includible in the total turnover. Such supply is to be valued as per rule 28. However, the value declared in the invoice cannot be adopted as the value since the recipient Store at Goa is not entitled for full credit because the goods are to be distributed as free samples, ITC on which is blocked. Therefore, open market value of such goods, which is the value of such goods sold in Mumbai Store, is taken as the value of items transferred to Goa Store. $D1 = (15,00,000 \div 65,00,000) \times 1,11,000 = \text{Rs. } 25,615$ (rounded off)

D. Computation of Eligible ITC out of common credit Eligible ITC attributed for effecting taxable supplies is denoted as 'C3',

where- $C3 = C2 - D1$

$$= \text{Rs. } 1,11,000 - \text{Rs. } 25,615$$

$$= \text{Rs. } 85,385$$

E. Computation of Net GST liability for the month

Particulars	GST (Rs.)
GST liability under forward charge	
Taxable items sold in the store [Rs. 42,00,000 x 18%]	7,56,000
Taxable items transferred to Goa Store [Rs. 8,00,000 x 18%]	1,44,000
Total output tax liability under forward charge	9,00,000
Less: ITC credited to the electronic ledger	10,80,385
ITC carried forward to the next month	(1,80,385)
Net GST payable [A]	Nil
GST liability under reverse charge	
Freight paid to GTA for inward transportation of taxable items [Rs. 1,00,000 x 5%]	5,000
Freight paid to GTA for inward transportation of exempted items [Rs. 80,000 x 5%]	4,000
Freight paid to GTA for inward transportation of non-taxable items [Rs. 20,000 x 5%]	1,000

Total tax liability under reverse charge [B]	10,000
Net GST liability to be paid in cash [A] + [B] As per section 49(4), amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82). Therefore, tax payable under reverse charge cannot be set off against the ITC and thus, will have to be paid in cash.	10,000

Note: While computing net GST liability, ITC credited to the electronic ledger can alternatively be computed as follows:

Particulars	(Rs.)
GST paid on taxable items [Rs. 55,00,000 x 18%]	9,90,000
Items exempted vide a notification [Since exempted, no GST is paid]	Nil
Items not leviable to tax [Since non-taxable, no GST is paid]	Nil
GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items [Rs. 1,00,000 x 5%]	5,000
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items [Rs. 80,000 x 5%] [As per section 2(47), exempt supply means, inter alia, supply which may be wholly exempt from tax by way of a notification issued under section 11. Hence, input service of inward transportation of exempt items is exclusively used for effecting exempt supplies. Input tax exclusively attributable to exempt supplies is to be excluded]	Nil
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items [Rs. 20,000 x 5%] [Exempt supply includes non-taxable supply in terms of section 2(47). Hence, input service of inward transportation of non-taxable items is exclusively used for effecting exempt supplies. Input tax exclusively attributable to exempt supplies is to be excluded]	Nil
GST paid on monthly rent - for business purposes [(Rs. 5,50,000 x 18%) - 1/3 of [(Rs. 5,50,000 x 18%)]]	66,000
GST paid on packing charges [Rs. 2,50,000 x 18%]	45,000
Salary paid to staff at the Store [Services by an employee to the employer in the course of or in relation to his employment is not a supply in terms of para 1 of the Schedule III to CGST Act and hence, no GST is payable thereon]	Nil
GST paid on inputs used for personal purpose [ITC on goods or services or both used for personal consumption is blocked under section 17(5)(g)]	Nil
GST paid on rent a cab services availed for business purpose [ITC on rent a cab service is blocked under section 17(5)(b)(i) as the same is not used by All-in-One Store for	Nil

providing the rent a cab service or as part of a taxable composite or mixed supply.]	
GST paid on items given as free samples	Nil
[ITC on goods inter alia, disposed of by way of free samples is blocked under section 17(5)(h)]	
Total ITC credited to the electronic ledger	11,06,000
Less: ITC reversal [ITC of common credit, attributable to exempt supplies]	(25,615)
Net ITC available for credit	10,80,385

Concept: Apportionment of Credit

25. Vansh Shoppe is a registered supplier of both taxable and exempted goods, registered under GST in the State of Rajasthan.

Vansh Shoppe has furnished the following details for a month:

(Rs.)	
(1) Details of sales:	
Supply of taxable goods	50,00,000
Supply of goods not leviable to GST	10,00,000
(2) Details of goods purchased for being sold in the shop:	
Taxable goods	45,00,000
Goods not leviable to GST	4,00,000
Details of expenses:	
3) Monthly rent payable for the shop	3,50,000
Telephone expenses paid (Rs. 30,000 for land line phone installed at the shop and Rs. 20,000 towards mobile phone bills of the employees – Mobile phones are given to employees for official use)	50,000
Audit fees paid to a Chartered Accountant (Rs. 35,000 for filing of income tax return & the statutory audit of preceding financial year and Rs. 25,000 for filing of GST return)	60,000
Premium paid on group health insurance policies taken for specified employees of the shop as per company policy.	10,000
Freight paid to goods transport agency (GTA) for inward transportation of goods not leviable to GST	50,000
Freight paid to goods transport agency (GTA) for inward transportation of taxable goods	1,50,000
Goods given as free samples (Not included in Taxable goods)	5,000

All the above amounts are exclusive of all kind of taxes, wherever applicable.

All the purchases and sales made by Vansh Shoppe are within Rajasthan. All the purchases are made from registered suppliers. All the other expenses incurred are also within Rajasthan.

Assume, wherever applicable, for purpose of reverse charge payable by Vansh Shoppe, the CGST, SGST and IGST rates as 2.5%, 2.5% and 5% respectively. CGST, SGST and IGST rates to be 6%, 6% and 12% respectively in all other cases. GTA has not opted to pay GST under FCM.

There is no opening balance in the electronic cash ledger or electronic credit ledger. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

You are required to compute the following:

1. Input Tax Credit (ITC) credited to Electronic Credit Ledger
2. Common credit available for apportionment
3. ITC attributable towards exempt supplies out of common credit
4. Net GST payable from Electronic Cash Ledger for the month

Answer:

(1) Computation of ITC credited to Electronic Credit Ledger

ITC of input tax attributable to inputs and input services intended to be used for business purposes is credited to the electronic credit ledger. Input tax attributable to inputs and input services intended to be used exclusively for non-business purposes, for effecting exclusively exempt supplies and on which credit is blocked under section 17(5) is not credited to electronic credit ledger [Sections 16 and 17].

In the light of the aforementioned provisions, the ITC credited to electronic credit ledger of Vansh Shoppe is calculated as under:

Particulars	Amount (Rs.)	CGST @ 6% (Rs.)	SGST @ 6% (Rs.)
GST paid on taxable goods	45,00,000	2,70,000	2,70,000
Goods not leviable to GST [Since non-taxable, no GST is paid]	4,00,000	Nil	Nil
GST paid on monthly rent for shop	3,50,000	21,000	21,000
GST paid on telephone expenses	50,000	3,000	3,000
GST paid on audit fees	60,000	3,600	3,600
GST paid on premium of group health insurance policies as per company policy [ITC on health insurance service is allowed only if it is obligatory for employers to provide such services to its employees under any law for the time being in force- Proviso to section 17(5)(b)].	10,000	Nil	Nil
Goods given as free samples [ITC on goods disposed of by way of free samples is blocked under section 17(5)(h)]	5,000	Nil	Nil

Particulars	Amount (Rs.)	CGST @ 2.5% (Rs.)	SGST @ 2.5% (Rs.)
Freight paid to GTA for inward transportation of non- taxable goods under reverse charge [Since definition of exempt supply under section 2(47)]	50,000	Nil	Nil

specifically includes non-taxable supply, the input service of inward transportation of non-taxable goods is being exclusively used for effecting exempt supplies.]			
Freight paid to GTA for inward transportation of taxable goods under reverse charge	1,50,000	3,750	3,750
ITC credited to the electronic ledger		3,01,350	3,01,350
Less: ITC reversal [ITC out of common credit, attributable to exempt supplies](Refer point no. 2 & 3 below)		(4,600)	(4,600)
Net ITC available		2,96,750	2,96,750

(2) Computation of common credit available for apportionment

Common Credit = ITC credited to Electronic Credit Ledger - ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies [Section 17 read with rule 42].

Particulars	CGST (Rs.)	SGST (Rs.)
ITC credited to Electronic Credit Ledger	3,01,350	3,01,350
Less : ITC on taxable goods	2,70,000	2,70,000
Less: ITC on freight paid to GTA for inward transportation of taxable goods	3,750	3,750
Common credit	27,600	27,600

(3) Computation of ITC attributable towards exempt supplies out of common credit

ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period/ Total turnover during the tax period)[Section 17 read with rule 42].

Particulars	CGST (Rs.)	SGST (Rs.)
ITC attributable towards exempt supplies [Rs. 27,600 x (Rs 10,00,000/Rs 60,00,000)]	4,600	4,600

(4) Computation of net GST liability for the month

Particulars	CGST (Rs.)	SGST (Rs.)
GST liability under forward charge		
Supply of taxable goods [Rs. 50,00,000 x 6%]	3,00,000	3,00,000
Total output tax liability under forward charge	3,00,000	3,00,000
Less: ITC credited to the electronic credit ledger	2,96,750	2,96,750
Net GST payable [A]	3,250	3,250
GST liability under reverse charge		

Freight paid to GTA for inward transportation of taxable goods [Rs. 1,50,000 x 2.5%]	3,750	3,750
Freight paid to GTA for inward transportation of non-taxable goods [Rs. 50,000 x 2.5%]	1,250	1,250
Total tax liability under reverse charge [B]	5,000	5,000
Net GST Liability [A] + [B]	8,250	8,250

Note: Amount available in the electronic credit ledger may be used for making payment towards output tax [Section 49]. However, tax payable under reverse charge is not an output tax in terms of definition of output tax provided under section 2(82). Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

Concept: Apportionment of Credit

26. Mr. Rajesh Surana has a proprietorship firm in the name of Surana & Sons in Jaipur. The firm, registered under GST in the State of Rajasthan, manufactures three taxable products 'M', 'N' and 'O'. Tax on 'N' is payable under reverse charge. The firm also provides taxable consultancy services.

The firm has provided the following details for a tax period:

Particulars	(Rs.)
Turnover of 'M' (excluding export sales)	14,00,000
Turnover of 'N'	6,00,000
Turnover of 'O' (excluding export sales)	10,00,000
Export of 'M' with payment of IGST (not eligible to avail benefit of merchant exports under Notification No. 41/2017)	2,50,000
Export of 'O' under letter of undertaking	10,00,000
Consultancy services provided to unrelated clients located in foreign countries. In all cases, the consideration has been received in convertible foreign exchange	20,00,000
Sale of building (excluding stamp duty of Rs. 2.50 lakh, being 2% of value) [Entire consideration is received post issuance of completion certificate; building was occupied thereafter]	1,20,00,000
Interest received on investment in fixed deposits with a bank	4,00,000
Sale of shares (Purchase price Rs. 2,40,00,000/-)	2,50,00,000
Legal services received from an advocate in relation to product 'M'	3,50,000
Common inputs and input services used for supply of goods and services mentioned above [Inputs - Rs. 35,00,000; Input services - Rs. 15,00,000]	50,00,000

With the help of the above-mentioned information, compute the net GST liability of Surana & Sons, payable from Electronic Credit Ledger and/or Electronic Cash Ledger, as the case may be, for the tax period.

Note: Assume that rate of GST on goods and services are 12% and 18% respectively (Ignore CGST, SGST or IGST for the sake of simplicity). Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Turnover of Surana & Sons was Rs. 85,00,000 in the previous financial year. (MTP MAY 2019)

Answer:

Computation of net GST liability of Surana & Sons for the tax period

Particulars	(Rs.)
GST payable on outward supply [Refer Working Note 1]	3,18,000
Less: Input tax credit (ITC) [Refer Working Note 3]	2,78,180
GST payable from Electronic Cash Ledger [A]	39,820
Add: GST payable on legal services under reverse charge [Rs. 3,50,000 × 18%] [B] [Tax on legal services provided by an advocate to a business entity, is payable under reverse charge by the business entity in terms of Notification No. 13/2017 CT (R) dated 28.06.2017. Further, such services are not eligible for exemption provided under Notification No. 12/2017 CT (R) dated 28.06.2017 as the turnover of the business entity (Surana & Sons) in the preceding financial year exceeds Rs. 20 lakh.]	63,000
Total GST paid from Electronic Cash Ledger [A] + [B] [As per section 49(4) amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82). Therefore, input tax credit cannot be used to pay tax payable under reverse charge and thus, tax payable under reverse charge will have to be paid in cash.]	1,02,820

Working Note 1:
Computation of GST Payable on outward supply

Particulars	Value (Rs.)	GST (Rs.)
Turnover of 'M' [liable to GST @ 12%]	14,00,000	1,68,000
Turnover of 'N' [Tax on 'N' is payable under reverse charge by the recipient of such goods]	6,00,000	Nil
Turnover of 'O' [liable to GST @ 12%]	10,00,000	1,20,000
Export of 'M' with payment of IGST @ 12%	2,50,000	30,000
Export of 'O' under letter of undertaking (LUT) [Export of goods is a zero rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero rated supply can be supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]	10,00,000	Nil
Consultancy services provided to independent clients located in foreign countries. [The activity is an export of service in terms of section 2(6) of the IGST Act, 2017 as- <ul style="list-style-type: none"> the supplier of service is located in India; the recipient of service is located outside India; place of supply of service is outside India (in terms of section 13(2) of the IGST Act, 2017); payment for the service has been received in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and 	20,00,000	Nil

<ul style="list-style-type: none"> supplier of service and recipient of service are not merely establishments of distinct person. <p>[Export of services is a zero rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero rated supply can be supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]</p> <p>It is assumed that export has been made under LUT</p>		
<p>Sale of building</p> <p>[Sale of building is neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, provided the entire consideration has been received after issue of completion certificate by the competent authority or after its occupation, whichever is earlier. Hence, the same is not liable to GST]</p>	1,20,00,000	Nil
<p>Interest received on investment in fixed deposits with a bank [Exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017]</p>	4,00,000	Nil
<p>Sale of shares</p> <p>[Shares are neither goods nor services in terms of section 2(52) and 2(102). Hence, sale of shares is neither a supply of goods nor a supply of services and hence, is not liable to any tax.]</p>	2,50,00,000	Nil
<p>Total GST payable on outward supply</p>		3,18,000

Working Note 2

Computation of common credit attributable to exempt supplies during the tax period

Particulars	(Rs.)
Common credit on inputs and input services [Tax on inputs – Rs. 4,20,000 (Rs. 35,00,000 x 12%) + Tax on input services – Rs. 2,70,000 (Rs. 15,00,000 x 18%)]	6,90,000
Common credit attributable to exempt supplies (rounded off) = Common credit on inputs and input services x (Exempt turnover during the period / Total turnover during the period) = Rs. 6,90,000 x Rs. 1,33,50,000 / Rs. 1,94,00,000 Exempt turnover = Rs. 1,33,50,000 and total turnover = Rs.1,94,00,000 [Refer note below]	4,74,820

Note:

As per section 17(3), value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building. As per explanation to Chapter V of the CGST Rules, the value of exempt supply in respect of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security.

Further, as per explanation to rule 42, the aggregate value of exempt supplies inter alia excludes the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances.

Therefore, value of exempt supply in the given case will be the sum of value of output supply on which tax is payable under reverse charge (Rs. 6,00,000), value of sale of building (Rs. 2,50,000 / 2 x 100

= Rs. 1,25,00,000) and value of sale of shares (1% of Rs. 2,50,00,000

= Rs. 2,50,000), which comes out to be Rs. 1,33,50,000.

Total turnover = Rs. 1,94,00,000 (Rs. 14,00,000 + Rs. 6,00,000 + Rs. 10,00,000 + Rs. 2,50,000 + Rs. 10,00,000 + Rs. 20,00,000 + Rs. 1,25,00,000 + Rs. 4,00,000 + Rs. 2,50,000)

Working Note 3

Computation of ITC available in the Electronic Credit Ledger of the Surana & Sons for the tax period

Particulars	(Rs.)
Common credit on inputs and input services	6,90,000
Legal services used in the manufacture of taxable product 'M'	63,000
ITC available in the Electronic Credit Ledger	7,53,000
Less: Common credit attributable to exempt supplies during the tax period [Refer Working Note 2]	4,74,820
Net ITC available	2,78,180

Concept: Net GST Computation

27. M/s XYZ, a registered supplier, supplies the following goods and services for construction of buildings and complexes -

- excavators for required period at a per hour rate
- manpower for operation of the excavators at a per day rate
- soil-testing and seismic evaluation at a per sample rate.

The excavators are invariably hired out along with operators. Similarly, excavator operators are supplied only when the excavator is hired out.

M/s XYZ receives the following services:

- Maintenance services for excavators;
- Health insurance for operators of the excavators;
- Scientific and technical consultancy for soil testing and seismic evaluation.

For a given month, the receipts (exclusive of GST) of M/s XYZ are as follows:

- Hire charges for excavators - Rs. 18,00,000
- Service charges for supply of manpower for operation of the excavator - Rs. 20,000
- Service charges for soil testing and seismic evaluation at three sites - Rs. 2,50,000

The GST paid during the said month on services received by M/s XYZ is as follows:

- Maintenance for excavators – Rs. 1,00,000
- Health insurance for excavator operators – Rs. 11,000
- Scientific and technical consultancy for soil testing and seismic evaluation – Rs. 1,00,000

Compute the net GST payable by M/s XYZ from Electronic Cash Ledger for the given month. Assume the rates of GST to be as under:

Hiring out of excavators – 12%

Supply of manpower services and soil-testing and seismic evaluation services – 18%

(Ignore CGST, SGST or IGST for the sake of simplicity).

Answer:

Computation of net GST payable by M/s XYZ

Particulars	GST payable (Rs.)
Gross GST liability [Refer Working Note 1 below]	2,63,400
Less: ITC [Refer Working Note 2 below]	2,00,000
Net GST payable from Electronic Cash Ledger	63,400

Working Notes

1. Computation of gross GST liability

Particulars	Value received (Rs.)	Rate of GST	GST payable (Rs.)
Hiring charges for excavators	18,00,000	12%	2,16,000
Service charges for supply of manpower for operation of excavators [Refer Note 1]	20,000	12%	2,400
Service charges for soil testing and seismic evaluation [Refer Note 2]	2,50,000	18%	45,000
Gross GST liability			2,63,400

Notes:

- (i) Since the excavators are invariably hired out along with operators and excavator operators are supplied only when the excavator is hired out, it is a case of composite supply under section 2(30) wherein the principal supply is the hiring out of the excavator.
- (ii) As per section 8(a), the composite supply is treated as the supply of the principal supply. Therefore, the supply of manpower for operation of the excavators will also be taxed at the rate applicable for hiring out of the excavator (principal supply), which is 12%.
- (iii) Soil testing and seismic evaluation services being independent of the hiring out of excavator will be taxed at the rate applicable to them, which is 18%.

2. Computation of ITC available for set off

Particulars	GST paid (Rs.)	ITC available (Rs.)
Maintenance services for excavators [Refer Note 1]	1,00,000	1,00,000
Health insurance for excavator operators [Refer Note 2]	11,000	-
Scientific and technical consultancy [Refer Note 1]	1,00,000	1,00,000
Total ITC available		2,00,000

Notes:

(i) Section 17(5)(d) blocks credit on goods/ or services received by a taxable person for construction of an immovable property on his own account. Here, though the excavators are used for building projects, the same are not used by M/s. XYZ on its own account for construction of immovable property instead they are used for outward taxable supply of hiring out of machinery. Further, excavators are special purpose vehicles whose credit is not restricted under section 17(5)(a), therefore, ITC on maintenance service for excavators shall be allowed.

Therefore, the maintenance service for the excavators does not get covered by the bar under section 17 and the credit thereon will be available. The same applies for scientific & technical consultancy for construction projects because in this case also, the service is used for providing the outward taxable supply of soil testing and seismic evaluation service and not for construction of immovable property.

(ii) Section 17(5)(b)(i) allows input tax credit on health insurance only where an inward supply of such services is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply or where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

In the given case, it is assumed that it is not obligatory for employer to provide health insurance to its employees under any law for the time being in force, therefore the credit thereon will not be allowed.

Note: - Opening balance of ITC of GST is NIL.

Concept: Net GST Computation

28. V-Supply Pvt. Ltd. is a registered manufacturer of auto parts in Kolkata, West Bengal. The company has a manufacturing facility registered under Factories Act, 1948 in Kolkata. It procures its inputs indigenously from both registered and unregistered suppliers located within as well as outside West Bengal as also imports some raw material from China.

The company reports the following details for a tax period:

Payments	(Rs.) (in lakh)	Receipts	(Rs.) (in lakh)
Raw material	3.5	Sales	15
Consumables	1.25		
Transportation charges for bringing the raw material to factory	0.70		
Salary paid to employees on rolls	5.0		

Premium paid on group life insurance policies taken for specified employees	1.60		
Audit fee	0.50		
Telephone expenses	0.30		
Bank charges	0.10		

All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by the company.

Further, following additional details are furnished by the company in respect of the payments and receipts reported by it:

- (i) Raw material amounting to Rs. 0.80 lakh is procured from Bihar and Rs. 1.5 lakh is imported from China. Basic customs duty of Rs. 0.15 lakh, social welfare surcharge of Rs. 0.015 lakh and integrated tax of Rs. 0.2997 lakh are paid on the imported raw material.

Remaining raw material is procured from suppliers located in West Bengal. Out of such raw material, raw material worth Rs. 0.30 lakh is procured from unregistered suppliers; the remaining raw material is procured from registered suppliers. Further, raw material worth Rs. 0.05 lakh purchased from registered supplier located in West Bengal has been destroyed due to seepage problem in the factory and thus, could not be used in the manufacturing process.

- (ii) Consumables are procured from registered suppliers located in Kolkata and include diesel worth Rs.0.25 lakh for running the generator in the factory.

- (iii) Transportation charges comprise of Rs. 0.60 lakh paid to Goods Transport Agency (GTA) in Kolkata and Rs. 0.10 lakh paid to horse pulled carts. GST applicable on the services of GTA is 5% and GTA is unregistered.

- (iv) Life insurance policies for specified employees have been taken by the company to fulfill a statutory obligation in this regard. The life insurance service provider is registered in West Bengal.

- (v) Audit fee is paid to M/s Goyal & Co., a firm of Chartered Accountants registered in West Bengal, for the statutory audit of the preceding financial year.

- (vi) Telephone expenses pertain to bills for landline phone installed at the factory and mobile phones given to employees for official use. The telecom service provider is registered in West Bengal.

- (vii) Bank charges are towards company's current account maintained with a Private Sector Bank registered in West Bengal.

- (viii) The breakup of sales is as under: Sales in West Bengal – Rs. 7 lakh

Sales in States other than West Bengal – Rs. 3 lakh Export under LUT – Rs. 5 lakh

- (ix) The opening balance of ITC with the company for the tax period is:

CGST – Rs. 0.15 lakh SGST – Rs. 0.08 lakh IGST – Rs. 0.09 lakh

Compute (i) ITC available with V-Supply Pvt. Ltd. for the tax period; and (ii) Net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by V-Supply Pvt. Ltd. for the tax period.

Note-

(i) CGST, SGST & IGST rates to be 9%, 9% and 18% respectively, wherever applicable.

(ii) The necessary conditions for availing ITC have been complied with by V-Supply Pvt. Ltd., wherever applicable.'

You are required to make suitable assumptions, wherever necessary. (MTP NOV 2018) (MTP MAY 2018)

Answer:

Computation of ITC available with V-Supply Pvt. Ltd. for the tax period

S. No.				ITC
Particulars	CGST*	SGST*	IGST*	Total
	Rs.	Rs.	Rs.	Rs.
1. Opening balance of ITC	15,000	8,000	9,000	32,000
2. Raw Material				
Raw material purchased from Bihar [Refer Note 1(i)]			14,400	14,400
Raw material imported from China [Refer Note 1(ii)]			29,970	29,970
Raw material purchased from unregistered suppliers within West Bengal [Refer Note 1(iii)]	Nil	Nil		Nil
Raw material destroyed due to seepage [Refer Note 1(iv)]	Nil	Nil		Nil
Remaining raw material purchased from West Bengal [Refer Note 1(i)] [Rs. 3.5 - Rs. 1.5 - Rs. 0.80 - Rs. 0.30 - Rs. 0.05] = Rs. 0.85]	7,650	7,650		15,300
Total ITC for raw material	7,650	7,650	44,370	59,670
3. Consumables [Refer Note 2]	9,000	9,000		18,000
4. Transportation charges for bringing the raw material to factory [Refer Note 3]	1,500	1,500		3,000
5. Salary paid to employees on rolls [Refer Note 4]	Nil	Nil	Nil	Nil
6. Premium paid on life insurance policies taken for specified employees [Refer Note 5]	14,400	14,400	-	28,800
7. Audit fee [Refer Note 6]	4,500	4,500	-	9,000
8. Telephone expenses [Refer Note 6]	2,700	2,700		5,400
9. Bank charges [Refer Note 6]	900	900		1,800
Total ITC available for the tax period	55,650	48,650	53,370	1,57,670

Computation of net GST payable

Particulars	CGST* Rs.	SGST* Rs.	IGST* Rs.	Total Rs.
On Intra-state sales in West Bengal		63,000	63,000	1,26,000
On Inter-state sales other than West Bengal			54,000	54,000
On exports under LUT [Note 7]	Nil	Nil	Nil	Nil
Total output tax liability	63,000	63,000	54,000	1,80,000
Less: ITC available for being set off [Note 8 and Note 9]	(55,650)	(48,650)	(53,370)	(1,57,670)
Net GST payable from Electronic Cash Ledger [A]	7,350	14,350	630	22,330
GST payable on inward supply of GTA services under reverse charge through Electronic Cash Ledger [Note 3 and 10] [B]		1,500	1,500	3,000
Net GST payable through Electronic Cash Ledger [A] + [B]	8,850	15,850	630	25,330

Notes:

- (i) Credit of input tax (CGST & SGST/ IGST) paid on raw materials used in the course or furtherance of business is available in terms of section 16(1).

(ii) IGST paid on imported goods qualifies as input tax in terms of section 2(62)(a). Therefore, credit of IGST paid on imported raw materials used in the course or furtherance of business is available in terms of section 16(1).

(iii) Tax on intra-State procurements made by a registered person from an unregistered supplier is levied only on notified categories of goods and services. [Section 9(4)].

(iv) ITC is not available on destroyed inputs in terms of section 17(5)(h).
- Consumables, being inputs used in the course or furtherance of business, input tax credit is available on the same in terms of section 16(1). However, levy of CGST on diesel has been deferred till such date as may be notified by the Government on recommendations of the GST Council [Section 9(2)]. Hence, there being no levy of GST on diesel, there cannot be any ITC.
- In respect of intra-State road transportation of goods undertaken by a GTA, who has not opted for Forward charge, for any person registered under the GST law, CGST is payable under reverse charge by the recipient of service. The person who pays or is liable to pay freight for the transportation of goods is treated as the person who receives the service [Notification No. 13/2017 CT (R) dated 28.06.2017]. Thus, V-Supply Pvt. Ltd. will pay GST under reverse charge on transportation service received from GTA.

Further, tax payable under section 9(3) of the CGST/SGST Act qualifies as input tax in terms of clauses (b) and (d) of section 2(62). Thus, input tax paid under reverse charge on GTA service will be available as ITC in terms of section 16(1) as the said service is used in course or furtherance of business.

Furthermore, intra-State services by way of transportation of goods by road except the services of a GTA and a courier agency are exempt from CGST vide Notification No. 12/2017 CT (R) dated 28.06.2017. Therefore, since no GST is paid on such services, there cannot be any ITC on such services.
- Services by employees to employer in the course of or in relation to his employment is not a supply in terms of section 7 read

with para 1 of Schedule III to the CGST Act. Therefore, since no GST is paid on such services, there cannot be any ITC on such services

- 5) ITC on supply of life insurance service is not blocked if it is obligatory for an employer to provide such service to its employees under any law for the time being in force. [Proviso to section 17(5)(b)]. Therefore, GST paid on premium for life insurance policies will be available as ITC in terms of section 16(1) as the said service is used in the course or furtherance of business.
- 6) Audit fee, telephone expenses and bank charges are all services used in the course or furtherance of business and thus, credit of input tax paid on such service will be available in terms of section 16(1).
- 7) Export of goods is a zero rated supply in terms of section 16(1)(a) of the IGST Act. A zero rated supply under LUT is made without payment of integrated tax [Section 16(3)(a) of the IGST Act].
- 8) Since export of goods is a zero rated supply, there will be no apportionment of ITC and full credit will be available [Section 16 of the IGST Act read with section 17(2) of the CGST Act].
- 9) As per section 49(5) read with rule 88A, ITC of-
 - (i) IGST is utilised towards payment of IGST first and then CGST and SGST in any proportion and in any order.
 - (ii) CGST is utilised towards payment of CGST and IGST in that order. ITC of CGST shall be utilized only after ITC of IGST has been utilised fully.
 - (iii) SGST is utilised towards payment of SGST and IGST in that order. ITC of SGST shall be utilized only after ITC of IGST has been utilised fully.
- 10) Section 49(4) lays down that the amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82). Therefore, tax payable under reverse charge cannot be set off against the ITC and thus, will have to be paid in cash
- 11) CGST and SGST are chargeable on intra-State inward and outward supplies and IGST is chargeable on inter-State inward and outward supplies.

Concept: Net GST Computation

29. ABC Company Ltd. of Bengaluru is a manufacturer and registered supplier of machineries. It has provided the following details for a tax period:

Inward supplies	GST paid (Rs.)
Group Health insurance of factory employees as required by the Factories Act, 1948	20,000
Raw materials for which invoice has been received and GST has also been paid for full amount but only 50% of material has been received, remaining 50% will be received in next month	18,000
Work contractor's service used for installation of plant and machinery	12,000
Purchase of manufacturing machine sent directly to job worker's premises under delivery Challan	50,000
Purchase of car used by director exclusively for the purpose of business meetings	25,000
Outdoor catering service availed for business meetings	8,000

ABC Company Ltd. also provides service of hiring of machines along with manpower for operation. As per trade practice, machines are always hired out along with operators and also operators are supplied only when machines are hired out.

Outward supply (exclusive of GST) for the tax period are as follows:

Particulars	Value (Rs.)
Hiring receipts for machine	5,25,000
Service charges for supply of manpower operators	2,35,000

Assume the rates of GST to be as under:

- (i) Service of hiring of machine 12%
- (ii) Supply of manpower operator service 18% (Ignore CGST, SGST or IGST for the sake of simplicity)

Compute the amount of ITC available as also the net GST payable from the Electronic Cash Ledger for the tax period by giving necessary explanations for treatment of various items.

Note: Opening balance of ITC is Nil. (PAST EXAM MAY 2018) (MTP NOV 2020)

Answer:

Computation of net GST payable by ABC Company Ltd.

Particulars	GST payable (Rs.)
Gross GST liability [Refer working note (2) below]	91,200
Less: Input tax credit [Refer working note (1) below]	82,000
Net GST payable from Electronic Cash Ledger	9,200

Working Notes:

1. Computation of ITC available with ABC Company Ltd.

Particulars	GST (Rs.)
Health insurance of factory employees [Note - 1]	20,000
Raw material received in factory [Note - 2]	Nil
Work's contractor's service used for installation of plant and machinery [Note -3]	12,000
Manufacturing machinery directly sent to job worker's premises under challan [Note -4]	50,000
Purchase of car used by director for business meetings only [Note -5]	Nil
Outdoor catering service availed for business meetings [Note -6]	Nil
Total ITC available	82,000

Notes:

- 1) ITC of health insurance is available in the given case in terms of proviso to section 17(5)(b) since it is obligatory for employer to provide health insurance to its employees under the Factories Act, 1948. -
- 2) Where the goods against an invoice are received in lots/ instalments, ITC is allowed upon receipt of the last lot/ instalment vide

first proviso to section 16(2). Therefore, ABC Company Ltd. will be entitled to ITC of raw materials on receipt of second instalment in next month.

- 3) Section 17(5)(c) provides that ITC on works contract services is blocked when supplied for construction of immovable property (other than plant and machinery) except when the same is used for further supply of works contract service.

Though in this case, the works contract service is not used for supply of works contract service, ITC thereon will be allowed since such services are being used for installation of plant and machinery.

- 4) ITC on capital goods directly sent to job worker's premises under challan is allowed in terms of section 19(5) read with rule 45(1).
- 5) Section 17(5)(a) provides that motor vehicle for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for making taxable supply of-
- (i) further supply of such vehicles,
 - (ii) transportation of passengers,
 - (iii) imparting training on driving, flying, navigating such vehicles and Since ABC Company Ltd is a supplier of machine and it does not use the car for transportation of passengers or any other use as specified, ITC thereon will not be available.
- 6) Section 17(5)(b)(i) provides that ITC on outdoor catering is blocked except where the same is used for making further supply of outdoor catering or as an element of a taxable composite or mixed supply. Since ABC Company Ltd is a supplier of machine, ITC thereon will not be available.

2. Computation of gross GST liability

	Value received (Rs.)	Rate of GST	GST payable (Rs.)
Hiring receipts for machine	5,25,000	12%	63,000
Service charges for supply of manpower operators	2,35,000	12%	28,200
Gross GST liability			91,200

Note:

Since machine is always hired out along with operators and operators are supplied only when the machines are hired out, it is a case of composite supply, wherein the principal supply is the hiring out of machines [Section 2(30) read with section 2(90)]. Therefore, service of supply of manpower operators will also be taxed at the rate applicable for hiring out of machines (principal supply), which is 12%, in terms of section 8(a).

Concept: Net GST Computation

30. Pari Ltd. of Jodhpur (Rajasthan) is a registered manufacturer of cosmetic products. Pari Ltd. has furnished following details for a tax period: (PAST EXAM NOV 2018)

Particulars		(Rs.)
Details of Outward supplies		
(i)	Supplies in Rajasthan	8,75,000
(ii)	Supplies in States other than Rajasthan	3,75,000

(iii)	Export under LUT	6,25,000
	Details of expenses	
(i)	Raw materials purchased from registered suppliers located in Rajasthan	1,06,250
(ii)	Raw materials purchased from unregistered suppliers located in Rajasthan	37,500
(iii)	Raw materials purchased from Punjab from registered supplier	1,00,000
(iv)	Integrated tax paid on raw materials imported from USA	22,732
(v)	Consumables purchased from registered suppliers located in Rajasthan including high speed diesel (Excise and VAT paid) valuing Rs. 31,250 for running the machinery in the factory	1,56,250
(vi)	Monthly rent for the factory building to the owner in Rajasthan	1,00,000
(vii)	Salary paid to employees on rolls	6,25,000
(viii)	Premium paid on group life insurance policies taken for specified employees. Life insurance policies for specified employees have been taken by Pari Ltd. to fulfill a statutory obligation in this regard. The life insurance service provider is registered in Rajasthan.	2,00,000

All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by Pari Ltd.

The balance of Input Tax Credit (ITC) with Pari Ltd. For the relevant tax period is

CGST ₹ 20,000

SGST ₹ 15,000

IGST ₹ 15,000

Assume CGST, SGST and IGST rates to be 9%, 9% and 18% respectively, wherever applicable.

Assume that all the other necessary conditions to avail the ITC have been complied with by Pari Ltd., wherever applicable.

Compute (i) ITC available with Pari Ltd. for the tax period; and (ii) Net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by Pari Ltd. for the tax period.

Answer:

Computation of ITC available with Pari Ltd.

S. No. Particulars			Eligible input tax credit
	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
1. Raw Material			
Purchased from local registered suppliers [Note 1(i)] (Rs. 1,06,250 x 9%)	9,562.50	9,562.50	

Purchased from local unregistered suppliers [Note 1(ii)]	Nil	Nil	
Purchased from Punjab from registered supplier [Note 1(i)] (Rs. 1,00,000 x 18%)			18,000
Raw material imported from USA [Note 1(iii)]			22,732
2. Consumables [Note 2] (Rs. 1,56,250- Rs. 31,250) x 9%	11,250	11,250	
3. Monthly rent for the factory building to the owner in Rajasthan [Note 3]	9,000	9,000	
4. Salary paid to employees on rolls [Note 4]	Nil	Nil	Nil
5. Premium paid on life insurance policies taken for specified employees [Note 5] (Rs. 2,00,000 x 9%)	18,000	18,000	-
Total	47,812.50	47,812.50	40,732
Add: Opening balance of ITC	20,000	15,000	15,000
Total ITC [Note 7]	67,812.50	62,812.50	55,732

Computation of net GST payable

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Intra-State supply	78,750	78,750	
Inter-State supply			67,500
Exports under LUT [Note 6]	Nil	Nil	Nil
Total output tax liability	78,750	78,750	67,500
Less: ITC	67,812.50	62,812.50	55,732
Net GST payable	10,937.50	15,937.50	11,768

Notes:

- (i) Credit of input tax (CGST & SGST/ IGST) paid on raw materials used in the course or furtherance of business is available in terms of section 16.
 - Tax on procurements made by a registered person from an unregistered supplier is levied only in case of notified goods and services in terms of section 9(4). Therefore, since no GST is paid on such raw material purchased, there does not arise any question of ITC on such raw material.
 - IGST paid on imported goods qualifies as input tax in terms of section 2(62). Therefore, credit of IGST paid on imported raw materials used in the course or furtherance of business is available in terms of section 16.
- ITC on consumables, being inputs used in the course or furtherance of business, is available. However, since levy of GST on high speed diesel has been deferred till a date to be notified by Government, there cannot be any ITC of the same.
- ITC on monthly rent is available as the said service is used in the course or furtherance of business.
- Services by employees to employer in the course of or in relation to his employment is not a supply in terms of section 7

read with Schedule III to the CGST Act. Therefore, since no GST is paid on such services, there cannot be any ITC on such services.

5. ITC on group life insurance service is available if the same is obligatory for an employer to provide to its employees under any law for the time being in force as per proviso to section 17(5)(b).
6. Export of goods is a zero rated supply in terms of section 16(1)(a) of the IGST Act. A zero rated supply under bond is made without payment of IGST in terms of section 16(3)(a).
7. Since export of goods is a zero rated supply, there will be no apportionment of ITC and full credit will be available as per section 17(2).

Concept: Net GST Computation

31. Flowchem Palanpur (Gujarat) has entered into a contract with R Refinery, Abu Road (Rajasthan) on 1st July to supply 10 valves on FOR basis. The following information is provided in this regard:

- 1) List price per valve is Rs. 1,00,000, exclusive of taxes.
- 2) One of the conditions of the contract is that Flowchem should ensure a two stage third party inspection for the valves during the manufacturing process. Cost of inspection of Rs. 15,000 (for 10 valves) is directly paid by R Refinery to testing agency.
- 3) R Refinery requires a special packing for the valves. Cost of special packing is Rs. 10,000 (for 10 valves).
- 4) Flowchem arranges for erection and testing of the valves supplied by it at R Refinery's site. Cost of erection etc. is Rs. 15,000 (for 10 valves).
- 5) Goods are dispatched with tax invoice on 20th July and they reach the destination at Abu-Road on 21st July. Lorry freight of Rs. 5,000 has been paid by R Refinery directly to the lorry driver.

Assume CGST and SGST rates to be 9% each and IGST rate to be 18%. Opening balance of ITC of IGST is Nil, CGST is Rs. 20,000 and SGST is Rs. 20,000. All the given amounts are exclusive of GST, wherever applicable.

Flowchem has also undertaken following local transactions during the month of July on which it has paid CGST and SGST as under:

S. No.	Particulars	Amount paid CGST (Rs.)	Amount paid SGST (Rs.)
1.	Availed services of works contractor to erect foundation for fixing the machinery to earth, in the factory.	5,000	5,000
2.	Laid pipelines (from the water source outside the factory) upto the gate of the factory for the purpose of production facility.	10,000	10,000
3.	For the purpose of smooth and convenient mobile communication in its factory, it has installed telecommunication tower of a mobile company (with due permission)	5,000	5,000
4.	It has entered into an agreement with a travel company to provide home travel facility to its employees when they are on leave.	2,500	2,500

5.	It has entered into an agreement with a fitness center to provide wellness services to its employees after office hours	2,000	2,000
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Work out the net GST [CGST, SGST or IGST, as the case may be] payable from Electronic Cash Ledger of Flowchem, Palanpur (Gujarat) for the month of July after making suitable assumptions, if any.

(PAST EXAM MAY 2019)

Answer:

Computation of net GST payable by Flowchem for the month of July

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Output tax liability [Working Note 1]			1,88,100
Less: ITC of CGST [Working Note 2]			(25,000)
Less: ITC of SGST has been utilized only after ITC of CGST has been utilized fully in terms of proviso to section 49(5)(c) [Working Note 2]			(25,000)
Net GST payable from Electronic Cash Ledger			1,38,100

Working Note 1

Computation of output tax liability of Flowchem for the month of July

Particulars	Amount (Rs.)
List price of 10 valves (Rs. 1,00,000 x 10)	10,00,000
Add: Amount paid by R Refinery to testing agency [Note 1]	15,000
Add: Special packing [Note 2]	10,000
Add: Erection and testing at site [Note 2]	15,000
Add: Freight [Note 3]	5,000
Value of taxable supply	10,45,000
IGST @ 18% [Note 4]	1,88,100

Notes:

- As per section 15(2), any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods shall be included in the value of supply. Since, in the given case, arranging inspection was the liability of the supplier, the same should be included in the value of supply charges for the same, however, have been paid directly to the third party service provider by the recipient. Therefore, the value shall be included in taxable value.
- As per section 15(2), any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or

before delivery of goods shall be included in the value of supply.

- 3) As per section 15(2), any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods shall be included in the value of supply. Since, in the given case, the supply contract is on FOR basis, payment of freight is the liability of supplier but the same has been paid by the recipient and thus, should be included in the value of supply.
- 4) As per section 10(1) of the IGST Act, 2017, where the supply involves movement of goods, the place of supply is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, which in the given case is Abu Road (Rajasthan). Since the location of the supplier (Gujarat) and the place of supply (Rajasthan) are in two different States, the supply is an inter- State supply liable to IGST.

Working Note 2

Computation of ITC available with Flowchem for the month of July

Particulars	CGST (Rs.)	SGST (Rs.)
Opening ITC	20,000	20,000
Wok contract services availed for erecting foundation for fixing the machinery to the earth in the factory [Note 1]	5,000	5,000
Laying of pipeline up to the gate of factory from water source located outside the factory [Note 2]	Nil	Nil
Installation of telecommunication towers [Note 2]	Nil	Nil
Services of travel company to provide home travel facility to employees Note 3]	Nil	Nil
Services of fitness center to provide wellness services to employees [Note 3]	Nil	Nil
Total ITC	25,000	25,000

Notes:

- (1) As per section 17(5), ITC on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service, is blocked. Further, plant and machinery includes foundation and structural supports used to fix the machinery to earth.
- (2) As per section 17(5), ITC on goods and/ or services received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such and/ or services are used in course/ furtherance of business, is blocked. However, plant and machinery excludes pipelines laid outside the factory premises and telecommunication towers.
- (3) As per section 17(5), ITC on travel benefits extended to employees on home travel concession and membership of health and fitness center is blocked unless it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

Concept: Apportionment of Credit

32. Oberoi Industries is a manufacturing company registered under GST. It manufactures two taxable products 'X' and 'Y' and

one exempt product 'Z'. The turnover of 'X', 'Y' and 'Z' in the month of April, 20XX was ₹ 2,00,000, ₹ 10,00,000 and ₹ 12,00,000. Oberoi Industries is in possession of certain machines and purchases more of them. Useful life of all the machines is considered as 5 years.

From the following particulars furnished by it, compute the amount to be credited to the electronic credit ledger of Oberoi Industries and amount of common credit attributable towards exempted supplies, if any, for the month of April, 20XX. (RTP NOV 2018)

Particulars	GST paid Rs.
Machine 'A' purchased on 01.04.20XX for being exclusively used for non-business purposes	19,200
Machine 'B' purchased on 01.04.20XX for being exclusively used in manufacturing zero-rated supplies	38,400
Machine 'C' purchased on 01.04.20XX for being used in manufacturing all the three products - X, Y and Z	96,000
Machine 'D' purchased on April 1, 2 years before 01.04.20XX for being exclusively used in manufacturing product Z. From 01.04.20XX, such machine will also be used for manufacturing products X and Y.	1,92,000
Machine 'E' purchased on April 1, 3 years before 01.04.20XX for being exclusively used in manufacturing products X and Y. From 01.04.20XX, such machine will also be used for manufacturing product Z.	2,88,000

Answer:

Particulars	₹	Ineligible credit (₹)	Amount to be credited to ECrL (₹)
Machine 'A' [Since exclusively used for non-business purposes, ITC is not available under rule 43(1)(a) of CGST Rules, 2017]		19,200	
Machine 'B' [For ITC purposes, taxable supplies include zero-rated supplies under rule 43(1)(b) of CGST Rules, 2017. Hence, full ITC is available]			38,400
Machine 'C' [Commonly used for taxable and exempt supplies - Rule 43(1)(c) of the CGST Rules, 2017]	96,000		96,000
Machine 'D' [Owing to change in use from exclusively exempt to both taxable and exempt, entire ITC is credited to electronic Credit Ledger and then for the period used for exempt supply, 5% per quarter or part is reversed]	1,92,000		1,92,000

₹ 1,92,000 is credited to ECrL and ₹ 76,800 (₹ 1,92,000 × 5% × 8 quarters) is reversed.			
Machine 'E' [Owing to change in use from exclusively taxable to both taxable and exempt, common credit to be credited with the ITC and ITC attributable to exempt supply is reversed for the remaining period on 5 years] ₹ 2,88,000 is credited to ECrL and a portion is reversed for the period left.	2,88,000		
Total common credit	5,76,000		
Common credit for the tax period (in the given case, a month) under rule 43(1)(e) of CGST Rules, 2017 = ₹ 5,76,000 ÷ 60	9,600		
Common credit attributable to exempt supplies in April, 20XX under rule 43(1)(g) of the CGST Rules, 2017 = (Turnover of exempt supplies/Total turnover) × Common credit = (12,00,000/24,00,000) × ₹ 9,600 [Such credit, along with the applicable interest, shall be added to the output tax liability of Oberoi Industries]	4800		
Amount to be credited to the electronic credit ledger of Oberoi Industries for the month of April, 20XX			3,26,400

Concept: Apportionment of Credit

33. Soren Enterprises is in possession of certain capital goods and purchases more of them as per the following particulars:

Particulars	Input tax on capital goods (Rs.)	Status of its use
Capital Goods A	12,000	Exclusively used for non-business purpose.
Capital Goods B	24,000	Exclusively used for zero-rated supplies.
Capital Goods C	60,000	Used both for taxable and exempt supplies.
Capital goods D (has been exclusively used for 2 years for exempted supplies)	1,20,000	Now there is change in use, both for taxable and exempt supplies.
Capital goods E (has been exclusively used for 3 years for taxable supplies)	1,80,000	Now there is change in use, both for taxable and exempt supplies.

Useful life of all the above capital goods is considered as 5 years. Compute the input tax credit to be reversed for each tax period (monthly) on account of common credit attributable to exempted use of such machines, while being informed that aggregate value of exempt supplies during the tax period being ₹ 6,00,000 and total turnover during the tax period being ₹ 12,00,000. (MTP NOV 2018)

Answer:

Apportionment of common credit pertaining to capital goods:

Particulars	ITC
Capital goods 'A' [Since exclusively used for non-business purposes, ITC is not available under rule 43(1)(a) of CGST Rules, 2017]	NIL
Capital goods 'B' [For ITC purposes, taxable supplies include zero-rated supplies under rule 43(1)(a) of CGST Rules, 2017 is available]	-
Capital goods 'C' [Commonly used for taxable and exempt supplies]	60,000
Capital goods 'D' [Owing to change in use from exclusively exempt to both taxable and exempt, full amount of credit to be added to common ITC during the month as per proviso to Rule 43(1)(c) of CGST Rules, 2017] Further, 5% per quarter or part thereof of credit relating to Capital goods D shall be added to the output tax liability for the month in terms of first proviso to Rule 43(1)(c) of CGST Rules, 2017] = 48,000 (1,20,000x5%x8 quarters)	1,20,000
Capital goods 'E' [Owing to change in use from exclusively taxable to both taxable and exempt, full amount of credit to be added to common ITC as per proviso to Rule 43(1)(d) of CGST Rules, 2017]	1,80,000
Total Common Credit	3,60,000
Common Credit for the tax period under Rule 43(1)(e) of CGST Rules, 2017 = 3,60,000 /60	6,000
Common Credit attributable to exempt supplies in a tax period in terms of Rule 43(1)(g) of CGST Rules, 2017 = (Turnover of exempt supplies/Total turnover)x Common Credit = (6,00,000/12,00,000)x6,000	3,000

Concept: Apportionment of Credit

34. KPI Ltd., registered in the State of Himachal Pradesh (HP), has a manufacturing unit at Baddi (HP). The company manufactures two products: 'Xt' and 'St'. While 'Xt' is taxable, 'St' is exempt from GST. KPI Ltd. has furnished the following details:

S. No.	Particulars	IGST (₹)
(a)	Machinery 1 purchased on 1st July for being used in manufacturing Xt and St	72,000
(b)	Machinery 2 purchased on 1st July for being exclusively used in manufacturing product Xt	36,000
(c)	Machinery 3 purchased on 1st July for being exclusively used in manufacturing product St	1,08,000
(d)	Machinery 4 purchased on 1st October last year for being exclusively used in manufacturing product St. From 1st July, such machinery will also be used for	1,44,000

	manufacturing product Xt.	
(e)	Machinery 5 purchased on 1st January for being exclusively used in manufacturing product Xt. From 1st July, such machinery will also be used for manufacturing product St.	18,000
(f)	Machinery 6 purchased on 1st July two years ago for being used in manufacturing Xt and St	1,08,000

Compute the following:

- (i) Amount of input tax credit (ITC) credited to Electronic Credit Ledger for the month of July
- (ii) Amount of ineligible credit (Tie) for the month of July
- (iii) Amount of aggregate value of common credit (Tc)
- (iv) Common credit for the month of July (Tm)

Note:

All the conditions necessary for availing the ITC have been complied with. Make suitable assumptions wherever required.
(RTP NOV 2020)

Answer:

Computation of ITC

S. No.	Particulars	ITC (₹)
(i)	Amount of ITC credited to Electronic Credit Ledger, for the month of July	
	Machinery 1 - 'A' [Note 1]	₹2,000
	Machinery 2 [Note 2]	36,000
	Machinery 3 [Note 3]	-
	Machinery 4 - 'A' [Note 4]	1,44,000
	Machinery 5 [Note 5]	-
	Machinery 6 - 'A' [Note 6]
	ITC credited to Electronic Credit Ledger, for the month of July	2,52,000
(ii)	Amount of ineligible credit (Tie) for the month of July [Note 7]	21,600
(iii)	Aggregate value of common credit (Tc) [Note 8]	
	Value of 'A' for Machinery 1 purchased on 1st July and used for effecting both taxable and exempt supplies	₹2,000
	Value of 'A' for Machinery 4 purchased on 1st October last year for being used for effecting exclusively exempt supplies and used for effecting both taxable and exempt supplies from 1st July	1,44,000
	Value of 'A' for Machinery 6 purchased on 1st July two years ago and used for effecting both taxable	1,08,000

	and exempt supplies	
	Input tax claimed on Machinery 5 purchased on 1st January for being used for effecting exclusively taxable supplies and used for effecting both taxable and exempt supplies from 1st July [Note 9]	<u>18,000</u>
	Aggregate value of common credit (Tc) for the month of July - Tc [Note 9]	3,42,000
(iv)	Common credit for the month of July (Tm) [Note 10]	5,700

Notes:

- 1) ITC in respect of capital goods used commonly for effecting taxable supplies and exempt supplies denoted as 'A' shall be credited to the electronic credit ledger [Rule 43(1)(c) of the CGST Rules, 2017].
- 2) ITC in respect of capital goods used or intended to be used exclusively for effecting supplies other than exempted supplies but including zero rated supplies shall be credited to the electronic credit ledger [Rule 43(1)(b) of the CGST Rules, 2017].
- 3) ITC in respect of capital goods used or intended to be used exclusively for effecting exempt supplies shall not be credited to electronic credit ledger [Rule 43(1)(a) of the CGST Rules, 2017].
- 4) When capital goods which were initially used exclusively for exempt supplies are subsequently used commonly for exempt supplies as well as taxable supplies, input tax in respect of the same denoted as 'A' shall be credited to the electronic credit ledger [Rule 43(1)(c) of the CGST Rules, 2017].
- 5) Machinery 5 is used for effecting both taxable and exempt supplies since 1 st July. Prior to that, it was exclusively used for effecting taxable supplies. Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.
- 6) Machinery 6 is being used for effecting both taxable and exempt supplies from 1 st July two years ago. Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.
- 7) When capital goods which were used exclusively for exempt supplies are subsequently used commonly for exempt supplies as well as taxable supplies, input tax in respect of the same is credited in the electronic credit ledger. The ineligible credit 'Tie' attributable to the period during which such capital goods were used for making exempt supplies is computed @ 5% per quarter or part thereof and added to the output tax liability of the tax period in which such credit is claimed [Rule 43(1)(c) of the CGST Rules, 2017].

Thus, 'Tie' shall be computed as under-

$$= ₹ 1,44,000 \times 5\% \times 3 \text{ quarters}$$

$$= ₹ 21,600$$

- 8) The aggregate of the amounts of 'A' credited to the electronic credit ledger in respect of common capital goods whose useful life remains during the tax period, to be denoted as 'Tc', shall be the common credit in respect of such capital goods [Rule 43(1)(d) of the CGST Rules, 2017].
- 9) Where any capital goods which were used exclusively for effecting taxable supplies are subsequently also used for effecting exempt supplies, the input tax credit claimed in respect of such capital goods shall be added to arrive at the aggregate value of common credit 'Tc' [Proviso to rule 43(1)(d) of the CGST Rules, 2017].
- 10) ITC attributable to a month on common capital goods during their useful life (Tm) shall be computed in accordance with rule

43(1)(e) of

CGST Rules, 2017 as under:

$$= T_c \div 60$$

$$= ₹ 3,42,000 \div 60$$

$$= ₹ 5,700$$

The useful life of any capital goods shall be considered as five years from the date of invoice and the said formula shall be applicable during the useful life of the said capital goods.

Concept: Conditions for availing ITC - Rule 36

35. Sunshine Pvt. Ltd. manufactures taxable goods. The company is registered under GST in the State of West Bengal. The company has provided following information in relation to inward supplies received by it in the month of October:

S. No.	Invoices received for inward supplies	IGST (₹)
1.	Raw material - X	2,00,000
2.	Rent of the factory building	1,50,000
3.	Raw material - Y	1,30,000
4.	Car purchased for the use of the director	1,20,000
5.	Consumables	80,000
6.	Machinery for being used in the manufacturing process	1,50,000
7.	Raw material - Z	1,10,000
8.	Technical consultancy for improvement in the manufacturing process	60,000
9.	Raw material - W (imported from China)	50,000
Total		10,50,000

S.No.	Particulars	IGST (₹)
(i)	Balance in Form GSTR-2B on 28th October (Invoices at S. Nos. 1, 2 and 3 uploaded by the respective suppliers in their Form GSTR- 1s)	4,80,000
(ii)	Balance in Form GSTR-2B on 11th November (Invoices at S. Nos. 1, 2, 3 and 4 uploaded by the respective suppliers in their Form GSTR- 1s)	6,00,000
(iii)	Balance in Form GSTR-2B on 20th November (Invoices at S. Nos. 1, 2, 3, 4 and 5 uploaded by the respective suppliers in their Form GSTR-1s)	6,80,000

Compute the ITC that can be claimed by Sunshine Pvt. Ltd. in its Form GSTR- 3B for the month of October to be filed by 20th November.

Note: The due date of filing of Form GSTR-1 and Form GSTR-3B for the month of October are 11th November and 20th November

respectively. Subject to the information given above, all the other conditions for availing ITC have been complied with. (RTP JULY 2021)

Answer:

ITC to be claimed by Sunshine Pvt. Ltd. in its GSTR-3B for the month of October to be filed by 20th November will be computed as under:

Invoices	Amount of input tax involved in the invoices (₹)	Amount of ITC that can be availed (₹)
Balance in GSTR-2B on 11th November [Note 1] (Invoices at S. Nos. 1, 2, 3 and 4 uploaded by the respective suppliers in their GSTR-1s)	6,00,000	4,80,000 [Note 2]
Invoices at S. Nos. 5, 6 7 and 8 not uploaded in GSTR-1	4,00,000	0 [Note 3]
Invoice at S. No. 9	50,000	50,000 [Note 4]
Total	10,50,000	5,30,000

Notes:

- ITC in respect of the invoices whose details have not been uploaded by the suppliers shall not be eligible input tax credit until its uploaded in GSTR1 of the supplier and reflected in GSTR 2B of the month uploaded till the deadline of GSTR 1, that is 11th of November.
- 100% ITC can be availed on invoices uploaded by the suppliers in their Form GSTR-1. However, section 17(5) of the CGST Act, 2017 blocks ITC on motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons if they are not used for making the following taxable supplies, namely:
 - further supply of such motor vehicles; or
 - transportation of passengers; or
 - imparting training on driving such motor vehicles

Since Sunshine Pvt. Ltd. is not using the car for any of the aforesaid mentioned purpose, ITC thereon will not be available. Thus, 100% ITC will be available in respect of invoices at S. Nos. 1, 2 & 3.
- In respect of invoices at S. Nos. 5, 6 7 and 8 not uploaded in Form GSTR-1s, the ITC is not eligible in the month of October. For Invoice 5 which is uploaded after the cut off date can be availed in the November GSTR 3B.
- The restriction of availment of ITC is imposed only in respect of those invoices, details of which are required to be uploaded by the suppliers under section 37(1) of the CGST Act, 2017 and which have not been uploaded. Therefore, full ITC can be availed in respect of IGST paid on imports which are outside the ambit of section 37(1) [Circular No. 123/42/2019 GST dated 11.11.2019].

Concept: Eligibility of ITC

36. Paridhi Ltd. is a registered manufacturer engaged in taxable supply of goods. Paridhi Ltd. purchased the following goods during the month of January and provided the following information:

S. No .	Particulars	GST paid (₹)
1.	Capital goods purchased on which depreciation has been taken on full value including input tax thereon	15,000
2.	Goods purchased from Rupesh Enterprises (Rupesh Enterprises sent the invoice in the month of January, but goods were received in month of April)	20,000
3.	Car purchased for making further supply of such car. Such car is destroyed in accident while being used for test drive by potential customers	30,000
4.	Goods used for setting up telecommunication towers being immovable property	50,000
5.	Goods purchased from Sumo Ltd. (Full payment has been made by Paridhi Ltd. to Sumo Ltd. against such supply, but tax has been deposited by Sumo Ltd. in April)	10,000
6.	Truck purchased for delivery of output goods	80,000

Determine the amount of input tax credit (ITC) available to Paridhi Ltd. while filing GSTR-3B for the month of January by giving necessary explanations for treatment of various items as per the provisions of the CGST Act, 2017. You may assume that all the necessary conditions for availing the ITC have been complied with by Paridhi Ltd. (RTP JULY 2021)

Answer:

Computation of ITC available with Paridhi Ltd. in January

S. No.	Particulars	Amount (₹)
1.	Capital goods [Since depreciation has been claimed on the tax component of the value of the capital goods, ITC of such tax cannot be availed in terms of section 16 of the CGST Act, 2017.]	Nil
2.	Goods purchased from Rupesh Enterprises [ITC in respect of goods not received cannot be availed (Section 16 of the CGST Act, 2017). Since the goods have been received in the month of April, ITC thereon can be availed in April and not January even though the invoice for the same has been received in January.]	Nil
3.	Cars purchased for making further supply [Though ITC on motor vehicles used for further supply of such vehicles is not blocked, ITC on goods destroyed for whichever reason is blocked (Section 17(5) of the CGST Act, 2017).]	Nil
4.	Goods used for setting telecommunication towers [ITC on goods used by a taxable person for construction of immovable property on his own account is blocked even when such goods are used in the course or furtherance of business (Section 17 of the CGST Act, 2017).]	Nil
5.	Goods purchased from Sumo Ltd. [ITC can be claimed provisionally in January since all the conditions necessary for availing the same have been complied with (Section 16 of the CGST Act, 2017). However, the claim will get confirmed	10,000

	only when the tax charged in respect of such supply has been actually paid to the Government.]	
6.	Trucks purchased for delivery of output goods [ITC on motor vehicles used for transportation of goods is not blocked (Section 17(5) of the CGST Act, 2017).]	80,000
	Total ITC available with Paridhi Ltd.	90,000

Concept: Computation of Net GST Liability

37. Ram Kumar, a registered supplier under GST in the State of Gujarat, provides the following information pertaining to the supplies made/received for the month of January:

Sl.No.	Particulars	Amount in ₹
(i)	IGST of ₹ 90,000 paid in December on machinery imported from Japan [Goods landed in Gujarat port and reached at his registered premises on 31st January.]	
(ii)	Availed services of transportation of raw material from GTA - M/s Ghoomghoom Transporters of Kolkata	1,00,000
(iii)	20 invoices involving IGST of ₹ 1,20,000 received during the current month [Only 16 invoices involving IGST of ₹ 1,00,000 were uploaded by the suppliers in their GSTR-1 statement and their details were reflected in his GSTR-2B. Supplies received against all the invoices were otherwise eligible for claiming ITC.]	--
(iv)	Supplied machinery (purchased from an unregistered supplier) free of cost to his brother for manufacturing goods in his factory in Punjab (Market value of supply was ₹ 16,32,000)	NIL
(v)	Supplied a consignment of 5 machines to M/s KK & Co. in the State of Gujarat at the instruction of third person being XX Enterprises of Tamilnadu.	6,00,000
(vi)	Provided stock counting service to Gungun Manufacturers registered with GST in the State of Gujarat. Stock counting was carried out at the godown located in Gujarat	1,10,000
(vii)	Direct Selling Agent (DSA) services provided to ICIDI Bank, registered in Delhi, for providing services relating to opening of bank account/credit card & loan products	2,00,000
(viii)	Advance received during the month for future intra-State supply [Advance of ₹ 5,00,000 was related to supply of goods and the rest was related to service]	9,00,000
(ix)	Sent goods valued ₹ 80,000 to job worker, registered in the State of Kerala, who further processed the said goods and made direct supply on 31 st January from its premises in Kerala to a buyer in the State of Gujarat at a price of ₹1,00,000	--

Apart from the above information, Ram Kumar also availed inter-State services of ₹4,00,000, tax on which was payable under reverse charge, from Viral Shah Enterprises, Maharashtra. Payment for the same to Viral Shah Enterprises was not made till the current month (overdue for 181 days as on 1st January). However, tax due under the said transaction was paid to Government and credit availed in the month of transaction itself.

From the information given above, you are required to compute the net GST liability payable in cash from Electronic Cash

Ledger (CGST and SGST or IGST, as the case may be) for the month of January assuming that Ram Kumar wishes to make the cash payment of GST under SGST head as far as possible and that his turnover for the previous financial year was ₹ 21 lakh.

Notes-

- (i) CGST, SGST & IGST rates on all inward and outward supplies were 9%, 9% and 18% respectively, except in case of services received from GTA where the rate of CGST/SGST @ 2.5% each and IGST @ 5% was applicable and GTA has not opted for forward charge.
- (ii) All the amounts given are exclusive of taxes wherever applicable. The necessary conditions for availing ITC have been complied with by Ram Kumar, wherever applicable. (14 Marks Sep 22)

Answer:

Computation of net GST payable in cash from Electronic Cash Ledger for the month of January

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
A.	GST liability on outward supply				
(i)	Machinery supplied without consideration [Not a supply as it is made without consideration and is also not covered in Schedule I because machinery has been supplied to an unrelated person (brother not being wholly dependent on Ram Kumar) and ITC has also not been availed on the same.]	Nil	-	-	-
(ii)	Consignment of machines supplied at the instruction of third person [Since supply is a bill to ship to supply where the goods are delivered on the direction of a third person- XX Enterprises, goods are deemed to be received by XX Enterprises and thus, the place of supply is Tamil Nadu. Hence, it is an inter-State supply.]	6,00,000			1,08,000 [6,00,000 × 18%]
(iii)	Stock counting service to Manufacturers of Gujarat [Intra-State supply as the place of the location of recipient, viz.	1,10,000	9,900 [1,10,000×9%]	9,900 [1,10,000× 9%]	NIL
(iv)	Direct Selling Agent services provided by an individual (Ram Kumar) to a bank [Tax is payable by bank under reverse charge.]	2,00,000	-	-	-
(v)	Advance received for intra-State [Tax on advance received for goods of ₹ 5,00,000 will be payable time of issuance of invoice.]	4,00,000	36,000 [4,00,000× 9%]	36,000 [4,00,000 × 9%]	

(vii)	Finished goods sold from the the job worker [Supply of goods by principal from worker's premises is regarded as principal only irrespective of the location of job worker. Therefore, since the place of location where movement of goods terminates for delivery to Maharashtra, it is an intra-State supply.]	1,00,000	9,000 [1,00,000× 9%]	9,000 [1,00,000 × 9%]	
Total tax liability on outward supplies			54,900	54,900	1,08,000
B.	GST liability on inward supplies under reverse charge				
(i)	GTA services availed from M/s Ghoomghoom Transporters [Tax is payable under reverse charge on the GTA services received by a registered person and on which tax is payable @ 5%. Further, it is an inter-State supply since supplier is located in Kolkata and place of supply is Gujarat (location of registered recipient).]	1,00,000			5,000 [1,00,000 × 5%]
C.	Input tax credit				
	Import of machinery [Input tax, <i>inter alia</i> , includes IGST charged on import of goods.]				90,000
	GTA services availed	1,00,000			5,000
	IGST on invoices received during the [Full ITC can be claimed only on the uploaded by supplier in Form the details of the same communicated to the registered Form GSTR-2B.				95,000 + 5,000 =1,00,000
	<i>Less:</i> Input tax reversed [Outward supply, tax on which is payable under reverse charge is considered as exempt supply for the purpose of reversal of ITC.] = ₹ 1,95,000 × ₹ 2,00,000 / ₹ 19,10,000 (₹ 1,95,000 × turnover of exempt supply/ total turnover) [The condition for making the payment for the supply within 180 days so that the ITC availed does not get added to the output tax liability does not				(20,419)

	apply to reverse charge supplies. Thus, ITC on ₹ 4,00,000 will not be affected.]				
	<i>Total ITC available for set off</i>		-	-	1,74,581
D.	Computation of net GST payable in cash				
	Total tax liability on outward		54,900	54,900	1,08,000
	<i>Less: ITC of IGST</i>		(54,900)	(11,681)	(1,08,000)
	Forward charge liability on outward supplies payable in cash after set off of ITC		-	43,219	
	Reverse charge liability on inward supplies payable in cash without set off of ITC [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]				5,000
	Total net GST liability payable in cash		-	43,219	5,000

Concept: Computation of GST Liability

38. Gupta and Gupta Brothers is a partnership concern registered under GST in the State of Gujarat. It provides the following information pertaining to supplies made/received by it during the month of May:

	Particulars	₹
(i)	Loading, unloading, packing and warehousing of tomato ketchup bottles	4,00,000
(ii)	Provided security services (services provided by way of supply of security personnel) to Sudarshan Ltd., a registered person under GST	3,35,000
(iii)	Provided security services (services provided by way of supply of security personnel) to Divyajyoti Trust, an unregistered person under GST	1,00,000
(iv)	Provided renting of motor vehicle service for carrying passengers to Bharat Travels Ltd. and supply value included cost of fuel	2,35,000
(v)	Provided renting of motor vehicle service for carrying passengers to Suvridha & Co., a partnership firm and supply value included cost of fuel	40,000
(vi)	Recovery agent services provided to Manimani Finance Ltd., an NBFC	4,20,000
(vii)	Received legal consultancy service from Dhruv and Co., a law firm, for business purposes	70,000
(viii)	Services provided to Gujarat Government administration under a Health Training programme (90% of the total expenditure for said programme is borne by Gujarat Government.)	80,000

Determine the GST liability (inclusive of GST liability for the supplies received, if any) of Gupta and Gupta Brothers for the month of May by giving necessary explanations for treatment of various items. Rate of tax for both inward and outward supply is CGST @ 9% and SGST @ 9% except services of renting a motor vehicle for transportation of passengers, on which CGST @ 2.5% and SGST @ 2.5% is applicable. Gupta and Gupta Brothers commenced its business from April in the current

financial year. All the above supplies are intra-State supplies. (9 Marks MTP Sep 22)

Answer:

GST liability of Gupta & Gupta Brothers

	Particulars	Value [₹]	CGST payable [₹]	SGST payable [₹]
A.	GST liability on outward supply			
(i)	Loading, unloading, packing and warehousing of tomato ketchup [Loading, unloading, packing and warehousing of agricultural produce is exempt. However, tomato ketchup is an agricultural produce.]	4,00,000	36,000 [4,00,000 9%]	36,000 [4,00,000 x 9%]
(ii)	Security services to Sudarshan Ltd., a registered person [Tax is payable under reverse charge by the recipient since security services are being provided by a non-body corporate to a registered person.]	-		
(iii)	Security services to Divyajyoti Trust, an unregistered person [Tax is payable under forward charge since security services are being provided by a non-body corporate to an unregistered person.]	1,00,000	9,000 [1,00,000 x 9%]	9,000 [1,00,000 x 9%]
(iv)	Renting of motor vehicle for carrying passengers to Bharat Travels Ltd. where value included cost of fuel [Tax is payable under reverse charge by recipient since such services are provided by a non-body corporate to a body corporate and GST is payable @ 5%.]	-		
(v)	Renting of motor vehicle for carrying passengers to Suvidha & Co., a firm, where supply value included cost of fuel [Tax is payable under forward charge since such services are provided by a corporate to a non-body corporate.]	40,000	1,000 [40,000 x 2.5%]	1,000 [40,000 x 2.5%]
(vi)	Recovery agent services provided to Manimani Finance Ltd., an NBFC [Since such services are being provided to an NBFC, tax on the same is payable by recipient - Manimani Finance Ltd. -	--	--	--

	under reverse charge			
(viii)	Services provided to Gujarat Government administration under a Health Training programme [Exempt since the total expenditure borne by the Gujarat Government is more than 75%.]	--	--	--
Total GST liability on outward supplies			46,000	46,000
B.	GST liability on inward supplies under reverse charge			
(vi)	Availed legal consultancy service from Dhruv and Co., a law firm, for business purposes [Legal services provided by a partnership firm of advocates/individual advocate other than a senior advocate to a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration, are exempt from GST. Since Gupta and Gupta Brothers started its business in April in the current financial year, its turnover in the preceding financial year is nil making it eligible for exemption from registration in the preceding financial year and hence, the legal services provided to it are exempt from GST.]	70,000	-	-
GST liability on inward supplies under reverse charge			-	-

Concept: Circular on Cost and Profit Petroleum in NET GST COMPUTATION

39. Sukhdev is a mining engineer. He has crossed the threshold limit for registration under the GST law and is duly registered in the State of Maharashtra. He effects the following transactions in the month of March, 2019 and wants you to compute the tax payable in cash. He has filed bond/ LUT to claim benefits from zero-rated supplies. The following are the particulars furnished by him. (PAST EXAM NOV 2019)

Sl.No	Particulars	Value of supply in ₹
(a)	Sukhdev, being an operating member in mining and exploration services at Mumbai High, has provided certain services to the Joint Venture (JV) in which he is also a participant. He believes that the consideration received from the JV is 'Cost Petroleum' and not taxable.	12,00,000
(b)	He has purchased certain machinery from outside the State, to render services to the JV at Mumbai High.	6,00,000
(c)	He has obtained legal opinion from a local firm of advocates to enter into the contract with the JV, for providing services to it.	1,00,000
(d)	He has obtained accommodation from the State Government to locate his office close to the sea shore.	2,00,000

(e)	He gets a portion of the petroleum silt as part of the compensation while exploring the petroleum reserves in the Bombay High- which as per the contract with the Government is part of 'Cost Petroleum'.	6,00,000
(f)	He sells the petroleum silt to a SEZ Developer in Mumbai	6,80,000
(g)	Consideration is received towards transfer of tenancy rights, which according to Sukhdev is not liable to GST as it has suffered stamp duty.	8,00,000
(h)	On violation of the terms in production sharing agreement, Sukhdev has paid liquidated damages to the Government.	3,00,000
(i)	He has been assigned the right to collect royalty on behalf of Maharashtra Government, as 'Excess Royalty Collection Contractor'. He has noticed that the mining lease holders have short paid 2,00,000 as IGST from what had been exempted to him under the assignment.	--
(j)	He has sold self-fabricated machinery through his agent in Mumbai, that has been used for 2 years, the value of which is not available in the open market. The agent sells it immediately to an unrelated customer in Mumbai.	10,00,000
(k)	Opening Balance and brought forward tax credits are as follows:	
	- Electronic Cash Ledger - CGST	12,000
	- Electronic Credit Ledger - CGST	18,000
	- Electronic Credit Ledger - SGST	12,000
	- Electronic Credit Ledger - IGST	60,000
(l)	Supply value is exclusive of taxes. Supply of services are taxable at CGST 9%, SGST 9% and IGST 18% and supply of goods are taxable at CGST 2.5%, SGST 2.5% and IGST 5%. Determine the tax payable in cash. Provide suitable notes where required.	

Answer:

Computation of tax payable in cash

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
A.	GST liability on outward supply				
(i)	Consideration for services provided as an operating member to the Joint Venture [The operating member is providing the mining and exploration service to the joint venture, and thus, the consideration received therefor is not cost petroleum and hence, is liable to tax.]	12,00,000	1,08,000	1,08,000	
(ii)	Compensation received in the form of	6,00,000	Nil	Nil	

	petroleum silt, which, as per the contract with the Government, is part of cost petroleum [Cost petroleum is not a consideration for service to the Government and thus, is not taxable.]				
(iii)	Sale of petroleum silt to a SEZ developer [Supply to SEZ developer is a zero-rated supply and no tax is payable on the same if made under a bond/LUT.]	6,80,000			Nil
(iv)	Consideration for transfer of tenancy rights [Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable even though stamp duty has been paid on the same.]	8,00,000	₹2,000	₹2,000	
(v)	Sale of self-fabricated machinery [Since open market value of the machine is not available, the value will be 90% of the price charged for the supply of machinery by the agent to his unrelated customer.]	9,00,000	22,500	22,500	
Total tax liability on outward supplies			2,02,500	2,02,500	
B.	GST liability on inward supplies under reverse charge				
(i)	Legal services provided by a firm of advocates to Sukhdev, i.e. a business entity	1,00,000	9,000	9,000	
(ii)	Renting of immovable property provided by the State Government to Sukhdev (a registered person)	2,00,000	18,000	18,000	
(iii)	Assignment, by the State Government, of the right to collect royalty from mining lease holders to the extent the exemption is not available				2,00,000
Total tax liability on inward supplies under reverse charge			27,000	27,000	2,00,000
C.	Input tax credit				
(i)	Opening balance		18,000	12,000	60,000

(ii)	Inter-State purchase of machinery	Since the goods and services are used for effecting taxable supplies including zero rated supplies, full ITC thereon will be allowed.	6,00,000			30,000
(iii)	Legal services		1,00,000	9,000	9,000	
(iv)	Renting of immovable property		2,00,000	18,000	18,000	
(v)	Assignment of right to collect royalty					2,00,000
Total ITC				45,000	39,000	2,90,000
[ITC may be availed for making zero rated supply even if such a supply is an exempt supply. Sale of petroleum silt, being a non- taxable supply, is an exempt supply but since it is also a zero-rated supply, ITC can be availed for making such supply.]						
D.	Computation of tax payable in cash					
	Total tax liability on outward supplies			2,02,500	2,02,500	
	Less: ITC of IGST			1,26,500	1,63,500	
	Less: ITC of CGST and SGST			45,000 (CGST)	39,000 (SGST)	
	Forward charge liability on outward supplies payable in cash after set off of ITC			31,000		
	Reverse charge liability payable in cash without set off of ITC			27,000	27,000	2,00,000
	[Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]					
	Total tax liability payable in cash [Since ₹12,000 (CGST) is available in Electronic Cash Ledger as opening balance, additional ₹ 46,000 (CGST) needs to be paid in cash.]			58,000	27,000	2,00,000
	Payment of liquidated damages to the Government [Services provided by the Government by way of tolerating non-performance of a contract for which consideration in the form of liquidated damages not considered as a supply]		Nil	Nil	Nil	

Note: In terms of section 49B of the CGST Act, 2017, full (100%) IGST credit of ₹ 2,90,000 must be utilised first before using CGST or SGST credit. However, the said IGST credit can be set off against the CGST and SGST liability in any order and in any proportion. Thus, the final answer in each case would vary.

Concept: Computation of Net GST Liabilities

40. Mr. Rishi, a registered supplier under GST in the State of Maharashtra, provides the following information for the month of January 2020: (PAST EXAM NOV 2020)

Sl.No.	Particulars	Amount in ₹
	OUTWARD SUPPLY:	
(i)	Supplied computers (which were purchased from an unregistered supplier) without any consideration to his brother-in-law in Ranchi (market value of supply was ₹ 62,000)	Nil
(ii)	Supplied a consignment of 10 laptops to M/s NK & Co. in the State of Maharashtra at the instruction of third person being M/s ZX Computers of Tamilnadu.	6,00,000
(iii)	Provided stock counting service to M/s XY Impex registered with GST in the State of Gujarat, whereas the place where the stock counting was carried out was at the godown located in Mumbai	80,000
(iv)	Provided renting service of his service apartment in Mumbai at a daily rent of ₹ 1500 for residential purposes	30,000
(v)	Recovery agent services provided to Apex Finance Ltd., an NBFC located in Delhi	2,00,000
(vi)	Advance received during the month for future intra-State supply	9,00,000
	INWARD SUPPLY:	
(i)	Imported computer accessories from Korea and the goods landed in Mumbai Port and reached at his registered premises on 31.01.2020	5,00,000
(ii)	Availed GTA services from M/s Speed Trans of Kolkata with regard to transport of traded goods where rate of CGST/SGST @ 2.5% each IGST @ 5% was applicable and GTA is unregistered	1,00,000
(iii)	Apart from the above, received 15 invoices involving IGST of ₹ 1,00,000 during the current month	--

Mr. Rishi provided the following additional information:

- Turnover for the previous financial year was ₹ 21 lakh.
- He had availed services in an inter-State transaction with a taxable value of ₹ 4,00,000 and a tax rate of 18%. This transaction was liable to tax under reverse charge. Payment for the same to the supplier was not made till the current month (overdue for 181 days as at 01.01.2020). However, tax due under the said transaction was paid to Government and credit availed in the month of transaction itself.
- Out of the 15 invoices as per above, 12 invoices involving IGST of ₹ 95,000 were uploaded by the suppliers in their GSTR-1 Return. All the invoices are eligible for claiming as ITC.
- He had sent goods valued ₹ 1,00,000 to his job worker, in the State of Kerala, who further processed the said goods and made

direct supply on 31.01.2020 from Kerala to a buyer in the State of Maharashtra.

(e) Out of advance received for future supply, ₹ 5,00,000 related to supply of goods and the rest related to service.

(f) Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services. Same rate is also applicable for inward supplies received, except where otherwise provided.

(g) All the amounts given are exclusive of taxes wherever applicable.

From the information given above, you are required to compute the net GST liability payable in cash (CGST and SGST or IGST, as the case may be) for the month of January, 2020.

Assessee wants to make the cash payment of GST under SGST head as far as possible.

Answer:

Computation of net GST payable in cash for the month of January 2020

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
A.	GST liability on outward supply				
(i)	Computers supplied without consideration [Not a supply as it is made without consideration and is also not covered in Schedule I because computers have been supplied to an unrelated person and ITC has also not been availed on the same.]	Nil	-	-	-
(ii)	Consignment of laptops supplied at the instruction of third person [Since supply is a bill to ship to supply where the goods are delivered on the direction of a third person-ZX Computers, goods are deemed to be received by ZX Computers and thus, the place of supply is Tamil Nadu. Hence, it is an inter-State supply.]	6,00,000			1,08,000 [6,00,000 × 18%]
(iii)	Stock counting service to M/s XY Impex of Gujarat [Intra-State supply as the place of supply is the location of recipient, viz. Mumbai. Godown at Mumbai being a fixed establishment is the location of recipient.]	80,000	₹,200 [80,000 × 9%]	₹,200 [80,000 × 9%]	NIL
(iv)	Service apartment rented in Mumbai* [Taxable] * Exemption for renting of residential dwelling for use as residence available under entry no. 12 of Notification No. 12/2017 CT(R) dated 28.06.2017 has not been provided basis the view that such renting is for a longer duration and does not cover in its ambit, renting for a day.	30,000	2,700 [30,000 × 9%]	2,700 [30,000 × 9%]	

(v)	Recovery agent services provided to an NBFC [Tax is payable by the NBFC under reverse charge.]	2,00,000	-	-	-
(vi)	Advance received for intra- State supply [Tax on advance received for supply of goods of ₹ 5,00,000 will be payable at the time of issuance of invoice.]	4,00,000	36,000 [4,00,000×9%]	36,000 [4,00,000 × 9%]	
(vii)	Finished goods sold from the premises of the job worker [Supply of goods by principal from the job worker's* premises is regarded as supply by principal only irrespective of the location of job worker. Therefore, since the place of supply is the location where movement of goods terminates for delivery to recipient, i.e., Maharashtra, it is an intra-State supply.] *It has been assumed that either Mr. Rishi has declared the job worker's place of business / premises as his additional place of business or the job worker is registered. Further, it has been assumed that the goods have been sold from the job worker's premises at a price of ₹ 1,00,000 itself.	1,00,000	9,000 [1,00,000×9%]	9,000 [1,00,000×9%]	
Total tax liability on outward supplies			54,900	54,900	1,08,000
B.	GST liability on inward supplies under reverse charge				
(i)	GTA services availed from M/s Speed Trans [Tax is payable under reverse charge on the GTA services received by a registered person and on which tax is payable @ 5%. Further, it is an inter-State supply since supplier is located in Kolkata and place of supply is Maharashtra (location of registered recipient)]	1,00,000			5,000 [1,00,000× 5%]
		100,000			5000
C.	Input tax credit				
	Import of computer accessories* * It has been assumed that the value of imported computer accessories is inclusive of basic customs duty and social welfare surcharge and consequently, the IGST has been computed on the same. [Input tax, inter alia, includes IGST charged on import of goods]	5,00,000			90,000 [5,00,000 × 18%]
	GTA services availed	1,00,000			5,000
	IGST on invoices received during the month [Full ITC can be claimed on the invoices uploaded by supplier in Form GSTR-1.]				95,000

	Less: Input tax reversed [Outward supply, tax on which is payable under Reverse Charge is considered as exempt supply for the purpose of reversal of ITC. =1,90,000 x 2,00,000/ 19,10,000 (1,90,000 x turnover of exempt supply/ total turnover) [The condition for making the payment for the supply within 180 days so that the ITC availed does not get added to the output tax liability does not apply to reverse charge supplies. Thus, ITC on 4,00,000 will not be affected.]				(19,895)
	Total ITC available for set off		-	-	1,70,105
D.	Computation of net GST payable in cash				
	Total tax liability on outward supplies		54,900	54,900	1,08,000
	Less: ITC of IGST		(54,900)	(7,205)	(1,08,000)
	Forward charge liability on outward supplies payable in cash after set off of ITC		-		
	Reverse charge liability on inward supplies payable in cash without set off of ITC [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]				5,000
	Total net GST liability payable in cash It has been assumed that IGST has been paid on imported goods before January 2020. Therefore, the same has not been considered as being paid in cash in the month of January 2020.		-	47,695	5,000

Concept: Computation of Net GST Payable

41. Cash and Credit Ltd. is registered with GST Department in the State of Maharashtra. It has its registered office at Mumbai. It is engaged in the business of production, manufacture and supply of fresh fruits, vegetables, fresh juices and fruit pulp etc. It has made the following intra-State supplies during the month of April, 2020: (PAST EXAM JAN 2021)

S. No.	Particular	Amount in lakh (₹)
1.	Fresh fruits	1100
2.	Vegetables	1100

3.	Fresh juices	2000
4.	Carbonated fruit drink	200

GST rate as applicable on above supplies is as follows:

S. No.	Particular	CGST	SGST	IGST
1.	Fresh fruits	Nil	Nil	Nil
2.	Vegetables	Nil	Nil	Nil
3.	Fresh juices	6%	6%	12%
4.	Carbonated fruit drink	14%	14%	28%

Further, for making the supplies of fruit juices, it has used the services of Goods Transport Agency ("GTA") based in Ahmedabad who have charged them ₹ 20 lakh as charges for their services. Such GTA have not charged any tax on their invoices. Rate of tax on GTA under reverse charge is 5%.

In respect of the above supply, the company has received the following inward supplies:

S. No.	Particular	Amount of purchase (₹ in lakh)	Amount of input tax credit thereon (₹ in lakh)		
			CGST	SGST	IGST
1.	Fresh fruits for supply	800	Nil	Nil	Nil
2.	Vegetables for supply	1200	Nil	Nil	Nil
3.	Fruit pulp used for fruit juice and carbonated drink	200	20	20	Nil
4.	Sugar used for fruit juice and carbonated drink	100	6	6	Nil
5.	Preservatives for fruit juice and carbonated drink	100	Nil	Nil	12
6.	Water for fruit juice and carbonated drink	20	Nil	Nil	Nil
7.	Administrative expenses (common)	40	2	2	Nil
8.	Marketing expenses (common)	50	Nil	Nil	10
9.	Purchase of machinery (capital goods) for fruit drink manufacture	40	Nil	Nil	8
10.	Motor vehicle for director official use	100	14	14	Nil

Compute the output GST liability, available ITC and payment to be made from Electronic Cash and Credit Ledger for the month of April, 2020 (considering that the entire ITC shall be utilized for payment of tax).

Answer:

Computation of ITC available with Cash and Credit Ltd. for April, 2020

Particulars	ITC (₹ in lakh)		
	CGST	SGST	IGST
I. Input tax credit on inputs, input services and capital goods			
Fruit pulp	20	20	
Sugar	6	6	
Preservatives			12
Administrative expenses	2	2	
Marketing expenses			10
Transportation charges for supply of fruit juices [Tax is payable by Cash and Credit Ltd. @ 5% under reverse charge. Further, it is an inter-State supply since supplier is located in Ahmedabad and place of supply is Maharashtra (location of registered recipient)]			
Machinery			1
Input tax (CGST & SGST/ IGST) paid on inputs, input services and capital goods used in the manufacture of taxable products viz., fresh juices & carbonated fruit drinks is available as input tax credit			8
Motor vehicle [ITC on motor vehicle for transportation of persons with seating capacity of up to 13 persons is blocked for a supplier who is not engaged in further supply of such vehicles, transportation of passengers or imparting training on driving such vehicles.]	-	-	
Total	28	28	31
II. Input tax credit to be reversed on inputs and input services			
Common credit of CGST on administrative expenses being used commonly for taxable and exempt products = ₹ 2 lakh Exempt turnover = ₹ 2200 lakh; Total turnover = ₹ 4400 lakh Common credit attributable to exempt supply ₹ in lakh $[2 \times 2200/4400] = ₹ 1$ lakh Similar reversal for SGST credit	(1)	(1)	
Common credit of IGST on marketing expenses being used commonly for taxable and exempt products = ₹ 10 lakh; Common credit attributable to exempt supply ₹ in lakh $[10 \times 2200/4400] = ₹ 5$ lakh			(5)
Total ITC available for set off	27	27	26

Computation of net GST payable for the month of April, 2020

Particulars	Value * ₹ [in lakh]	CGST ₹ [in lakh]	SGST ₹ [in lakh]	IGST ₹ [in lakh]

Intra-State sale of fresh fruits	1100	Nil	Nil	Nil
Intra-State sale of vegetables	1100	Nil	Nil	Nil
Intra-State sale of fresh juices	2000	120	120	
Intra-State sale of carbonated fruit drinks	200	28	28	
Total output tax liability		148	148	
Less: Payment from Electronic Credit Ledger				
IGST credit being set off against SGST liability as it can be set off against CGST and SGST liability in any order and in any proportion			(26)	
CGST and SGST credit set off against CGST and SGST liability respectively		(27)	(27)	
Net GST payable from Electronic Cash Ledger [A]		121	95	
GST payable on inward supply of GTA services under reverse charge through Electronic Cash Ledger [B] [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]				1
Net GST payable through Electronic Cash Ledger [A] + [B]		121	95	1
Total GST payable by cash				217

Note:

In the above answer, tax payable from Electronic Cash Ledger has been computed by setting off the IGST credit against SGST liability. However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in different ways as well. In all such cases, net CGST and net SGST payable from Electronic Cash Ledger will differ though the total amount of net GST payable (₹ 217 lakh) in cash will remain the same.

*It has been assumed that the amounts given hereunder are exclusive of GST.

Concept: Computaton of ITC Eligible

42. ABC Ltd., a registered supplier, is engaged in the manufacture of dyeing machines. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of September 2020:

	Particulars	GST Paid ₹
(i)	Purchase of 10 apple i-pads which were given as gift to employees	1,85,000
(ii)	Payment for club membership availed by employees as per terms of employment	90,000
(iii)	Purchase of maxi cab 14 seater for transport of its employees to and from home to office	70,000

(iv)	Purchase of calendars and diaries for distribution as new year compliments to customers and distributors	25,000
(v)	Works contract services availed for erection and installation of RO treatment plant in factory	35,000

Determine the amount of ITC available to ABC Ltd. for the month of September, 2020 by giving necessary explanations for treatment of various items. None of expenses incurred for staff was under statutory obligation and seating capacity of the maxi cab was excluding driver. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled. (PAST EXAM JAN 2021)

Answer:

Computation of ITC available with ABC Ltd. for the month of September, 2020

Particulars	GST paid
Apple i-pads given as gifts to the employees [ITC in respect of goods that are disposed of by way of gifts is blocked.]	Nil
Club membership availed by employees [ITC on membership of a club is blocked as ABC Ltd. is not under any statutory obligation to provide the same to its employees.]	Nil
Maxi cab for transport of employees [ITC on motor vehicles for transportation of persons with seating capacity of more than (or exceeding) 13 persons (including the driver) used for any purpose, is allowed.]	₹0,000
Calendars and diaries for distribution as compliments to customers and distributors [ITC in respect of goods that are disposed of by way of gifts is blocked.]	Nil
Works contract services for erection and installation of RO treatment plant in factory* [ITC on works contract service used for construction of a plant and machinery fixed to earth by foundation or structural support is allowed.]	35,000
Total ITC available	1,05,000

*It has been logically assumed that the RO treatment plant installed in the factory is to be used for making outward supply of dyeing machines.

Concept: ITC Composition Levy Scheme and Apportionment

43. B & D Company, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and an exempt product 'Q'. The firm supplies these products only in the eastern part of Maharashtra. All the procurements (both goods and services) of the firm are from the suppliers registered under regular scheme in the State of Maharashtra. The firm pays tax under composition scheme.

B & D Company has furnished the following details with respect to its turnover (exclusive of taxes) and stock (exclusive of taxes):

Particulars	Turnover for the quarter ended 30.06.20XX (₹)	Turnover for the quarter ended 30.09.20XX (₹)
'P'	₹70,00,000	30,00,000
'Q'	34,65,000	13,00,000

Particulars	Stock as on 30.06.20XX (₹)	Stock as on 30.09.20XX (₹)	Stock as on 31.10.20XX (₹)
'P'	25,00,000	10,00,000	3,60,000
'Q'	10,00,000	2,00,000	1,20,000

The entire stock of the products 'P' and 'Q' available with the firm as on 30.09.20XX is purchased during the said half year except a consignment of product 'P' valuing 3,00,000, which was purchased in the April month of the preceding financial year. In the month of October, 20XX, no purchases were made, and the products were sold with a profit margin of 20% on sales [exclusive of taxes].

The extract of the only bill book maintained by the firm showed the following details-

Bill No.	Date	Value of products (exclusive of taxes)		
		'P' (₹)	'Q' (₹)	Total (₹)
2306	01.10.20XX	1,00,000	3,000	1,03,000
2307	01.10.20XX	31,250	2,000	33,250
2308	02.10.20XX	43,750	15,000	58,750
2309	03.10.20XX	35,000	10,000	45,000
2310	05.10.20XX	1,00,000	-	1,00,000
2311	06.10.20XX	94,000	6,000	1,00,000
2312	06.10.20XX	-	17,000	17,000
2313	08.10.20XX	50,000	6,000	56,000
2314	09.10.20XX	60,000	9,000	69,000
2315
.....

The details of services availed by B & D Company is as follows:

S. No.	Particulars	(₹)
(i)	Freight paid to Goods Transport Agency during the period April 20XX - October 20XX. Assume equal amount of freight is paid each month on the 10th day of each month. Also, assume that the goods for which the freight is paid on 10th day of the month are transported	1,40,000

	between 11th to 20th day of the month.	
(ii)	Special packing charges paid to a Packing Company, having expertise in such specialized packing, during the period January 20XX – October 20XX. The packing charges are paid for the goods which are transported between 11th to 20th day of the month (as mentioned in point (i) above). The goods are packed on 10th day and then transported from 11th day onwards. Assume equal amount of packing charges are paid each month on the 9 th day of each month.	3,00,000

All the above amounts are exclusive of taxes, wherever applicable.

Compute the net GST liability of B & D Company for the period April, 20XX to October, 20XX under composition scheme showing calculations for each quarter separately.

Answer:

As per section 10(3) of the CGST Act, 2017 read with Notification No. 8/2017 CT dated 27.06.2017 as amended, the option availed of by a registered person to pay tax under composition scheme shall lapse

with effect from the day on which his aggregate turnover during a financial year exceeds ₹ 1.5 crore [₹ 75 lakh in case of Special Category States except Uttarakhand and Jammu and Kashmir].

As per section 2(6) of the CGST Act, 2017, aggregate turnover means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same PAN, to be computed on all India basis but excludes CGST, SGST/UTGST, IGST and GST Compensation Cess.

In the given case, the firm is registered under the composition scheme in the State of Maharashtra. The aggregate turnover of the firm exceeds ₹ 1.5 crore on 03.10.20XX [aggregate of both taxable and exempt turnover from 01.04.20XX to 03.10.20XX, i.e.

₹1,50,05,000 (₹ 1,47,65,000 + ₹ 1,03,000 + ₹ 33,250 + ₹ 58,750 + ₹ 45,000)]

The inward supplies of goods transportation services in respect of which the firm has to pay tax under reverse charge have not been included in the aggregate turnover in terms of section 2(6) of the CGST Act, 2017. The tax is payable under reverse charge on such services as the applicable rate of tax on such services is given as 5% and not 12%, in which case the GTA would have been liable to pay tax under forward charge [Notification No. 13/2017 CT (R) dated 28.06.2017 as amended].

Thus, the firm will have to pay tax under regular scheme (Section

9 of the CGST Act, 2017) from 03.10.20XX.

Output tax liability of B & D Company under composition scheme

During the period when the firm pays tax under composition scheme, i.e. from 01.04.20XX to 02.10.20XX, tax will be payable on quarterly basis and no ITC will be available [Section 10(4) read with sub-sections (2) and (7) of section 39 of the CGST Act, 2017].

Further, since the firm is trading in goods, tax will be payable @ ½% [Effective rate - 1% (½% CGST + ½% SGST)] of the turnover of taxable supplies of goods (i.e. 'P') in the State [Section 10(1) read with rule 7 of CGST Rues, 2017].

The tax liability for the quarters ended June, 20XX, September, 20XX and December, 20XX under composition scheme will be computed as under-

Particulars	Quarter ended 30.06.20XX (₹)	Quarter ended 30.09.20XX (₹)	Quarter ended 31.12.20XX (₹)
Turnover of 'P' (Taxable supplies)	₹70,00,000	30,00,000	1,75,000 [1,00,000 + 31,250 + 43,750]
CGST @ 0.5% [A1]	35,000	15,000	875
SGST @ 0.5% [B1]	35,000	15,000	875
Inward supply on which tax is payable under reverse charge [Service of goods transportation availed from a GTA @ 5%]	60,000 [(1,40,000/7) x 3]	60,000 [(1,40,000/7) x 3]	Nil [Paid on 10th day for goods transported between 11th to 20th day of the month, so the same will be assessed under regular scheme]
CGST @ 2.5% [A2]	1,500	1,500	-
SGST @ 2.5% [B2]	1,500	1,500	-
Total CGST [A1 + A2]	36,500	16,500	875
Total SGST [B1 + B2]	36,500	16,500	875
Total CGST liability for the period from 01.04.20XX to 02.10.20XX		53,875 [36,500 + 16,500 + 875]	
Total SGST liability for the period from 01.04.20XX to 02.10.20XX		53,875 [36,500 + 16,500 + 875]	

Note: Make suitable assumptions wherever required. Rate of CGST and SGST on service of transportation of goods by GTA is 2.5% each. Stock is valued at cost price.

44. Keeping all the facts and figures of Q.40 unchanged, compute the ITC credited to the Electronic Credit Ledger of the B & D Company, when it exits composition scheme and becomes liable to pay tax under regular scheme, in accordance with the provisions of section 18(1)(c) of the CGST Act, 2017.

Following additional information is also available:

Particulars relating to capital goods owned by the firm	Date of purchase	Value (₹)	GST (₹)
Computers	01.02.20XX	2,00,000	36,000
Printers	January 1, two years prior to 01.01.20XX	80,000	14,400

Motor cycle used by the staff for collecting payments from the debtors	23.09.20XX	85,000	15,300
Furniture & fixtures	12.06.20XX	4,00,000	72,000
Air conditioner used in the office	15.10.20XX	2,00,000	36,000
Exhaust fan used in the godown	10.03.20XX	50,000	9,000

Note: The company has not claimed depreciation on the tax component of any of the capital goods (mentioned above) under the Income-tax Act, 1961. All the conditions necessary for availing the ITC have been complied with. Rate of CGST and SGST is 9% each.

Answer:

As per section 18(1)(c) of the CGST Act, 2017 read with rule 40 of CGST Rules, 2017, where any registered person ceases to pay tax under section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax under section 9. However, the credit on capital goods shall be reduced by 5% per quarter of a year or part thereof from the date of invoice.

Further, ITC on supplies of inputs and capital goods shall not be available after the expiry of one year from the date of issue of tax invoice [Section 18(2) of the CGST Act, 2017].

In the light of the above-mentioned provisions, the ITC credited to the Electronic Credit Ledger of the B & D Company on inputs held in stock and capital goods on 02.10.20XX will be computed as under:

Particulars	Amount (₹)
A. ITC on inputs	
Stock of taxable inputs as on 30.09.20XX [Since no tax is paid on exempt purchases, there does not arise any question of availing ITC on the same. Hence, stock of only taxable inputs are considered]	10,00,000
Add: Purchases [No purchases are made in October, 20XX]	Nil
Less: Cost of taxable goods sold from 01.10.20XX to 02.10.20XX [(₹ 1,00,000 + ₹ 31,250 + ₹ 43,750) x 80%]	<u>1,40,000</u>
Stock of taxable inputs as on 02.10.20XX [Since the bill numbers are in continuation, it can be concluded that no sales are missing from the extract]	8,60,000
Less: More than one year old stock	<u>3,00,000</u>
Stock of inputs on which ITC can be claimed	5,60,000
ITC of CGST @ 9% [Since all purchases are intra-State and from the suppliers registered under	50,400

ITC of SGST @ 9%	regular scheme]		50,400
B. ITC on capital goods			
Particulars		CGST @ 9% (₹)	SGST @ 9% (₹)
Computers [₹ 36,000 - (5% x 4 quarters)] ÷ 2		14,400	14,400
Printers [Being more than one year old, no ITC is available]		-	-
Motor cycle [Section 17(5)(a) of CGST Act, 2017 allows ITC on motor vehicles only when the same are used: (1) for making taxable supply of- (i) further supply of such vehicles, (ii) transportation of passengers, (iii) imparting training on driving, flying, navigating such vehicles and (2) for transportation of goods. Since B & D Company is a trader and it does not use the motor cycle for transportation of goods, ITC thereon will not be available]		-	-
Furniture and Fixtures [₹ 72,000 - (5% x 3 quarters)] ÷ 2		30,600	30,600
Air conditioner used in the office [Since purchased after 03.10.20XX, full ITC will be available and will be computed separately]		-	-
Exhaust fan used in the godown [₹ 9,000 - (5% x 4 quarters)] ÷ 2		3,600	3,600
ITC to be claimed on capital goods		48,600	48,600
Total ITC on inputs and capital goods credited to Electronic Credit Ledger on 02.10.20XX		99,000 [50,400 + 48,600]	99,000 [50,400 + 48,600]

45. Keeping all the facts and figures of Q.40 and Q.41 unchanged, compute the GST liability of B & D Company payable from Electronic Credit Ledger and/or Electronic Cash Ledger, as the case may be, for the period covered under regular scheme.

Answer:

Output tax liability of B & D Company under regular scheme

From 03.10.20XX, firm will pay tax under regular scheme on monthly basis in terms of sub-sections (1) and (7) of section 39 of the CGST Act, 2017 and will be eligible to avail ITC on inputs held in stock and capital goods as on 02.10.20XX in terms of section 18 of

the CGST Act, 2017 as also on goods and services procured on or after 03.10.20XX and used in the course or furtherance of business in accordance with section 16 of the CGST Act, 2017. However, since common input services and capital goods are used in effecting taxable supplies as well as exempt supplies, ITC attributable to the exempt supplies will need to be added to the output tax liability of the month of October, 20XX in terms of section 17(2) read with rules 42 and 43 of the CGST Rules, 2017 respectively. Further, since all the sales are made within the State (eastern part of Maharashtra), CGST and SGST @ 9% each will be payable on the outward supplies.

The tax liability for the month of October, 20XX under regular scheme will be computed as under-

Particulars	Value (₹)	CGST (₹)	SGST (₹)
Tax on outward supply of 'P' Taxable supplies from 03.10.20XX to 31.10.20XX chargeable to CGST and SGST 9% each [₹ 8,00,000 (Refer Working Note 4)]	6,25,000	56,250	56,250
Tax on inward supplies attracting reverse charge GTA services availed chargeable to CGST and SGST @ 2.5% each (₹ 1,40,000 / ₹)	20,000	500	500
Less: ITC [Refer Working Note 3 below]		(56,250)	(56,739)
Outward Tax Liability Paid in Cash		Nil	Nil
RCM Liability paid in cash As per section 49(4) of the CGST Act, 2017 amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.		500	500
Excess Credits Carry Forwarded		63461	63461

WORKING NOTE 1:

Particulars	Value (₹)	CGST (₹)	SGST (₹)
CGST & SGST @ 2.5% each paid under reverse charge on freight paid to GTA on 10.10.20XX (for the goods transported between 11.10.20XX & 20.10.20XX) will be available as ITC under regular scheme	20,000	500	500
CGST & SGST @ 9% each paid to Packing Agency on 09.10.20XX (for specialized packing to be carried out on 10.10.20XX on goods to be transported between 11.10.20XX & 20.10.20XX) will be available as ITC under regular scheme.	30,000	2,700	2,700
Total common credit		3,200	3,200

Common credit on input services attributable to exempt supplies (rounded off) Common credit on input services availed during the period under regular scheme x (Exempt turnover made during the period under regular scheme / Total turnover during the period under regular scheme) = ₹ 3,200 x ₹ 80,000 / ₹ 7,05,000 Turnover of 'Q' (exempt turnover) from 03.10.20XX to 31.10.20XX - ₹ 80,000 [Refer Working Note 4] Total turnover from 03.10.20XX to 31.10.20XX - ₹ 7,05,000 [Refer Working Note 4]		363	363
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WORKING NOTE 2:

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
ITC claimed on capital goods on 02.10.20XX [Refer Ans. 39]	48,600	48,600
Air conditioner used in the office purchased on 15.10.20XX	<u>18,000</u>	<u>18,000</u>
Common ITC [Since all the capital goods are used for effecting both taxable and exempt supplies, the entire ITC on capital goods is common]	66,600	66,600
Common credit for a tax period [Common credit ÷ 60] (rounded off)	1,110	1,110
Common credit on capital goods attributable to exempt supplies (rounded off) Common credit on capital goods during the period under regular scheme x (Exempt turnover made during the period under regular scheme / Total turnover during the period under regular scheme) = ₹ 1,110 x ₹ 80,000 / ₹ 7,05,000	126	126

WORKING NOTE 3:

Particulars	CGST (₹)	SGST (₹)
ITC on inputs and capital goods claimed on 02.10.20XX [Refer Ans. 39]	99,000	99,000
ITC on air conditioner used in the office purchased on 15.10.20XX	18,000	18,000
ITC on freight paid to GTA	500	500
ITC on packing charges	2,700	2,700
ITC reversal on input services [Refer Working Note 1 below]	(363)	(363)
ITC reversal on capital goods [Refer Working Note 2 below]	<u>(126)</u>	<u>(126)</u>
Total ITC available with the firm	1,19,711	1,19,711

WORKING NOTE 4:

Particulars	Total turnover for the month of October, 20XX* (₹)	Turnover in the month of October under regular scheme [03.10.20XX-31.10.20XX] (₹)
'P'	8,00,000 [(10,00,000 - 3,60,000) × 125%]	6,25,000 [8,00,000 - 1,00,000 - 31,250 - 43,750]
'Q'	1,00,000 [(2,00,000 - 1,20,000) × 125%]	80,000 [1,00,000 - 3,000 - 2,000 - 15,000]
Aggregate turnover	9,00,000	7,05,000

Note – Turnover for October, 20XX will be computed as under:

*Turnover = Cost of goods sold** × 125% (20% margin on sales = 25% margin on cost)

**Cost of goods sold = Stock as on 30.09.20XX less stock as on 31.10.20XX (since no purchases are made after September, 20XX)

Past Exam Questions

Concept: Computation of Net GST Payable and Apportionment

46. Supermarket is a proprietary firm and a GST registered supplier in Ahmedabad, Gujarat. The details of supplies, purchases and expenses for the month of December 2021 of Supermarket are as given below:

Particulars	Amount (₹)
Details of outward supplies:	45,00,000
(i) Intra-State	
(ii) Inter-State	15,00,000
(iii) Exempt supplies under GST	6,00,000
Details of inward supplies:	
(i) Intra-State	40,00,000
(ii) Inter-State	10,00,000
(iii) Exempt supplies under GST	5,00,000

Details of expenses:	
(i) Freight paid to GTA for intra-State of the freight paid was towards transportation liable to GST.]	60,000
(ii) Telephone expenses	
[Out of the above, ₹ 18,000 was spent on landline sales outlet and ₹ 12,000 was spent on employees in relation to the work of the firm.]	30,000
(iii) Premium paid on insurance taken on car used by the firm in relation to the work of the firm (intra-State)	8,500
(iv) Outdoor catering service expenses incurred celebrations in the sales outlet	40,000
(v) Monthly rent for the premises of sales outlet	60,000

It is further given that -

All the amounts given are exclusive of all taxes, wherever applicable.

All the inward and outward supplies are made by Supermarket from / to registered place of business in Gujarat. Inward supplies of ₹ 50 lakh were used only for making taxable supplies and exempt inward supplies of ₹ 5 lakh were used only for making exempt outward supplies.

Wherever applicable for the purposes of reverse charge payable by Supermarket, CGST, SGST and IGST rates are 2.5%, 2.5% and 5% respectively. In all other cases, CGST, SGST and IGST rates are 9%, 9% and 18% respectively.

There is no opening balance in the electronic cash ledger or in electronic credit ledger.

Subject to the information as given above, all the other conditions necessary for availing ITC have been fulfilled.

You are required to compute the following -

- 1) Input Tax Credit (ITC) credited to Electronic Credit ledger;
- 2) Common ITC available for apportionment;
- 3) ITC attributable to exempt supplies out of common ITC;

You are required to examine the applicability of rule 86B of the CGST Rules relating to utilisation of ITC and if applicable, calculate the amount of ITC available for utilisation towards payment of GST. However, there is no need to explain exceptions to rule 86B.

Make suitable assumptions, wherever required and working notes as may be needed.

Brief notes are required only to support the calculation and the numerical outputs required in the case of common ITC available for apportionment and applicability of rule 86B of the CGST Rules.

Ensure that every transaction in the Question is covered in the Answer for the purpose of calculation of numerical outputs. (14 Marks May '22)

Answer:

Computation of ITC credited to Electronic Credit Ledger

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST paid on intra-State inward supplies taxable @ 9%	40,00,000	3,60,000	3,60,000	
GST paid on inter-State inward supplies taxable @ 18%	10,00,000			1,80,000
Inward supplies exempt from GST [Since exempt, no GST is paid.]	5,00,000	--	--	--
Freight paid to GTA for intra-State of taxable goods ¹ @ 2.5% [Since rate of GST on GTA services is 2.5%, tax is	48,000 [60,000 ×	1,200	1,200	--

payable under reverse charge.]	80%]			
GST on freight paid to GTA for intra- State of exempt goods ² @ 2.5% under reverse charge [ITC on input services used exclusively in relation to exempt supplies is not available.]	12,000 [60,000 × 20%]	--	--	
GST on telephone expenses ³ @ 9% [ITC of services used in the course or furtherance of business is available.]	30,000	2,700	2,700	
Premium paid on insurance taken on car used for firm's work [ITC is blocked u/s 17(5) on general insurance services relating to those motor vehicles which are ineligible for ITC.]	8,500	--	--	
Outdoor catering services [ITC on outdoor catering is blocked u/s 17(5) if the same is not used for making an outward supply of outdoor catering or as an element of a taxable composite/ mixed supply.]	40,000	--	--	
GST on monthly rent for premises of sales outlet @ 9% ⁴ [ITC of services used in the course or furtherance of business is available.]	60,000	5,400	5,400	
ITC credited to the electronic ledger		3,69,300	3,69,300	1,80,000

(1) Computation of common ITC available for apportionment

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
ITC credited to Electronic	3,69,300	3,69,300	1,80,000
Less: ITC on taxable goods	3,60,000	3,60,000	1,80,000
Less: ITC on freight paid to GTA for	1,200	1,200	
Common credit for apportionment	8,100	8,100	--

(2) Computation of ITC attributable towards exempt supplies

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
-------------	-------------	-------------	-------------

ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period/ Total turnover during the tax period)			
[₹8,100 x (₹6,00,000/₹	₹36	₹36	

(3) Computation of ITC available for utilization towards payment of tax in terms of rule 86B

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Maximum amount of output that can be discharged from Output tax liability]	4,00,950 [45,00,000 9%× 99%]	4,00,950 [45,00,00 × 9%× 99%]	2,67,300 [15,00,00 × 18%× 99%]
[Since the value of taxable supply other than exempt supply in December 2021 (₹ 45 lakh + ₹ 15 lakh) exceeds ₹ 50 lakh, amount from electronic credit ledger which it can use to discharge its output tax liability of said month cannot exceed 99% of such tax liability in terms of rule 86B of the CGST Rules, 2017.]			
Amount of ITC available for utilization towards payment of tax [Since the ITC available in ECrL reversal thereof is lower than the aforesaid amount, entire ITC can be utilised towards payment of GST.]	3,68,564 [3,69,300 -₹36]	3,68,564 [3,69,300- ₹36]	1,80,000

- 1) It has been most logically presumed that remaining 80% of the freight has been paid exclusively on transportation of taxable outward supply of goods and GTA providing said services is registered in the State of Gujarat.
- 2) It has been most logically presumed that freight has been paid on transportation of outward supply of exempt goods.
In case it is assumed that freight has been paid on transportation of inward supply of exempt goods, amount of ITC available with regard to the same will change accordingly.
- 3) Telephone expenses have been considered to be in the nature of input services. Further, it has been assumed that the supplier is registered in the State of Gujarat.
- 4) It has been assumed that supplier of services of renting of premises is registered in the State of Gujarat.
- 5) Telephone expenses have been considered to be in the nature of input services.
However, it is also possible to consider the telephone expenses to be in the nature of capital goods to be reversed in accordance with provisions with rule 43 of the CGST Rules, 2017.

Concept: Computation of ITC Eligible

47. RAM Company Ltd., a registered supplier of Prayagraj (Uttar Pradesh), is a manufacturer of goods. The company provides

the following information pertaining to GST paid on inward supplies during the month of April (current financial year):

Serial	Items	GST paid in (₹)
(i)	Life insurance premium paid by the company for the life insurance cover of factory employees as per the policy of the company. There is no legal obligation to provide insurance cover for employees.	1,50,000
(ii)	In the month of September of previous financial year, RAM Company Ltd. availed ITC of ₹ 2,40,000 on purchase of raw material which was directly sent to job worker's premises under a challan on 25th September (previous financial year). The said raw material has not been received back from the job worker upto 30th April (current financial year).	
(iii)	Raw materials purchased which are used for exempted goods supplied as zero-rated supply.	50,000
(iv)	Works contractor's service used for repair of factory building which is debited in the profit and loss account of company.	30,000
(v)	Company purchased the capital goods for ₹ 4,00,000 and claimed depreciation of ₹ 44,800 (@ 10%).	48,000
(vi)	Raw materials purchased from Neha Traders (Invoice of Neha Traders is received in the month of April but goods were received in month of June)	20,000
(vii)	Car purchased for making further supply of such car. Such car is destroyed in accident while being used for test drive by potential customers.	30,000
(viii)	Goods used for setting up tele-communication towers	50,000

Other information:

All the above inward supplies except at S.No.(iii) above have been used in the manufacture of taxable goods.

Compute the amount of net ITC available to RAM Company Ltd. for the month of April with necessary explanations for the treatment of all the items in the table as per the provisions of the CGST Act. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. (9 Marks Nov 22)

Answer:

Computation of ITC available to RAM Company Ltd. for the month of April

S. No.	Particulars	ITC (₹)
(i)	Life insurance premium paid by the company for factory employees [ITC is blocked under section 17(5) since it is not obligatory for the employer to provide life insurance service to its employees under any law.]	Nil
(ii)	Raw material sent to job worker [ITC taken in the month of September last year is valid since. Further, since 1 year period from of the date of receipt of inputs by the job worker has yet not lapsed in April, there will be no tax liability on	Nil

	such inputs.]	
(iii)	Raw materials used for zero rated supply [ITC can be availed for making zero- rated supplies, notwithstanding that such supply may be an exempt supply]	50,000
(iv)	Work contractor's service [ITC on works contract services supplied for construction of an immovable property is blocked. Repairs of building debited to P & L Account does not amount to 'construction' and it is not blocked under section 17(5), hence ITC is available.]	30,000
(v)	Capital goods purchased in respect of which depreciation is claimed ⁸ on the tax component [ITC is not available when depreciation has been claimed on the tax component of the cost of capital goods under the Income-tax Act.]	Nil
(vi)	Goods purchased from Neha Traders [ITC is available assuming that that invoice is received in the month of April in the current financial year, but goods were received in the month of June in the preceding financial year. ⁹]	20,000
(vii)	Cars purchased for making further supply [Though ITC on motor vehicles used for further supply of such vehicles is not blocked, ITC on goods destroyed is blocked under section 17(5)]	Nil
(viii)	Goods used for setting telecommunication towers [ITC on goods used by a taxable person for construction of immovable property (other than plant and machinery) on his own account is blocked. Since plant & machinery excludes telecommunication tower, ITC is blocked under section 17(5). Further, such goods are not used in course or furtherance of business.]	Nil
	Total ITC available	1,00,000

- 1) under the Income-tax Act, 1961
- 2) It is also possible to assume that that invoice is received in the month of April in the current financial year, but goods are received in the month of June of the same financial year. In that case, the ITC with respect to said goods will be available in the month of June when goods will be received, and no ITC is available in April.

Revision Test Papers

Concept: Computation of Net GST Payable

48. Motopower Pvt. Ltd., registered under GST, is engaged in the manufacture of 5 -seater luxury cars. The cars are manufactured in its factories located in the States of Rajasthan, Uttar Pradesh and Gujarat. It also enters into contracts for providing these cars on rent to corporate clients wherein the cost of fuel is included in the value of supply.

The company reports the following details for a tax period pertaining to its factory located in Gujarat:

Payments	(₹) (in	Receipts	(₹) (in
Raw material	4.50	Sales	30
Rent paid	1.00	Car rental income	0.5
Consumables	1.50	Income from services	2.5

Security services	0.70	Provided to Gujarat Government administration	
General insurance of cars manufactured	2.50		
Works contract services	1.6		
Audit fee	0.5		
Bank charges	0.1		
Membership of Association	0.1		

All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by the company.

Further, following additional details are furnished by the company in respect of the payments and receipts reported by it:

- (i) Raw materials worth ₹ 0.50 lakh, purchased from a registered supplier located in Gujarat, were destroyed due to fire in the factory and thus, could not be used in the manufacturing process. Remaining raw material has been procured from various vendors located in Maharashtra.
- (ii) Rent has been paid for the factory building located in Rajasthan to its owner registered in Rajasthan.
- (iii) Payment for security services (services provided by way of supply of security personnel) for the tax period has been made to Safe and Secure Solutions Pvt. Limited, a company located in Gujarat and not registered under GST.
- (iv) General insurance services have been availed from Divided Insurance Company Ltd. registered in
- (v) Works contract services have been used by the company for construction of a foundation on which machinery to be used in the production process is to be mounted permanently.
- (vi) Audit fee is paid to M/s Pandya & Associates (registered in West Bengal with an aggregate turnover of ₹ 30 crores in the preceding financial year) for conducting the statutory audit of the company in the preceding financial year. The firm raises an e-invoice without IRN (Invoice Reference Number) for said services.
- (vii) Bank charges are towards various services availed by the company during a month with regard to its current account maintained with Manimani Bank, registered in Gujarat. The bank issued a consolidated tax invoice for all such services at the end of the month containing the details of tax charged, description of services, total value, GSTIN of the bank and Motopower Pvt. Ltd.
- (viii) The breakup of sales is as under: Sales in Gujarat – ₹ 14 lakh Sales in States other than Gujarat – ₹ 6 lakh Exports under Letter of Undertaking (LUT) – ₹ 10 lakh
- (ix) Car rental income pertains to renting of cars to Jamaze Travels Ltd., registered in Gujarat and cost of fuel is included in the value of said supply. Further, consumables, procured from registered suppliers located in Gujarat, include diesel (excise and VAT paid) worth ₹ 0.75 lakh used for running the cars so rented out to Jamaze Travels Ltd.
- (x) Services provided to Gujarat Government administration are under Health Training programme. 51% of the total expenditure for said programme is borne by Rajasthan Government.

(xi) The opening balance of ITC with the company for the tax period is: CGST - ₹ 0.50 lakh SGST - ₹ 0.26 lakh IGST - ₹ 0.35 lakh

Compute the total ITC available with Motopower Pvt. Ltd. for the given tax period and net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by Motopower Pvt. Ltd. for the given tax period.

Notes-

- A. CGST, SGST & IGST rates on all inward and outward supplies are 9%, 9% and 18% respectively, except on renting of cars wherein CGST, SGST & IGST rates are 2.5%, 2.5% and 5% respectively. It is important to note that credit of input tax charged on goods and services used in supplying the service of transport of passengers by any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, is not available except the credit of the input service in the same line of business.
- B. The necessary conditions for availing ITC have been complied with by Motopower Pvt. Ltd., wherever applicable. You are required to make suitable assumptions, wherever necessary.

Answer:

Computation of ITC available with Motopower Pvt. Ltd. for the given tax period

S. No	Particulars	Value of supply ₹	ITC			Total ₹
			CGST*₹	SGST*₹	IGST*₹	
1	Opening balance		50,000	26,000	35,000	1,11,000
2	Raw Materials [₹ 4,50,000 - ₹ 50,000] [Refer Note 1]	4,00,000			72,000	72,000
3	Rent paid for the factory building [Refer Note 2]	1,00,000	9,000	9,000		18,000
4	Consumables procured from suppliers in Gujarat [₹ 1,50,000 - ₹ 75,000] [Refer Note 3]	75,000	6,750	6,750		13,500
4	Security services [Refer Note 4]	70,000	Nil	Nil	Nil	Nil
5	General insurance of cars manufactured [Refer Note 5]	2,50,000	22,500	22,500	-	45,000

6	Works contract services [Refer Note 6]	1,60,000	14,400	14,400	-	28,800
7	Audit Fee	50000	Nil	Nil	Nil	Nil
8	Bank charges [Refer Note 8]	10000	900	900		1,800
9	Membership of Automobile Association [Refer Note 9]	10000	900	900		1,800
Total ITC available for the tax period			1,04,450	80,450	1,07,000	2,91,900

Computation of net GST payable

Particulars	Value of	CGST*	SGST*	IGST*	Total
		₹	₹	₹	₹
On intra-State sales in	14,00,00	1,26,000	1,26,000		2,52,000
On inter-State sales other than Gujarat	6,00,000			1,08,000	1,08,000
On exports under LUT	10,00,00	Nil	Nil	Nil	Nil
Car rental income (Taxable @ 2.5% CGST and SGST each) [Note 11]	50,000	1,250	1,250	-	2,500
Income from services Provided to Gujarat Government [Note 12]	2,50,000	22,500	22,500	-	45,000
Total output tax liability		1,49,750	1,49,750	1,08,000	4,07,500
Less: ITC available for being set off [Note 13 and Note 14]		(1,04,450)	(80,450)	(1,07,000)	(2,91,900)
Net GST payable from Electronic Cash Ledger		45,300	69,300	1,000	1,15,600

Notes:

- 1) Credit of input tax paid on raw materials used in the course or furtherance of business is available in terms of section 16(1). However, ITC is not available on destroyed inputs in terms of section 17(5)(h).
- 2) ITC on rent paid is available as the said service is used in the course or furtherance of business in terms of section 16(1).
- 3) ITC on consumables, being inputs used in the course or furtherance of business, is available in terms of section 16(1). However, levy of GST on diesel has been deferred till such date as may be notified by the Government on recommendations of the GST Council [Section 9(2)]. Hence, there being no levy of GST on diesel, there cannot be any ITC since VAT & excise paid are not covered in the definition of input tax under section 2(62). Moreover, credit of input tax charged on goods and services used in supplying the service of transport of passengers by any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, is not available except the credit of the input service in the same line of business. Thus, ITC on diesel will not be available.
- 4) Tax on security services (services provided by way of supply of security personnel) provided by a non-body corporate to a

registered person is payable under reverse charge. Since in the given case, security services have been provided by a body corporate - Safe and Secure Solutions Pvt. Limited to a registered person, GST on the same is payable under forward charge. However, since Safe and Secure Solutions Pvt. Limited is not registered under GST, it would not have charged GST on the said services and hence, no ITC is available.

- 5) ITC on motor vehicles for transportation of persons is allowed in terms of section 17(5)(a) provided such vehicles are further supplied by the supplier. ITC is allowed on general insurance services relating to motor Vehicles on which ITC is allowed [Section 17(5)(ab)].
- 6) Section 17(5)(c) blocks ITC in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Further, the term "plant and machinery" means, inter alia, machinery fixed to earth by foundation or structural support that are used for making outward supply and includes such foundation/structural support. Thus, in view of the above-mentioned provisions, ITC is available in respect of works contract service availed by Motopower Pvt. Ltd. as the same is used for construction of plant and machinery which is not blocked under section 17(5)(c).
- 7) Audit fee are the services used in the course/ furtherance of business and thus, credit of input tax paid on such service will be available in terms of section 16(1). M/s Pandya & Associates is required to issue an e- invoice for audit services as e- invoicing is mandatory for the registered persons whose aggregate turnover in any of the preceding financial years exceed ₹ 20 crores. However, an e-invoice without IRN is not treated as an invoice as per rule 48(5) and hence, without a valid document, ITC cannot be claimed on such input services.
- 8) Bank charges are services used in the course/ furtherance of business and thus, credit of input tax paid on such service will be available in terms of section 16(1). However, ITC can be claimed only on the basis of valid documents. In case of a banking company, as per rule 54(2), a consolidated tax invoice issued for supply of services made during a month at the end of the month containing the details of tax charged, description of services, total value, GSTIN of the supplier and the recipient is deemed to be a tax invoice. Thus, ITC pertaining to the banking services received is allowed.
- 9) As per section 17(5)(b)(ii), ITC is blocked on membership of a club, health and fitness centre. The membership fee paid by a automobile company to Automobile Association is not covered under said section as it is distinct from membership of a club. Hence, ITC thereon is available.
- 10) Export of goods is a zero rated supply in terms of section 16(1)(a) of the IGST Act. A zero rated supply under LUT is made without payment of integrated tax [Section 16(3)(a) of the IGST Act].
- 11) Tax on services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient is payable under reverse charge only when said service is provided by a non- body corporate to a body corporate and & an invoice charging GST @ 12% is not issued to service recipient. Since in the given case, said services are provided by a body corporate - Motopower Pvt. Ltd. to another body corporate - Jamaze Travels Ltd., GST is payable under forward charge by Motopower Pvt. Ltd. on the same.
- 12) Services provided to the Central Government, State Government, Union territory administration under any training programme for which 75% or more of the total expenditure is borne by the Central Government, State Government, Union territory administration are exempt from GST. However, in the given case, since the total expenditure borne by the Gujarat Government is less than 75%, services provided to it by Motopower Pvt. Ltd. are liable to GST.
- 13) Since export of goods is a zero rated supply, there will be no apportionment of ITC and full credit will be available [Section 16 of

the IGST Act read with section 17(2) of the CGST Act].

14) As per section 49(5) read with rule 88A, ITC of-

- (i) IGST is utilised towards payment of IGST first and then CGST and SGST in any proportion and in any order.
- (ii) CGST is utilised towards payment of CGST and IGST in that order. ITC of CGST shall be utilized only after ITC of IGST has been utilised fully.
- (iii) SGST is utilised towards payment of SGST and IGST in that order. ITC of SGST shall be utilized only after ITC of IGST has been utilised fully.

15) Since the value of taxable supply other than zero-rated supply in the given tax period (₹ 14 lakh + ₹ 6 lakh + ₹ 0.50 lakh + ₹ 2.50 lakh) does not ₹ 50 lakh, provisions of rule 86B are not applicable and Motopower Ltd. can discharge its entire output tax liability of said period from electronic credit ledger.

16) *16. CGST and SGST are chargeable on intra-State inward and outward supplies and IGST is chargeable on inter-State inward and outward supplies. Rate of CGST, SGST and IGST applied is 9%, 9% and 18% except in case of renting of cars wherein the rate of CGST and SGAT applied is 2.5% and 2.5% respectively.

Concept: Computation of Net GST Payable and Apportionment of Credit

49. Jankinandan Associates, a proprietorship firm in Lucknow registered under GST, manufactures three taxable products 'Zeta', 'Sigma' and 'Omega'. The following information has been provided by Jankinandan Associates for a particular tax period.

- (i) 'Omega' and 'Zeta' are sold in the domestic market as well as exported outside India. The domestic turnover (excluding export sales) of 'Zeta' and 'Omega' are Rs. 21 lakh and Rs. 15 lakh respectively. Export turnover of 'Zeta' with payment of IGST (not eligible to avail benefit of merchant exports under Notification No. 41/2017) is Rs. 3.75 lakh. 'Omega' worth Rs. 15 lakh is exported.
- (ii) Tax on 'Sigma' is payable under reverse charge. 'Sigma' is being sold only domestically and the domestic turnover of 'Sigma' is Rs. 9 lakh.
- (iii) The firm is also engaged in providing taxable consultancy services. Consultancy services of Rs. 30 lakh have been provided to unrelated clients located in foreign countries. In all cases, consideration has been received in convertible foreign exchange.
- (iv) The firm sold the shares held by it for Rs. 375 lakh which were earlier purchased at a price of Rs. 360 lakh.
- (v) Due to shortage of funds, it sold one of its factory buildings for Rs. 180 lakh (excluding stamp duty of Rs. 3.50 lakh, being 2% of value). The entire consideration is received post issuance of completion certificate; building was occupied thereafter.
- (vi) The firm earned an interest of Rs. 6 lakh on the money invested in fixed deposits with Gaba Bank.

The details of the inputs/input services availed by the firm during the said tax period are as under:

- (i) The firm received legal services from an advocate in relation to product 'Zeta' for a consideration of Rs. 5.25 lakh.
- (ii) Remaining inputs and input services availed during the tax period worth Rs. 52.50 lakh and Rs. 22.50 lakh respectively have been commonly used for supply of goods and services mentioned above.

You are required to compute the net GST liability of Jankinandan Associates, payable from Electronic Credit Ledger and/or Electronic Cash Ledger, as the case may be, for the given tax period using the above-mentioned information.

Note: All the above transactions are exclusive of GST, wherever applicable. Assume that rates of GST on inward and outward supply of goods and services are 12% and 18% respectively (ignore bifurcation of CGST, SGST or IGST for the sake of simplicity). Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

Turnover of Jankinandan Associates was Rs. 72 lakh in the preceding financial year. Unless otherwise mentioned, exports are made under letter of undertaking.

(RTP MAY 2023)

Answer:

(i) Computation of GST payable on outward supply

Particulars	Value (Rs.)	GST (Rs.)
Turnover of 'Zeta' [liable to GST @ 12%]	21,00,000	2,52,000
Turnover of 'Sigma' [Tax on 'Sigma' is payable under reverse charge by the recipient of such goods]	9,00,000	Nil
Turnover of 'Omega' [liable to GST @ 12%]	15,00,000	1,80,000
Export of 'Zeta' with payment of IGST @ 12%	3,75,000	45,000
Export of 'Omega' [Export of goods is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero-rated supply can be supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]	15,00,000	Nil
Consultancy services provided to independent clients located in foreign countries. [The activity is an export of service in terms of section 2(6) of the IGST Act, 2017 as the supplier of service is located in India; the recipient of service is located outside India; place of supply of service is outside India (in terms of section 13(2) of the IGST Act, 2017); payment for the service has been received in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and supplier of service and recipient of service are not merely establishments of distinct person. [Export of services is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero-rated supply can be supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]	30,00,000	Nil
Sale of shares [Shares are neither goods nor services in terms of section 2(52) and 2(102). Hence, sale of shares is neither a supply of goods nor a supply of services and hence, is not liable to any tax.]	3,75,00,000	Nil
Sale of building [Sale of building is neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, provided the entire consideration has been received after issue of completion certificate by the competent authority or after its	1,80,00,000	Nil

occupation, whichever is earlier. Hence, the same is not liable to GST]		
Interest received on investment in fixed deposits with a bank [Exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017]	6,00,000	Nil
Total GST payable on outward supply		4,77,000

(ii) Computation of common credit attributable to exempt supplies during the tax period

Particulars	(Rs.)
Common credit on inputs and input services [Tax on inputs - Rs. 6,30,000 (Rs. 52,50,000 x 12%) + Tax on input services - Rs. 4,05,000 (Rs. 22,50,000 x 18%)]	10,35,000
Common credit attributable to exempt supplies (rounded off) = Common credit on inputs and input services x (Exempt turnover during the period / Total turnover during the period) = Rs. 10,35,000 x Rs. 1,87,75,000 / Rs. 2,78,50,000 Exempt turnover = Rs. 1,87,75,000 and total turnover = Rs. 2,78,50,000 [Refer note below]	6,97,742

Note:

As per section 17(3), value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building. As per explanation to Chapter V of the CGST Rules, the value of exempt supply in respect of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security.

Further, as per explanation to rule 42, the aggregate value of exempt supplies inter alia excludes the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances.

Therefore, value of exempt supply in the given case will be the sum of value of output supply on which tax is payable under reverse charge (Rs. 9,00,000), value of sale of building (Rs. 3,50,000 / 2 x 100 = Rs. 1,75,00,000) and value of sale of shares (1% of Rs. 3,75,00,000 = Rs. 3,75,000), which comes out to be Rs. 1,87,75,000.

Total turnover = Rs. 1,94,00,000 (Rs. 21,00,000 + Rs. 9,00,000 + Rs. 15,00,000 + Rs. 3,75,000 + Rs. 15,00,000 + Rs. 30,00,000 + Rs. 1,75,00,000 + Rs. 6,00,000 + Rs. 3,75,000)

(iii) Computation of ITC available in the Electronic Credit Ledger of the Jankinandan Associates for the tax period

Particulars	(Rs.)
Common credit on inputs and input services	10,35,000
Add: Legal services used in the manufacture of taxable product 'Zeta'	<u>94,500</u>
ITC available in the Electronic Credit Ledger	11,29,500
Less: Common credit attributable to exempt supplies during the tax period [As calculated in above table]	6,97,742
Net ITC available	4,31,758

(iv) Computation of net GST liability of Jankinandan Associates for the tax period

Particulars	(Rs.)
GST payable on outward supply [As computed earlier]	4,77,000
Less: Input tax credit (ITC) [As computed earlier]	4,31,758
GST payable from Electronic Cash Ledger [A]	45,242
Add: GST payable on legal services under reverse charge [Rs. 5,25,000 X 18%] [B] [Tax on legal services provided by an advocate to a business entity, is payable under reverse charge by the business entity in terms of Notification No. 13/2017 CT (R) dated 28.06.2017. Further, such services are not eligible for exemption provided under Notification No. 12/2017 CT (R) dated 28.06.2017 as the turnover of the business entity (Jankinandan Associates) in the preceding financial year exceeds Rs. 20 lakh.]	94,500
Total GST paid from Electronic Cash Ledger [A] + [B] [As per section 49(4) amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82). Therefore, input tax credit cannot be used to pay tax payable under reverse charge and thus, tax payable under reverse charge will have to be paid in cash.]	1,39,742

Concept: Computation of Net GST Payable and Circular on Cost Petroleum

50. Vasudev is a mining contractor. He has crossed the threshold limit for registration in the preceding financial year 2022-23 and is now duly registered under GST in the State of Gujarat. He has undertaken following transactions during the month of April, 2023:

S. No.	Particulars	Value of supply in Rs. (exclusive of taxes)
(a)	Vasudev is an operating member in mining and exploration services at Aliabet Oilfield, Bhavnagar, Gujarat. He has provided certain services to the Joint Venture (JV) at same site in which he is also a member. He believes that the consideration received from the JV is 'Cost Recovery' and not taxable.	15,00,000
(b)	He has purchased certain machinery from Mumbai, Maharashtra, to render services to the JV at Aliabet Oilfield.	8,00,000
(c)	He has obtained professional services from a senior advocate of Ahmedabad, Gujarat to represent him in a matter before the Tribunal.	1,50,000
(d)	He was allotted an office on rent by the State Government of Gujarat close to the sea shore of Aliabet Oilfield.	2,50,000
(e)	He got a portion of the petroleum silt (non-taxable under GST) as part of compensation while exploring the petroleum reserves at Aliabet Oilfield - which as	8,00,000

	per the contract with the government is part of 'Cost Petroleum'.	
(f)	He sells the petroleum silt (non-taxable under GST) to a SEZ Developer in Bhavnagar, Gujarat. He has already filed LUT under GST.	7,50,000
(g)	Consideration received in the nature of recovery of bond amount in case of 3 employees leaving employment before a minimum period of 1 year as per the terms of contract.	75,000
(h)	Consideration received towards transfer of tenancy rights in Gujarat, which according to Vasudev is not liable to GST as it has suffered stamp duty.	7,00,000
(i)	Consideration received from mining lease holders for renting of 5 dumpers including driver given for transport of minerals within the mining area for a period of 2 years.	5,00,000
(j)	He has been assigned the mining right from Government and the amount of IGST involved against royalty payment is Rs. 3,00,000.	

Additional information:

- 1) Vasudev has filed bond/LUT to claim benefits under zero rated supplies.
- 2) Assume the CGST and SGST rates to be 2.5% each and IGST rate to be 5% on supply of goods.
- 3) Assume the CGST and SGST rates to be 9% each and IGST rate to be 18% on supply of services.
- 4) There is opening balance of Rs. 34,000 in the Electronic Cash ledger (SGST). And there was brought forward ITC of Rs. 15,000 in Electronic Credit ledger (IGST), Rs. 50,000 in Electronic Credit ledger (CGST), Rs. 9,000 in Electronic Credit ledger (SGST).

From the above details, compute the minimum net GST payable by Vasudev in cash (CGST, SGST or IGST as the case may be) for the month of April, 2023. Working notes should form part of your answer.

(MAY 2023) (14 Marks)

Answer:

Computation of tax payable in cash

SN	Particulars	Amount (₹)	CGST (Rs.)	SGST (Rs.)	IGST (₹)
A.	GST liability on outward supply				
(i)	Consideration for services provided as an operating member to the Joint Venture [The operating member is providing the mining and exploration service to the joint venture, and thus, the consideration received therefor is not cost petroleum and hence, is	15,00,000	1,35,000 (15,00,000 x 9%)	1,35,000 (15,00,000 x 9%)	

	liable to tax.]				
(ii)	Compensation received in the form of petroleum silt, which, as per the contract with the Government, is part of cost petroleum [Cost petroleum is not a consideration for service to the Government and thus, is not taxable.]	8,00,000	Nil	Nil	Nil
(iii)	Sale of petroleum silt to a SEZ developer [Supply to SEZ developer is a zero-rated supply made under a bond/LUT and no tax is payable on the same.]	7,50,000	Nil	Nil	Nil
(iv)	Bond amount recovered from employees leaving employment before stipulated period [Not a supply since bond amount recovered is not a consideration for tolerating the act of such premature quitting of employment.]	75,000	Nil	Nil	Nil
(v)	Transfer of tenancy rights [Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable even though stamp duty has been paid on the same.]	7,00,000	63,000 (7,00,000 x 9%)	63,000 (7,00,000 x 9%)	
(vi)	Renting of dumpers including driver [Taxable.]	5,00,000	45,000 (5,00,000 x 9%)	45,000 (5,00,000 x 9%)	
Total tax liability on outward supplies			2,43,000	2,43,000	
GST liability on inward supplies under reverse charge (RCM)					
1)	Professional services provided by senior advocate to Vasudev, i.e. a business entity	1,50,000	13,500 (1,50,000 x 9%)	13,500 (1,50,000 x 9%)	
2)	Renting of office provided by the State Government to Vasudev (a registered person)	2,50,000	22,500 (2,50,000 x 9%)	22,500 (2,50,000 x 9%)	

3)	Assignment of mining right by Government to Vasudev (a registered person)					3,00,000
Total tax liability on inward supplies under reverse charge				36,000	36,000	3,00,000
C.	Input tax credit					
1)	Opening balance			50,000	9,000	15,000
2)	Inter-State purchase of machinery	Since the goods and services are used for effecting taxable supplies including zero rated supplies, full ITC thereon will be allowed.	8,00,000			40,000 (8,00,000 x 5%)
3)	Professional services from senior advocate		1,50,000	13,500 (1,50,000 x 9%)	13,500 (1,50,000 x 9%)	
4)	Renting of office		2,50,000	22,500 (2,50,000 x 9%)	22,500 (2,50,000 x 9%)	
5)	Assignment of mining right					3,00,000
Total ITC				86,000	45,000	3,55,000
Note: [ITC may be availed for making zero rated supply even if such a supply is an exempt supply. Sale of petroleum silt, being a non-taxable supply, is an exempt supply but since it is also a zero-rated supply, ITC can be availed for making such supply.]						
D.	Computation of tax payable in cash					
Total tax liability on outward supplies				2,43,000	2,43,000	
Less: ITC of IGST				1,57,000	1,98,000	
Note: ITC of IGST to be used first before ITC of CGST and SGST						
Less: ITC of CGST and SGST				86,000 (CGST)	45,000 (SGST)	
Add: Reverse charge liability payable in cash without set off of				36,000	36,000	3,00,000

ITC [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]				
Total tax liability payable in cash		36,000	36,000	3,00,000
Less: Balance of Electronic Cash Ledger			(-)34,000	
Net minimum tax liability payable in cash		36,000	2,000	3,00,000

Concept: Computation of Net GST Payable

51. Sudarshan Ltd., a registered supplier under GST in the State of Kerala, is engaged in providing a bouquet of goods and services (other than renting of cars). It provides the following information for the month of January:

S. No.	Particulars	Amount (Rs.)
	OUTWARD SUPPLY:	
(i)	Distributed 1,000 free gifts (electronic items worth Rs. 5,000 each purchased from unregistered local vendors) to its customers within Kerala in the month of January to promote sales	Nil
(ii)	Supplies a consignment of goods in the territorial waters to Dhruvtara Enterprises. The said territorial waters is located at a distance of 11 nautical miles from the baseline of State of Kerala and 12 nautical miles from the baseline of State of Tamil Nadu.	6,00,000
(iii)	Advance received during the month for future intra-State taxable supply [Advance of Rs. 2,10,000 was related to supply of goods and the rest was related to service]	7,00,000
(iv)	Provided pure labour services of construction of single commercial unit located in Mumbai not forming part of any residential complex to a customer in Mumbai (Maharashtra).	15,00,000
	INWARD SUPPLY:	
(i)	Monthly rent paid to Kerala State Government for an office taken on rent	6,00,000
(ii)	Purchased raw material from Saksham Steels Ltd., registered in the State of Andhra Pradesh	15,00,000
(iii)	Purchased a new truck from a dealer in Cochin, Kerala for transport of materials	12,00,000

The company provided the following additional information:

- (i) During the course of arranging and filing documents, the accountant of Sudarshan Ltd. observed that an invoice for Rs. 96,000 (excluding GST) dated 2nd December of last year was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January. This invoice was issued by Mr. Rishi of Kerala, from whom Sudarshan Ltd. had taken cars on rental basis. Invoice included cost of fuel also.

- (ii) Availed services of an arbitral tribunal in Kannur, Kerala worth Rs. 7,00,000 to settle a case relating to Companies Act.
- (iii) The company claimed depreciation under the Income-tax Act, 1961 on the new truck purchased including all applicable taxes.
- (iv) Saksham Steels Ltd. is mandatorily required to issue e-invoice. However, it did not issue e-invoice with invoice reference number (IRN). The invoice was reflected in GSTR-2B.
- (v) Turnover of Sudarshan Ltd. for the previous financial year was Rs. 180 Lakh.
- (vi) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.
- (vii) All the amounts given above are exclusive of taxes wherever applicable.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST or IGST, as the case may be) for the month of January. Reason for treatment needs to be given.

(RTP NOV 2023)

Answer:

Computation of minimum net GST payable in cash by Sudarshan Ltd. for January

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
GST payable under forward charge				
Free gifts to customers [Not a supply as it is made without consideration and is also not covered in Schedule I because free gifts have been distributed to an unrelated person (customers are not related persons) and ITC has also not been availed on the same.]	Nil	-	-	-
Supply of consignment in territorial waters [Where the supply is in the territorial waters, the place of supply is deemed to be in the coastal State where the nearest	6,00,000	54,000 [6,00,000 x 9%]	54,000 [6,00,000 x 9%]	

point of the appropriate baseline is located. Therefore, place of supply will be in Kerala being nearer to base line and hence, supply will be intra-State supply]				
Receipt of advance from customer [Tax will be payable only on advance for services. In case of goods, tax is payable at the time of issuance of invoice and not at the time of receipt of	4,90,000 (7,00,000 -2,10,000)	44,100 [4,90,000 x 9%]	44,100 [4,90,000 x 9%]	

advance.]				
Inter-State supply of pure labour services for construction of single commercial unit in Mumbai [Services by way of pure labour contracts of construction of original works pertaining to a single residential unit otherwise than as a part of a residential complex is exempt. Hence, such services in relation to a commercial unit shall be taxable.]				2,70,000 [15,00,000 x 18%]
Total output GST		98,100	98,100	2,70,000
Less: Input tax credit [Refer working note below] [CGST credit be first utilized for payment of CGST liability and then for payment of IGST liability in that order. Similarly, SGST credit be first utilized for payment of SGST liability and then for payment of IGST liability in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]		98,100	98,100	18,900 (CGST)
		-	-	18,900 (SGST)
Net output GST payable in cash [A]		Nil	Nil	2,32,200
GST payable under reverse charge				
Tax on rent paid to State Government of Kerala by Sudharshan Ltd. (a registered person) is payable under reverse charge	6,00,000	54,000	54,000	
Tax on services provided by the arbitral tribunal is payable under reverse charge by the recipient of service.	7,00,000	<u>63,000</u>	<u>63,000</u>	
GST payable in cash under reverse charge [B] [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]		1,17,000	1,17,000	
Minimum net GST payable in cash [A] + [B]		1,17,000	1,17,000	2,32,200

Working Note:

Computation of ITC available with Sudarshan Ltd. for January

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Monthly rent paid to Kerela State Government for an office taken on rent [Being services used in the course of furtherance of business, ITC shall be available thereon.]	54,000 [6,00,000 x 9%]	54,000 [6,00,000 x 9%]	
Cars taken on rental basis from Mr. Rishi [Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a nonbody corporate to a body corporate and invoice is issued charging CGST/SGST @ 2.5% is payable under reverse charge. Time of supply of such services is 1 st February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, tax liability on the same does not arise in said month. Further, ITC on renting of motor car services received is blocked since the recipient - Sudarshan Ltd. is not in the same line of business.]	--	--	--
Services of an arbitral tribunal [Services provided by an arbitral tribunal to a business entity with an aggregate turnover up to threshold limit of registration in the previous financial year are exempt from GST. Thus, services provided by the arbitral tribunal to Sudarshan Ltd., a business entity whose aggregate turnover in the previous financial year exceeds the applicable threshold limit for registration [viz. Rs. 20 lakh, being a supplier of goods and services in the State of Kerala] shall be liable to tax. Further, being services used in the course of furtherance of business, ITC shall be available thereon.]	63,000 [7,00,000 x 9%]	63,000 [7,00,000 x 9%]	
Purchase of raw material from Saksham Steels Ltd. [An e-invoice without IRN is not treated as invoice and hence, without a valid document, ITC cannot be claimed on such inputs]	-	-	
Purchase of truck [Motor vehicle used for transportation of goods is eligible for credit. However, since depreciation has been claimed on applicable taxes as well, ITC of tax paid on purchase of such truck cannot be claimed.]	-	-	
Total ITC	1,17,000	1,17,000	

Concept: Computation of Net GST Payable and Apportionment of Credit

52. Poorva Impex Ltd., a registered entity under GST in the State of Maharashtra, is engaged in making various supplies. It provides the following information for the month of April, 2023:

S. No.	Particulars	Amount (Rs.)
	OUTWARD SUPPLY:	
(i)	Sold a future derivative contract at NSE (National Stock Exchange) which was due in the month of April. Said contract had no delivery option.	20,00,000
(ii)	Supplied 50 LED TVs at Hyderabad to the State Government of Telangana.	8,00,000
	50 Stands mandatorily required to mount the TV on wall were also supplied along with LED TV.	72,000
(iii)	Provided intra-State service as a Direct Selling Agent (D.S.A.) to Uday Small Finance Bank Limited for their retail loan products	5,00,000
(iv)	Passenger transportation service provided to general public by company owned ferries between two islands in the State of Maharashtra. Purpose was to facilitate daily commutation of local people.	1,20,000
(v)	Supplied goods to its agent in the State of Bihar. Open market value of the said goods were Rs. 3,00,000. The said agent is supplying goods of like kind and quality to his unrelated customer at Rs. 3,20,000.	
	INWARD SUPPLY:	
(i)	Availed HR training services for all its employees from "BE HUMBAL", an HR Firm registered under GST in Maharashtra. Training was held at a resort in the State of Himachal Pradesh.	4,00,000
(ii)	Purchased processing machines from David & Co., registered under GST, in the State of Gujarat. Machines were bought in "as is where is condition" at Gujarat to produce taxable items.	1,00,000
(iii)	Purchased 5 two-wheelers with engine capacity of 25 cc for usage of its employees both within and outside factory producing taxable products. Supply was made at Mumbai by a GST registered dealer at Tamil Nadu.	2,00,000

The company provided the following additional information:

- (i) Company wishes to choose the most beneficial option in respect of supply to agent and branch transfer.
- (ii) Company transferred certain taxable items to its Kerala branch for distributing as free samples on the occasion of inauguration of said branch which is yet to be registered. Value declared in the invoice for transfer was Rs. 2.50 lakh whereas open market value of the same was Rs. 3.00 lakh. Kerala branch has yet not sold such kind of goods to any of the customer.
- (iii) Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services, except TV stand for which the rates are 14%, 14% and 28% respectively.
- (iv) All the amounts given above are exclusive of taxes, wherever applicable.

(v) Except specially written, all the inward supplies were used for taxable as well as exempted outward supplies.

(vi) No inward supply is used for non-business purpose.

(vii) There was no opening balance of any ITC.

From the information given above, you are required to compute the eligible Input Tax Credit (ITC) available and minimum net GST liability payable in cash (CGST, SGST or IGST, as the case may be) for the month of April, 2023 for the Poorva Impex Ltd., Maharashtra.

Reason for the treatment of each item needs to be given.

(NOV 2023) (14 Marks)

Answer:

Computation of minimum net GST payable in cash for the month of April, 2023

S. No.	Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
(i)	Futures derivatives contract [Futures derivative contracts with no delivery option qualify as securities. They are neither goods nor services in terms of Schedule III of the CGST Act, 2017. Thus, given transaction is not a supply.]	20,00,000	-	-	-
(ii)	Supply of 50 LED TVs [It is an inter-State supply since place of supply here is the location where the movement of goods terminates, viz. Hyderabad. Further, supply of LED TVs with stands is a composite supply, chargeable to tax at the rate applicable to the principal supply (viz. supply of LED TVs) i.e., 18%.]	8,72,000 [8,00,000 + 72,000]			1,56,960 [8,72,000 × 18%]
(iii)	Intra-State supply as Direct Selling Agent (DSA) [Taxable under forward charge. Reverse Charge Mechanism is not applicable since services are provided by a body corporate and not by an individual DSA.]	5,00,000	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]	
(iv)	Passenger transportation service [Passenger transportation service provided	1,20,000			

	by public transport, other than predominantly for tourism purpose, in a vessel between places located in India is exempt.]				
(v)	Supply of goods to an agent [Value of inter-State supply of goods to agent shall be: (i) Open Market Value (3,00,000) or 90% of the price of goods of like kind and quality charged by recipient to unrelated customer (3,20,000 × 90%), at the option of owner. Since the company wishes to choose most beneficial option, least of the two values has been taken.]	2,88,000			51,840 [2,88,000 × 18%]
(vi)	Inter-State transfer of taxable items to Kerala branch [Since recipient is not eligible for full ITC and goods are not intended for further supply as such by the recipient, value of supply of goods to branch shall be open market value.]	3,00,000			54,000 [3,00,000 × 18%]
	Total output tax		45,000	45,000	2,62,800
	Less: ITC available for set off [Refer note below]		33,600	33,600	36,000
	Minimum net GST payable in cash (rounded off)		11,400	11,400	2,26,800

Note - Computation of eligible ITC available for set off

S. No.	Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
	HR training availed [It is intra-State supply as place of supply of training services provided to registered person is location of recipient, i.e. Maharashtra. Further, ITC of services used in course or furtherance of business is	4,00,000	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	

	available.]				
	Machine purchased [It is intra-State supply since place of supply in case of goods not involving movement of goods is location of goods at the time of delivery to recipient, viz. Gujarat.]	1,00,000	-	-	-
	However, ITC of the same will not be available as CGST/SGST of one State cannot be utilized for discharging of CGST/SGST liability of another State.]				
	Two wheelers purchased [It is inter-State supply since place of supply is Mumbai. ITC is not blocked as it is eligible on two-wheelers with engine capacity of upto 25cc.]	2,00,000			36,000 [2,00,000 × 18%]
Computation of eligible ITC available for set-off					
	Common credit [ITC availed on HR training is common credit.]		36,000	36,000	
	Less: ITC attributable to exempt supplies [Common credit x (Exempt turnover/ Total turnover)] to be reversed [36,000 × 1,40,000/21,00,000]		2,400	2,400	
	Total Exempt Turnover = Exempt ferry service (120,000) + value of security (20,000) = 1,40,000				
	Value of exempt supply includes transactions in securities and value of transactions in securities is 1% of sale value of security =1% of 20,00,000 = 20,000				
	Eligible ITC out of common credit		33,600	33,600	
	Add: ITC on two-wheelers used exclusively in				36,000

relation to taxable products				
Eligible ITC available for set off		33,600	33,600	36,000

Concept: Computation of Net GST Payable and Apportionment of Credit

53. Sitaram Industries Limited, a registered entity under GST, in the State of Karnataka, is engaged in manufacture and supply of both taxable and exempt goods and services. Following information for the month of October, 2023 is provided by it:

S. No.	Particulars	Amount (Rs.)
	OUTWARD SUPPLIES:	
A	Sold an old warehouse building in the State of Karnataka to a retail giant in the same State	30,00,000
B	Supplied 30 laptops over the counter to Mr. Sudhakar, an unregistered buyer, who took it to his residence in Haryana. [Invoice issued to him mentions only his name and State. However, his complete address of Haryana is missing in the invoice.]	12,00,000
	Special boxes for packing of the laptops	1,30,000
C	Provided Direct Selling Agent service to Kumkum Bank, registered in Karnataka	4,00,000
D	Provided pure labour services pertaining to a single residential unit in Mumbai, Maharashtra (otherwise than as a part of residential complex) for erection and installation of renovation works for a client registered in Maharashtra	6,20,000
E	Provided free of cost training in a resort in Puducherry to its agents based in the State of Karnataka on effective use of the products of the company. [Open market value of the said service is Rs. 1,00,000. Value of supply of service of like kind and quality is Rs. 1,20,000.]	
F	Interest received on fixed deposits from Sulakshan Bank, registered in Karnataka	2,00,000
	INWARD SUPPLIES:	
G	Received a debit note in respect of inward intra-State taxable supplies received in the financial year 2020-21 for the quantity difference as agreed. These inward supplies were used for all goods manufactured in factory. Date of debit note is 16 th October, 2023.	4,00,000
H	Solar panels installed in the factory for providing electricity to be used in factory (Intra-State)	5,00,000
I	Purchased employee uniforms for 1000 employees (Inter-State) [Uniforms worth Rs. 3,00,000 were necessary to ensure the safety of the workers while carrying out the manufacturing activity. Remaining uniforms worth Rs. 4,00,000 were sometimes worn by the employees outside the factory for personal	7,00,000

purposes.]

The company provided the following additional information:

- (i) In respect of sale of old warehouse building, stamp duty was paid on Rs. 32 lakh.
- (ii) The company provided a corporate guarantee of Rs. 2 crores to Laxmi Logistics Limited, its related company having registered office in the State of Karnataka, for loan availed by the latter from Jandhan Bank Ltd., Karnataka.
- (iii) The accountant of the company did not claim input tax credit in respect of debit note received for the reason that the original purchase related to earlier years for which ITC claim eligibility was over.
- (iv) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services, except special packing boxes for which the applicable rates of CGST, SGST and IGST are 6%, 6% and 12% respectively.
- (v) All the amounts given above are exclusive of taxes, wherever applicable

From the information given above, you are required to compute the eligible ITC available for set off and minimum net GST payable in cash (CGST, SGST or IGST, as the case may be) for the month of October, 2023. Provide brief reasons for the treatment of each item.

(RTP MAY 2024)

Answer:

Computation of eligible ITC and net GST payable by M/s Sitaram Industries Ltd., for the month of October, 2023

Particulars	Value	IGST @ 18%	CGST @ 9%	SGST @ 9%
	Rs.	Rs.	Rs.	Rs.
Outward Supply:				
Sale of old warehouse building [Since sale of building is neither supply of goods nor supply of services in terms of para 5 of Schedule III of the CGST Act, 2017, it does not qualify as supply.]	Nil	-	-	-
Supply of laptops [Inter-State supply since place of supply here is the location as per the address of the unregistered recipient (name of the State) recorded in the invoice issued in respect of the supply, viz. Haryana, in terms of section 10(1)(ca) of the IGST Act, 2017. Further, as per section 8(a), supply of laptops with packing is a composite supply, chargeable to tax at the rate applicable to the principal supply (viz. supply of laptops) i.e., 18%.]	13,30,000 [12,00,000 + 1,30,000]	2,39,400	-	-

<p>Direct Selling Agent service</p> <p>[Intra-State supply since place of supply here is the location of recipient, viz. Karnataka, in terms of section 12(2)(a) of the IGST Act, 2017.</p> <p>Further, tax will be payable under forward charge since such services are provided by a person other than individual - Notification No. 13/2017 CT(R) dated 28.06.2017.]</p>	4,00,000	-	36,000	36,000
<p>Pure labour servicer</p> <p>[Inter-State supply since place of supply here is the location of immovable property, viz. Maharashtra in terms of section 12(3) of the IGST Act, 2017.</p> <p>Further, services by way of pure labour contracts of erection and installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt in terms of Notification No. 12/2017 CT(R) dated 28.06.2017 However, such services in relation to renovation work are not exempt.]</p>	6,20,000	1,11,600	-	-
<p>Free training to agents</p> <p>[Services provided by the company to agents without consideration is not deemed as supply in terms of para 3 of Schedule-I since only goods supplied by principal to agent are covered therein. Further, such services are also not covered in para 2 of Schedule I as agents are not related persons.]</p>	1,00,000	-	-	-
<p>Corporate guarantee provided to Laxmi Logistics Limited</p> <p>[Supply of service between related parties even when made without any consideration is deemed supply in terms of Schedule I.</p> <p>Further, value of corporate guarantee, in terms of rule 28(2), will be higher of:</p> <p>(i) 1% of the amount of such guarantee</p>	2,00,000	-	18,000	18,000

offered, or (ii) actual consideration] (i.e. 1% of Rs. 2 crore) [Circular No. 204/16/2023 GST dated 27.10.2023]				
Interest received on fixed deposits [Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest are exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017]	2,00,000	-	-	-
Gross GST liability [A]		3,51,000	54,000	54,000
Less: ITC available for set off [Refer Note (iii) below]		24,958	16,639	16,639
Net GST payable in cash		3,26,042	37,361	37,361

Notes:
(i) Computation of ITC admissible to Sitaram Industries Ltd. for the month of October, 2023

Particulars	Value	IGST	CGST	SGST
	Rs.	Rs.	Rs.	Rs.
Debit note received [ITC on debit notes issued in a financial year can be availed any time till 30 th November of the succeeding financial year or the date of filing of the relevant annual return, whichever is earlier, irrespective of the date of original invoice/ supply, in terms of section 16(4).]	4,00,000	-	36,000	36,000
Solar panels purchased [ITC cannot be claimed in respect of solar panels, since ITC on goods or services or both received by a taxable person for construction of an immovable property (other than plant and machinery on his own account including when such goods or services or both are used in the course of furtherance of business is blocked in terms of section 17(5)(d).]		-	-	-
Uniforms purchased	3,00,000	54,000	-	-

[ITC on the uniforms which are necessary to ensure the safety of the employees while carrying out the business activity, is available. However, uniforms not provided for any safety purpose are construed as being used for personal consumption and thus, ITC thereon is blocked in terms of section 17(5)(d).]				
Total		54,000	36,000	36,000

(ii) **Computation of common credit attributable to exempt supplies in respect of Sitaram Industries Ltd. for the month of October, 2023**

Particulars	IGST (Rs.)	CGST (Rs.)	SGST (Rs.)
Common credit on receipt of debit note [Debit note, although received in respect of taxable inward supply, is being used for all goods manufactured in factory which comprises of both taxable and exempt goods.]	--	36,000	36,000
Common credit on purchase of uniforms [Uniforms are being used commonly for manufacturing of both taxable and exempt goods.]	54,000		
Common credit attributable to exempt supplies (rounded off) = Common credit x (Exempt turnover during the period / Total turnover during the period) = Rs. 54,000 x Rs. 32,00,000 / Rs. 59,50,000 (IGST) = Rs. 36,000 x Rs. 32,00,000 / Rs. 59,50,000 (CGST/SGST) Exempt turnover = Rs. 32,00,000 and total turnover = Rs. 59,50,000 [Refer note below]	29,042	19,361	19,361

Note: As per explanation to section 17(3), the expression "value of exempt supply" shall not include the value of activities or transactions specified in Schedule III, except, inter alia, sale of building subject to clause (b) of paragraph 5 of Schedule II. Further, as per explanation to Chapter V (Input Tax Credit) of the CGST Rules, 2017, for determining the value of an exempt supply as referred to in section 17(3), the value of exempt supply in respect of land and building is the value adopted for the purpose of paying stamp duty.

Further, as per explanation 1 to rule 43, the aggregate value of exempt supplies for the purpose of rules 42 and 43, inter alia, excludes the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances.

Therefore, value of exempt turnover in the given case will be the value of building (Rs. 32,00,000).

Total turnover will be sum of value of building (Rs. 32,00,000) + supply of laptop (Rs. 13,30,000) + supply of Direct Selling Agent service (Rs. 4,00,000) + supply of pure labour service (Rs. 6,20,000) + supply of corporate guarantee (Rs. 2,00,000) + interest

received on fixed deposits (Rs. 2,00,000)

= Rs. 59,50,000

(iii) Computation of ITC available for set off of Sitaram Industries Limited for the month of October, 2023

Particulars	IGST (Rs.)	CGST (Rs.)	SGST (Rs.)
Common credit on inputs and input services	54,000	36,000	36,000
ITC available in the Electronic Credit Ledger	54,000	36,000	36,000
Less: Common credit attributable to exempt supplies during the tax period [As calculated in Note (ii) above]	29,042	19,361	19,361
ITC available for set off	24,958	16,639	16,639

Concept: Computation of Net GST Payable

54. XYZ Ltd., a registered supplier under GST in the State of Tamil Nadu, is engaged in providing various kinds of supplies of goods and services. It provides the following information for month of October, 2023:

S. No.	Particulars	Amount (Rs.)
	OUTWARD SUPPLY:	
(i)	Supplies a consignment of goods in the territorial water to M/s Vikram Industries, registered in Kerala. The said territorial waters is located at a distance of 12 nautical miles from the baseline of State of Kerala and 11 nautical miles from the baseline of State of Tamil Nadu.	5,00,000
(ii)	Provided pure labour services of construction of a single commercial unit located in Delhi not forming part of any residential complex to a customer in Delhi.	12,00,000
(iii)	Supplied 25 televisions over the counter to Mr. Vijay, an unregistered buyer, who took it to his residence in Haryana.	14,00,000

	INWARD SUPPLY:	
(i)	Received a debit note in respect of inward intra-State taxable supplies received in the financial year 2020-21 for the quantity difference as agreed. These inward supplies were used for all goods manufactured in factory. Date of debit note is 17 th October, 2023.	3,00,000
(ii)	Purchased silk yarn (to be used as raw material) from Mr. Ravi, who manufactures silk yarn from raw silk. Mr. Ravi is registered in the State of Rajasthan.	8,00,000
(iii)	Availed services of an arbitral tribunal in Chennai, Tamil Nadu to settle a case relating to the Companies Act.	6,00,000

(iv)	Purchased raw material from ABK Ltd., registered in the State of Andhra Pradesh.	15,00,000
(v)	Purchased a new truck from a dealer in Cochin, Kerala for transport of materials.	14,00,000

Notes:

The company provided the following additional information related to above said transactions or otherwise:

- (i) The company claimed depreciation under the Income-tax Act, 1961 on the value of new truck purchased including all applicable taxes.
- (ii) The company provided a corporate guarantee of Rs. 2.5 crore to BYH Ltd., its related company, having registered office in the State of Maharashtra, for loan availed by the later form Mangal Bank Ltd., Maharashtra. No consideration has been charged against this corporate guarantee.
- (iii) In the month of March, 2023, company had availed services in an inter-State transaction with a taxable value of Rs. 9,00,000 and a tax rate of 18%. This transaction was liable to tax under reverse charge. Payment for the same to the supplier was not made till the current month (overdue for 181 days during October, 2023). However, tax due under the said transaction was paid to Government and input tax credit availed in the month of transaction itself.
- (iv) The accountant of the company did not claim input tax credit in respect of debit note received for the reason that the original purchase was related to earlier years for which ITC claim eligibility has become time barred.
- (v) Invoice issued to Mr. Vijay for televisions mentions only his name and State. However, his complete address of Haryana is missing in the invoice.
- (vi) ABK Ltd. is mandatorily required to issue e-invoice. However, it did not issue e-invoice with Invoice Reference Number (IRN) although the invoice was reflected in GSTR-2B.
- (vii) Turnover of XYZ Ltd. for the precious financial year was Rs. 190 lakh.
- (viii) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services involved.
- (ix) All the amounts given above are exclusive of the GST, wherever applicable. There is no opening balance of any input tax credit and all the conditions necessary for availing the input tax credit have been fulfilled except if mentioned otherwise and also that details of GST paid on inward supplies are available in GSTR 2B.
- (x) Assume that all the inward supplies have been used only for taxable outward supply.
- (xi) Company is not covered under any of the exception of rule 86B of the CGST Rules, 2017 regarding restriction on use of available input tax credit.

Compute minimum net GST liability of M/s XYZ Ltd, to be paid in cash if any, after utilizing input tax credit if any, for the month of October, 2023.

Note: Working notes along with legal reasoning of each item should form part of your answer.

(14 Marks) (MAY 2024)

Answer:

Computation of minimum net GST liability of XYZ Ltd. to be paid in cash for the month of October 2023

S. No.	Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
	Output tax payable under forward charge				
(i)	Supply of consignment in territorial waters [Where supply is in territorial waters, place of supply is deemed to be in coastal State where nearest point of the appropriate baseline is located. Therefore, place of supply will be in Tamil Nadu and hence, supply will be intra-State supply]	5,00,000	45,000 [5,00,000 x 9%]	45,000 [5,00,000 x 9%]	
(ii)	Pure labour services [Since pure labour services provided for construction of only residential unit are exempt, such services provided for construction of commercial unit are taxable. Further, it is an inter-State supply since place of supply is location of immovable property, viz. Delhi.]	12,00,000			2,16,000 [12,00,000 x 18%]
(iii)	Supply of 25 Televisions [Inter-State supply since place of supply is location as per the address of the unregistered recipient (name of the State) recorded in the invoice issued in respect of the supply, viz. Haryana.]	14,00,000			2,52,000 [14,00,000 x 18%]
(iv)	Corporate guarantee provided. [Deemed supply under Schedule-I of the CGST Act, 2017 even though made without any consideration. InterState supply since place of supply is Maharashtra	2,50,000			45,000 [2,50,000 x 18%]

	(Location of recipient). Further, value of supply is higher of: (i) 1% of the amount of such guarantee offered, or (ii) actual consideration [Thus, value of supply is 1% of Rs. 2.5 crores, i.e., Rs. 2,50,000]				
	Total output tax		45,000	45,000	5,13,000
	Less: ITC available for set off [Refer note below.] [IGST credit is utilized for payment of IGST. CGST and SGST credit is first utilized for payment of CGST and SGST liability respectively and thereafter, for payment of IGST liability.]		(45,000) -CGST	(45,000) -SGST	(1,44,000) -IGST (36000) -CGST (36000) -SGST
	Net output tax payable in cash			Nil	Nil
	GST payable under reverse charge				
	Tax on services provided by the arbitral tribunal is payable under reverse charge by the recipient of service. [Arbitral tribunal services to XYZ Ltd., a business entity with aggregate turnover exceeding the applicable threshold limit for registration [viz. Rs. 20 lakh] in the previous financial year are liable to tax under reverse charge mechanism.]			54,000	54,000
	Tax on silk yarn supplied by a person who manufactures it from raw silk to a registered person is payable under reverse charge.				1,44,000
	Minimum net GST payable for set		54,000	54,000	4,41,000

	off				
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Working note - Computation of eligible ITC available for set off

S. No.	Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
(i)	Debit note received. [ITC on debit notes issued in a financial year (FY) can be availed, any time till 30 th November of the succeeding FY or the date of filing of the relevant annual return, whichever is earlier, based on date of issue of debit note, irrespective of the date of original invoice/ supply.]	3,00,000	27,000 [3,00,000 × 9%]	27,000 [3,00,000 × 9%]	
(ii)	Silk yarn purchased. [Inter-State supply since place of supply is location where movement of goods terminates, viz. Tamil Nadu. Further, ITC on goods to be used in course or furtherance of business is available.]	8,00,000			1,44,000 [8,00,000 × 18%]
(iii)	Services of the Arbitral Tribunal availed. Such services are intra-State supply since place of supply is Tamil Nadu (location of recipient). Further, ITC on services used in course or furtherance of business is available.]	6,00,000	54,000 [6,00,000 × 9%]	54,000 [6,00,000 × 9%]	
(iv)	Raw Material purchased from ABK Ltd. [ITC cannot be claimed on the invoices without IRN since an e-invoice without IRN is not treated as valid document for claiming ITC.]	15,00,000			

(v)	Truck purchased. [ITC is not available since depreciation has been claimed on the GST component.]	14,00,000			
(vi)	Condition of payment of value of supply plus tax within 180 days does not apply to supplies on which tax is payable under reverse charge mechanism.				
	Total ITC available		81,000	81,000	1,44,000

Concept: Computation of Net GST Payable

55. A banking company M/s. YVPAY Bank Ltd. is registered under GST laws and provided the following services during the month of October, 2023.

S. No.	Particulars	Amount (Rs.)
(i)	Discount earned on bills discounted	6,00,000
(ii)	Interest earned on reverse repo transaction	2,00,000
(iii)	Penal interest recovered from the borrower for the delay in payment of loan EMIs/Dues	5,00,000
(iv)	Services to merchants accepting credit /debit card payments using Point of Sale (POS) machine of bank. (In 50% cases, the amount per transaction was up to Rs. 1,500 while in the other cases, the amount was between Rs. 1,500 to Rs. 2,000)	6,50,000
(v)	Commission received for debt collection service	12,00,000
(vi)	Interest charges for last payment of credit card dues	4,00,000

M/s. YVPAY Bank Ltd. had opted for optional method, under section 17(4) of the CGST Act, 2017, for claiming input tax credit in respect of its operations. For the month of October, 2023, the relevant details for input tax credit are as follows:

- (i) Amount of GST paid on eligible input services - Rs. 8,00,000
- (ii) Amount of GST paid on eligible capital goods - Rs. 6,00,000
- (iii) Amount of GST paid on items whose credit is blocked under section 17(5) of the CGST Act, 2017 - Rs. 3,00,000
- (iv) Applicable rate of GST is 18% on services provided.

Based on the information given above, calculate the net GST payable by the bank for the month of October 2023. Ignore bifurcation of CGST and SGST or IGST.

(MAY 2024) (5 Marks)

Answer:

Computation of net GST payable by YVPAY Bank Ltd.

Particulars	GST @ 18%
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		(Rs.)
(i)	Discount earned on bills discounted [Exempt since consideration is represented by way of discount.]	-
(ii)	Interest on reverse repo transaction [Exempt since consideration is represented by way of interest paid to bank.]	-
(iii)	Penal interest on delayed payment of EMLs [Penal interest paid to bank is exempt]	-
(iv)	Services to merchants accepting credit/debit card payments [Exempt since such services are provided to merchants in relation to settlement of an amount upto Rs. 2,000 per transaction through credit/debit card.]	-
(v)	Commission for debt collection services [Not exempt, since it is not a service of extending deposits, loans or advances.]	2,16,000
(vi)	Interest charges for late payment of credit card dues [Not exempt, since specifically excluded.]	72,000
	Output tax payable	2,88,000
	Less: 50% of eligible ITC on input services and capital goods availed in October [(Rs. 8,00,000 + Rs. 6,00,000) × 50%] [Blocked credit cannot be availed.]	(7,00,000)
	Net GST payable	Nil

Concept: Computation of Net GST Payable

56. Mr. Dinkar is the owner of Dinkar Associates which is registered in Ahmedabad, Gujarat. He is engaged in supply of various goods and services in the domestic market and exporting the same outside India. During the month of February, he has undertaken the following transactions:

Outward Supplies

- (i) Transferred the tenancy rights of a commercial complex (taken on rent) located in Vadodra for a tenancy premium of Rs. 8,00,000 to DB Morgan Ltd. of Ahmedabad, Gujarat. Stamp duty and registration fee have already been paid on the tenancy premium.
- (ii) Hired out excavators and dumpers along with operators to mining lease holders of Kuchchh, Gujarat for extracting and transporting minerals within the mining area for a period of 5 years. The excavators/dumpers are invariably hired out along with operators.
- (iii) Similarly, operators are supplied only when the excavators/dumpers are hired out. Hire charges for excavators and dumpers are Rs. 10,00,000 and service charges for supply of manpower for operation of the excavators/dumpers - Rs. 2,00,000. Supplied goods of value of Rs. 35,00,000 to Choksi Ltd. Jamnagar, Gujarat (including goods worth Rs. 10,00,000 supplied to SEZ unit of Choksi Ltd. in Gujarat).
- (iv) Agreed to provide consultancy services to Mr. Krishna of Surat, Gujarat who is an unregistered person in connection with his newly commenced business for a consideration of Rs. 6,80,000. An advance of Rs. 1,50,000 has been received for the same on 10th February.

- (v) Exported the goods to George Inc. of the USA. FOB value of the goods is Rs. 8,40,000.
- (vi) Sold a heavy printing machinery purchased from Japan for Rs. 5,10,000 in high sea to Dhoomketu Printers, Mumbai, Maharashtra on 10th February.
- (vii) Supplied goods to Timahi Corporation, China for Rs. 12,00,0000 on 15th February. These goods were purchased for Rs. 10,00,000 from Jamsam Corporation, Japan on 5th February and were supplied in China without bringing them to India.

Inward Supplies

- (i) The goods exported to George Inc., USA, were purchased by Mr. Dinkar as a merchant exporter for Rs. 7,00,000 from Shravan Ltd., a manufacturer registered in Bengaluru, Karnataka.
- (ii) The heavy printing machinery sold in high sea to Dhoomketu Printers was originally imported by Mr. Dinkar from Japan on 2nd February, with CIF value of Rs. 5,00,000 and FOB value of Rs. 4,50,000.
- (iii) Mr. Dinkar paid a sales commission of Rs. 5,00,000 to Mr. Kenzo of Japan, his agent in connection with all the imports from Japan.
- (iv) Imported raw materials from Italy under a CIF contract. CIF value of the goods for the purpose of customs included Rs. 2,00,000 as ocean freight paid by the exporter on transport of goods through vessel from port of shipment to port of import. The value for the purpose of levy of IGST worked out by the customs was Rs. 9,00,000.
- (v) Purchased raw cotton for manufacture of garments for Rs. 12,00,000 from Mr. Poonawala, an agriculturist of Kuchch, Gujarat.
- (vi) Monthly rent of Rs. 35,00,000 payable to Dharam Ltd., Gujarat, for the retail outlet (a commercial property) in Ahmedabad, Gujarat (one third of total space available is used by Mr. Dinkar for personal residential purposes).

Compute the net GST payable in cash [CGST and SGST or IGST, as the case may be], by Mr. Dinkar for February.

Notes:

- A. Rates of CGST, SGST and IGST for hiring out of excavators and dumpers are 6%, 6% and 12%. As regards the supply received as a merchant exporter, Mr. Dinkar paid GST at the concessional rates by fulfilling all requisite conditions thereof. Rates of CGST, SGST and IGST for all the other supplies of goods and services including supply of manpower services are 9%, 9% and 18%. Ignore GST compensation cess.
- B. Mr. Dinkar had an opening balance of ITC of CGST of Rs. 35,000 and SGST of Rs. 35,000 for the relevant period. In respect of all the inward supplies, suppliers have uploaded their invoices in respective Form GSTR-1 and the supplies are reflected in Form GSTR 2B.
- C. All the figures given above are exclusive of GST, wherever applicable. The amounts given in respect of import and export transactions in rupees have been arrived after conversion thereof, though transactions were undertaken in convertible foreign currency.
- D. Mr. Dinkar always makes zero-rated supplies under a bond or letter of undertaking (LUT).

Provide supporting explanatory notes for your conclusion wherever required.

(RTP NOV 2024)

Answer:

Computation of net GST payable in cash, by Mr. Dinkar

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
GST payable on outward supplies				
Transfer of tenancy rights [Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable even though stamp duty and registration fee have been paid on the same (Circular No. 44/2018 CT dated 02.05.2018). It is an intra-State supply since place of supply is location of immovable property being Ahmedabad, Gujarat.]	8,00,000	₹2,000 (8,00,000 x 9%)	₹2,000 (8,00,000 x 9%)	
Hiring out excavators and dumpers including operators [Taxable since renting of trucks and other freight vehicles with driver for a period of time is a service of renting of transport vehicles (with operator) and not service of transportation of goods by road. Further, since the excavators and dumpers are invariably hired out along with operators and the operators are supplied only when the excavators/ dumpers are hired out, it is a case of composite supply under section 2(30) wherein the principal supply is the hiring out of the excavators and dumpers. As per section 8(a), the composite supply is treated as the supply of the principal supply. Therefore, the supply of manpower for operation of the excavators/ dumpers will also be taxed at the rate applicable for hiring out of the excavator and dumpers (principal supply). Further, it is a taxable intra-State supply since place of supply is location of recipient being Kuchchh, Gujarat.]	12,00,000 [10,00,000 + 2,00,000]	₹2,000 (12,00,000 x 6%)	₹2,000 (12,00,000 x 6%)	
Goods supplied to SEZ unit of Choksi Ltd.	10,00,000			Nil

[Supply to SEZ unit is a zero-rated supply in terms of section 16(1)(b) of the IGST Act, 2017. No IGST is payable since Mr. Dinkar makes all zero-rated supplies under LUT/bond.]				
Supply of goods to Choksi Ltd., Gujarat [It is a taxable intra-State supply since place of supply is location of goods when movement of such goods terminates, viz., Jamnagar, Gujarat.]	25,00,000 [35,00,000 - 10,00,000]	2,25,000 [25,00,000 × 9%]	2,25,000 [25,00,000 × 9%]	
Advance received for the consultancy services to be provided to Mr. Krishna [Tax on the services to be provided is payable at the time of receipt of advance. Since the place of supply is location of recipient, i.e. Gujarat, it is an intra-State supply.]	1,50,000	13,500 [1,50,000 × 9%]	13,500 [1,50,000 × 9%]	
Export of goods to USA under LUT/bond [Export of goods outside India is a zero-rated supply in terms of section 16(1)(b) of the IGST Act, 2017. No IGST is payable since Mr. Dinkar makes all zero-rated supplies under LUT/bond.]	8,40,000			Nil
High sea sales of heavy printing machinery imported from Japan [High sea sales is neither treated as supply of goods nor as supply of services in terms of para 8(b) of Schedule III of the CGST Act, 2017.]	Nil	--	--	--
Goods purchased from Japan sold in China without bringing them into India [Third country shipments or triangular trade is neither treated as supply for goods nor as supply of services in terms of para 7 of Schedule III of the CGST Act, 2017.]	Nil	--	--	--
Total output tax		3,82,500	3,82,500	Nil
Less: ITC [Refer working note below]		81,350 (IGST)	81,350 (IGST)	

[IGST credit has been utilized for payment of CGST and SGST liability in equal proportion. Thereafter, CGST credit and SGST credit have been utilized to pay the CGST liability and SGST liability respectively.]		3,01,150 (CGST)		
			3,01,150 (SGST)	
Net GST payable		Nil	Nil	Nil
Add: GST payable on inward supplies				
Imported raw material from Italy	9,00,000			1,62,000 [9,00,000 × 18%]
Raw material purchased from Mr. Poonawala, Gujarat [Tax on the raw cotton purchased by any registered person from an agriculturist is payable under reverse charge vide Notification No. 4/2017 IT (R) dated 28.06.2017.]	12,00,000	1,08,000 [12,00,000 × 9%]	1,08,000 [12,00,000 × 9%]	
Total net GST payable in cash (CGST and SGST of Rs. 1,08,000 each will be paid in cash through GSTN portal and IGST of Rs. 1,62,000 will be paid in cash through ICEGATE portal while making customs clearance.)		1,08,000	1,08,000	1,62,000

Working Note – Computation of admissible ITC for February

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Opening balance		35,000	35,000	
Goods purchased as merchant exporter [It is an inter-State supply since the place of supply is Gujarat, i.e. location where the movement of goods terminates. Shruvan Ltd. would have supplied the goods to merchant exporter - Mr. Dinkar - at concessional rate of IGST of 0.1% prescribed under Notification Nos. 41/2017 IT(R) dated 23.10.2017. Further, the merchant exporter is eligible to	7,00,000	--	--	700

take ITC of concessional IGST so paid.]				
Heavy printing machinery imported from Japan [No ITC is available since tax is not payable by Mr. Dinkar on the same since in case of high sea sales, IGST is paid by the last high sea sales buyer who clears the goods for home consumption by filing the bill of entry.]	Nil	--	--	--
Goods purchased from Jamsam Corporation, Japan [No ITC is available since tax is not payable by Mr. Dinkar on the same as goods do not become part of the landmass of the country.]	Nil	--	--	--
Sales commission paid to agent - Mr. Kenzo [Since service provider - Mr. Kenzo - is an intermediary in the given transaction, place of supply is location of supplier - Mr. Kenzo, i.e. outside India (Japan), in terms of section 13(8)(b) of the IGST Act, 2017. Since location of supplier and place of supply are outside India, tax is not payable on said transaction under reverse charge on said services.]	5,00,000	--	--	--
Imported raw material from Italy [Input tax, inter alia, includes IGST charged on import of goods, in terms of section 2(62). No separate levy of IGST will be there on the component of ocean freight paid by the foreign exporter to the foreign shipping line in the CIF contract by virtue of Union of India vs. Mohit Minerals Pvt. Ltd. 2022 (61) G.S.T.L. 257 (SC) since the Indian importer is liable to pay IGST on the 'composite supply', comprising of supply of goods and supply of services of transportation, insurance, etc. in a CIF contract.	9,00,000			1,62,000 [9,00,000 × 18%]
Raw cotton purchased from Mr. Poonawala, Gujarat [It is an intra-State supply since the place of supply is location where movement	12,00,000	1,08,000 [12,00,000 × 9%]	1,08,000 [12,00,000 × 9%]	

of goods terminates, i.e. Gujarat, in terms of section 10(1)(a) of the IGST Act, 2017. ITC on goods used in course or furtherance of business is allowed in terms of section 16.]				
GST paid on monthly rent [In case of services used partly for the business purpose and partly for other purposes, ITC is restricted to so much of ITC as is attributable to the purposes of business. Thus, ITC for GST paid on only 2/3 rd of monthly rent is available since GST paid on monthly rent attributable to personal purposes (one-third) is not allowed. Further, it is an intra-State supply since the place of supply of services provided in relation to an immovable property is location of immovable property, i.e. Gujarat in terms of section 12(3) of the IGST Act, 2017.]	35,00,000	2,10,000 [35,00,000 × 9%×2/3]	2,10,000 [35,00,000 × 9%×2/3]	--
Total ITC available		3,53,000	3,53,000	1,62,700

Note - Since as per section 49(5) read with rule 88A, ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order, the ITC of IGST of Rs. 1,62,700 can be set off against the CGST and SGST liability in any proportion and in any order. In above answer, ITC of IGST has been set off in equal proportion against the payment of CGST and SGST liability. However, multiple answers are possible to given question owing to multiple ways of utilizing the ITC of IGST for payment of CGST and SGST liability.

Concept: Computation of Net GST Payable

57. Sachha and Sudh Limited is a registered supplier of taxable goods and services at Raipur in the state of Chhattisgarh under regular scheme. Head office of the company is at Raipur whereas its branch office situated at Ludhiana, Punjab. It furnished the following information for various activities or transaction made during the month of April, 2024:

S. No.	Particulars	Amount (Rs.)
	OUTWARD TRANSACTIONS	
(i)	Supplied goods to Matadeen and Sons in the State of Rajasthan on the instruction of Dhananjai Associates, a registered person under GST in the State of Chhattisgarh. The contract for such supply was for the delivery of goods at buyer's premises and included a fixed transportation cost of Rs. 20,000 irrespective of the actual freight paid. It is	8,00,000

	indicated separately in the invoice issued in this respect of supply of goods.	
(ii)	Amount received for sale of the loading tempo, used for transportation of goods, to Mr. Suresh. Loading tempo was purchased at Rs. 4,80,000 and its depreciated value at the time of sale was Rs. 2,40,000. No GST credit was taken. Delivery of the loading tempo was given at registered office of the company.	1,80,000
(iii)	Provided intra-State supply of sponsorship service to Vidhi Agency, a proprietary concern of Raipur.	50,000
(iv)	Received as fine from Vipul, a registered person, for delayed supply of goods. Such payment was made as a compensation for margin loss caused due to price reduction between due date and actual date of supply. There was no express contract in this respect.	50,000
	INWARD TRANSACTIONS	
(i)	Intra-State purchase of goods from various registered persons. (Out of this Rs. 7,00,000, goods of Rs. 1,00,000 was received on 1 st May, 2024 due to riots in the area but all the invoices were received by 30th April, 2024.)	7,00,000
(ii)	Rent paid to Indian Railway for office premises situated in the State of Chhattisgarh.	40,000
(iii)	Representational service from Mr. Vikas Gupta, an advocate of Delhi and unregistered person under GST, towards dealing the GST appeal matters with the Commissioner (Appeal)	1,00,000

Additional information: The company paid Rs. 15,000 towards actual freight to Mr. Shailendra of Chhattisgarh, a truck owner and unregistered person in respect of supply of goods to Matadeen & Sons in the State of Rajasthan. Mr. Shailendra had not issued the consignment note.

- (i) On 15th April, 2024, the company acquired 1% additional share holding in one of its subsidiary company for a consideration of Rs. 10,00,000
- (ii) The company made inter-State purchase of goods of Rs. 1,00,000 to be used for discharge of corporate social responsibility (CSR) referred to in section 135 of the Companies Act, 2013.

Notes:

Assume rates of CGST, SGST and IGST are 9%, 9% and 18% for both inward and outward supply of goods and services except transportation service which is chargeable at 2.5%, 2.5% and 5% CGST, SGST and IGST respectively.

Both inward and outward supplies given above are exclusive of taxes.

All the conditions necessary for availing the ITC have been fulfilled.

There was no opening balance of any input tax credit.

Compute the minimum net GST payable in cash by Sachha and Sudh Limited for the month of April, 2024 by considering that company wants to pay minimum amount of SGST as far as possible legally.

Working notes and correct provision of law for each point should form the part of your answer along with applicable provisions of place of supply under GST law.

(NOV 2024) (14 Marks)

Answer:

Computation of minimum net GST payable in cash by Sachha and Sudh Limited to be paid in cash for the month of April, 2024

S. No.	Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
	Output tax payable under forward charge				
(i)	<p>Supplied goods to Matadeen and Sons</p> <p>[Since the contract is for delivery of goods at buyer's premises and includes transportation cost, it becomes a composite supply; the principal supply being the supply of goods. Thus, GST rate applicable on goods will be charged on the entire value of supply of Rs. 8,00,000 (contract price actually paid by buyer).</p> <p>Further, since goods are delivered on Bill to Ship to Model to Matadeen and Sons on the direction of a third person - Dhananjai Associates, said third person is deemed to have received the goods and the place of supply is the principal place of business of such person, i.e. Chhattisgarh. Thus, it is an intra-State supply.]</p>	8,00,000	₹2,000 [8,00,000 x 9%]	₹2,000 [8,00,000 x 9%]	
(ii)	<p>Sale of used loading tempo to Suresh</p> <p>[Since ITC has not been taken on the tempo and depreciation has been claimed on it under the Income-Tax Act, 1961, value of supply is consideration received less depreciated value on the date of supply of tempo. However, since value of supply is negative [Rs. 1,80,000 - Rs. 2,40,000], it is to be ignored.]</p>	Nil			
(iii)	<p>Intra-State supply of sponsorship service</p> <p>[Tax is payable under forward charge since recipient of said services is a proprietary concern. Tax is not payable under reverse charge since recipient of said services is a not a partnership firm</p>	50,000	4,500 [50,000 x 9%]	4,500 [50,000 x 9%]	

	or body corporate.]				
(iv)	Fine for delayed supply of goods [There was no express contract. Fine received from Vipul, being liquidated damages is merely a payment to compensate the loss caused due to delayed supply of goods and is not a consideration for supply.]	-			
	Total output tax		76,500	76,500	
	Less: ITC available for set off [Refer note below.] [IGST credit is utilized for payment of SGST only in order to minimize the SGST liability. CGST and SGST credit are utilized for payment of CGST and SGST liability respectively.]		- (57,600)- CGST	(18,000) - IGST (57,600) -SGST	
	Net output tax payable in cash		18,900	900	
GST payable in cash under reverse charge					
	Add: Tax on services received from the advocate - Vikas Gupta - is payable under reverse charge by the recipient of service.				18,000
	Minimum net GST payable		18,900	900	18,000

Working note - Computation of eligible ITC available for set off

S. No.	Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
(i)	Intra-State purchase of goods [ITC on goods Rs. 1,00,000 not received in April cannot be availed.]	6,00,000 [7,00,000- 1,00,000]	54,000 [6,00,000 × 9%]	54,000 [6,00,000 × 9%]	
(ii)	Freight paid to truck owner [No ITC is available since GST on service	15,000	-	-	

	of transportation of goods by road received from a person other than a GTA is exempt.]				
(iii)	Rent paid to Indian Railway [It is an intra-State supply since the place of supply is location of immovable property, i.e. Chhattisgarh and supplier - Indian Railways is in Chhattisgarh Tax is payable under forward charge. Further, ITC on services used in course or furtherance of business is allowed.]	40,000	3,600 [40,000 × 9%]	3,600 [40,000 × 9%]	
(iv)	Representational services received from Vikas Gupta [Services received by a business entity from advocates are not exempt. It is an interState supply since the supplier is in Delhi and place of supply is location of recipient, i.e. Chhattisgarh. Further, ITC on services used in course or furtherance of business is available.]	1,00,000			18,000 [1,00,000 × 18%]
(v)	Additional share holding acquired in subsidiary [It is neither supply of goods nor supply of services, which is covered under Schedule III. ITC cannot be claimed since no GST is payable on the same.]	-			
(vi)	Inter-State purchase of goods to be used for corporate social responsibility [ITC on goods to be used for discharge of corporate social responsibility is blocked under section 17(5)]	-			
	Total ITC available		57,600	57,600	18,000

Concept: Computation of Net GST Payable

58. Poorva Impex Ltd., a registered entity under GST in the State of Maharashtra, is engaged in making various supplies. It is not engaged in agricultural operations. Poorva Impex Ltd., India is a subsidiary of Poorva Inc., an entity incorporated in USA, engaged in providing information technology services to customers in India. It provides the following information for the month of April:

S. No.	Particulars	Amount (Rs.)
	OUTWARD SUPPLY:	
(i)	Undertook the promotion and marketing of information technology services on principal-to principal basis in India for Poorva Inc.	20,00,000
(ii)	Printed letter cards supplied to Subhashini Enterprises, registered in Maharashtra. A logo depicting the vision of the firm was to be imprinted on each letter card and said logo was provided by the firm. Material cost was Rs. 8,00,000 and printing cost was Rs. 72,000.	8,72,000
(iii)	Supplied raw cotton to Dhruvtara Traders, registered in Maharashtra. The raw cotton was purchased from the local farmers during the previous month.	5,00,000
(iv)	Supplied maintenance services to Municipal Corporation of Greater Mumbai which has awarded a contract of maintenance of street-lights in Greater Mumbai Municipal area. Maintenance work involved the replacement of defunct lights and other spares. [Out of total value of supply of Rs. 1,20,000, value of defunct lights and other spares replaced is Rs. 32,000.]	1,20,000
(v)	Given on hire 10 cars (seating capacity of 5 persons including driver) to Gujarat State Road Transport Corporation (GSRTC)	3,00,000
	INWARD SUPPLY:	
(i)	Purchased processing machines from Bobby & Co., registered under GST, in the State of Gujarat. Machines were bought in "as is where is condition" at Gujarat to produce taxable items.	5,00,000
(ii)	Purchased metal scrap (covered under Chapter 72) from Mansukh Traders of Maharashtra, an unregistered person, to be used in manufacturing process	2,00,000
(iii)	Procured information technology services for its business through electronic mode from Thomas Inc., a company located in Germany	1,50,000
(iv)	A machinery to be used for manufacturing was sent to George Inc., USA for carrying out repair work on the same. The consideration to George Inc. was paid for such repair work. Machine was received after repair, in the month of May.	5,00,000

The company provided the following additional information:

- (i) Poorva Inc., USA provided a corporate guarantee of Rs. 1.5 crore on behalf of Poorva Impex Ltd. to Manimani Bank, Maharashtra, free of cost. The tax invoice for the same has been issued on the value as per rule 28(2).
- (ii) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of services and rates of CGST, SGST and IGST are 6%, 6% and 12% respectively for both inward and outward supply of goods, except in case of supply of raw cotton where the applicable rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% and in case of supply of metal scrap where the applicable rates of CGST, SGST and IGST are 9%, 9% and 18%
- (iii) All the amounts given above are exclusive of taxes, wherever applicable.

(iv) There was no opening balance of any ITC for the relevant period.

(v) All exports made by Poorva Impex Ltd. are through furnishing of LUT without payment of IGST.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST or IGST, as the case may be) for the month of April for the Poorva Impex Ltd., Maharashtra.

(RTP MAY 2025)

Answer:

Computation of minimum net GST payable in cash for the month of April

Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
<u>GST payable under forward charge</u>				
Promotion and marketing of information technology services to Poorva Inc. [Since the place of supply of promotion and marketing services is the location of recipient – Poorva Inc., viz, outside India, they qualify as export of services by Poorva Impex Ltd. to Poorva Inc. since all the conditions of section 2(6) of the IGST Act, 2017 are complied with. Further, all exports made by Poorva Impex Ltd. are through furnishing of LUT without payment of IGST.]	20,00,000	-	-	-
Supply of printed letter cards [Since letter cards are supplied by the printer using its own physical inputs to print the logo supplied by the recipient, it is a composite supply wherein the predominant/ principal supply is supply of goods. It is an intra-State supply since the place of supply is Maharashtra being the location where movement of goods terminates, in terms of section 10(1)(a).]	8,72,000	52,320 [8,72,000 × 6%]	52,320 [8,72,000 × 6%]	
Intra-State supply of raw cotton [Taxable under forward charge in terms of Notification No. 4/2017 CT (R) dated 28.06.2017. Reverse Charge mechanism is not applicable since here, raw cotton is being sold by a person other than agriculturist.]	5,00,000	12,500 [5,00,000 × 2.5%]	12,500 [5,00,000 × 2.5%]	
Maintenance services provided to Municipal Corporation	1,20,000	10,800	10,800	

of Greater Mumbai [Taxable, since the value of supply of goods constitutes more than 25% of the value of composite supply of goods and services provided to the local authority [Notification No. 12/2017 CT (R) dated 28.06.2017]. Further, principal supply is supply of maintenance services. It is an intra-State supply since the place of supply is Maharashtra being location of the recipient, in terms of section 12(2) of the IGST Act, 2017.]		[1,20,000 × 9%]	[1,20,000 × 9%]	
Inter-State service of giving motor vehicles on hire [Services by way of giving on hire to a State Transport Undertaking (STU), a motor vehicle are exempt only when such motor vehicle is meant to carry more than 12 passengers. Thus, in the given case, service of giving cars on hire is not exempt [Notification No. 9/2017 IT (R) dated 28.06.2017]. Further, it is an inter-State supply as place of supply being location of recipient is Gujarat, in terms of section 12(2) of the IGST Act, 2017.]	3,00,000			54,000 [3,00,000 × 18%]
Total output tax		75,620	75,620	54,000
Less: ITC available for set off [Refer working note] [ITC of IGST is utilized for payment of IGST liability and ITC of CGST and SGST is utilized for payment of CGST and SGST liability respectively.]		(18,000)	(18,000)	(54,000)
Net GST		57,620	57,620	NIL
<u>GST payable under reverse charge</u>				
Metal scrap purchased [Tax on metal scrap purchased by a registered person from an unregistered person is payable under reverse charge in terms of Notification No. 4/2017 CT (R) dated 28.06.2017.]	2,00,000	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]	
Information technology services procured from Thomas Inc. through electronic mode [Tax on information technology services imported is payable under reverse charge vide Notification No. 10/2017 IT (R) dated 28.06.2017.]	1,50,000			27,000 [1,50,000 × 18%]

Corporate guarantee provided by Poorva Inc. [Where corporate guarantee is provided by the foreign/ overseas entity for a related entity located in India, GST would be payable under reverse charge mechanism, by the recipient of service, i.e., the related entity located in India. Further, since supplier - foreign/ overseas entity - is unregistered, self-invoice shall be issued by it in terms of section 31(3)(f). Moreover, if a supplier gives a corporate guarantee on behalf of a related party located in India for securing of credit facilities from a bank/financial institution by such related party, as per rule 28(2), the value of service is 1% of the amount of guarantee offered per annum or actual consideration, whichever is higher, i.e. 1% of Rs. 1.5 crore; invoice is raised at said value. Since Poorva Impex Ltd. is eligible for full ITC, value of supply will be value declared in the invoice [Proviso to rule 28(2)].	1,50,000			27,000 [1,50,000 × 18%]
Total net GST payable in cash		75,620	75,620	54,000

Working Note – Computation of eligible ITC available for set off

Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Machines purchased [It is intra-State supply since place of supply in case of goods not involving movement of goods is location of goods at the time of delivery to recipient, viz. Gujarat, in terms of section 10(1)(c) of the IGST Act, 2017. However, ITC of the same will not be available since the recipient of said intraState supply is located in a different State / UT than that of place of supply.]	Nil	-	-	-
Metal scrap purchased [It is intra-State supply since place of supply is Maharashtra being the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, in terms of section 10(1)(a) of the IGST Act, 2017. ITC is available since said goods are being used in course or	2,00,000	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]	

furtherance of business.]				
Information technology services procured from Thomas Inc. [The place of supply is Maharashtra being location of the recipient, in terms of section 13(2) of the IGST Act, 2017. Supply of any services where supplier is outside India and the recipient and place of supply is in India, qualifies as import of services. Further, in case of import of service, tax is payable by the person importing such service vide Notification No. 10/2017 IT (R) dated 28.06.2017. ITC is available since said services are being used in course or furtherance of business.]	1,50,000			27,000 [1,50,000 × 18%]
Machinery sent for carrying out repair work to George Inc. [Since the place of supply of repair services is outside India being the location where the services are actually performed in terms of section 13(3) of the IGST Act, 2017, said services are not amenable to tax.]	Nil			
Corporate guarantee provided by Poorva Inc. [ITC is available since said services are being used in course or furtherance of business.]	1,50,000			27,000 [1,50,000 × 18%]
Eligible ITC available for set off [ITC on goods and services issued for making taxable outward supplies including zero-rated supplies (Promotion and marketing of information technology services provided to Poorva Inc.) is fully eligible for set-off, in terms of section 17.]		18,000	18,000	54,000

Concept: Blocked Credit and Insurance Circular

59. Mr. Divas, a registered person in Agra, Uttar Pradesh purchased a car for Rs. 12,50,000 on 15th October. On 31st October, the car met with an accident resulting in minor damage.

Due to urgency, he got his car repaired in the local garage of a nearby market instead of garage authorized by his general insurance company, i.e. Suraksha Insurance Company, through which his car was insured.

The total cost of repairs was Rs. 54,000 (excluding GST @ 18%). On the instructions of Mr. Divas, the invoice for the

entire amount was raised by garage in the name of Suraksha Insurance Company. The insurance company approved the claim amount of only Rs. 40,000 after the survey and reimbursed the same amount along with GST @ 18% to Mr. Divas.

In light of the above facts, you are required to answer the following questions:

- (i) Whether Suraksha Insurance Company is eligible to avail ITC on the basis of the invoice raised by garage? If yes, what would the amount of eligible input tax credit?
- (ii) Would your answer be different, if garage had issued two different invoices, one for Rs. 40,000 + GST @ 18% to Suraksha Insurance Company and another for Rs. 14000 + GST @ 18% to Mr. Divas?
- (iii) In case, the garage issued the invoice in the name of Mr. Divas, would Suraksha Insurance Company be eligible to avail ITC?

(RTP MAY 2025)

Answer:

- (i) Section 17(5) provides that ITC in respect of services of repair of motor vehicles shall be available where received by a taxable person engaged in the supply of general insurance services in respect of motor vehicles insured by him. Further, section 2(93) defines recipient of supply of goods or services or both, as the person who is liable to pay the consideration, where such consideration is payable for the said supply of goods or services or both. As per section 2(31), consideration includes any payment made or to be made in relation to supply of the goods or services or both, whether by the recipient or by any other person.

CBIC vide Circular No. 217/11/2024 GST dated 26.06.2024 has clarified that in reimbursement mode of claim settlement, the payment is made by the insurance company for the approved cost of repair services through reimbursement to the insured.

Further, irrespective of the fact that the payment of the repair services to the garage is first made by the insured, which is then reimbursed by the insurance company to the insured to the extent of the approved claim cost, the liability to pay for the repair service for the approved claim cost lies with the insurance company, and thus, the insurance company is covered in the definition of recipient in respect of the said supply of services of vehicle repair provided by the garage, in terms of section 2(93), to the extent of approved repair liability.

Moreover, availment of credit in respect of input tax paid on motor vehicle repair services received by the insurance company for outward supply of insurance services for such motor vehicles is not blocked under section 17(5).

Accordingly, it is clarified that ITC is available to insurance companies in respect of motor vehicle repair expenses incurred by them in case of reimbursement mode of claim settlement. It is further clarified that if the invoice for full amount for repair services is issued to the insurance company while the insurance company makes reimbursement to the insured only for the approved claim cost, then the ITC may be available to the insurance company only to the extent of reimbursement of the approved claim cost to the insured, and not on the full invoice value.

In the given case, although the invoice for the full amount of repair services (Rs. 54,000 +GST) is raised in the name of Suraksha Insurance Company, it is liable to pay the repair service to the extent of the approved claim cost (Rs. 40,000 +GST). Thus, it is covered in the definition of 'recipient' under section 2(93), to the extent of approved claim cost.

Hence, it is eligible to avail the ITC to the extent of the GST paid on the amount of Rs. 40,000 (approved claim cost). Thus, ITC of Rs. 7,200 (Rs. 40,000 × 18%) is available to Suraksha Insurance Company.

- (ii) The circular further clarifies that in cases where the garage issues two separate invoices in respect of the repair services, one to the insurance company in respect of approved claim cost and second to the customer for the amount of repair service in excess of the approved claim cost, ITC may be available to the insurance company on the said invoice issued to the insurance company subject to reimbursement of said amount by insurance company to the customer.

Thus, in the given case, if the garage has issued two different invoices, the answer would remain the same because the approved

claim of service cost which was reimbursed by Suraksha Insurance Company to Mr. Diwas was Rs. 40,000 only. Thus, ITC of Rs. 7,200 (Rs. 40,000 × 18%) is available to Suraksha Insurance Company.

- (iii) The circular also clarifies that where the invoice for the repair of the vehicle is not in name of the insurance company, condition of clauses (a) and (aa) of section 16(2) is not satisfied and accordingly, ITC will not be available to the insurance company in respect of such an invoice. Thus, in the given case, if the invoice has been raised in the name of Mr. Diwas, then Suraksha Insurance Company would not be eligible to avail the ITC.

Concept: Computation of Net GST Payable

60. Suyogya Pvt. Ltd., registered under GST, is engaged in the manufacture of 5-seater luxury cars at its factories located in the States of Rajasthan, Uttar Pradesh and Gujarat. The company has obtained registration in each of these States. The company reports the following details for a tax period pertaining to its factory located in Gujarat:

Payments	(Rs.) (in lakh)	Receipts	(Rs.) (in lakh)
Raw material	4.50	Sales: - Sales in Gujarat - Sales in States other than Gujarat - Exports under Letter of Undertaking (LUT)	14 6 10
Consumables [Intra-State]	0.75	Income from services provided to Gujarat Government administration	2.50
General insurance of cars manufactured	2.50		
Security services	0.70		
Works contract services	1.60		
Rent paid	1.00		
Membership of Automobile Association [registered in the State of Gujarat]	0.10		
Bank charges	0.10		
Audit fee	0.50		

All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by the company. Further, following additional details are furnished by the company in respect of the payments and receipts reported by it:

- (i) Raw materials worth Rs. 0.50 lakh, were purchased from a composition dealer located in Gujarat. Remaining raw material has been procured from various registered vendors located in Maharashtra.

- (ii) Rent has been paid for the factory building located in Gujarat to its owner registered in Gujarat.
- (iii) General insurance services have been received from Deep Insurance Company Ltd., registered in Gujarat.
- (iv) Payment for security services (services provided by way of supply of security personnel) for the tax period has been made to ABC Ltd., a company located in Gujarat and not registered under GST.
- (v) Works contract services, availed from Nirma Builders, Gujarat, have been used by the company for construction of a foundation on which machinery to be used in the production process is to be mounted permanently.
- (vi) Bank charges are towards various services availed by the company during a month with regard to its current account maintained with Best Bank, registered in Gujarat. The bank issued a consolidated tax invoice for all such services at the end of the month containing the details of tax charged, description of services, total value, GSTIN of the bank and Suyogya Pvt. Ltd.
- (vii) Audit fee is paid to a firm of Chartered Accountants - M/s Chandiok & Associates (registered in Tamil Nadu with an aggregate turnover of Rs. 6 crores in the preceding financial year) - for conducting the statutory audit of the company in the preceding financial year. The firm raises an e-invoice without IRN (Invoice Reference Number) for said services.
- (viii) Services provided to Gujarat Government administration are under a Health Training programme. 51% of the total expenditure for said programme is borne by Gujarat Government.
- (ix) The opening balance of ITC with the company for the tax period is:

CGST - Rs. 0.50 lakh

SGST - Rs. 0.26 lakh

IGST - Rs. 0.35 lakh

Compute the total ITC available with Suyogya Pvt. Ltd. for the given tax period and net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by Suyogya Pvt. Ltd. for the given tax period.

Notes-

- A. CGST, SGST & IGST rates on all inward and outward supplies are 9%, 9% and 18% respectively.
- B. The necessary conditions for availing ITC have been complied with by Suyogya Pvt. Ltd., wherever applicable.

You are required to make suitable assumptions, wherever necessary.

(14 Marks) (MTP May 2024)

Answer:

Computation of ITC available with Suyogya Pvt. Ltd. for the given tax period

S. No.	Particulars	Value of supply Rs.	ITC			Total Rs.
			CGST*	SGST*	IGST*	
			Rs.	Rs.	Rs.	
1.	Opening balance of ITC		50,000	26,000	35,000	1,11,000
2.	Raw Materials	4,00,000	--	--	72,000	72,000

	[Rs. 4,50,000 - Rs. 50,000] [Refer Note 1]					
3.	Rent paid for the factory building [Refer Note 2]	1,00,000	9,000	9,000	--	18,000
4.	Consumables [Refer Note 3]	75,000	6,750	6,750	--	13,500
5.	Security services [Refer Note 4]	70,000	Nil	Nil	Nil	Nil
6.	General insurance of cars manufactured [Refer Note 5]	2,50,000	22,500	22,500	--	45,000
7.	Works contract services [Refer Note 6]	1,60,000	14,400	14,400	--	28,800
8.	Audit fee [Refer Note 7]	50,000	Nil	Nil	Nil	Nil
9.	Bank charges [Refer Note 8]	10,000	900	900	--	1,800
10.	Membership of Automobile Association [Refer Note 9]	10,000	900	900	--	1,800
Total ITC available for the tax period			1,04,450	80,450	1,07,000	2,91,900

Computation of net GST payable

Particulars	Value of supply	CGST* Rs.	SGST* Rs.	IGST* Rs.	Total Rs.
Intra-State sales in Gujarat	14,00,000	1,26,000	1,26,000	--	2,52,000
Inter-State sales other than Gujarat	6,00,000	--	--	1,08,000	1,08,000
Exports under LUT [Note 10]	10,00,000	Nil	Nil	Nil	Nil
Income from services provided to Gujarat	2,50,000	22,500	22,500	--	45,000
Government [Note 11]					
Total output tax liability		1,48,500	1,48,500	1,08,000	4,05,000
Less: ITC available for being set off [Note 12, Note 13 and Note 14]		(1,04,450)	(80,450)	(1,07,000)	(2,91,900)

Net GST payable from Electronic Cash Ledger		44,050	68,050	1,000	1,13,100
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Notes:

- Credit of input tax paid on raw materials used in the course or furtherance of business is available. However, ITC is not available on raw material purchased from composition dealer in terms of section 17(5) of the CGST Act, 2017.
- ITC on rent paid is available as the said service is used in the course or furtherance of business.
- ITC on consumables, being inputs used in the course or furtherance of business, is available.
- Since in the given case, security services have been provided by a body corporate – Safe and Secure Solutions Pvt. Limited to a registered person – Suyogya Pvt. Ltd., GST on the same is payable under forward charge. However, since Safe and Secure Solutions Pvt. Limited is not registered under GST, it would not have charged GST on the said services and hence, no ITC is available.
- ITC on motor vehicles for transportation of persons is allowed in terms of section 17(5) of the CGST Act, 2017 provided such vehicles are further supplied by the supplier. ITC is allowed on general insurance services relating to motor vehicles, ITC on which is allowed [Section 17(5) of the CGST Act, 2017].
- Section 17(5) blocks ITC in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Further, the term “plant and machinery” means, inter alia, machinery fixed to earth by foundation or structural support that are used for making outward supply and includes such foundation/structural support. Thus, in view of the above-mentioned provisions, ITC is available in respect of works contract service availed by Suyogya Pvt. Ltd. as the same is used for construction of plant and machinery which is not blocked under section 17(5) of the CGST Act, 2017.
- Audit fee are the services used in the course/ furtherance of business and thus, credit of input tax paid on such service will be available in terms of section 16 of the CGST Act, 2017. M/s Chandiook & Associates is required to issue an e-invoice for audit services as e-invoicing is mandatory for the registered persons whose aggregate turnover in any of the preceding financial years from 2017-18 onwards exceed Rs. 5 crores. However, an e-invoice without IRN is not treated as an invoice and hence, without a valid document, ITC cannot be claimed on such input services.
- Bank charges are services used in the course/ furtherance of business and thus, credit of input tax paid on such service will be available. However, ITC can be claimed only on the basis of valid documents. In case of a banking company, a consolidated tax invoice issued for supply of services made during a month at the end of the month containing the details of tax charged, description of services, total value, GSTIN of the supplier and the recipient is deemed to be a tax invoice. Thus, ITC pertaining to the banking services received is allowed.
- As per section 17(5) of the CGST Act, 2017, ITC is blocked on membership of a club, health and fitness centre. The membership fee paid by a automobile company to Automobile Association is not covered under said section as it is distinct from membership of a club. Hence, ITC thereon is available.
- Export of goods is a zero-rated supply in terms of section 16 of the IGST Act. A zero rated supply under LUT is made without payment of integrated tax.
- Services provided to the Central Government, State Government, Union territory administration under any training programme for which 75% or more of the total expenditure is borne by the Central Government, State Government, Union territory administration are exempt from GST. However, in the given case, since the total expenditure borne by the Gujarat

Government is less than 75%, services provided to it by Suyogya Pvt. Ltd. are liable to GST.

12. Since export of goods is a zero-rated supply, apportionment of ITC is not required and instead, full credit will be available.

13. ITC of-

- (i) IGST is utilised towards payment of IGST first and then CGST and SGST in any proportion and in any order.
- (ii) CGST is utilised towards payment of CGST and IGST in that order. ITC of CGST shall be utilized only after ITC of IGST has been utilised fully.
- (iii) SGST is utilised towards payment of SGST and IGST in that order. ITC of SGST shall be utilized only after ITC of IGST has been utilised fully.

14. Since the value of taxable supply other than zero-rated supply in the given tax period (Rs. 14 lakh + Rs. 6 lakh + Rs. 2.50 lakh) does not exceed Rs. 50 lakh, provisions of rule 86B of the CGST Rules, 2017 are not applicable and Suyogya Ltd. can discharge its entire output tax liability for said period from the electronic credit ledger.

15. CGST and SGST are chargeable on intra-State inward and outward supplies and IGST is chargeable on inter-State inward and outward supplies. Rate of CGST, SGST and IGST applied is 9%, 9% and 18% except in case of renting of cars wherein the rate of CGST and SGST applied is 2.5% and 2.5% respectively.

Concept: Computation of Exempt Supply Value u/s 17(3)

61. Shell Dune Limited is engaged in manufacture of taxable electronic goods. Its two manufacturing units are located in Mumbai and Nagpur and both the units are registered under GST in the State of Maharashtra. The company has another manufacturing unit in Bangalore, registered under GST in the State of Karnataka and a retail showroom located in Ahmedabad, registered under GST in the State of Gujarat.

The company has provided the following details of the activities/ transactions undertaken in a tax period:

S. No.	Particulars	Mumbai unit (Rs.)	Nagpur unit (Rs.)
(i)	Sale of taxable goods	12,50,000	13,50,000
(ii)	Interest received on fixed deposits with a nationalised bank		1,08,000
(iii)	Sale of securities [Such securities were purchased for Rs. 2,75,000]	4,50,000	
(iv)	Sale of agricultural land in the vicinity of the manufacturing plant [Stamp duty was paid on Rs. 1,85,00,000]		1,85,00,000
(v)	Sale of old factory building which was not used anymore [Stamp duty was paid on Rs. 75,00,000]	90,00,000	
(vi)	Transfer of actionable claims (other than casinos, online gaming and horse racing)		2,00,000

With the help of above information, you are required to determine the value of exempt supply under GST law as provided by Nagpur unit and Mumbai unit for the purpose of apportionment of ITC under section 17(3) of the CGST Act, 2017.

(5 Marks) (MTP May 2024)

Answer:

The value of exempt supply by Nagpur unit and Mumbai unit for the purpose of apportionment of ITC under section 17(3) of the CGST Act, 2017 is determined as follows:

As per section 17(3) of the CGST Act, 2017, value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building. As per explanation to section 17(3), the expression "value of exempt supply" shall not include the value of activities or transactions specified in Schedule III, except sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.

Further, as per explanation to Chapter V (Input Tax Credit) of the CGST Rules, 2017, for determining the value of an exempt supply as referred in section 17(3), the value of exempt supply in respect of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security.

Further, as per explanation to rule 43, the aggregate value of exempt supplies for the purpose of rules 42 and 43, inter alia, excludes the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances.

In view of the aforesaid provisions, value of exempt supply by Nagpur unit and Mumbai unit for the purpose of apportionment under section 17(3) is as follows:

Particulars	Mumbai unit (Rs.)	Nagpur unit (Rs.)
Sale of taxable goods	--	--
Interest received on fixed deposits [Excluded from value of exempt supply by virtue of explanation to rule 43]	--	--
Sale of securities [1% of Rs. 4,50,000] [Includible as per section 17(3). Value of exempt supply in respect for security is 1% of the sale value of such security.]	4,500	--
Sale of agricultural land [Includible as per section 17(3). Value of exempt supply in respect of land is the value adopted for paying stamp duty.]	--	1,85,00,000
Sale of old factory building [Includible as per section 17(3). Value of exempt supply in respect of building is the value adopted for paying stamp duty.]	75,00,000	--

Transfer of actionable claims (other than casinos, online gaming and horse racing) [Excluded from value of exempt supply by virtue of explanation to section 17(3).]	--	--
Total value of exempt supply	₹5,04,500	1,85,00,000

Concept: Computation of Net GST Payable

62. Jigar Infra Ltd., a registered supplier under GST in the State of Kerala, is engaged in the construction business. He availed legal services relating to a business dispute and paid Rs. 7,00,000 as consideration for the same. He also purchased construction materials amounting to Rs. 15,00,000 from Chirag Steels Ltd., registered in the State of Andhra Pradesh. Further, for transport of materials, it purchased a new truck from a dealer in Cochin, Kerala by making payment of Rs. 12,00,000.

It provides the following information relating to its outward supply for the month of April:

S. No.	Particulars	Amount (Rs.)
(i)	Purchased goods from a party in Taiwan. Sold the goods to a party in Turkey without bringing the goods to India. Purchase value was Rs. 5,00,000 and the sale price was Rs. 7,00,000. (The figures in rupees have been given after conversion though transaction was in convertible foreign currency).	
(ii)	Transferred one load of tiles to its branch in Cochin, Kerala, from its head office at Trivandrum, Kerala. Both places are under the same GST registration.	7,50,000
(iii)	Provided pure labour services of construction of single commercial unit not forming part of any complex to a customer in Bengaluru (Karnataka).	15,00,000
(iv)	Supplies a consignment of marbles in the territorial waters to Surya Builders LLP. The said territorial waters is located at a distance of 11 nautical miles from the baseline of State of Kerala and 12 nautical miles from the baseline of State of Tamil Nadu.	6,00,000
(v)	Received an advance for future supplies of goods and services from a customer in Kerala. Out of such advance 70% is related to future supplies of services.	7,00,000

The company provided the following additional information:

- (i) Paid Rs. 6,00,000 as remuneration to an independent director based at Cochin during the month.
- (ii) The company claimed depreciation under the Income-tax Act, 1961 on the new truck purchased including all applicable taxes.
- (iii) E-invoice portal shows that Chirag Steels Ltd.'s GST number is liable to issue e-invoice. However, the supplier did not issue e-invoice and issue a manual invoice. The invoice was reflected in GSTR-2B.
- (iv) Turnover of Jigar Infra Ltd. for the previous financial year was Rs. 180 lakh.
- (v) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.
- (vi) All the amounts given above are exclusive of taxes wherever applicable.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST

or IGST, as the case may be) for the month of April. Reason for treatment needs to be given.

(14 Marks) (MTP Nov 2024)

Answer:

Computation of minimum net GST payable in cash by Jigar Infra Ltd. for April

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
<u>GST payable under forward charge</u>			
Goods purchased from Taiwan sold in Turkey without bringing into India [Neither treated as supply for goods nor as supply of services.]	-	-	-
Transfer of tiles to branch within Kerala [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person]	-	-	-
Inter-State supply of pure labour services for construction of single commercial unit in Bengaluru [Services by way of pure labour contracts of construction of original works pertaining to a single residential unit otherwise than as a part of a residential complex is exempt. Hence, such services in relation to a commercial unit shall be taxable.]			2,70,000 [15,00,000 x 18%]
Supply of consignment in territorial waters [Where the supply is in the territorial waters, the place of supply is deemed to be in the coastal State where the nearest point of the appropriate baseline is located. Therefore, place of supply will be in Kerala being nearer to base line and hence, supply will be intra-State supply]	54,000 [6,00,000 x 9%]	54,000 [6,00,000 x 9%]	
Receipt of advance from customer in Kerala [Tax will be payable only on advance for services. In case of goods, tax is payable at the time of issuance of invoice and not at the time of receipt of advance.]	44,100 [7,00,000 x 70% x 9%]	44,100 [7,00,000 x 70% x 9%]	
Total output GST	98,100	98,100	2,70,000
Less: Input tax credit [Refer working note below] [CGST credit be first utilized for payment of CGST liability and then for payment of IGST liability in that order. Similarly, SGST credit be first utilized for payment of SGST liability and then for payment of IGST liability in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	98,100	98,100	18,900 (CGST)
	-	-	18,900 (SGST)

Net output GST payable in cash [A]	Nil	Nil	2,32,200
GST payable under reverse charge			
Tax on legal services is payable under reverse charge by the recipient of service.	63,000	63,000	
Tax on remuneration paid to director is payable under reverse charge by the recipient of the service.	<u>54,000</u>	<u>54,000</u>	
GST payable in cash under reverse charge [B] [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	1,17,000	1,17,000	
Minimum net GST payable in cash [A] + [B]	1,17,000	1,17,000	2,32,200

Working Note:
Computation of ITC available with Jigar Infra Ltd. for April

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Goods purchased from Taiwan [No ITC since tax is not payable as goods do not become part of the landmass of the country.]	-	-	-
Services of an arbitral tribunal [Services provided by an arbitral tribunal to a business entity with an aggregate turnover up to threshold limit of registration in the previous financial year are exempt from GST. Thus, services provided by the arbitral tribunal to Jigar Infra Ltd., a business entity whose aggregate turnover in the previous financial year exceeds the applicable threshold limit for registration [viz. Rs. 20 lakh, being a supplier of goods and services in the State of Kerala] shall be liable to tax. Further, being services used in the course of furtherance of business, ITC shall be available thereon.]	63,000 [7,00,000 x 9%]	63,000 [7,00,000 x 9%]	
Purchase of materials from Chirag Steels Ltd. [An e-invoice without IRN is not treated as invoice and hence, without a valid document, ITC cannot be claimed on such inputs]	-	-	
Purchase of truck [Motor vehicle used for transportation of goods is eligible for credit.]	-	-	

However, since depreciation has been claimed on applicable taxes as well, ITC of tax paid on purchase of such truck cannot be claimed.]			
Payment of remuneration to independent director based at Cochin [Services provided by employee to employer in the course of his employment are not a supply. However, independent director is not an employee of the company and hence, remuneration paid to him is taxable. Further, being services used in the course of furtherance of business, ITC shall be available thereon.]	54,000 [6,00,000 x 9%]	54,000 [6,00,000 x 9%]	
Total ITC	1,17,000	1,17,000	

Concept: Computation of Net GST Payable

63. MS Ltd. is a company registered under GST. Its turnover in the previous financial year was Rs. 2 crores. During the month of October, the company has undertaken the following transactions and wants you to work out the amount of net GST payable in cash.

Applicable rate of IGST is 18%, CGST is 9% and SGST is 9% on all goods and services except transportation of goods services provided by Goods Transport Agency and restaurant service for which applicable CGST and SGST rate is 2.5% each and IGST rate is 5% and old and used vehicles for which applicable CGST and SGST rate is 6% each and IGST rate is 12%. The amounts indicated for all the items are exclusive of GST.

As the manager of the company, it informed you that the GST liability for October for their main product - Product Alpha is Rs. 54 lakh of CGST and SGST each and Rs. 72 lakh IGST and the eligible credit on the inputs and input services for October is Rs. 1.45 crore IGST and Rs. 20 lakh each towards CGST and SGST which can be straightaway taken for calculations.

Company has provided you following additional details:

S. No.	Details of the transaction
i.	During the month of October, the company offered its dealers a special festival offer of discount of 25% on Product Alpha sold during the month of September. Total discount given under said scheme was Rs. 45,00,000. All original supplies were inter-State supplies.
ii.	The company sold a van by auction; van was being used for travel of the director. The van was purchased at Rs. 3,20,000 and depreciation was claimed under section 32 of the Income-Tax Act, 1961. The depreciated value at the time of sale was Rs. 1,40,000. No ITC was taken on the same. The van was sold intra-State for an amount of Rs. 1,50,000 during the month of October.
iii.	The company has a policy of mandatorily charging transportation cost of their products from their dealers at the time of invoicing for the products sold to them. The amount collected during the month of October towards transportation in intra-State supply transactions is Rs. 6 lakh and inter-State supply transactions is Rs. 4 lakh.
iv.	Ball bearings of value Rs. 2.50 lakh bought in July has been stolen during the month of October.

v.	GST of Rs. 3,00,000 paid on cosmetic and plastic surgery of manager of the factory. Assume that it is intra-State supply transaction.
vi.	During the month of October, audit fees of Rs. 60,000 has been paid to Chartered Accountancy firm – Sudhakar Associates. Out of this, Rs. 35,000 is for statutory audit of preceding financial year and Rs. 25,000 as certification fee. Assume that it is intra-State supply transaction.
vii.	The company's registered office is located in a building which belongs to the Local Municipality. The monthly rent is Rs. 1.50 lakh.
viii.	The whole-time director (located within same State) of the company was paid a salary of Rs. 5 lakh during the month. He was also paid Rs. 20,000 towards sitting fees for his participation in the board meeting.

Give a brief note to support your treatment for the items wherever required.

(14 Marks) (MTP Nov 2024)

Answer:

Computation of net GST payable in cash of MS Ltd. for October

Particulars	CGST (Rs. in lakh)	SGST (Rs. in lakh)	IGST (Rs. in lakh)
GST liability for Product Alpha	54	54	72
Post-supply discount on Product Alpha [In the given case, discount given after effecting the supply is not in terms of an agreement that existed at the time of supply. Therefore, discount is not allowed as deduction from value of supply.]	Nil	Nil	
Sale of van by auction used for travel of director [In case of a registered person who has claimed depreciation under section 32 of the Income-Tax Act, 1961 on the said goods, value = Consideration received - Depreciated value on the date of supply.]	0.006 [0.1 × 6%]	0.006 [0.1 × 6%]	
Transportation cost charged on the product [Supply of goods and transport service is a composite supply as the transportation cost is charged at a flat rate from all customers irrespective of the distance involved. Therefore, rate of principal supply (product) viz. 9% CGST and SGST each is charged on intra-State supply and 18% IGST is charged on inter-State supply.]	0.54 [6 × 9%]	0.54 [6 × 9%]	0.72 [4 × 18%]
Total output tax liability	54.546	54.546	72.72
Less: ITC set off [Refer working note (1) below]	(35.915)	(35.915)	(72.72)

[IGST credit is first utilized for payment of IGST liability and then for payment SGST and CGST liability in equal proportion]			
After exhausting IGST credit, CGST and SGST credit is to be utilized. ITC of CGST cannot be utilized for payment of SGST and vice versa.	(18.631)	(18.631)	
GST payable in cash [A]	Nil	Nil	Nil
GST under reverse charge payable in cash [Refer working note (2) below] [B]	0.153	0.153	
[Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]			
Total GST payable in cash = [A]+ [B]	0.153	0.153	

Working notes:
1. Computation of ITC available with MS Ltd. for October

Particulars	CGST (Rs. in lakh)	SGST (Rs. in lakh)	IGST (Rs. in lakh)
Eligible credit on inputs and input services for the month	20	20	145
Ball bearings stolen [ITC on stolen goods is blocked. Hence, ITC taken on stolen ball bearings needs to be reversed.]			(0.45)
Input tax on cosmetic and plastic surgery of CEO of company [ITC on cosmetic and plastic surgery is blocked if the same are not used for making the same category of outward supply or as an element of a taxable composite/ mixed supply. Hence, the same is not credited to the Electronic Credit Ledger]	Nil	Nil	Nil
Audit fee [Audit fee is a service used in the course or furtherance of business and thus, credit of input tax paid on such service will be available.]	0.054 [0.6 × 9%]	0.054 [0.6 × 9%]	
Rent paid to Municipality	0.135 [1.5 × 9%]	0.135 [1.5 × 9%]	
Sitting fee paid to whole time director	0.018 [0.20 × 9%]	0.018 [0.20 × 9%]	

Total	20.207	20.207	144.55
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2. Tax payable under reverse charge

Particulars	CGST (Rs. in lakh)	SGST (Rs. in lakh)	IGST (Rs. in lakh)
Rent paid to Municipality	0.135	0.135	
[Tax on renting of immovable property services supplied by local authority to a registered person is payable under reverse charge.]			
Sitting fee paid to whole time director [Services provided by employee to employer in the course of his employment are not a supply. Hence, salary paid to director is not taxable. However, sitting fee is a consideration for the services provided beyond course of employment and hence, is taxable. Further, tax on sitting fee paid to director is payable under reverse charge.]	0.018	0.018	
Total tax payable under reverse charge	0.153	0.153	

Concept: Net GST Payable and Apportionment of Credit

64. Vedant Shoppe is a retail trader of both taxable and exempted goods, registered under GST in the State of Rajasthan. Vedant Shoppe has furnished the following details for a month:

		(Rs.)
(1)	Details of sales:	
	Supply of taxable goods	50,00,000
	Supply of goods not leviable to GST	10,00,000
(2)	Details of goods purchased for being sold in the shop:	
	Taxable goods	45,00,000
	Goods not leviable to GST	4,00,000
(3)	Details of expenses:	
	Monthly rent payable for the shop	3,50,000
	Telephone expenses paid (Rs. 30,000 for bills of land line phone installed at the shop and Rs. 20,000 towards mobile phone bills of the employees - Mobile phones are also given to employees for official use)	50,000
	Audit fees paid to a Chartered Accountant	60,000

	(Rs. 35,000 for the statutory audit of preceding financial year and Rs. 25,000 for certification work)	
	Premium paid on group health insurance policies taken for specified employees of the shop as per company policy.	10,000
	Freight paid to goods transport agency (GTA) [service taxable @ 5%] for inward transportation of goods not leviable to GST	50,000
	Freight paid to goods transport agency (GTA) [service taxable under reverse charge @ 5%] for inward transportation of taxable goods	1,50,000
	Goods given as free samples (Not included in taxable goods value of 45,00,000)	5,000

All the above amounts are exclusive of all kinds of taxes, wherever applicable.

All the inward and outward supplies made by Vedant Shoppe are from/to registered suppliers within Rajasthan.

Assume, wherever applicable, for purpose of reverse charge payable by Vedant Shoppe, the CGST, SGST and IGST rates as 2.5%, 2.5% and 5% respectively. CGST, SGST and IGST rates to be 6%, 6% and 12% respectively in all other cases.

There is no opening balance in the electronic cash ledger or electronic credit ledger. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

You are required to compute the following:

- (i) Input Tax Credit (ITC) credited to Electronic Credit Ledger
- (ii) Common credit available for apportionment
- (iii) ITC attributable towards exempt supplies out of common credit
- (iv) Net GST payable from Electronic Cash Ledger for the month (14 Marks)

(MTP May 2025)

Answer:

(i) Computation of ITC credited to Electronic Credit Ledger

ITC of input tax attributable to inputs and input services intended to be used for business purposes is credited to the electronic credit ledger. Input tax attributable to inputs and input services intended to be used exclusively for non-business purposes, for effecting exclusively exempt supplies and on which credit is blocked under section 17(5) of the CGST Act, 2017 is not credited to electronic credit ledger [Sections 16 and 17 of the CGST Act, 2017].

In the light of the aforementioned provisions, the ITC credited to electronic credit ledger of Vedant Shoppe is calculated as under:

Particulars	Amount (Rs.)	CGST @ 6% (Rs.)	SGST @ 6% (Rs.)
GST paid on taxable goods	45,00,000	2,70,000	2,70,000
Goods not leviable to GST [Since nontaxable, no GST is paid]	4,00,000	Nil	Nil

GST paid on monthly rent for shop	3,50,000	21,000	21,000
GST paid on telephone expenses	50,000	3,000	3,000
GST paid on Chartered Accountant Fee	60,000	3,600	3,600
GST paid on premium of health insurance policies as per company policy [ITC on health insurance service is allowed only if it is obligatory for employers to provide such services to its employees under any law for the time being in force-Proviso to section 17(5)(b) of the CGST Act, 2017].	10,000	Nil	Nil
Taxable Goods given as free samples [ITC on goods disposed of by way of free samples is blocked under section 17(5)(h) of the CGST Act, 2017]	5,000	Nil	Nil

Particulars	Amount (Rs.)	CGST @ 2.5% (Rs.)	SGST @ 2.5% (Rs.)
Freight paid to GTA for inward transportation of non-taxable goods under reverse charge [Since definition of exempt supply under section 2(47) of the CGST Act, 2017 specifically includes non-taxable supply, the input service of inward transportation of non-taxable goods is being exclusively used for effecting exempt supplies.]	50,000	Nil	Nil
Freight paid to GTA for inward transportation of taxable goods under reverse charge	1,50,000	3,750	3,750
ITC credited to the electronic ledger		3,01,350	3,01,350
Less: ITC reversal [ITC out of common credit, attributable to exempt supplies] (Refer point no. 2 & 3 below)		(4,600)	(4,600)
Net ITC available		2,96,750	2,96,750

(ii) Computation of common credit available for apportionment

Common Credit = ITC credited to Electronic Credit Ledger - ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies [Section 17 of the CGST Act, 2017 read with rule 42 of the CGST Rules, 2017].

Particulars	CGST (Rs.)	SGST (Rs.)
ITC credited to Electronic Credit Ledger	3,01,350	3,01,350
Less : ITC on taxable goods	2,70,000	2,70,000
Less: ITC on freight paid to GTA for inward transportation of taxable goods	3,750	3,750
Common credit	27,600	27,600

(iii) Computation of ITC attributable towards exempt supplies out of common credit

ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period/ Total turnover during the tax period)[Section 17 of the CGST Act, 2017 read with rule 42 of the CGST Rules, 2017].

Particulars	CGST (Rs.)	SGST (Rs.)
ITC attributable towards exempt supplies [Rs. 27,600 x (Rs. 10,00,000/ Rs. 60,00,000)]	4,600	4,600

(iv) Computation of net GST liability for the month

Particulars	CGST (Rs.)	SGST (Rs.)
GST liability under forward charge		
Supply of taxable goods [Rs. 50,00,000 x 6%]	3,00,000	3,00,000
Total output tax liability under forward charge	3,00,000	3,00,000
Less: ITC	2,96,750	2,96,750
Net GST payable [A]	3,250	3,250
GST liability under reverse charge		
Freight paid to GTA for inward transportation of taxable goods [Rs. 1,50,000 x 2.5%]	3,750	3,750
Freight paid to GTA for inward transportation of non-taxable goods [Rs. 50,000 x 2.5%]	1,250	1,250
Total tax liability under reverse charge [B]	5,000	5,000
Net GST liability [A] + [B]	8,250	8,250

Note: Amount available in the electronic credit ledger may be used for making payment towards output tax [Section 49 of the CGST Act, 2017]. However, tax payable under reverse charge is not an output tax in terms of definition of output tax provided under section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

Concept: Computation of ITC Eligible

65. RMN Company Ltd., a registered supplier of Bengaluru (Karnataka), is a manufacturer of goods. The company provides the following information pertaining to GST paid on inward supplies during the month of April (current financial year):

S. No.	Items	GST paid in (Rs.)
(i)	Life Insurance premium paid by the company for the life insurance of factory employees as per the policy of the company. There is no legal obligation for such insurance for employees.	1,50,000

(ii)	Raw materials purchased for which invoice is missing but delivery challan is available	38,000
(iii)	Raw materials purchased which are used for zero rated supply	50,000
(iv)	Works contractor's service used for repair of factory building which is debited in the profit and loss account of company	30,000
(v)	Company purchased the capital goods for Rs. 4,00,000 and claimed depreciation of Rs. 44,800 (@ 10%) on the full amount of Rs. 4,48,000 under Income Tax Act, 1961	48,000

Other information:

- In the month of September of previous financial year, RMN Company Ltd. availed ITC of Rs. 2,40,000 on purchase of raw material which was directly sent to job worker's premises under a challan on 25th September (previous financial year). The said raw material has not been received back from the job worker up to 30th April (current financial year).
- All the above inward supplies except at S. No. (iii) above have been used in the manufacture of taxable goods. Inward supplies at S. No. (iii) above have been used in the manufacture of exempt goods.

Compute the amount of net ITC that can be availed by RMN Company Ltd. for the month of April with necessary explanations for the treatment of various items as per the provisions of the CGST Act. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. (5 Marks)

(MTP May 2025)

Answer

Computation of ITC available with RMN Company Ltd. for the month of April

Particulars	ITC (Rs.)
Life Insurance premium paid by the company on the life of factory employees [Note 1]	Nil
Raw materials purchased [Note 2]	Nil
Raw materials used for zero rated supply [Note 3]	50,000
Work contractor's service [Note 4]	30,000
Capital goods purchased in respect of which depreciation is claimed on the tax component [Note 5]	Nil
Goods sent to job worker's premises [Note 6]	=
Total ITC available	80,000

Notes:

- ITC on life insurance service is available only when it is obligatory for an employer to provide said services to its employees under any law for the time being in force. Since it is not obligatory for the employer in the instant case and thus, the ITC thereon is blocked [Second proviso to section 17(5)(b) of the CGST Act, 2017].
- ITC cannot be taken since invoice is missing and delivery challan is not a valid document to avail ITC [Section 16(2)(a) of the CGST Act, 2017].
- ITC can be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply [Section 16(2) of the CGST Act, 2017].
- ITC is blocked on works contract services when supplied for construction of an immovable property. However, "construction"

includes only that repairs which are capitalized along with the said immovable property.

In this case, since repairs of building is debited to P & L Account, the same does not amount to 'construction' and hence ITC thereon is available [Section 17(5)(c) of the CGST Act, 2017].

5. ITC is not available when depreciation has been claimed on the tax component of the cost of capital goods under the Income-tax Act [Section 16(3) of the CGST Act, 2017].
6. The principal is entitled to take ITC of inputs sent for job work even if the said inputs are directly sent to job worker. However, where said inputs are not received back by the principal within a period of 1 year of the date of receipt of inputs by the job worker, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were received by the job worker [Sub-sections (2) and (3) of section 19 of the CGST Act, 2017].

Hence, the ITC taken by RMN Company Ltd. in the month of September last year is valid and since one year period has yet not lapsed in April, there will be no tax liability on such inputs.

Concept: Computation of Gross GST Liability

66. Rajnath Private Limited is registered under GST in the State of Uttar Pradesh. It is engaged in supplying three products – Product Theta, Product Delta and Product Omega, from its factory located in Rampur, Uttar Pradesh. Product Theta and Product Delta are taxable whereas Product Omega is exempt from GST. Besides, it also supplies cigarettes from its factory located in Kanpur and owns a petrol pump in Lucknow. It is also engaged in supply of certain services.

It has furnished the following information with regard to the supplies made by it in the month of August:

Particulars	(Rs.)*
Supply of Product Theta	50,00,000
Supply of Product Omega	1,00,00,000
Supply of management consultancy services	50,00,000
Renting of commercial complex to local traders of electronic goods	50,00,000
Export of Product Delta	1,00,00,000
Export of consultancy services [including exports made to a Nepal based company of Rs. 5 lakh (payment is received in Indian currency in said case)]	20,00,000
Sale of building (excluding stamp duty of Rs. 2.50 lakh being 2% of value adopted for paying stamp duty) [Entire consideration is received post issuance of completion certificate; building was occupied thereafter]	2,50,00,000
Interest received on investment in fixed deposits with Haribhari bank	10,50,000
Sale of shares of a public company (Purchase price of such shares is Rs. 2,40,00,000)	2,50,00,000
Supply of cigarettes [GST being levied @ 28%.] (including excise duty of Rs. 12,50,000)	1,00,00,000
Supply of petrol and diesel	80,00,000

(including VAT of Rs. 5,00,000 and excise duty of Rs. 12,50,000)	
Amount received from Devi Prasad Private Limited of Lucknow, Uttar Pradesh. It has sponsored the business exhibition organized in Delhi by Rajnath Private Limited.	6,00,000

*excluding GST

With the help of the above-mentioned information, compute the gross GST liability of Rajnath Private Limited for the month of August on the outward supplies made by it during said period.

Note: Assume that rates of GST on outward supply of goods and services are 12% and 18% respectively unless otherwise specified (Ignore CGST, SGST or IGST for the sake of simplicity). Exports made by Rajnath Private Limited, if any, have been made to persons other than distinct/related persons and are made by furnishing LUT without payment of IGST.

(14 Marks) (MTP May 2025)

Answer:

Computation of gross GST liability on outward supply of Rajnath Private Limited for the month of August

Particulars	Value (Rs.)	GST (Rs.)
Supply of Product Theta [Liable to GST @ 12%]	50,00,000	6,00,000
Supply of Product Omega [Exempt from GST]	1,00,00,000	Nil
Supply of management consultancy services [Liable to GST @ 18%]	50,00,000	9,00,000
Renting of commercial complex to local traders of electronic goods [Services by way of renting of residential dwelling for use as residence are exempt from GST. Thus, renting of commercial complex is taxable and GST is payable on the same @ 18%.]	50,00,000	9,00,000
Export of Product Delta [Export of goods is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero-rated supply can be made without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]	1,00,00,000	Nil
Export of consultancy services [As per section 2(6) of the IGST Act, 2017, an activity is treated as export of service if, inter alia, payment for the service is received in convertible foreign exchange or in Indian rupees wherever permitted by the RBI. Since in case of exports to Nepal, RBI regulations allow receipt of payment in Indian rupees, exports of services to Nepal are treated as 'normal exports'. Export of services is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero-rated supply can be made without payment of tax under a LUT in terms	20,00,000	Nil

of section 16(3)(a) of that Act.]		
<p>Sale of building</p> <p>[Sale of building is neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, 2017, provided the entire consideration has been received after issue of completion certificate by the</p>	2,50,00,000	Nil
<p>competent authority or after its occupation, whichever is earlier. Hence, the same is not liable to GST.]</p>		
<p>Interest received on investment in fixed deposits with Haribhari Bank</p> <p>[Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest are exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017]</p>	10,50,000	Nil
<p>Sale of shares</p> <p>[Shares are neither goods nor services in terms of section 2(52) and 2(102) of the CGST Act, 2017. Hence, sale of shares is neither a supply of goods nor a supply of services and hence, is not liable to GST.]</p>	2,50,00,000	Nil
<p>Supply of cigarettes [Liable to GST @ 28%]</p> <p>[Excise duty is included in the value since as per section 15(2)(a) of the CGST Act, 2017, value of supply includes all taxes, duties, cesses other than GST.]</p>	1,00,00,000	28,00,000
<p>Supply of petrol and diesel</p> <p>[Supply of petrol and diesel is not leviable to GST as per section 9 of the CGST Act, 2017.]</p>	80,00,000	Nil
<p>Amount received from Devi Prasad Private Limited for sponsorship of the business exhibition</p> <p>[Tax on services provided by any person by way of sponsorship to any body-corporate located in taxable territory is payable by the recipient (Devi Prasad Private Limited) under reverse charge. Thus, tax on such services is not payable by Rajnath Private Limited.]</p>	6,00,000	Nil
Total GST liability on outward supply		52,00,000

Concept: Computation of ITC Eligible

67. Travis, a manufacturer of roofing sheets, is having Rs. 1,60,000 as opening balance of ITC for June month. He provides the following information pertaining to the goods and services procured during the month of June:

1. Input tax on raw materials is Rs. 40,000. The raw material is used for making both taxable and exempt supplies.
2. Input tax on catering services procured from 'Hari Caterers' in connection with his housewarming ceremony is Rs. 10,000.
3. Input tax on raw materials used exclusively in manufacture of exempt supplies of Rs. 2 lakh is Rs. 20,000.

4. Input tax on cosmetic and plastic surgery of manager of the factory is Rs. 30,000.

Total taxable turnover for the month of June is Rs. 60 lakh exclusive of tax.

Compute the ITC credited for the month of June to the Electronic Credit Ledger and net GST payable from Electronic Cash Ledger by Travis for the month of June. Rate of GST is 18% (Ignore CGST, SGST or IGST and provisions of rule 86B for the sake of simplicity).

Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. All the purchases are made from registered suppliers.

(10 Marks) (MTP May 2025)

Answer:

Computation of ITC available and net GST payable from Electronic Cash Ledger for the month of June

Particulars	Amount (Rs.)
GST on taxable turnover for the month of June [Rs. 60,00,000 × 18%]	10,80,000
Less: ITC available for June month in terms of rule 42	
Opening balance of ITC available in the Electronic Credit Ledger	Rs. 1,60,000
Add: ITC credited to the Electronic Credit Ledger for the month of June [Refer working note below]	Rs. 40,000
Less: ITC out of common credit attributable to exempt supply [Refer working note below]	(Rs. 1,98,710)
Net GST payable from Electronic Cash Ledger	8,81,290

Working Note:

Computation of ITC (out of common credit) attributable to exempt supplies

Particulars	Amount (Rs.)
Input tax on raw materials [Note1]	40,000
Input tax on catering for housewarming [Note 2]	Nil
Input tax on inputs contained in exempt supplies [Note 3]	Nil
Input tax on cosmetic and plastic surgery of CEO of company [Note 4]	Nil
ITC credited to the Electronic Credit Ledger in terms of rule 42 in the month of June	40,000
Common credit [Note 5]	40,000

ITC attributable towards exempt supplies to be reversed [Note 6]	1,290
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Notes:

1. Being used in the course or furtherance of business, input tax on raw materials is available as ITC and is credited to the Electronic Credit Ledger [Section 16(1) of the CGST Act, 2017].
2. ITC on outdoor catering is blocked in terms of section 17(5) of the CGST Act, 2017 if the same is not used for making an outward supply of outdoor catering or as an element of a taxable composite/mixed supply. Hence, the same is not credited to the Electronic Credit Ledger [Rule 42 of the CGST Rules, 2017].
3. Input tax on inputs used exclusively for making exempt supplies is not available as ITC and thus, not credited to the Electronic Credit Ledger in terms of rule 42 of the CGST Rules, 2017.
4. ITC on cosmetic and plastic surgery is blocked in terms of section 17(5) of the CGST Act, 2017 if the same are not used for making the same category of outward supply or as an element of a taxable composite/ mixed supply. Hence, the same is not credited to the Electronic Credit Ledger [Rule 42 of the CGST Rules, 2017].
5. Since there are no inputs and input services which are used exclusively for effecting taxable supplies, the entire ITC credited to Electronic Credit Ledger, i.e. Rs. 40,000 will be the common credit [Rule 42 of the CGST Rules, 2017].
6. ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period / Total turnover in the State during the tax period)
 = Rs. 40,000 × Rs. 2,00,000 / Rs. 62,00,000 – (rounded off)
 = Rs. 1,290 (rounded off)