



## Chapter 7 - Exemptions from GST

### Part A - ICAI TYK

1) 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, Delhi, providing architect services (with preceding financial year's aggregate turnover as ₹ 21 lakh).

(b) Minimum balance charges collected by Dhanvarsha Bank from current account and saving account holders.

Sol. (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 ₹ 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 are 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.

2) 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.

Sol.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.

- 3) Vedanta Hospital, Gurgaon has its own restaurant in the basement of hospital premises - Annapurna Bhawan - 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.

Sol.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.

- 4) 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 ₹ 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.

Sol. 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.

- 5) India Corporations Ltd., a Public Sector Undertaking (PSU), has taken loan from a banking company - Wellness Bank Ltd. 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.

Sol. 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 Ltd., [a banking company]. Consequently, services provided by the Central Government, in the form of guarantee of loan, are exempt from tax.

- 6) British High Commission, chief diplomatic mission of the United Kingdom, is located in India and 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 ₹ 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.

**Sol.** 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.

7) Explain in brief whether the below mentioned independent cases of supply of services provided are exempt or taxable under GST law, providing very brief reasoning:

(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 is as under:

No. of tents rented	Amount of rent charged per tent per day	Nature of occupancy
10	₹ 600	Single
15	₹ 1000	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 preschool education amounting to ₹ 2,50,000 in the month of February.

(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 GST for use as his medical clinic at a monthly rent of ₹ 15000.

**Sol. (i) Taxable:** Since 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 air-conditioned.

(iii) **Exempt:** Since catering services provided to an educational institution providing pre-school education are exempt from GST, HumTum Services Limited is not liable to pay GST.

(iv) **Taxable:** Since short duration programs 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.

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

(1) Fees of ₹ 10,000 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.

(2) Bus fees of ₹ 2,500 per month collected from students by Rosemary College providing education as part of a curriculum for obtaining a qualification recognised by Indian law.

(3) Housekeeping service provided by M/s. Clean Well to Himavarsha Montessori school, a play school, for cleaning its playground and classrooms for ₹ 25,000 per month.

(4) Info link supplied 'Tracing Alphabets', an online educational journal, to students of UKG class of Sydney Montessori School for ₹ 2,000.

Sol. (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, it being an educational institution.

(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 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 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 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 Sydney Montessori School is **NOT EXEMPT** from GST.

9) Sarva Sugam Charitable Trust, a trust registered under section 12AB of the Income - tax Act, 1961, provides the following information relating to supply of its services for the month of August:

Particulars	Amt. (₹)
Renting of residential dwelling for use as a residence to Mr. Soham, an unregistered person	18,00,000
Renting of rooms for devotees (Charges per day ₹ 750)	6,00,000
Renting of kalyanamandapam (Charges per day ₹ 15,000)	12,00,000
Renting of community halls and open space (Charges per day ₹ 7,500)	10,75,000
Renting of shops for business (Charges per month ₹ 9,500)	4,75,000
Renting of shops for business (Charges per month ₹ 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.

Sol: 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/12AB 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 ₹ 1,000 per day or more;
- (ii) charges for rented community halls, Kalyan mandapam, open area are ₹ 10,000 per day or more;
- (iii) charges for rented shops are ₹ 10,000 per month or more.

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

#### Computation of GST liability of Sarva Sugam Charitable Trust for August

Particulars	Value (₹)	GST @18% (₹)
Renting of residential dwelling for use as residence to an unregistered person [Exempt vide exemption notification]	18,00,000	Nil

Renting of rooms for devotees [Exempt since charges per day are below ₹1,000]	6,00,000	Nil
Renting of Kalyanamandapam [Taxable since charges per day exceed ₹10,000]	12,00,000	2,16,000
Renting of community halls and open spaces [Exempt since charges per day are below ₹ 10,000]	10,75,000	Nil
Renting of shops for business [Exempt since charges per month are below ₹10,000]	4,75,000	Nil
Renting of shops for business [Taxable since charges per month exceed ₹ 10,000]	7,50,000	<u>1,35,000</u>
<b>Total</b>		<b>3,51,000</b>

10) 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:

Particulars	Amt (₹)
Amt. charged for service provided to recognized sports body as selector of national team	50,000
Commission received as insurance agent from Insurance company	65,000
Amount charged as business correspondent for the services provided to urban branch of a nationalized bank with respect to savings bank accounts	15,000
Service to foreign diplomatic mission located in India	28,000
Funeral services	30,000

He received the services from an unregistered goods transport agency for his business activities and paid freight of ₹ 45,000. 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 applicable rate of GST is 5%. Working notes should form part of your answer. (Note: All the transactions stated above are inter-State transactions and also are exclusive of GST)

Sol: **Computation of gross GST liability of Mr. Nagarjun**

Particulars	Value	IGST
<b><u>Supplies on which Mr. Nagarjun has to pay GST on forward charge</u></b>		
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
<b><u>Supplies on which Mr. Nagarjun is liable to pay GST under reverse charge</u></b>		
Services received from GTA [Note 6]	45,000	<u>2,250</u>
<b>IGST payable</b> (Since all transactions are inter-State, IGST is payable on the same)		<b>18,990</b>

Notes:

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) Funeral services being covered in Schedule III of CGST Act are not a supply and thus, are outside the ambit of GST.

(6) GST on services provided by a GTA 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 except where GTA is registered and has exercised the option to itself pay tax on said services. Since in the given case, GTA is unregistered, it could not have exercised the option to pay tax and thus, GST is payable @ 5% under reverse charge mechanism by the recipient - Mr. Nagarjun.

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

Particulars	Amt. excl. GST (₹)
Services provided by way of a labour contract for repairing a single residential unit otherwise than as a part of residential complex	13,00,000
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 a registered GTA which has opted to pay tax itself @ 12%	1,80,000

Compute gross GST liability including tax payable under reverse charge (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.

Sol: **Computation of gross GST liability of Vividh Pvt. Ltd.**

Particulars	Value of Supply (₹)	GST @18%
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.]	13,00,000	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
<b><u>Services on which tax is payable under reverse charge:</u></b>		
Rent paid to Local Municipal Corporation [GST is payable under RCM 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 has opted to pay tax @ 12%, tax is payable under forward charge by GTA only and not by Vividh Pvt. Ltd.]	1,80,000	Nil
<b>Gross GST payable</b>		<b>3,76,200</b>

12) "Chanakya Academy" is a charitable trust registered under section 12AA/12AB of the Income-tax Act, 1961. It 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:

Particulars	KIT (₹)	Little Millennium (₹)	Bright Minds (₹)	Spring Model (₹)
Printing services for printing the question papers (paper and content are provided by the Institutions)	2,50,000		1,50,000	2,00,000
Paper procured for printing the question papers	4,30,000		2,58,000	3,44,000
Honorarium to paper setters and examiners (not on the rolls of the Institution)	5,00,000			
Rent for exam centers taken on rent like schools etc., for conducting examination	8,00,000		1,00,000	
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	2,40,000
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	7,50,000
Catering services for running a canteen in the campus for students (Catering services for KIT include a sum of ₹ 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	5,00,000
Security and housekeeping services for the institution(s) (Security and housekeeping services for Spring Model include a sum of ₹ 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	4,65,000

It further provides the following details relating to the output services provided to the students by the various institutions run by it during the period April 20XX to September 20XX:

S.No.	Particulars	KIT (₹)	Little Millennium (₹)	Bright Minds (₹)	Spring Model (₹)
(i)	Tuition fee	35,00,000	15,00,000	20,00,000	25,00,000
(ii)	Transport fee charged from students	5,00,000	6,00,000	1,30,000	8,50,000

(iii)	Charges for food supplied in canteen (located in the premises of the Institutions)  The canteen facility being provided by Bright Minds is not compulsory and is open to general public as well. However, canteen facility being provided by KIT and Spring Model is only for students and staff of such educational institutions.	4,60,000		2,40,000	6,10,000
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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' and also the net GST payable from Electronic Cash Ledger; 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%.

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

- (i) pre-school education and 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;

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

- (i) transportation of students, faculty and staff;
- (ii) catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory;
- (iii) security or cleaning or house-keeping services performed in such educational institution;
- (iv) services relating to admission to, or conduct of examination by, such institution;
- (v) 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 up to higher secondary school or equivalent is exempt.

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
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 × 18%]	Exempt
Paper procured for printing the question papers [Supply of select services to educational institutions is exempt and not supply of goods to such educational institutions]	51,600 [4,30,000 × 12%]		30,960 [2,58,000 × 12%]	41,280 [3,44,000 × 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 × 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 × 18%]	39,600 [2,20,000 × 18%]	43,200 [2,40,000 × 18%]
Hire charges for buses used to transport students and faculty from their residence to the institutions and back	86,400 [4,80,000 × 18%]	Exempt	23,400 [1,30,000 × 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 × 5%]	Exempt	9,000 [1,80,000 × 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 school are exempt.]	1,08,000 [6,00,000 × 18%]	Exempt	67,500 [3,75,000 × 18%]	14,400 [80,000 × 18%]
<b>Total GST payable on goods and services received</b>	<b>2,62,000</b>	<b>14,400</b>	<b>2,15,460</b>	<b>98,880</b>

(ii) S. No. 1 of Notification No. 12/2017 CT (R) dated 28.06.2017 exempts services provided by an entity registered under section 12AA or 12AB of the Income-tax Act, 1961 by way of charitable activities. Here, "charitable activities" means activities relating to inter alia advancement of educational programmes or skill development relating to-

- (A) abandoned, orphaned or homeless children;
- (B) physically or mentally abused and traumatized persons;
- (C) prisoners; or
- (D) persons over the age of 65 years residing in a rural area;

(1) In the given case, though Chanakya Academy is registered under section 12AA/12AB of the Income-tax Act, 1961, none of the educational institutions run by it are providing services by way

of charitable activities. As is seen from the relevant extract of the definition of the charitable activities given above, only when the education is provided relating to the persons mentioned therein, it becomes charitable activity under GST laws. However, in the given case, education is not provided to any specific group or category of persons as specified above, but to all the categories of children/ candidates approaching the college/pre-school/ coaching institute/higher secondary school. Therefore, the education services provided by the Chanakya Academy are not exempt under SL No. 1 of the exemption notification.

(2) SL No. 66 of Notification No. 12/2017 CT(R) dated 28.06.2017 also exempts services provided by an educational (v institution to its students, faculty and staff. All the educational institutions run by the Chanakya Academy except Bright Minds are educational institutions in terms of the exemption notification (as explained under point (i) above). Therefore, the education services, transport services and catering services provided by KIT, Little Millennium, and Spring Model to its students will all be exempt from GST under SL No. 66 of the exemption notification.

Thus, only the educational services provided by Bright Minds will be liable to GST@ 18%. The catering services provided by Bright Minds will be liable to GST@ 5%.

(3) No input tax credit (ITC) will be availed on inputs and input services used in providing exempt education services, i.e. education services by KIT, Little Millennium, and Spring Model. Only Bright Minds will be entitled to avail ITC on inputs and input services used in providing taxable education services. However, as per the information given in the question, while providing the catering service, Bright Minds has not availed any ITC of catering service received by it from third parties.

(4) Since there are no common inputs and input services being used for providing taxable and exempt services, the need for reversal of ITC attributable to exempt supplies will not arise.

In the light of the foregoing provisions, the net GST liability of Chanakya Academy, which will comprise of only the tax liability of Bright Minds, is computed as under:

Particulars	Bright Minds (₹)
Tuition fee	20,00,000
Transport fee charged from students	1,30,000
Value of output supply taxable@ 18%	21,30,000
GST liability@ 18% [A]	3,83,400
Value of output supply taxable@5% [Charges for food]	2,40,000
GST liability@ 5% [B]	12,000
Total GST liability [A]+[B]	3,95,400
Less: ITC [Total tax payable by Bright Minds on the service received by it as computed in point (i) above less the tax payable on catering charges (Rs. 2,15,460	<u>2,06,460</u>

- Rs.9,000)]	
<b>Net GST payable from Electronic Cash Ledger</b>	<b>1,88,940</b>

13) M/s A2Z, 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	Amt. (₹)
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 ₹ 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 A2Z 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.

Sol: Computation of GST liability of M/s A2Z for the month of March

S. No.	Particulars	CGST	SGST
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 Income-tax 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]		
	<b>Total GST liability</b>	<b>5,850</b>	<b>5,850</b>

14) 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:

S. No.	Description of services provided
(i)	Transportation of students & staff of 'Shiksha University', a Deemed University
(ii)	Catering services provided to 'Rank CBSE School'
(iii)	Security personnel services provided to 'Win CBSE School', for its annual sports day held at SAI 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. State the correct legal provisions for the same.

Sol.

S. No.	Particulars	Taxability
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(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

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.

### **Part B - PYQs/RTPs/MTPs**

15) Examine whether GST is exempted on the following independent supplies of services. Briefly explain the applicable statutory provisions in support of your conclusions.

(i) ABC Ltd., a registered bank, recovered cheque discounting charges of Rs. 5,250 from a customer, C & Co.

(ii) T Ltd., a dealer in air-conditioners, supplies each unit at a list price of Rs. 30,000 per unit. He also has an EMI other scheme where the customer can take delivery of air conditioner on a monthly EMI of Rs. 10,500 payable in three installments. T Ltd. Charges Rs. 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.

(iii) Service provided by a private transport operator to Mangal Higher Secondary School in relation to transportation of students to and from the school.

(iv) Services provided by way of vehicle parking to general public in a shopping mall. [PYQ]

Sol: (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) Yes. Services provided to an educational institution by way of transportation of students are exempted from GST as per entry no 12 of NN 12/2017 CT (R).

(iv) No. Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, GST is payable on the same.

**16)** Public Works Department of Karnataka entered into an agreement with M/s. ABC, a construction company, for construction of its office complex for an agreed consideration. In the agreement dated 10.07.20XX, it was agreed by both the parties that M/s. ABC shall complete the construction work and handover the project on or before 31.12.20XX.

It was further agreed that any breach of the terms of contract by either party would give right to the other party to claim for damages or penalty. M/s. ABC did not complete the construction and did not handover the project by the specified date i.e., on or before 31.12.20XX. As per the contract, the Department asked for damages/penalty from M/s. ABC and threatened to go to the court if not paid. Resultantly, M/s. ABC paid an amount of Rs. 10,00,000/- to the Department for non-performance of contract. You are required to advise whether GST is payable on damages/penalty of Rs. 10,00,000? [PYQ]

Sol: Non-performance of a contract or breach of contract is one of the conditions normally stipulated in the Government contracts for supply of goods or services. The agreement entered into between the parties stipulates that both the service provider and service recipient abide by the terms and conditions of the contract. In case any of the parties breach the contract for any reason including non-performance of the contract, then such person is liable to pay damages in the form of fines or penalty to the other party.

As per Circular [No. 178/10/2022 - GST, dated 03.08.2022] issued by CBIC, liquidated damages are mere a flow of money from the party who causes breach of the contract to the party who

suffers loss or damage due to such breach. Such payments do not constitute consideration for a supply and are thus, not taxable under GST, as it is not getting covered under the scope of the term 'Supply'. Therefore, Amount of Rs. 10,00,000 paid by M/s ABC to Public Works Department of Karnataka for non-performance of contract is not chargeable to GST.

Further, Services provided by the Central Government, State Government, Union territory or local authority by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to Central Government, State Government, Union territory/local authority under such contract is exempt vide Entry no. 62 of NN 12/2017 - CT (R).

17) Swasthya Nursing Home, a clinical establishment, offers the following services:

- (i) Rooms provided to the in-patients where the room charges per day are Rs. 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) Supply of 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. [RTP May'23]

Sol: 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)/Neonatal Intensive Care Unit (NICU)] having room charges exceeding Rs. 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.

18) BODMAS Ltd., providing educational services, furnishes you with the following information for the various services provided by it for the month of March, 20XX:

Particulars	Rs.
Receipts from running a Boarding School (including receipts for providing residential dwelling service to students of Rs. 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 & Training (DGET), Union Ministry of Labour & Employment, running a Modular Employable Skill Course (MESK) approved by 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 (a certificate was awarded to each trainee after completion of training)	1,40,000
Receipts of Gurukul School providing education up to higher secondary	5,00,000

Compute value of taxable supply assuming that all above receipts are exclusive of GST. [PYQ Nov'19]

Sol: 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, 20XX has been computed as follows:

Particulars	Rs.
Receipts from Boarding School including receipts for residential dwelling service to students [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 [Taxable, since, short stay by different persons in furnished flats is not renting of residential dwelling. Further, exemption for services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, where value of supply of a unit of accommodation is upto Rs. 1,000 per day, is withdrawn w.e.f. 18.07.2022 by NN 04/2022 - CT (R)]	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
<b>Value of taxable supply</b>	<b>11,20,000</b>

19) Pethalal has obtained registration in the current financial year in Uttar Pradesh. His turnover in the preceding financial year was Rs. 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	Amt (₹)
(i)	Funeral services	8,80,000
(ii)	Services of warehousing of Jaggery	50,000

(iii)	Electrically operated buses 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 a 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 security of college premises *All the engineering courses run by DEC are recognised by the law [The All India Council for Technical Education (AICTE)]	28,000

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

S.No	Particulars	Amt (₹)
(a)	Freight paid to unregistered goods transport agency for his business activities relating to serial number (i) above	1,00,000
(b)	Legal advice received from M/ s Kanoon Associates, a partnership firm, seeking advice in relation to a tax dispute of the business	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'20]

Sol: **Computation of net GST payable by Pethalal**

Particulars	Amt. (₹)	CGST (₹)	SGST (₹)
<b><u>Supplies on which Pethalal is liable to pay GST under forward charge</u></b>			
Funeral services [Note 1]	8,80,000		
Services of warehousing of jaggery [Note 2]	50,000	50,000 X 9% = 4,500	50,000 X 9% = 4,500
Services by way of giving on hire electrically operated buses to Municipality [Note 3]	5,00,000		
Service provided to recognized sports body as commentator [Note 4]	2,00,000	2,00,000 X 9% = 18,000	2,00,000 X 9% = 18,000
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 nationalised bank with	15,000		

respect to savings bank accounts [Note 6]			
Security services (supply of security personnel) provided to DEC for the security of the college premises [Note 7]	28,000		
<b>Value of taxable supply</b>	<b>2,00,000</b>		
<b>Total tax liability on outward supplies (A)</b>		<b>22,500</b>	<b>22,500</b>
<b><u>Supplies on which Pethalal is liable to pay GST under reverse charge</u></b>			
Services received from GTA [Note 8]	1,00,000	1,00,000X 2.5%=2,500	1,00,000X 2.5%=2,500
Legal services received [Note 9]	50,000	-	-
<b>Value of taxable supply</b>	<b>1,00,000</b>	-	-
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
<b>Net GST payable (A) + (B)</b>		<b>25,000</b>	<b>25,000</b>

**Notes:**

(1) 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.

(2) The exemption in respect of services by way of storage/ warehousing of, inter alia, jaggery is withdrawn w.e.f. 18.07.2022 by NN 04/2022 CT(R). Thus, services of warehousing of jaggery are taxable.

(3) 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 NN 12/2017 CT(R) (hereinafter referred to as 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.

(4) 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 an unregistered GTA 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 Rs. 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.

**20)** 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 registered GTA who opted to pay GST@ 12% under FCM. Freight of Rs. 73,000 was paid to such GTA. Rest of the transportation was done by unregistered 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 an unregistered GTA and paid road freight of Rs. 35,000.
- For local purchase of baking powder, the company booked the goods by an unregistered 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 concerns in Rajasthan, the company booked the goods by an unregistered 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 12% respectively [except where any other rate is specified in the question]. [MTP Nov'18]

Sol: (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 - N. No. 12/2017 CT (R) & 9/2017 IT(R) both dated 28.06.2017.]	54,000	Nil

Transportation of biscuits by Indian Railways	3,17,000	15,850
Transportation of biscuits by unregistered 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 registered GTA @ 12% [When the registered GTA opts to pay GST under FCM, recipient is not required to pay GST under reverse charge - Notification No. 10/2017 IT (R) dated 28.06.2017.]	73,000	8,760
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 unregistered 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 N. No. 10/2017 IT (R) dated 28.06.2017, as GTA is unregistered.]	35,000	1,750
Transportation of baking powder by unregistered GTA [Exemption in respect of services provided by a GTA by way of transport in a goods carriage of goods, where consideration charged for transportation of goods on a consignment transported in a single carriage does not exceed Rs. 1,500, is withdrawn w.e.f. 18.07.2022 vide N. No. 04/2022 CT (R). Hence, it is taxable under GST.]	1,500	75
Transportation of biscuits by unregistered 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 N. No. 10/2017 IT (R) dated 28.06.2017.]	40,000	2,000
<b>Total tax payable by XYZ Ltd. on availing services of different transporters</b>	-	<b>43,435</b>

(ii) Computation of GST charged on transportation cost billed by XYZ Ltd. to its customers

Since XYZ Ltd. is supplying biscuits on 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., 12% [Section 8(a) of the CGST Act, 2017 read with 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 [Rs.] [A]	GST paid on freight [Rs.] [B]	Freight billed (with mark-up@ 2% on [A] + [B]) [Rs.]	GST charged @12% [Rs.]
Transportation. of biscuits in a local mini-van belonging to an individual	54,000	-	55,080	6,610
-Transportation of biscuits by Indian Railways	3,17,000	15,850	3,39,507	40,741

Transportation of biscuits by GTA	3,00,000	15,000	3,21,300	38,556
Transportation of biscuits by GTA @12%	73,000	8,760	83,395	10,007
<b>Total tax charged by XYZ Ltd. on transportation cost billed to customers*</b>				<b>95,914</b>

*\*It's assumed that there is no mark-up on transportation cost billed to sister concern (non-customer).*

21) Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons. [PYQ]

Particulars	Amt (₹)
Amount charged by school for bus from faculty and staff	2,00,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	50,000
Amount charged by cord blood bank for preservation of stem cells	8,00,000
Amount charged for service provided by commentator to a recognized sports body	6,20,000
Fees charged for yoga camp conducted by a charitable trust	80,000

Sol:

**Computation of Value of Taxable Supply**

Particulars	Amt (₹)
Amount charged by school for bus from faculty and staff [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]	8,00,000
Amount charged for service provided by commentator to recognized sports body [Note 4]	6,20,000
Fees charged for yoga camp conducted by a charitable trust [Note 5]	Nil

**Notes:**

(1) Services provided by an educational institution to its students, faculty and staff are exempt from GST as per entry no. 68(a) of NN 12/2017 CT (R).

(2) 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 as per entry no. 39 of NN 12/2017 CT (R).

(3) Exemption in respect of Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation is withdrawn w.e.f. 18.07.2022 vide NN 04/2022 CT (R).

(4) Services provided to a recognized sports body 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 as per entry no. 68 of NN 12/2017 CT (R).

(5) Services by an entity registered under section 12AA or 12AB 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 as per entry no. 1 of NN 12/2017 CT (R).

22) 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'19]

Sol: 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.

23) Discuss whether GST is payable in respect of transportation services provided by Jain Goods Transport Agency in each of the following independent cases. [PYQ]

- A. Transportation of rice for Rs. 50,000.
- B. Transportation of books on a consignment transported in a single goods carriage for Rs. 1,400.
- C. Transportation of goods for a single consignee in the goods carriage for Rs. 700.

Sol:

S.No	Nature of services provided	Amt (₹)	Taxability
A.	Transportation of Rice	50,000	Exempt. <b>Transportation of rice by goods transport agency is exempt</b> as per entry no. 21 of NN 12/2017 CT (R)
B.	Transportation of books on a consignment transported in a single goods carriage	1,400	<b>GST is payable. Exemption</b> for transportation of goods where the consideration for transportation of goods on a consignment transported in a single goods carriage does not exceed Rs. 1,500 is <b>withdrawn</b> w.e.f. 18.07.2022, vide NN 04/2022 CT (R).

C.	Transportation of goods for a single consignee in the goods carriage	700	<b>GST is payable. Exemption</b> for transportation of goods where consideration for transportation of all goods for a single consignee does not exceed Rs. 750 is <b>withdrawn</b> w.e.f. 18.07.2022, vide NN 04/2022 CT (R).
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24) Gupta and Gupta Brothers is a partnership concern registered under GST in the State of Gujarat. It provides following information pertaining to supplies made/received by it during month of May:

S.No	Particulars	Amt in Rs.
(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 Suvidha & Co., 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. [MTP Nov'22]

Sol:

**GST liability of Gupta & Gupta Brothers**

	Particulars	Value	CGST Payable	SGST Payable
<b>A.</b>	<b>GST liability on outward supply</b>			
(i)	Loading, unloading, packing and warehousing of tomato ketchup [Loading, unloading, packing and warehousing of agricultural produce is exempt. However, tomato ketchup is not an agricultural produce.]	4,00,000	36,000 [4,00,000 X 9%]	36,000 [4,00,000 X 9%]

(ii)	Security services to Sudarshan Ltd., a registered person [Tax is payable under <b>reverse charge</b> 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 <b>forward charge</b> since security services are being provided by a non-body corporate to an unregistered person.]	1,00,000	9,000 [1,00,000*9%]	9,000 [1,00,000*9%]
(iv)	Renting of motor vehicle for carrying passengers to Bharat Travels Ltd. where value included cost of fuel [Tax is payable under <b>reverse charge</b> 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 Suidha & Co., partnership 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 [40,000X2.5%]	1,000 [40,000X2.5%]
(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 [RCM].]	--	--	--
(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%.]			
<b>Total GST liability on outward supplies</b>			<b>1,46,000</b>	<b>46,000</b>
<b>B.</b>	GST liability on inward supplies under reverse charge			

(i)	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		
<b>GST liability on inward supplies under reverse charge</b>			--	--

25) 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	Amt. (₹)
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
Receipts from running a Boarding School (including receipts for providing residential dwelling services to students 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 (NCVT). Courses run by said ITI are in designated trades	2,60,000
Receipts of 'Pratibha Institute', an institute registered with Directorate General of Employment and Training (DGET), Union Ministry of Labour and Employment, running a Modular Employable Skill Course (MESK) approved by the National Council for Vocational Training (NCVT)	1,30,000
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 May'21]

Sol:

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

<b>Particulars</b>	<b>Value (₹)</b>	<b>GST @ 18% (₹)</b>
Fees from prospective employers for campus interview in its college [Taxable, since such services are not specifically exempt]	5,20,000	93,600
Five buses each with seating capacity of 40 passengers given on hire to State Transport Undertaking [Exempt vide Notification No. 12/2017 CT(R)]	Nil	Nil
Receipts of Shiny - a coaching institute [Not an educational institution, taxable]	1,82,000	32,760
Interest received on fixed deposits of the company with Dhanvarsha Bank [Exempt]	Nil	Nil
Receipts from Boarding School including receipts for residential dwelling services to students [Exempt]	Nil	Nil
Receipts of Sikshit Samudai [Educational institution running approved vocational education course, exempt]	Nil	Nil
Receipts of Pratibha Institute running Modular Employable Skill Course [Educational institution running approved vocational education course, exempt]	Nil	Nil
Professional services provided to foreign diplomatic mission located in India [Taxable, no exemption available]	1,04,000	18,720
<b>GST Payable</b>	<b>8,06,000</b>	<b>1,45,080</b>

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