



Chapter 8 - Input Tax Credit

Part A - ICAI TYK

- 1) 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: ₹ 3,00,000
(ii) IGST, CGST & SGST paid on services used for all units: ₹ 12,00,000

Total turnover of the units for the previous financial year are as follows: -

Unit	Turnover (₹)
Total Turnover of three units	₹ 10,00,00,000
Turnover of Mumbai unit	₹ 5,00,00,000
Turnover of Jabalpur unit	₹ 3,00,00,000

Determine the credit to be distributed by XYZ Ltd. to each of its three units.

Sol:

Particulars	Credit distributed to all units (₹)			
	Total credit available	Mumbai	Jabalpur	Delhi
CGST paid on services used only for Mumbai Unit	3,00,000	3,00,000	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: $(₹ 5,00,00,000 / ₹ 10,00,00,000) * ₹ 12,00,000 = ₹ 6,00,000$
(b) Unit Jabalpur: $(₹ 3,00,00,000 / ₹ 10,00,00,000) * ₹ 12,00,000 = ₹ 3,60,000$
(c) Unit Delhi: $(₹ 2,00,00,000 / ₹ 10,00,00,000) * ₹ 12,00,000 = ₹ 2,40,000$

Note 2: Distribution of IGST, CGST & SGST paid on services for all units would be as follows:

- (a) Unit Mumbai: Distribution of IGST, CGST & SGST as IGST, CGST & SGST, respectively.
(b) Unit Jabalpur: Distribution of IGST, CGST & SGST as IGST only
(c) Unit Delhi: Distribution of IGST, CGST & SGST as IGST only

- 2) Vijay Sales, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of ₹ 10 lakh, from various suppliers during the month of October.
Out of 100 invoices, details of 80 invoices involving GST of ₹ 6 lakh have been furnished by the suppliers in their respective GSTR-1s (which are not amended in GSTR-1A) filed on the prescribed due date therefor and are reflected in GSTR-2B of Vijay Sales.

Compute the ITC that can be claimed by Vijay Sales in its GSTR-3B for the month of October to be filed by 20th November assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.

Sol: ITC to be claimed by Vijay Sales in its GSTR-3B for the month of October to be filed by 20th November will be computed as under-

Invoices	Amount of ITC involved in the invoices (₹)	Amount of ITC that can be availed (₹)
80 invoices furnished in GSTR-1	6 lakh	6 lakh [Refer Note 1]
20 invoices not furnished in GSTR-1	4 lakh	Nil [Refer Note 2]
Total	10 lakh	6 lakh

Notes:

(1) 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of Vijay Sales.

(2) As per rule 36(4), the ITC in respect of invoices not furnished by the suppliers in their GSTR-1s and thus, not being reflected in GSTR-2B of recipient, cannot be claimed. Thus, in respect of 20 invoices which are not furnished in GSTR-1s of suppliers and are not reflected in GSTR-2B of Vijay Sales, no ITC can be availed.

3) PQR 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 (₹)
(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 ₹4,00,000 and claimed depreciation of ₹44,800 (@ 10%) on the full amount of ₹4,48,000 under Income Tax Act, 1961	48,000

Other information:

(1) In the month of September of previous financial year, PQR 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 up to 30th April (current financial year).

(2) 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 PQR 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.

Sol: **Computation of ITC available with PQR Company Ltd. for the month of April**

Particulars	ITC (₹)
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 for which depreciation is claimed on tax component [Note 5]	Nil
Goods sent to job worker's premises [Note 6]	=
Total ITC available	<u>80,000</u>

Notes:

(1) 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)].

(2) ITC cannot be taken since invoice is missing and delivery challan is not a valid document to avail ITC [Section 16(2)(a)].

(3) ITC can be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply [Section 16(2) of the IGST Act].

(4) 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)].

(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)].

(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].

Hence, the ITC taken by PQR 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.

- 4) Siddhi Ltd. is a registered manufacturer engaged in taxable supply of goods. Siddhi Ltd. purchased the following goods during the month of January. The following particulars are provided by the company:

S.No.	Particulars	GST (₹)
1	Capital goods purchased on which depreciation has been taken on full value including GST paid thereon	15,000
2	Goods purchased from Ravi Traders (Invoice of Ravi Traders is received in month of January but goods were received after two months in the month of March)	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	Truck purchased for delivery of finished products	80,000

Determine the amount of ITC that can be availed by Siddhi Ltd. for the month of January by giving necessary explanations for 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.

Sol: **Computation of ITC available with Siddhi Ltd. for the month of January**

Particulars	GST (₹)
Capital goods [Note 1]	Nil
Goods purchased from Ravi Traders [Note 2]	Nil
Cars purchased for making further supply [Note 3]	Nil
Trucks purchased for delivery of output goods [Note 4]	80,000
Total ITC available with Siddhi Ltd.	80,000

Notes:

(1) 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(3).

(2) ITC in respect of goods not received cannot be availed in terms of section 16(2)(b). Since the goods have been received in the month of March, ITC thereon can be availed in the month of March and not in the month of January even though the invoice for the same has been received in the month of January.

(3) Though ITC on motor vehicles used for further supply of such vehicles is not blocked, ITC on goods destroyed for whatever reason is blocked [Clauses (a) and (h) of section 17(5)].

(4) Section 17(5)(a) blocks ITC in respect of only those motor vehicles which are used for transportation of persons albeit with certain exceptions. Thus, ITC on motor vehicles used for transportation of goods is allowed.

- 5) Xenon Pvt. Ltd., a registered supplier in Agra, is engaged in the manufacture of taxable goods. Goods valued at ₹ 10,50,000 were supplied by the company to Freshbite Pvt. Ltd., a registered supplier located at Firozabad, without the cover of an invoice with a fraudulent intent on 20th

March 2024. 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% [₹ 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 ₹ 1,26,000 paid by Xenon Pvt. Ltd.

Sol: As per section 17(5), tax paid under sections 74 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.

- 6) Flamingo Ltd. is an airline 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.

Sol: As per section 17(5)(b)(i), 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 as it will be considered as supply of an ancillary service to the passenger transportation services supplied by it (principal supply).

- 7) 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.

Sol: 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 07.03.2019 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.

- 8) 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 exclusively procured for such supply, but thread and lining material for the collars are the ones which are used for other taxable products of the factory as well. The turnover (exclusive of taxes) of the other products of the factory and exempted uniforms in July is ₹ 4 crore and ₹ 1 crore respectively, the ITC on thread and lining material procured in July is ₹ 5000 and ₹ 15000 respectively. Calculate the amount of eligible ITC in respect of procurement of thread and lining material.

Sol: 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 × (Exempt turnover / Total turnover) Common credit = ₹ 15,000 + ₹ 5,000 = ₹ 20,000 Exempt turnover = ₹ 1 crore Total turnover = ₹ 5 crore [₹ 1 crore + ₹ 4 crore]
Credit attributable to exempt supplies = (₹ 1 crore / ₹ 5 crore) × ₹ 20,000 = ₹ 4,000. Ineligible credit of ₹ 4,000 will be reversed in Form GSTR-3B. Credit of ₹ 16,000 will be eligible credit for the month of July.

- 9) Ceramity Ltd. has following units: A: Factory in Tumkur, Karnataka; turnover of ₹ 27 crores in F.Y. 2023-24; B: Service centre in Hyderabad, Telangana; turnover of ₹ 1 crore in F.Y. 2023-24; C: Service centre in Chennai, Tamil Nadu; turnover of 2 crores in F.Y. 2023-24; Ceramity Ltd.'s corporate office functions as an ISD. It has to distribute ITC of ₹ 9 lakh for May, 2024. Of this, an invoice involving tax of ₹ 3 lakh pertains to technical consultancy for Tumkur unit. Explain in brief in what manner should the ITC be distributed?

Sol: As per rule 39(d) relating to ITC, - o ₹ 3 lakh is attributable to Tumkur unit, and will be transferred to Tumkur unit only.

o ₹ 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 2023-24

o Tumkur unit will get (27 crore / 30 crore) × 6 lakh = ₹ 5.4 lakh; o Hyderabad service centre will get (1 crore / 30 crore) × 6 lakh = ₹ 20,000; and

o Chennai service centre will get (2 crore / 30 crore) × 6 Lakh = ₹ 40,000.

Ceramiy 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.

- 10)** A registered supplier of taxable goods supplied goods valued at ₹ 2,24,000 (inclusive of CGST ₹ 12,000 and SGST ₹ 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 ₹ 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 ₹ 2,24,000 to the supplier on 18th March of next calendar year.

Sol: 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 prerequisite 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, Mohan Ltd. shall pay an amount equal to the ITC availed in respect of such supply (ITC of ₹ 24,000), proportionate to the amount not paid to the supplier, along with interest payable thereon under section 50, while furnishing the return in Form GSTR-3B for the tax period immediately following the period of 180 days from the date of the issue of the invoice. If Mohan Ltd. makes the payment of ₹ 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 avail the credit of ₹ 24,000 while filing form GSTR-3B for the month of March.

- 11)** State the conditions that need to be followed by an input service distributor for distribution of credit.

Sol: The following conditions need to be followed by an input service distributor (ISD) for distribution of credit:

- (i) The ISD is required to obtain a separate registration for distribution of credit.
- (ii) The credit can be distributed to the recipients of credit against an ISD invoice containing prescribed details.
- (iii) The amount of the credit distributed shall not exceed the amount of credit available for distribution.
- (iv) The credit related to an input service must be distributed only to the particular recipient to whom that input service is attributable.
- (v) If the input service is attributable to more than one recipient, the relevant ITC is distributed pro rata to such recipients in the ratio of turnover of the recipient in a State/ Union Territory to

the aggregate turnover of all the recipients to whom the input service is attributable and which are operational during the current year.

- (vi) ITC pertaining to input services which are common for all units, is distributed to all the recipients in the ratio of turnover in the prescribed manner.
- (vii) ITC available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished in the prescribed form. (viii) Both ineligible and eligible ITC are to be distributed separately.
- (ix) ITC of CGST, SGST/UTGST and IGST are to be distributed separately.
- (x) ITC of CGST, SGST/UTGST in respect of recipient located in the same State/Union Territory is distributed as CGST and SGST/UTGST respectively.
- (xi) ITC of CGST and SGST/UTGST, in respect of a recipient located in a different State/Union territory, is distributed as IGST (total of ITC of CGST and SGST/UTGST which were to be distributed to such recipient).
- (xii) ITC on account of IGST is distributed as IGST.

12) 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.

Sol: (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 or machinery) on his own account including when 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 notwithstanding the

fact that the immovable property being constructed will be 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.

13) On 25th August, M/s Agarwal & Agarwal, a registered supplier of taxable goods located in Bengaluru (Karnataka), purchased one machine for ₹ 12,39,000 (including IGST) from one supplier of Maharashtra who issued the invoice on the same date. M/s Agarwal & Agarwal received the machinery 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 ₹ 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%.

Sol: 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 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	Amt (₹)
ITC taken on the machinery (₹ 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	
(i) For the previous year = (₹ 1,89,000 × 5%) × 3 quarters	28,350
(ii) For the current year = (₹ 1,89,000 × 5%) × 2 quarters	18,900
Amount required to be paid by adding the reversal amount to the output tax liability) (A) **	1,41,750
Duty leviable on transaction value (₹ 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 ₹ 1,41,750 at the time of sale of machinery by adding the same to the output tax liability.	

****** 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

14) 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 the availability of ITC in respect of the 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.

Sol: 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. 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 fully destroyed in accident will not be allowed as the ITC on goods destroyed for whichever reason is specifically blocked under section 17(5)(h).

15) 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 (₹)
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 (₹)
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.

Sol: 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 (₹)
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 (T_c) [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 (T_m) = $T_c \div 60 = 4,200 \div 60$ [Rule 43(1)(e)]	70
Common credit attributable to exempt supplies in a month (T_e) = $(E \div F) \times T_r$ 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)] = $(40,000/1,10,000) \times ₹ 70$ (rounded off)	25.45
Amount to be added to the output tax liability for month of September [Rule 43(1)(h)]	25.45

16) X, a manufacturer of roofing sheets, is having ₹ 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 ₹ 40,000. The raw material is used for making both taxable and exempt supplies.
 - (2) Input tax on catering services procured from 'Harvest Caterers' in connection with his housewarming ceremony is ₹ 10,000.
 - (3) Input tax on raw materials used exclusively in manufacture of exempt supplies of ₹ 2 lakh is ₹ 20,000.
 - (4) Input tax on cosmetic and plastic surgery of manager of the factory is ₹ 30,000.
- Total taxable turnover for the month of June is ₹ 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 X 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.

Sol: Computation of ITC available & net GST payable from Electronic Cash Ledger for June month

Particulars	Amt (₹)
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GST on taxable turnover for the month of June [₹ 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	₹ 1,60,000	
Add: ITC credited to the Electronic Credit Ledger for the month of June [Refer working note below]	₹ 40,000	
Less: ITC out of common credit attributable to exempt supply [Refer working note below]	(₹ 1,290)	<u>1,98,710</u>
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 (₹)
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

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 exclusively 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. ₹ 40,000 will be the common credit [Rule 42].
- (6) ITC attributable towards exempt supplies = Common credit × (Aggregate value of exempt supplies during the tax period / Total turnover in the State during the tax period)
= ₹ 40,000 × ₹ 2,00,000 / ₹ 62,00,000 - (rounded off)
= ₹ 1,290 (rounded off)

17) 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 (₹)	ITC specifically attributable to the branch (₹)
Ganganagar Branch (Rajasthan)	10,00,000	IGST - ₹ 12,000 CGST - ₹ 3,000 SGST - ₹ 3,000
Madhugiri Branch (Karnataka)	5,00,000	Nil
Kosala Branch (UP)	15,00,000	Nil
Mumbai Branch (Maharashtra)	20,00,000	IGST - ₹ 1,50,000 CGST - ₹ 15,000 SGST - ₹ 15,000

ITC available on input services used commonly for all branches is as under:

CGST - ₹ 60,000

SGST - ₹ 60,000

IGST - ₹ 1,20,000

ITC (IGST) of ₹ 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.

Sol: As per section 20 read with rule 39:

- (i) Total GST credit (CGST+ SGST + IGST) of ₹ 18,000 specifically attributable to Ganganagar Branch, Rajasthan will be distributed as IGST credit of ₹ 18,000 only to Ganganagar Branch, Rajasthan [Since recipient and ISD are located in different states].
- (ii) IGST credit of ₹ 1,50,000, CGST credit of ₹ 15,000 and SGST credit of ₹ 15,000 specifically attributable to Mumbai Branch, Maharashtra will be distributed as IGST credit of ₹ 1,50,000, CGST credit of ₹ 15,000 and SGST credit of ₹ 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 ₹ 60,000, SGST credit of ₹ 60,000 and IGST credit of ₹ 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: ₹ 48,000 [$₹ 2,40,000 \times (\frac{₹ 10,00,000}{₹ 50,00,000})$] as IGST credit.
 - Madhugiri Branch, Karnataka will get: ₹ 24,000 [$₹ 2,40,000 \times (\frac{₹ 5,00,000}{₹ 50,00,000})$] as IGST credit.

- The credit attributable to a recipient is distributed even if such recipient is making exempt supplies.
 - Kosala Branch, UP will get: ₹ 72,000 [₹ 2,40,000 × (₹ 15,00,000/ ₹ 50,00,000)] as IGST credit.
 - Mumbai Branch, Maharashtra will get:
₹ 24,000 [₹ 60,000 × (₹ 20,00,000/ ₹ 50,00,000)] as CGST credit,
₹ 24,000 [₹ 60,000 × (₹ 20,00,000/ ₹ 50,00,000)] as SGST credit and
₹ 48,000 [₹ 1,20,000 × (₹ 20,00,000/ ₹ 50,00,000)] as IGST credit.
- (iv) ITC of ₹ 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.

18) 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 (₹)	Sales (₹)	Tax Rate
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, Kerala]	

The company has complied with all the conditions for availing the ITC. The following further information regarding various opening balances available with it for the tax period, is provided by the company:

CGST (₹)	SGST (₹)	IGST (₹)
50,000	30,000	1,00,000

Compute the 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.

Sol: Computation of net CGST, SGST and IGST payable from the electronic cash ledger by George Pvt. Ltd. for the tax period

Particulars	Amt	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
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 (52,500) SGST	(1,80,000)
Net tax liability payable in cash		Nil	9,500	Nil

ITC to be carried forward to next tax period		500	Nil	Nil
		(72,500-72,000)	(52,500-52,500)	(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) as credit of CGST and SGST can be utilized only after IGST credit has been fully utilized.				

19) 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 ₹ 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 (₹)
Inputs procured on 2 nd September lying in stock	
- CGST @ 6%	4,500
- SGST @ 6%	4,500
Input received on 21 st 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- ₹ 2,00,000 [Such inputs were procured on 19 th Sept. last year. Invoice for the goods was also issued on same day]	
- IGST @ 18%	36,000
Inputs valued at ₹ 50,000 procured on 13 th September lying in stock:	
- IGST @ 18%	9,000
Capital goods procured on 12 th 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 assuming that conditions for availing ITC are fulfilled subject to the information given above.

You are also required to mention reasons for treatment of all above items.

Sol: 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:

1. 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.

2. 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 21 st 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 19 th September last year [Invoice issued 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

20) B & D Company, a partnership firm, registered in Nagpur, Maharashtra is a wholesaler of taxable product 'P' and product 'Q' exempted 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) and stock (exclusive of taxes):

Particulars	Turnover for quarter ended 30 th June (₹)	Turnover for quarter ended 30 th Sept(₹)
'P'	60,00,000	50,00,000
'Q'	17,65,000	17,00,000

Particulars	Stock as on 30 th June (₹)	Stock as on 30 th Sept. (₹)	Stock as on 31 st Oct. (₹)
'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 product's 'P' and 'Q' available with the firm as on 30th September 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. The said stock could not be sold during the month of October. In the current financial year, in the month of October, no purchases were made, and the products were sold with a profit margin of 20% on sales value [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	1 st October	2,00,000	3,000	2,03,000
2307	1 st October	1,33,000	5,250	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

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All the above amounts are exclusive of taxes, wherever applicable

Compute the ITC to be 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).

Note: Make suitable assumptions wherever required. Stock is valued at cost price.

Sol: As per section 10(3) read with Notification No.14/2019 CT dated 07.03.2019 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 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)].

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

As per section 18(1)(c) read with rule 40, 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.

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)].

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 on 2nd October will be computed as under:

Particulars	Amt (₹)
Stock of taxable inputs as on 30 th September [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 is considered]	10,00,000
Add: Purchases [No purchases are made in October]	Nil
Less: Cost of taxable goods sold from 1 st October to 2 nd October	<u>3,20,000</u>

[(2,00,000 + 1,33,000 + 67,000)] × 80%		
Stock of taxable inputs as on 2 nd October [Since the bill numbers are in continuation, it can be concluded that no sales are missing from the extract]		6,80,000
Less: Stock with invoice issued prior to one year		<u>3,00,000</u>
Stock of inputs on which ITC can be claimed		3,80,000
ITC of CGST @ 9%	[Since all purchases are intra-State and from the suppliers registered under regular scheme]	34,200
ITC of SGST @ 9%		34,200

21) 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 ₹ 9,00,000, ₹ 10,00,000 and ₹ 6,00,000 respectively.

XYZ Pvt. Ltd. has furnished the following details:

S. No.	Particulars	Price (₹)	GST (₹)
(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 Oct.	1,50,000	27,000
(g)	Raw Material used for manufacturing 'Beta' purchased on 10th Oct.	2,00,000	36,000
(h)	Raw Material used for manufacturing 'Gama' purchased on 15th Oct.	1,00,000	18,000

Compute the following:

- Amount of ITC to be credited to Electronic Credit Ledger, for the month of October
- Amount of aggregate value of common credit (Tc)
- Common credit attributable to exempt supplies, for the month of October
- GST liability of the company payable through Electronic Cash Ledger, for the month of October if opening balance of ITC is nil.

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.

Sol:

Particulars	ITC (₹)
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
Aggregate value of common credit (T_c) - Note 7	
Value of 'A' for Machinery 'U' purchased on 1 st October	36,000
Value of 'A' for Machinery 'Z' purchased on 1 st October 2 years ago for effecting both taxable and exempt supplies	54,000
Input tax claimed on Machinery 'Y' purchased on 1 st October 4 years ago for effecting taxable supplies but used for effecting both taxable and exempt supplies from 1 st October in the current year [Note 8]	<u>72,000</u>
Aggregate value of common credit (T_c)	1,62,000
Common credit attributable to exempt supplies, for the month of October	
Common credit for the month of October (T _m) [Note 9]	2,700
Common credit attributable to exempt supplies, for month of October (T_e) -Note 10	1,080
Computation of GST liability of the company for October payable through Electronic Cash Ledger	
IGST payable on 'Alpha' [₹ 9,00,000 × 18%]	1,62,000
IGST payable on 'Beta' [Exempt]	Nil
IGST payable on 'Gama' [₹ 6,00,000 × 18%]	<u>1,08,000</u>
Total IGST payable on outward supply	2,70,000
Common credit attributable to exempt supplies for the month of October [Note 11]	<u>1,080</u>
Total output tax liability of October	2,71,080
Less: ITC available in the Electronic Credit Ledger	<u>99,000</u>
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:

$$= Tc \div 60$$

$$= ₹ 1,62,000 \div 60$$

$$= ₹ 2,700$$

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:

$$Te = (E \div F) \times Tr^* \text{ where,}$$

'E' is the aggregate value of exempt supplies, made, during the tax period, and

'F' is total turnover in the State of the registered person during the tax period [Rule 43(1)(g)].

$$= Tr \times \frac{\text{Turnover of exempt supplies during the month of October}}{\text{Total turnover of XYZ Pvt. Ltd. during the month of October}}$$

$$= ₹ 2,700 \times \frac{10,00,000}{25,00,000} = ₹ 1,080$$

$$= ₹ 2,700 \times \frac{10,00,000}{25,00,000} = ₹ 1,080$$

$$25,00,000$$

- (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 added to the output tax liability of the person making such claim of credit [Rule 43(1)(h)].

*Prior to the amendment vide Notification No. 16/2020 CT dated 23.03.2020 clause (f) of rule 43(1) provided that the amount of ITC, at the beginning of a tax period, on all common capital goods whose useful life remains during the tax period, be denoted as 'Tr' and shall be the aggregate of 'Tm' for all such capital goods. However, clause (f) has been omitted vide the said notification. Consequently, the term "Tr" becomes redundant in the formula provided in rule 43(1)(g). However, for the sake of computation of common credit attributable to exempt supply, value of 'Tm' has been used here. It may be noted that as per the erstwhile clause (f) of rule 43(1) value of 'Tr' was the aggregate of 'Tm.'

22) '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 - ₹ 42,00,000

Items exempted vide a notification - ₹ 12,00,000

Items not leviable to GST - ₹ 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 ₹ 5,00,000.

Such items are sold in the Mumbai Store at ₹ 8,00,000.

(iii) Aggregate value of various items procured for being sold in the Store:

Taxable items - ₹ 55,00,000

Items exempted vide a notification - ₹ 15,00,000

Items not leviable to GST - ₹ 5,00,000

(iv) Freight paid to goods transport agency (GTA) for inward transportation of taxable items - ₹ 1,00,000

(v) Freight paid to GTA for inward transportation of exempted items - ₹ 80,000

(vi) Freight paid to GTA for inward transportation of non-taxable items - ₹ 20,000

(vii) Monthly rent payable for the complex - ₹ 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 - ₹ 2,50,000

(ix) Salary paid to the regular staff at the Store - ₹ 2,00,000

(x) GST paid on inputs used for personal purpose - ₹ 5,000

(xi) GST paid on rent a cab services availed for transportation of employees, which is not obligatory under any law - ₹ 4,000

(xii) GST paid on items given as free samples - ₹ 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 if opening balance of ITC is nil.

Note:

(1) GTA has not exercised the option to pay tax itself. Tax is payable on such services @ 5%. Rate of GST in all other cases is 18% (Ignore CGST, SGST or IGST for the sake of simplicity).

(2) All the inward supplies are procured 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.

Sol:

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-

$$C1 = T - (T_1 + T_2 + T_3) \text{ Where,}$$

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	(₹)
GST paid on taxable items [₹ 55,00,000 × 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 - [₹ 1,00,000 × 5%]	5,000
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items - [₹ 80,000 × 5%]	4,000
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items - [₹ 20,000 × 5%]	1,000
GST paid on monthly rent - [₹ 5,50,000 × 18%]	99,000
GST paid on packing charges [₹ 2,50,000 × 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	(₹)
GST paid on monthly rent attributable to personal purposes [1/3 of ₹ 99,000]	33,000
GST paid on inputs used for personal purpose	<u>5,000</u>
Input tax exclusively attributable to non-business purposes [T₁]	<u>38,000</u>
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items [As per section 2(47), exempt supply means, <i>inter alia</i> , 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.]	<u>1,000</u>
Input tax exclusively attributable to exempt supplies [T₂]	<u>5,000</u>
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 <i>inter alia</i> , disposed of by way of free samples is blocked under section 17(5)(h)].	<u>4,000</u>
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

$$C1 = T - (T1+T2+T3)$$

$$= ₹ 11,57,000 - (₹ 38,000 + ₹ 5,000 + ₹ 8,000) = ₹ 11,06,000$$

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	(₹)
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]	<u>9,95,000</u>

Common Credit: C2 = C1 - T4

$$= ₹ 11,06,000 - ₹ 9,95,000 = ₹ 1,11,000$$

C. Computation of ITC attributable towards exempt supplies out of common credit

ITC attributable towards exempt supplies is denoted as 'D1' and calculated as-

$$D1 = (E \div F) \times C2 \text{ where,}$$

'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

$$= ₹ 15,00,000 (₹ 12,00,000 + ₹ 3,00,000)$$

Total turnover in the State during the tax period

$$= ₹ 65,00,000 (₹ 42,00,000 + ₹ 12,00,000 + ₹ 3,00,000 + ₹ 8,00,000)$$

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.

$$D1 = (15,00,000 \div 65,00,000) \times 1,11,000$$

$$= ₹ 25,615 \text{ (rounded off)}$$

D. Computation of Eligible ITC out of common credit

Eligible ITC attributed for effecting taxable supplies is denoted as 'C3', where-

$$C3 = C2 - D1$$

$$= ₹ 1,11,000 - ₹ 25,615$$

$$= ₹ 85,385$$

E. Computation of Net GST liability for the month

Particulars	GST (₹)
<i>GST liability under forward charge</i>	
Taxable items sold in the store [₹ 42,00,000 × 18%]	7,56,000
Taxable items transferred to Goa Store [₹ 8,00,000 × 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
<i>GST liability under reverse charge</i>	
Freight paid to GTA for inward transportation of taxable items [₹ 1,00,000 × 5%]	5,000
Freight paid to GTA for inward transportation of exempted items [₹ 80,000 × 5%]	4,000
Freight paid to GTA for inward transportation of non-taxable items [₹ 20,000 × 5%]	1,000
Total tax liability under reverse charge [B]	10,000
Net GST liability to be paid in cash [A] + [B]	10,000
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.	

Note: While computing net GST liability, ITC credited to the electronic ledger can alternatively be computed as follows:

Particulars	(₹)
GST paid on taxable items [₹ 55,00,000 × 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 [₹ 1,00,000 × 5%]	5,000
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items [₹ 80,000 × 5%]	Nil
[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]	
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items [₹ 20,000 × 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 [(₹ 5,50,000 × 18%) - 1/3 of [(₹ 5,50,000 × 18%)]]	66,000
GST paid on packing charges [₹ 2,50,000 × 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 u/s 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 providing the rent a cab service or as part of a taxable composite or mixed supply.]	Nil
GST paid on items given as free samples [ITC on goods inter alia, disposed of by way of free samples is blocked u/s 17(5)(h)]	Nil
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

23) Vansh Shoppe is a retail 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:

		₹
	Details of sales:	
(1)	Supply of taxable goods	50,00,000
	Supply of goods not leviable to GST	10,00,000
	Details of goods purchased for being sold in the shop:	
(2)	Taxable goods	45,00,000
	Goods not leviable to GST	4,00,000
	Details of expenses:	
	Monthly rent payable for the shop	3,50,000
(3)	Telephone expenses paid (₹ 30,000 for bills of land line phone installed at the shop and ₹ 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 (₹ 35,000 for the statutory audit of preceding financial year and ₹ 25,000 for certification work)	60,000
	Premium paid on 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 Vansh Shoppe are from/to registered suppliers 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.

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

Sol: (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 (₹)	CGST @ 6% (₹)	SGST @ 6% (₹)
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 Chartered Accountant Fee	60,000	3,600	3,600
GST paid on premium of health insurance policies as per company policy	10,000	Nil	Nil

[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)].			
Taxable Goods given as free samples	5,000	Nil	Nil
ITC on goods disposed of by way of free samples is blocked under section 17(5)(h)]			

Particulars	Amount (₹)	CGST @ 2.5% (₹)	SGST @ 2.5% (₹)
Freight paid to GTA for inward transportation of non-taxable goods under reverse charge [Since definition of exempt supply under section 2(47) 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

(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 (₹)	SGST (₹)
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 × (Aggregate value of exempt supplies during the tax period/ Total turnover during the tax period)[Section 17 read with rule 42].

Particulars	CGST (₹)	SGST (₹)
ITC attributable towards exempt supplies [₹ 27,600 × (₹ 10,00,000/₹ 60,00,000)]	4,600	4,600

(4) Computation of net GST liability for the month

Particulars	CGST (₹)	SGST (₹)
<i>GST liability under forward charge</i>		
Supply of taxable goods [₹ 50,00,000 × 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
<i>GST liability under reverse charge</i>		
Freight paid to GTA for inward transportation of taxable goods [₹ 1,50,000 × 2.5%]	3,750	3,750
Freight paid to GTA for inward transportation of non-taxable goods [₹ 50,000 × 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

24) 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	(₹)
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 ₹ 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 ₹ 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 - ₹ 35,00,000; Input services - ₹ 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 ₹ 85,00,000 in the preceding financial year.

Sol: **Computation of net GST liability of Surana & Sons for the tax period**

Particulars	(₹)
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 [₹ 3,50,000 X 18%] [B] [Tax on legal services provided by an advocate to a business entity, is payable under reverse charge by 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 turnover of business entity (Surana & Sons) in the preceding financial year exceeds ₹ 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 (₹)	GST (₹)
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- • the supplier of service is located in India; • the recipient of service is located outside India;	20,00,000	Nil

<ul style="list-style-type: none"> 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. <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</p> <p>[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
Total GST payable on outward supply		3,18,000

Working Note 2: Computation of common credit attributable to exempt supplies during tax period

Particulars	(₹)
Common credit on inputs and input services [Tax on inputs - ₹ 4,20,000 (₹ 35,00,000 × 12%) + Tax on input services - ₹ 2,70,000 (₹ 15,00,000 × 18%)]	6,90,000
Common credit attributable to exempt supplies (rounded off) = Common credit on inputs and input services × (Exempt turnover during the period / Total turnover during the period) = ₹ 6,90,000 × ₹ 1,33,50,000 / ₹ 1,94,00,000 Exempt turnover = ₹ 1,33,50,000 and total turnover = ₹ 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 (₹ 6,00,000), value of sale of building (₹ 2,50,000 / 2 × 100 = ₹ 1,25,00,000) and value of sale of shares (1% of ₹ 2,50,00,000 = ₹ 2,50,000), which comes out to be ₹ 1,33,50,000.

Total turnover = ₹ 1,94,00,000 (₹ 14,00,000 + ₹ 6,00,000 + ₹ 10,00,000 + ₹ 2,50,000 + ₹ 10,00,000 + ₹ 20,00,000 + ₹ 1,25,00,000 + ₹ 4,00,000 + ₹ 2,50,000)

Working Note 3: Computation of ITC available in the Electronic Credit Ledger of the Surana & Sons for the tax period

Particulars	₹
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

25) 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 - ₹ 18,00,000
- Service charges for supply of manpower for operation of the excavator - ₹ 20,000
- Service charges for soil testing and seismic evaluation at three sites - ₹ 2,50,000

The GST paid during the said month on services received by M/s XYZ is as follows:

- Maintenance for excavators - ₹ 1,00,000
- Health insurance for excavator operators - ₹ 11,000
- Scientific and technical consultancy for soil testing and seismic evaluation ₹ 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).

Note: Opening balance of ITC of GST is nil.

Sol: **Computation of net GST payable by M/s XYZ**

Particulars	GST payable (₹)
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 (₹)	Rate of GST	GST payable (₹)
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.

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 (ancillary supply) will also be taxed at the rate applicable for hiring out of the excavator (principal supply), which is 12%.

(ii) 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 (₹)	ITC available (₹)
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.

26) 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	(₹) (in lakh)	Receipts	(₹) (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 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 ₹ 0.80 lakh is procured from Bihar and ₹ 1.5 lakh is imported from China. Basic customs duty of ₹ 0.15 lakh, social welfare surcharge of ₹ 0.015 lakh and integrated tax of ₹ 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 ₹ 0.30 lakh is procured from unregistered suppliers; the remaining raw material is procured from registered suppliers. Further, raw material worth ₹ 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 ₹ 0.25 lakh for running the generator in the factory.
- (iii) Transportation charges comprise of ₹ 0.60 lakh paid to Goods Transport Agency (GTA) in Kolkata and ₹ 0.10 lakh paid to horse pulled carts. GST applicable on the services of GTA is 5% payable under reverse charge.
- (iv) Life insurance policies for specified employees have been taken by the company to fulfil 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 - ₹ 7 lakh

Sales in States other than West Bengal - ₹ 3 lakh

Export under LUT - ₹ 5 lakh

(ix) The opening balance of ITC with the company for the tax period is:

CGST - ₹ 0.15 lakh

SGST - ₹ 0.08 lakh

IGST - ₹ 0.09 lakh

Compute (i) Total 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.

Sol: **Computation of ITC available with V-Supply Pvt. Ltd. for the tax period**

S.N	Particulars	ITC			Total ₹
		CGST* ₹	SGST* ₹	IGST* ₹	
1.	Opening balance of ITC	8,000	9,000	15,000	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	Nil
	Raw material destroyed due to seepage [Refer Note 1(iv)]	Nil	Nil	Nil	Nil
	Remaining raw material purchased from West Bengal [Refer Note 1(i)] [₹ 3.5 - ₹ 1.5 - ₹ 0.80 - ₹ 0.30 - ₹ 0.05] = ₹ 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*	SGST	IGST	Total
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.

3. GST is payable under reverse charge on transportation service received from GTA. 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.

4. 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.

27) 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 (₹)
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 (₹)
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.

Sol: **Computation of net GST payable by ABC Company Ltd.**

Particulars	GST payable (₹)
Gross GST liability [Refer working note (2) below]	91,200
Less: Input tax credit [Refer working note (1) below]	<u>82,000</u>
Net GST payable from Electronic Cash Ledger	9,200

Working Notes:

(1) **Computation of ITC available with ABC Company Ltd.**

Particulars	GST (₹)
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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]	<u>Nil</u>
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

Particulars	Value received (₹)	Rate of GST	GST payable (₹)
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).

28) Pari Ltd. of Jodhpur (Rajasthan) is a registered manufacturer of cosmetic products. Pari Ltd. has furnished following details for a tax period:

	Particulars	(₹)
	Details of Outward supplies	
1.	Supplies in Rajasthan	8,75,000
2.	Supplies in States other than Rajasthan	3,75,000
3.	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 & VAT paid) valuing ₹ 31,250 for running machinery in 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 life insurance policies taken for specified employees. Life insurance policies for specified employees have been taken by Pari Ltd. to fulfil a statutory obligation in this regard. 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 opening balance of ITC with Pari Ltd. for the given tax period is-

CGST Rs. 20,000

SGST Rs. 15,000

IGST Rs. 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.

Sol: **Computation of ITC available with Pari Ltd.**

S. No.	Particulars	Eligible input tax credit		
		CGST (₹)	SGST (₹)	IGST (₹)
1	Raw Material			
	Purchased from local registered suppliers [Note 1(i)] (₹ 1,06,250 × 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)] (₹ 1,00,000×18%)			18,000
	Raw material imported from USA [Note 1(iii)]			22,732
2	Consumables [Note 2] (₹ 1,56,250- ₹ 31,250) × 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] (₹ 2,00,000 × 9%)	18,000	18,000	-
Total		47,812.50	47,812.50	40,732
Add: Opening balance of ITC		<u>20,000</u>	<u>15,000</u>	<u>15,000</u>
Total ITC [Note 7]		67,812.50	62,812.50	55,732

Computation of net GST payable

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State supply	78,750	78,750	
Inter-State supply			67,500
Exports under LUT [Note 6]	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
Total output tax liability	78,750	78,750	67,500
Less: ITC	67,812.50	62,812.50	55,732
Net GST payable (rounded off)	10,938	15,938	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.

- (ii) 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.
- (iii) 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.
2. 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.
 3. ITC on monthly rent is available as the said service is used in the course or furtherance of business.
 4. 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 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 LUT/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).

29) 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 ₹ 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 two stage inspection of ₹ 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 ₹ 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 ₹ 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 ₹ 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 ₹ 20,000 and SGST is ₹ 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	CGST (₹)	SGST (₹)
1.	Availed services of works contractor to erect foundation for fixing the machinery to earth, in the factory.	5,000	5,000
2.	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

Sol: **Computation of net GST payable by Flowchem for the month of July**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
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	Amt (₹)
List price of 10 valves (₹ 1,00,000 × 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]	<u>5,000</u>
Value of taxable supply	10,45,000
IGST @ 18% [Note 4]	1,88,100

Notes:

- (1) 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.

- (2) 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 ₹	SGST ₹
Opening ITC	20,000	20,000
Work contract services availed for erecting foundation for fixing the machinery to the earth in the factory [Note 1]	5,000	5,000
Services of travel company to provide home travel facility to employees [Note 2]	Nil	Nil
Services of fitness centre to provide wellness services to employees [Note 2]	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 travel benefits extended to employees on home travel concession and membership of health and fitness centre is blocked unless it is obligatory for an employer to provide the same to its employees under any law for time being in force.

Part B - PYQs/RTPs/MTPs

30) Rudra Financials Ltd., a Non-Banking Financial Company, is engaged in providing the 'banking and other financial services'. It furnishes the following information for the month of April, 2018:

Particulars	Amount (Rs.)
ITC on inputs	2,00,000
ITC on capital goods	3,00,000
ITC on input services	5,00,000
GST Liability	10,20,000

Determine the amount of ITC available to Rudra Financials Ltd. for the month of April, 2018. Also, determine the net GST payable by Rudra Financials Ltd. for the said month, assuming that assessee has opted for the option of availing 50% ITC given u/s 17(4) of CGST Act, 2017.

Sol: As per Section 17(4), every banking company or a financial institution, including a non-banking financial company, engaged in the supply of services by way of accepting deposits or extending loans or advances has the option either to avail of, every month, an amount equal to 50% of the eligible input tax credit on input, capital goods, and input services or to comply with the provision of Section 17(2) of taking credit of inputs, capital goods, and input services used for making taxable supplies.

Computation of Input Tax Credit Available to Rudra Financials Ltd. for Month of April, 2018

Particulars	Amt (Rs.)
ITC on inputs	2,00,000
ITC on capital goods	3,00,000
ITC on input services	5,00,000
Total Eligible Input tax credit available	10,00,000
Less: Amount of Input tax credit credited to electronic ledger (50% of eligible input tax credit on inputs, capital goods, & input services) i.e. Rs. 10,00,000× 50%	5,00,000
Amount of Input tax credit not available	5,00,000

Computation of Net GST Payable by Rudra Financials Ltd. for the Month of April, 2018

Particulars	Amt (Rs.)
GST Liability of Rudra Financials Ltd. before availing eligible Input tax credit	10,20,000
Less: Net Eligible Input tax credit available on Inputs, capital goods, and Input services	5,00,000
Net output Tax liability of Rudra Financials Ltd. after availing Eligible Input tax credit	5,20,000

31) 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:

- (i) Is it possible for the Department to restrict the utilization of credit which is already availed?
- (ii) If yes, under what circumstances can this be done by the Department? [PYQ Nov'20]

Sol: (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

(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 documents.

32) Discuss with a brief note the validity of the following statements with reference to the CGST Act, 2017:

- Credit of input services used in the construction of factory or office is not available.
- Credit of GST paid on capital goods used outside the factory of manufacturer for generation of electricity for captive use within the factory is allowed. [PYQ]

Sol:

- The given statement is valid because no ITC is admissible in respect of any works contract service or any service used in construction, repairs, renovation, etc. of any building, etc. except when such services are used in providing the said works contract or construction services or except when such services are used in installation or construction of plant & machinery (as per Section 17(5)(c) and 17(5)(d) of CGST Act, 2017).
- The said statement is valid because every registered person is entitled to avail credit of input tax paid 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 business and are eligible for ITC under Section 16(1) of the CGST Act, 2017. And, in this case, capital goods although used outside the factory of manufacturer, but it is used for generation of electricity for captive use within the factory for business use only.

33) 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 unit (Rs.)	Nagpur unit (Rs.)
(i)	Sale of taxable goods	12,50,000	13,50,000
(ii)	Interest received on fixed deposits with a nationalized 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	
(v)	Transfer of actionable claims (other than specified actionable claims)		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)? [RTP Nov'22]

Sol: 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 non-taxable 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 unit (Rs)	Nagpur unit (Rs)
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 specified actionable claims) [Transfer of actionable claims (other than specified- actionable claims) is neither a supply of goods nor a supply of services in terms of para 6nf 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 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 (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 and Supply of warehoused goods to any person before clearance for home consumption. 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 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 1 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 specified actionable claims) [Excluded from value of exempt supply by virtue of explanation to section 17(3).]	--	--
Total value of exempt supply	75,04,500	1,85,00,000

34) 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 (Rs.)
(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 employment	90,000
(iii) Purchase of maxi cab 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 20 persons including driver.

Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled. [PYQ Jan'21]

Sol: Computation of ITC available with ABC Ltd. for the month of September 2020

Particulars	GST Paid Rs.
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.]	70,000
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 ¹ [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

¹ 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.

35) Deluxe Enterprises is in possession of certain capital goods and purchases more of them as per the following particulars:

Particulars	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	1,20,000	Has been exclusively used for 2 years for exempt supplies. Now used for both taxable and exempt supplies.
Capital Goods E	1,80,000	Has been exclusively used for 3 years for taxable supplies. Now used for both taxable and exempt supplies.

Useful life of all the above capital goods is considered as 5 years.

Apportion the input tax credit of capital goods, while being informed that aggregate value of exempt supplies during the tax period being Rs. 6,00,000 and total turnover during the tax period being Rs. 12,00,000. [PYQ May'18] [MTP May'19]

Sol:

Particulars	ITC (Rs.)
Capital goods A [Note-1]	NIL
Capital goods B [Note-2]	24,000
Capital goods C [Note-3]	60,000
Capital goods D [Note-4]	1,20,000
Capital goods E [Note-5]	NIL
Total ITC availed during the current tax period	3,60,000
Total ITC attributable to Common Capital Goods [C+D+E] [60,000+1,20,000+1,80,000] =	3,60,000
Total Common ITC attributable to current tax period under rule 43(1)(c) of CGST Rules, 2017 = 3,60,000 ÷ 60 = 6,000	6,000
Common ITC attributable to exempt supplies in current tax period in terms of rule 43(1)(g) of CGST Rules, 2017 Turnover of exempt supplies/Total turnover × Common credit = 6,00,000/12,00,000) × Rs. 6,000 = Rs. 3,000	3,000
Ineligible ITC to be added to output tax liability of current tax period in respect of Capital Goods D [1,20,000 × 5% × 8 quarters]	48,000

Notes:

1. Since capital goods "A" is exclusively used for non-business purposes, ITC is not available under rule 43(1)(c) of CGST Rules, 2017.
2. For ITC purposes, taxable supplies include zero-rated supplies under rule 43(1)(c) of CGST Rules, 2017. Hence, full ITC of Rs. 24,000 is available.
3. Capital goods "C" is commonly used for taxable and exempt supplies. Therefore, full ITC of CGST paid on capital goods "C" shall be credited to the Electronic Credit Ledger as common ITC. And then, reversal of proportionate common ITC will be made during 5 years of useful life of the Capital Goods in terms of the provisions of rule 43(1)(c) and rule 43(1)(e) of the CGST Rules, 2017.
4. Owing to change in use from exclusively exempt to both taxable and exempt, full ITC of GST paid on Capital Goods "D" shall be credited to the Electronic Credit Ledger as common ITC. And then, ineligible ITC [i.e. Rs. 1,20,000 × 5% × 8 quarters = Rs. 48,000] shall be added to the output tax liability of the current tax period in terms of rule 43(1)(d) of CGST Rules, 2017. And then, reversal of proportionate common ITC will be made during remaining 3 years of useful life of the Capital Goods in terms of the provisions of rule 43(1)(e) and rule 43(1)(g) of the CGST Rules, 2017.
5. Owing to change in use from exclusively taxable to both taxable and exempt, the full ITC of GST paid on Capital Goods "E", which was availed earlier would be added to the common ITC

in terms of rule 43(1)(d) of CGST Rules, 2017. And then, reversal of proportionate common ITC will be made during remaining 2 years of useful life of the Capital Goods in terms of the provisions of rule 43(1)(e) and rule 43(1)(g) of the CGST Rules, 2017.

36) 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.

S. N.	Particulars	Amt in lakh (Rs.)
	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 Rs. 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. [PYQ Nov'20]

Sol: Computation of the amount of credit distributed by the ISD to various units of the company (It's most logically assumed that credit to be distributed by ISD is credit of input services.)

Particulars	Mumbai Unit	Banglore Unit	Hyderabad Unit	Trivandrum Unit		
	IGST	IGST	IGST	CGST	SGST	IGST
ITC exclusive to Bangalore unit available as IGST [ITC of IGST is distributed as IGST only.]		12				
ITC exclusive to Trivandrum and Hyderabad units [ITC of CGST and SGST is distributed as CGST and SGST to unit located in Kerala (Trivandrum unit) and as IGST to unit			2	2	2	

located in a different State (Hyderabad unit) in the ratio of 2:1.]						
Common credit for all units [Balance credit of CGST and SGST (since supplies are received locally) of Rs. 15 lakh each (Rs. 48 lakh - Rs. 12 lakh - Rs. 6 lakh) to be distributed among all four units in 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]	2	10	6	6	6	
Additional ITC [Rs. 6 lakhs (Rs. 50 Lakh ¹ * 12%)] on account of debit note received ² from supplier to be distributed among all four units in proportion of their turnover of the relevant month, i.e. 1:5:3:6. [ITC of IGST is distributed as IGST only]	0.4	2	1.2			2.4
ITC to be reduced on account of credit note received from supplier, exclusive to Kerala unit ³ [9% of (Rs. 118 lakh ⁴ × 100/118)]				-9	-9	
Total ITC apportioned to each unit	2.4	24	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	

¹Being the basic value of the debit note received, the amount of Rs. 50 lakhs has been assumed to be exclusive of taxes.

²It has been most logically assumed that additional ITC of Rs. 6 lakhs on account of debit note received during the month from supplier, in respect of a previous supply, pertains to all four units.

³It has been most logically assumed that there is one unit of the company located in Kerala, i.e., the Trivandrum unit.

⁴Being the total value in credit note received, the amount of Rs. 118 lakhs has been assumed to be inclusive of taxes.

37) Arise India Pvt. Ltd., a company engaged in manufacturing various goods, has its corporate office in Mumbai and manufacturing units in Pune and Chennai, and service centres in Kolkata and Bengaluru. The manufacturing units at Pune and Chennai and the 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 (ISD). 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 quarter ending Sept.20XX (Rs.)	Eligible ITC on input services attributable to a specific unit/centre for the month of Oct. 20XX (Rs.)
Pune	20,00,000	IGST - Rs. 3,00,000; CGST - Rs. 30,000; SGST - Rs. 30,000
Chennai	30,00,000	IGST - Rs. 24,000; CGST - Rs. 6,000; SGST - Rs. 6,000
Kolkata	10,00,000	Nil
Bengaluru	40,00,000	Nil

Note: Turnover excludes all taxes and duties.

Table 2

S.N.	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 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 & Bengaluru centre (ITC pertaining to such invoices is eligible ITC under provisions of GST law)	30,000	30,000	10,000

Note: Chennai unit manufactures exempted products.

[RTP May'20]

Sol: **Computation of ITC to be distributed by ISD**

S.No.	Particulars	Pune Unit (Rs.)	Chennai Unit(Rs.)	Kolkata Centre(Rs.)	Bengaluru Centre (Rs.)
(i)	IGST credit of Rs. 3,00,000, CGST credit of Rs. 30,000, and SGST credit of Rs. 30,000 specifically attributable to Pune unit [Note 1]	3,00,000 (IGST) 30,000 (CGST) 30,000 (SGST)			
(ii)	IGST credit of Rs. 24,000, CGST credit of Rs. 6,000, & SGST credit of Rs. 6,000 specifically attributable to Chennai unit [Note 2]		36,000 (IGST)		
(iii)	Eligible ITC pertaining to input services used by all units and centres [Note 3]	24,000 (CGST) 24,000 (CGST) 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)	48,000 (IGST)	16,000 (IGST)	64,000 (IGST)
	Inputs used by Pune unit and Kolkata centre [Note 5]	Nil	Nil	Nil	Nil
	Inputs used by Chennai unit and Bengaluru centre [Note 6]		30,000 (IGST)		40,000 (IGST)

Notes:

- (1) IGST credit of Rs. 3,00,000, CGST credit of Rs. 30,000 and SGST credit of Rs. 30,000 specifically attributable to Pune unit will be distributed as IGST credit of Rs. 3,00,000, CGST credit of Rs. 30,000 and SGST credit of Rs. 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 Rs. 36,000 specifically attributable to Chennai unit will be distributed as IGST credit of Rs. 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 [Rs. 1,20,000], SGST [Rs. 1,20,000] and IGST [Rs. 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 - Rs. 24,000 [$1,20,000 \times (2/10)$] as CGST credit, Rs. 24,000 [$1,20,000 \times (2/10)$] as SGST credit and Rs. 48,000 [$2,40,000 \times (2/10)$] as eligible IGST credit [Clauses (e) & (f)(i) of sub-rule (1) of rule 39 of the CGST Rules, 2017].

Chennai unit will get - Rs. 1,44,000 [$Rs. 4,80,000 \times (3/10)$] 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]. [Rs. 1,20,000 + Rs. 1,20,000 + Rs. 2,40,000]

Kolkata centre will get - Rs. 48,000 [$Rs. 4,80,000 \times (1/10)$] as IGST credit [Clauses (e) & (f)(ii) of sub-rule (1) of rule 39 of the CGST Rules, 2017].

Bengaluru will get - Rs. 1,92,000 [$Rs. 4,80,000 \times (4/10)$] as IGST credit [Clauses (e) & (f)(ii) of sub-rule (1) of rule 39 of the CGST Rules, 2017].

- (4) Ineligible ITC of CGST [Rs. 40,000], SGST [Rs. 40,000] and IGST [Rs. 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 - Rs. 8,000 [40,000 × (2/10)] as CGST credit, Rs. 8,000 [40,000 × (2/10)] as SGST credit and Rs. 16,000 [80,000 × (2/10)] as eligible IGST credit.

Chennai unit will get - Rs. 48,000 [Rs. 1,60,000 × (3/10)] as IGST credit. Kolkata centre will get - Rs. 16,000 [Rs. 1,60,000 × (1/10)] as IGST credit. Bengaluru will get - Rs. 64,000 [Rs. 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 [Rs. 30,000], SGST [Rs. 30,000] and IGST [Rs. 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

= 3: 4

Therefore,

Chennai unit will get - Rs. 30,000 [Rs. 70,000 × (3/7)] as IGST credit. Bengaluru unit will get - Rs. 40,000 [Rs. 70,000 × (4/7)] as IGST credit.

38) When pandemic happened, BCD Ltd. decided that it would sell its own branded groceries at 20% of the cost to any organisation who is providing free food and groceries to the poor and needy as its contribution to the nation. The details of the transaction from April 20XX to September, 20XX during which it had done this are given below:

S. No	Particulars	Amount (Rs.)
1	Total turnover (excluding GST) of branded groceries and food grains during the period as per the invoices issued and accounted for GST purposes (Actual value of the goods is Rs. 30 crores)	6 crores
2	Tax paid on security and maintenance services during the period	CGST- 1.35 lakh SGST- 1.35 lakh
3	Tax paid on the rent paid on the warehouse for storage of goods and for undertaking packing etc.	CGST- 4.50 lakh SGST- 4.50 lakh
4	Tax paid on packing materials and printing charges on packing materials	CGST- 11.15 lakh SGST- 11.15 lakh

What is the value to be adopted for the purpose of payment of GST?

Compute the admissible input tax credit and output tax liability and indicate whether any tax has to be paid in cash. Assume the rate of CGST and SGST as 2.5% each on the branded groceries and food grains and all sales are intra-State only. [PYQ July'21]

Sol:

Particulars	Amt (Rs.)	
Value of supply adopted for payment of GST [Transaction value, which is price actually paid or payable for supply, is adopted for purpose of payment of GST.]	6,00,00,000	
Output tax liability	CGST @ 2.5% (Rs.)	SGST @ 2.5% (Rs.)
Output tax liability on Rs. 6 crores [A]	15,00,000	15,00,000
Input tax credit	CGST (Rs.)	SGST (Rs.)
Security and maintenance	1,35,000	1,35,000
Warehousing rent	4,50,000	4,50,000
Packing and printing	11,15,000	11,15,000
Total input tax credit available [B]	17,00,000	17,00,000
Net tax payable in cash [A] - [B]	Nil	Nil
ITC c/f	2,00,000	2,00,000

39) 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):

S.N.	Items	GST Paid in Rs.
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 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).	-
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 Rs. 4,00,000 and claimed depreciation of Rs. 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 the 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. [PYQ Nov'22]

Sol: Computation of ITC available to RAM Company Ltd. for the month of April

S.N.	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 the date of receipt of inputs by the job worker has yet not lapsed in April, there will be no tax liability on such inputs.]	Nil
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 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 the 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.]	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 towers, 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

40) Ram Kumar, a registered supplier under GST in the state of Gujrat, provides the following information pertaining to the supplies made/received for the month of January:

S.N.	Particulars	Amt. in Rs.
(i)	IGST of Rs. 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 unregistered GTA - M/s Ghoomghoom Transporters of Kolkata	1,00,000
(iii)	20 invoices involving IGST of Rs. 1,20,000 received during the current month [Only 16 invoices involving IGST of Rs. 1,00,000 were furnished 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 Rs. 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 Tamil Nadu.	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 ICICI 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 Rs. 5,00,000 was related to supply of goods and the rest was related to service.]	9,00,000
(ix)	Sent goods valued Rs. 80,000 to job worker, registered in the State of Kerala, who further processed the said goods and made direct supply on 31st January from its premises in Kerala to a buyer in the State of Gujarat at a price of Rs. 1,00,000.	--

Apart from the above information, Ram Kumar also availed inter-State services of Rs. 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 Rs. 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.

(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. [MTP-Nov'22]

Sol: Computation of net GST payable in cash from Electronic Cash Ledger for the month of January

S.N	Particulars	Amt. (Rs)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
A.	<i>GST liability on outward supply</i>				
(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 [6,00,00*18%]
(iii)	Stock counting service to Gungun Manufacturers of Gujarat [Intra-State supply as the place of supply is the location of recipient, viz. Gujarat.]	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 supply [Tax on advance received for supply of goods of Rs. 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.]	1,00,000	9,000 [1,00,000 × 9%]	9,000 [1,00,000 × 9%]	

	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.]				
	Total tax liability on outward supplies		54,900	54,900	1,08,000
B.	<i>GST liability on inward supplies under reverse charge</i>				
(i)	GTA services availed from M/s Ghoomghoom Transporters [Tax is payable under reverse charge on the GTA services received by a registered person from an unregistered GTA. 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.	<i>Input Tax Credit</i>				
	Import of machinery [Input tax, inter alia, includes IGST charged on import of goods.]				90,000
	GTA services availed	1,00,000			5,000
	IGST on invoices received during the month [Full ITC can be claimed only on the invoices furnished by the supplier in Form GSTR-1 and the details of the same have been communicated to the registered person in Form GSTR-2B.]				1,00,000
	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.] = Rs. 1,95,000 * Rs. 2,00,000/Rs. 19,10,000 (Rs. 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 reversed, not apply to reverse charge supplies. Thus, ITC on Rs. 4,00,000 will not be affected.]				(20419)
	Total ITC available for set off				1,74,581
D.	<i>Computation of net GST payable in cash</i>				
	Total tax liability on outward supplies		54,900	54,900	1,08,000
	Less: ITC of IGST		(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				5,000
	Total net GST liability payable in cash			43,219	5,000

41) Sunshine Pvt. Ltd. manufactures taxable goods. The company is registered under GST in the State of West Bengal. The company has provided the following information regarding inward supplies received in October:

S. No.	Invoices received for inward supplies	IGST (Rs.)
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 (Rs.)
(i)	Balance in Form GSTR-2B on 28th October (Invoices at S. Nos. 1, 2, and 3 furnished 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 furnished 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 furnished by the respective suppliers in their Form GSTR-1s)	6,80,000

Compute the Input Tax Credit (ITC) that can be claimed by Sunshine Pvt. Ltd. in its Form GSTR-3B for October, which is to be filed by 20th November.

Note:

The due date of filing Form GSTR-1 and Form GSTR-3B for October is 11th November and 20th November, respectively.

All other conditions for availing ITC have been complied with.

Sol: 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:

ITC to be Claimed by Sunshine Pvt. Ltd.

Invoices	Amount of Input Tax (Rs.)	Amount of ITC that can be availed (Rs.)
Balance in GSTR-2B on 11th November [Note 1]		
Invoices at S. Nos. 1, 2, 3, and 4 furnished by the suppliers in their GSTR-1s	6,00,000	4,80,000 [Note 2]
Invoices at S. Nos. 5, 6, 7, and 8 (not furnished in GSTR-1)	4,00,000	Nil [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 or debit notes whose details have not been furnished by the suppliers in their GSTR-1 till the due date of filing of Form GSTR-1, shall not be available to the recipient for that month. The taxpayer can ascertain the same from his auto populated Form GSTR-2B as available on the next day after the due date of filing of Form GSTR-1 u/s 37(1) [Rule 36(4) of the CGST Rules, 2017 read with Circular No. 123/42/2019 GST dated 11.11.2019].

100% ITC can be availed on invoices furnished 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:

- A. Further supply of such motor vehicles; or
- B. Transportation of passengers; or
- C. Imparting training on driving such motor vehicles

Since, Sunshine Pvt. Ltd. is not using the car for any of the aforementioned purposes, ITC thereon will not be available.

Thus, 100% ITC will be available in respect of invoices at S. Nos. 1, 2, and 3.

In respect of invoices at S. Nos. 5, 6, 7, and 8 not furnished in Form GSTR-1s till the due date of filing of Form GSTR-1, the ITC cannot be availed by the recipient in terms of Sec. 16(2)(aa) of the CGST Act, 2017.

The restriction of availing of ITC is imposed only in respect of those invoices, details of which are required to be furnished by the suppliers u/s 37(1) of the CGST Act, 2017 and which have not been furnished.

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].

42) Mangal Motors, a registered person in GST, is engaged in the manufacture of motor vehicles. From the following particulars, compute the amount of ITC admissible to Mangal Motors. GST paid on purchases are as detailed below: [PYQ]

Particulars	Amt in Rs.
(i) Raw Steel	1,00,000
(ii) Diesel (Excise and VAT Paid)	25,000
(iii) Cutting oil and coolants	12,000
(iv) Grease and oil	5,000
(v) Machinery	1,50,000
(vi) Parts and components of above machinery	20,000
(vii) Office Equipments	40,000
(viii) Paints used in painting Motor vehicles manufactured	10,000
(ix) Advertisement Services	35,000
(x) Commission to Agents for Selling of goods	15,000
(xi) Insurance of Motor Vehicles manufactured	42,000

(xii) Servicing, repairs and maintenance service of Motor vehicles manufactured	26,000
(xiii) Tool kits and First aid kits cleared along with the motor vehicles	8,000
(xiv) Outdoor catering services availed for a business meeting	18,000

Sol: The amount of ITC admissible in the current year is computed as follows:

Particulars	Amt in Rs.
(i) Raw Steel [WN 1]	1,00,000
(ii) Diesel (Excise and VAT Paid) [WN 2]	NIL
(iii) Cutting oil and coolants [WN 1]	12,000
(iv) Grease and oil [WN 1]	5,000
(v) Machinery [WN 1]	1,50,000
(vi) Parts and components of above machinery [WN 1]	20,000
(vii) Office Equipments [WN 1]	40,000
(viii) Paints used in painting Motor vehicles manufactured [WN 1]	10,000
(ix) Advertisement Services [WN 1]	35,000
(x) Commission to Agents for Selling of goods [WN 1]	15,000
(xi) Insurance of Motor Vehicles manufactured [WN 3]	42,000
(xii) Servicing, repairs and maintenance service of Motor vehicles manufactured [WN 3]	26,000
(xiii) Tool kits and First aid kits cleared along with the motor vehicles [WN 1]	8,000
(xiv) Outdoor catering services availed for a business meeting [WN 4]	NIL
Total ITC Admissible	4,63,000

Working Notes:

- Every registered person is entitled to avail credit of input tax paid 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 business are eligible for ITC u/s 16(1) of the CGST Act, 2017.
- Diesel is specifically excluded from the levy of GST (Section 9(2) of the CGST Act, 2017). And ITC of excise and VAT is not available against GST liability.
- "Insurance of motor vehicles" and "servicing, repairs, and maintenance" services are eligible as input service for the Motor Vehicle manufacturers, as these services are related to the repair & maintenance of motor vehicles supplied by them.
- Outdoor catering services are not eligible for ITC as per Section 17(5)(b)(i) of the CGST Act, 2017.

43) Mr. Rishi, a registered supplier under GST in the State of Maharashtra, provides the following information for the month of January 2020:

S.N	Particulars	Amt (Rs)
	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 Rs. 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 Tamil Nadu.	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 Rs. 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 (not registered in GST) with regard to transport of traded goods where rate of CGST/SGST @2.5% each or IGST @5% was applicable	1,00,000
(iii)	Apart from the above, received 15 invoices involving IGST of Rs. 1,00,000 during the current month	--

Mr. Rishi provided the following additional information:

(a) Turnover for the previous financial year was Rs. 21 lakhs.

(b) He had availed services in an inter-State transaction with a taxable value of Rs. 4,00,000 and a tax rate of 18%. This transaction was liable to be taxed 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.

(c) Out of the 15 invoices as per above, 12 invoices involving IGST of Rs. 95,000 were uploaded by the suppliers in their GSTR-1 Return. All the invoices are eligible for claiming as ITC.

(d) He had sent goods valued Rs. 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, Rs. 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. [PYQ Nov'20]

Sol: **Computation of net GST payable in cash for the month of January 2020**

S.No.	Particulars	Amt. (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
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	7,200 [80,000 X 9%]	7,200 [80,000 X 9%]	NIL
(iv)	Service apartment rented in Mumbai (Exemption for renting of residential dwelling for use as residence to unregistered persons available under entry no. 12 of NN 12/2017 CT(R) 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.) [Taxable, since hotel accommodation service is taxable irrespective of rent per day. Intra-State supply since place of supply is Maharashtra as property is located in Mumbai.]	30,000	2,700 [30,000 X 9%]	2,700 [30,000 X 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 Rs. 5,00,000 will be	4,00,000	36,000 [400000 X 9%]	36,000 [400000 X 9%]	

	payable at the time of issuance of invoice.]				
(vii)	Finished goods sold from the premises of the job worker (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 Rs. 1,00,000 itself.) [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.]	1,00,000	9,000 [100000 X9%]	9,000 [100000 X9%]	
	Total tax liability on outward supplies		54,900	54,900	1,08,000
B.	GST liability on inward supplies under reverse charge				
	GTA services availed from M/s Speed Trans (not registered in GST)[Tax is payable under reverse charge on the GTA services received by a registered person from unregistered GTA. 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 [100000 x 5%]
C.	Input tax credit				
	Import of computer accessories [Input tax, inter alia, includes IGST charged on import of goods]	5,00,000 (It has been assumed that value of imported computer accessories is inclusive of basic customs duty and social welfare surcharge and consequently, IGST has been computed on same.)			90,000 [5,00,000 x 18%]

	GTA services availed	1,00,000			5,000
	IGST on invoices received during month [Full ITC can be claimed on the invoices uploaded by supplier in Form GSTR-1. Further, where invoice has not been furnished by the supplier in its GSTR-1, no ITC can be claimed by the recipient [It is assumed that the 12 invoices which are furnished by the supplier are getting reflected in GSTR-2B of the recipient- Mr. Rishi.]				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 [Rs. 1,90,000 x Rs. 2,00,000/ Rs. 19,10,000] (Rs. 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 reversed, does not apply to reverse charge supplies. Thus, ITC on Rs. 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		-	47,695	-
	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

44) 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 equipments, 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 September, 20XX:

	Particulars	Amt. (₹)
A	Truck sent to own location in Tamil Nadu: 1. Value of items contained in the truck - Rs. 3,00,000 2. Value of truck - Rs. 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: 1. Value of items contained in the truck - Rs. 2,85,000 2. Value of stand-alone machine - Rs. 4,00,000 3. Value of truck - Rs. 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: 1. Value of items contained in the truck - Rs. 1,06,000 2. Value of truck Rs. 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%, SGST-9%, IGST-18%

You are required to make suitable assumptions, wherever necessary. [RTP May'18]

Sol. **Computation of GST Liability of Power Engineering Pvt. Ltd., Bangalore for Sept, 20XX**

	Particulars	Amt. (₹)
A	Items sent in container truck to own location in Tamil Nadu IGST @ 12% [Note 1]	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 Karnataka [Note 3]	-
	Items sent in container truck to client location in Karnataka, for carrying out repairs [Note 4]	-
D	Invoices raised for repair work carried out in Tamil Nadu: IGST @ 18% [Note 5 & 6]	12,60,000
E	Invoices raised for repair work carried out in Karnataka: CGST 9% + SGST 9% [Note 5 & 7]	2,16,000
	Total GST liability	15,12,000

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 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 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.

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(1) of IGST Act, 2017 and thus, chargeable to CGST and SGST.

45) 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 Rs. 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 Rs. 45 crore from sale of securities which were purchased for Rs. 30 crore in the month of January last year.

(ii) The company supplied goods worth Rs. 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; Rs. 30 crore in foreign currency and balance Rs. 20 crore in Indian rupees.

(iii) The company provided consulting services to Sherpa & Sons in Nepal for Rs. 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 Rs. 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 Rs. 20 crore are supplied under a LUT to DEF Pvt. Ltd. located in a SEZ in the State of Uttar Pradesh.

(vi) Goods worth Rs. 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 Rs. 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 Rs. 10 lakh per month. The second building is let out for residential purpose at Rs. 5 lakh per month to an unregistered person. The third building is let out to a Cold Storage operator at Rs. 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 Rs. 256 crore includes the turnover referred to in points (i) to (vii) above. In addition to above -

(i) the company transferred its stock (taxable goods) from Noida to Delhi branch without any consideration; the value declared in the invoice is Rs. 4.5 crore (exclusive of GST). The cost of production of such goods is Rs. 10 crore. Such stock is sold to independent buyers at Rs. 15 crore (exclusive of GST).

(ii) the company had sent goods worth Rs. 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 (Rs. 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
Goods	6%	6%	12%
Services	9%	9%	18%

Sol: Computation of GST liability of Skylark Pvt. Ltd. for the month of August 20XX

S.N.	Particulars	Value (Rs.' crores)	CGST@ 6% (Rs.' crores)	SGST@ 6% (Rs.' crores)	IGST@ 12% (Rs.' crores)
Goods					
(i)	Export of goods to ABC Ltd. in UK under a letter of undertaking (LDT) [Note 1]	50			Nil
(ii)	Supply of goods to Shanghai Jianguo Trading Company Ltd. [Note 2]	10			1.20
(iii)	Goods supplied to DEF Pvt. Ltd. located in a SEZ [Note 3]	20			Nil
(iv)	Sale within the State [Note 4]	60.18	3.6108	3.6108	-
(v)	Sale outside the State [Note 4]	40.12			4.8144
(vi)	Stock transfer from Noida to Delhi [Note 5]	4.5			0.54
(vii)	Goods sent for sale on approval basis on 15th February, 20XX [Note 6]	<u>4.00</u>			<u>0.48</u>
	Total tax liability on goods [A]		3.6108	3.6108	7.0344
Services					
			CGST@ 9% (Rs.' crores)	SGST@ 9% (Rs.' crores)	IGST@ 18% (Rs.' crores)
(i)	Export of services to Nepal under a LDT [Note 7]	30			Nil
(ii)	Receipts from renting of buildings [Note 8]	<u>0.15</u>	<u>0.0135</u>	<u>0.0135</u>	
	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

Rs. 256 crore - (Rs. 45 crores + Rs. 50 crores + Rs. 30 crores + Rs. 10 crores + Rs. 20 crores + Rs. 0.50 crore + Rs. 0.10 crore

+ Rs. 0.05 crore + Rs. 0.05 crore) = Rs. 100.30 crore

Supply within the State - Rs. 100.30 crore \times 3/5 = Rs. 60.18
Supply outside the State - Rs. 100.30 crore \times 2/5 = Rs. 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 leviable 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 rule 28(1) 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 Rs. 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 V- such goods. Thus, such goods will be liable to tax in the month of August 20XX. Goods sent in the month of _____ in 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(l)(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 to an unregistered person is exempt from tax [Notification No. 12/2017 CT (R) dated 28.06.2017]. Therefore, rent of Rs. 10 lakhs received from letting out of building for printing press will be liable to tax and rent of Rs. 5 lakhs received from letting out of building for residential purposes to an unregistered person 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 (Rs. 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.

46) 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. Following are the particulars furnished by him.

SI.	Particulars	Value Rs.
(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 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 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.	

Sol: **Computation of tax payable in cash**

S.No.	Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
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 therefore 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 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.]	6,00,000	Nil	Nil	
(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	72,000	72,000	

(v)	Payment of liquidated damages to the Government [Services provided by Government by way of tolerating non- performance of a contract for which consideration in the form of liquidated damages is payable to the Government under such contract, is exempt, from GST. Further, as per Circular No. 178/10/2022 - GS-T, dated 03.08.2022, liquidated damages are not considered as consideration and hence it is not supply at all supply. Hence, no tax will be payable by Sukhdev on such liquidated damages.]	3,00,000	Nil	Nil	Nil
(vi)	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.] [It has been assumed that the value of Rs. 10 lakhs at which the agent sells the self-fabricated machinery to unrelated customer is known to Sukhdev at the time he sells the machinery to the agent] [It has been assumed that the supplier has opted to value the goods at 90% of the value charged by the agent to the 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 [It has been assumed that aggregate turnover of Sukhdev in the preceding financial year exceeds the threshold limit for registration.]	1,00,000	9,000	9,000	
(ii)	Renting of immovable property provided by 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 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	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	including ZRS, full ITC thereon will be allowed.			2,00,000
Total ITC [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.]			45,000	39,000	2,90,000
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)	
D.	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 [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.]		27,000	27,000	2,00,000
Total tax liability payable in cash [Since Rs. 12,000 (CGST) is available in Electronic Cash Ledger as opening balance, additional Rs. 46,000 (CGST) needs to be paid in cash.]			58,000	27,000	2,00,000

Note: In terms of section 49B of the CGST Act, 2017, full (100%) IGST credit of Rs. 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.

47) The details of transactions of J Ltd., Vadodara (Gujarat), a registered taxable person, during the month of February, 2022, are as under:

S. No	Particulars
1	Purchased goods from a manufacturer in Maharashtra as a merchant exporter (on payment of 0.1% IGST) and exported same directly to an importer of Spain under LUT. FOB value is Rs. 7,00,000. Invoice for supply to J Ltd. was received on 5/2/22 & payment was made on 8/2/22.
2	Imported goods from China with CIF value of Rs.5,00,000. The goods were sold for Rs. 5,10,000 as high sea sales to an Indian party on 21/2/22.
3	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. J Ltd paid sales commission of Rs. 50,000 to Mrs. T, their agent in connection with this transaction. The transaction was completed in the third week of February. (The figures in rupees have been given after conversion though transaction was in convertible foreign currency).
4	J Ltd. has agreed to provide technical services to Mr. K of Ahmedabad who is an unregistered person in connection with the manufacturing operations to be undertaken by him for a consideration of Rs. 5,00,000 and has received an advance of Rs. 1,00,000 for same on 2/2/22.

5	It has imported raw materials from China. CIF value of the goods for the purpose of Customs included Rs. 1,00,000 as ocean freight paid by J Ltd. The value for the purpose of levy of IGST worked out by Customs was Rs. 6,00,000. Clearance of the goods took place on 4/2/22.
6	Locally purchased taxable raw material stored in the factory got spoiled due to rainwater in the factory and became unusable. J Ltd. claimed and received on insurance amount of {60,000 for the same. Value of the raw material at the time of receipt was Rs. 70,000. Raw material was purchased from a party in Gujarat on 3/2/22 and payment was made on 7/2/22.
7	Company purchased a three-wheeler having capacity of 2 persons including driver (engine capacity 20CC) at a cost of Rs. 2,50,000 which is being used for transportation of staff of company from residence to factory and back. The vehicle was received on 5/ 2/ 22 and payment was made on the same date.
8	It has paid inward transportation expense of Rs. 30,000 to Mr. Z, a tempo owner who has not issued any consignment notes. He has issued a consolidated bill only on 3/2/22 and payment was made on 4/2/22.
9	It has supplied goods of value of Rs. 50,00,000 to V Ltd. Padra, Gujarat (includes 00,00,000 supplied to SEZ unit of V Ltd).
10	It has purchased goods from X Impex Ltd. Kadi, Gujarat for use as raw materials in its factory. The value of the goods Rs. 30,00,000. Invoice is dated 2/2/2022.
11	It has availed supply of manpower security services from Y Ltd. Vadodara, Gujarat, a registered taxable person. The amount paid is Rs. 1,00,000. The invoice was received on 1/2/2022 and payment was made on the same day.

Assume the CGST and SGST rates to be 9% each and IGST rate to be 18% except the supply received as a merchant exporter. Ignore compensation cess. J Ltd. had an opening balance of ITC of CGST of Rs. 20,000 and SGST of Rs. 20,000 as on 1/2/2022. In respect of all the inward supplies, suppliers have uploaded their invoices in respective Form GSTR-1 and the supplies are reflected in GSTR-2A/2B. All the figures given above are exclusive of GST, wherever applicable.

Work out the admissible ITC and GST liability [CGST, SGST or IGST, as the case may be] payable in cash, by J Ltd, Vadodara (Gujarat), for February, 2022.

Ensure that all the items in the table are covered in your answer. Provide supporting explanatory notes for your conclusion wherever required. [PYQ Nov'22]

Sol:

I. Computation of admissible ITC for February, 2022				
Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	-	20,000	20,000	-
Goods purchased as merchant exporter [Merchant exporter is eligible to take ITC of IGST paid@ 0.1%. ¹]	7,00,000	-	-	700
Goods imported from China [No ITC since tax is not payable. In case of high sea sales, IGST is paid by the last high sea	Nil	-	-	-

sales buyer who files the bill of entry for home consumption.]				
Goods purchased from Taiwan [No ITC since tax is not payable as goods do not become part of the landmass of the country.]	Nil	-	-	-
Sales commission paid to agent - Mrs. T ² [Since service provider - Mrs. T is an intermediary in the given transaction, place of supply is location of Mrs. T, i.e. outside India. Thus, tax is not payable under reverse charge on said services.]	50,000	-	-	-
Imported raw material from China [Input tax, inter alia, includes IGST charged on import of goods. ³]	6,00,000	-	-	1,08,000 [600000 X 18%]
Raw material spoiled ⁴ [ITC is blocked under section 17(5) on destroyed goods.]	-	-	-	-
Three-wheeler purchased ⁵ [ITC on a three-wheeler with engine capacity of 20cc is allowed as it is not a motor vehicle and is used in course or furtherance of business ⁶ .]	2,50,000	22,500 [2,50,000 x 9%]	22,500 [2,50,000 x 9%]	-
Inward transportation from Mr. Z [Services of transportation of goods without issue of consignment note is not covered under services of GTA and hence exempt. Thus, no ITC is available.]	-	-	-	-
Raw material purchased from X Impex Ltd., Gujarat [ITC on goods used in course or furtherance of business is allowed.]	30,00,000	2,70,000 [3000000 x 9%]	2,70,000 [3000000 x 9%]	-
Manpower security services from Y Ltd. [Since security services are provided by a body corporate, tax on the same is not payable under reverse charge.]	1,00,000	9,000 [1,00,000 x9%]	9,000 [1,00,000 x9%]	-
Total ITC available		3,21,500	3,21,500	1,08,700
II. Computation of GST liability payable in cash, by J Ltd.				
GST payable on outward supplies				
Export of goods to Spain under LUT [No IGST is payable.]	7,00,000	-	-	Nil
High sea sales of goods imported from China [Neither treated as supply for goods nor as supply of services.]	Nil	-	-	-

Goods purchased from Taiwan sold in Turkey without bringing into India [Neither treated as supply for goods nor as supply of services.]	Nil	-	-	-
Advance received for, the technical services to be provided to Mr. K [Tax on the services/to be provided is payable at the time of receipt of advance.]	1,00,000	9,000 [1,00,000 x9%]	9,000 [1,00,000 x9%]	-
Goods supplied to SEZ unit of V Ltd. [Supply to SEZ unit is a zero-rated supply ⁷ .]	10,00,000	-	-	Nil
Supply of goods to V Ltd., Gujarat	40,00,000	3,60,000 [4000000 x 9%]	3,60,000 [4000000 x 9%]	-
Total output tax		3,69,000	3,69,000	Nil
Less: ITC* [Credit of IGST can be utilized towards payment of CGST and SGST liability in any order and in any proportion. Credit of CGST and SGST can be utilized only after IGST credit has been fully utilized. Thereafter, credit of CGST and SGST is utilized for payment of CGST and SGST liability respectively. CGST credit cannot be utilized for payment of SGST and vice versa.]		54,350 (IGST)	54,350 (IGST)	
		3,14,650 (CGST)		
			3,14,650 (SGST)	
Net GST payable		Nil	Nil	Nil
Add: GST payable on inward supplies				
Imported raw material from China	6,00,000			1,08,000 [600000 X 18%]
Total net GST payable in cash		Nil	Nil	1,08,000

*Note: ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST. However, total amount of net GST payable in cash will be same in each case.

¹ In the absence of the value of supply of goods purchased as a merchant exporter, FOB value of export of such goods has been taken as their purchase price for computing the ITC amount.

² Since the transaction was undertaken in convertible foreign exchange, it is logical to infer that Mrs. T is located outside India.

³ It has been assumed that the contract for import of goods from China is on CIF basis.

⁴ Insurance amount received is an actionable claim. Thus, it is treated neither as supply of goods nor as supply of services.

⁵ It has been assumed that purchase of three-wheeler is an intra-State supply. Alternatively, it is also possible to assume that purchase of three-wheeler is an inter-State supply. In that case, IGST of Rs. 45,000 will be available as ITC.

⁶ It has been assumed that the depreciation has not been claimed on GST paid on said capital goods, under the Income-tax Act, 1961.

⁷ It has been assumed that goods have been supplied to SEZ without payment of tax.

48) MS Ltd. is a GST registered company. During the month of October, 20XX, the company has undertaken the following transactions and wants you to work out the GST output liability, admissible input tax credit and the amount that will have to be paid in cash by the company to the Government before taking you as a Manager in the company. There is no carry forward amount in respect of any of the items to be considered for the purpose of calculations other than what is mentioned specifically below.

Rate of IGST can be taken as 18%, CGST 9% and SGST 9% on all goods and services except GTA service/transportation service and restaurant service for which CGST and SGST rate would be 2.50% each and IGST rate would be 5%. The amounts indicated for all the items are without including the CGST and SGST or IGST element. Whether a supply attracts IGST or CGST/SGST has to be determined on the basis of details given.

The company has indicated to you that the GST liability for October, 20XX for their main product alone is Rs. 54 lakhs of CGST and SGST each and Rs. 72 lakh IGST and the eligible credit on the inputs and input services for October, 2020 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 the other details which is not part of the above as under:

S.No.	Details of the transaction
i.	During the month of October 20XX, the company offered a special discount of 25% on a product, the sale of which it intended to discontinue from 1st December 20XX onwards and issued credit notes to the dealers. This product was lying in stock with the dealers and the discount offered to the customers was borne by the company by issuing the credit note. The amount reimbursed to the dealers for the discounts given to the customers in the month of October 20XX was Rs. 36,00,000 in the course of inter-State.
ii.	The company sold a van used for personal transport by auction. The van had been purchased at Rs. 3,20,000. The depreciated value at the time of sale was Rs. 1,40,000. No GST credit was taken. The van was sold for an amount of Rs. 1,50,000 during the month of October 20XX in the course of intra-State.
iii.	The company has a policy of raising invoices separately towards transportation cost of their products on their dealers at the time of invoicing for the products sold to them. The company is collecting GST at 5% on all transactions and the amount is collected as a percentage of the value of the goods supplied irrespective of the distance involved. The amount collected during the month of October 20XX towards transportation in intra- State transaction is Rs. 6 lakh and inter-State transactions is Rs. 4 lakhs.

iv.	The security establishment of the company caught an employee who had stolen bearings of value Rs. 2.50 lakh during the month of October 20XX. Bearings could not be recovered. But the company successfully recovered the cost from the employee. IGST credit of Rs. 45,000 had been taken by the company on these bearings.
v.	The company supplies food and beverages to the employees and all the items are priced at 10% of the actual cost to the company. During the month of October, 2020, the company had charged Rs. 50,000 to the employees. Assume that it is intra-State transaction.
vi.	During the month of October, 20XX, the company purchased 10 mobile phones in its name and distributed to the employees to enable them to perform their duties more efficiently for the company. Total price of the phones was Rs. 1,20,000. At the end of the month, company sold these mobiles to employees and company recovered only Rs. 20,000 from the employees. Assume that it is intra-State 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 of the company was paid a salary of Rs. 5 lakhs during the month. He was also paid Rs. 20,000 towards sitting fees for his participation in the meeting.

Give a brief note to support your treatment for the items wherever required.

Note: Company wants to pay minimum amount of SGST as far as possible [PYQ July'21]

Sol: **Computation of output GST liability of MS Ltd. for October 20XX**

Particulars	CGST (Rs. Lakhs)	SGST (Rs. Lakhs)	IGST (Rs. Lakhs)
GST liability for main product	54	54	72
After-sales discount on a product [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 used for personal transport by auction ¹	0.135 [1.5 X 9%]	0.135 [1.5 X 9%]	
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 [6x9%]	0.54 [6x9%]	0.72 [4 X 18%]
Food and beverages supplied to the employees [Goods being provided to the related person (employees), open market value of the same [actual cost (50,000x100/10)] has been considered as value. CGST & SGST@ 9% each is payable on food items.]	0.45 [5.0 x9%]	0.45 [5.0 x9%]	
Supply of mobile phones to employees ² [Supply being made to the related person (employees), open market value ³ of the same has been considered as value.]	0.108 [1.20 x9%]	0.108 [1.20 x9%]	

Total output tax liability	55.233	55.233	72.72
Less: ITC set off [Refer working note (1) below] [IGST credit is first utilized for payment of IGST liability and then for payment SGST liability followed by CGST liability since the SGST liability is to be kept at minimum.]	(16.579)	(55.233)	(72.72)
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.	(20.261)		
GST Payable in cash [A]	18.375	Nil	Nil
GST under reverse charge payable in cash [Refer working note (2) below] [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.]	0.153	0.153	
Total GST Payable in cash [A] + [B]	18.528	18.528	

¹The value of supply as well as applicable rate of tax to be paid in case of old and used motor vehicles can also be determined in terms of Notification No 8/2018 CT (R) dated 25.01.2018.

²It has been assumed that selling of mobile phones to employees at reduced rates does not form part of the employment contract. Further, mobile phones have been considered as inputs. However, it is also possible to consider mobile phones as capital goods. Since in the given case mobile phones (capital goods) are being removed after being used, a specified 'amount' determined in terms of section 18(6) of the CGST Act, 2017 shall be payable.

³Since mobile phones have been considered as inputs, purchase price of Rs. 1,20,000 for the mobile phones has been considered as its open market value.

Working notes:

(1) Computation of ITC available with MS Ltd. for October 2020

Particulars	CGST (Rs. Lakhs)	SGST (Rs. Lakhs)	IGST (Rs. Lakhs)
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)
Mobile phones purchased for employees [ITC of goods used in course or furtherance of business is allowed.]	0.108 [1.2 X 9%]	0.108 [1.2 X 9%]	
Rent paid to Municipality	0.135 [1.5 X 9%]	0.135 [1.5 X 9%]	
Sitting fee paid to whole time director	0.018 [0.20 X 9%]	0.018 [0.20 X 9%]	
Total	20.261	20.261	144.55

(2) Tax payable under reverse charge

Particulars	CGST (Rs. Lakhs)	SGST (Rs. Lakhs)	IGST (Rs. Lakhs)
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Rent paid to Municipality [Tax on renting of immovable property services supplied by local authority to a registered person is payable under reverse charge.]	0.135 [1.5 X 9%]	0.135 [1.5x9%]	
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 [0.20 X 9%]	0.018 [0.20 X 9%]	
Total tax payable under reverse charge	0.153	0.153	

Note: In the above question," GST at 5% on all transactions and the amount is collected as a percentage of the value....." may be read as ".....GST at 5% on all transactions. The transportation cost is collected as a percentage of the value".

49) 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, 20XX:

S.No.	Particulars	Amt. (Rs. Lakhs)
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 Rs. 20 lakhs 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.N	Particular	Amt of purchase (Rs.' lakh)	Amt. of ITC thereon (Rs.' 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 & carbonated drink	200	20	20	Nil
4.	Sugar used for fruit juice & 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). [MTP May'23]

Sol: **Computation of ITC available with Cash and Credit Ltd. for April, 20XX**

	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)]			1
Machinery [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 = Rs. 2 lakhs Exempt turnover = Rs.2200 lakh; Total turnover = Rs. 4400 lakhs Common credit attributable to exempt supply= $[2 \times 2200 / 4400] = \text{Rs. 1 lakh}$; similar reversal for SGST credit	(1)	(1)	
Common credit of IGST on marketing expenses being used commonly for taxable and exempt products = Rs. 10 lakh; Common credit attributable to exempt supply $[10 \times 2200 / 4400] = \text{Rs. 5 lakhs}$			(5)
Total ITC available for set off	27	27	26

Computation of net GST payable for the month of April, 2020

Particulars	Value Rs. 'Lakhs	CGST Rs. 'Lakhs	SGST Rs. 'Lakhs	IGST Rs. 'Lakhs
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 RCM 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

*It has been assumed that the amounts given are exclusive of GST.

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 (Rs. 217 lakh) in cash will remain the same.

50) 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 lakhs 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 lakhs.

(iii) The firm is also engaged in providing taxable consultancy services. Consultancy services of Rs. 30 lakhs 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 lakhs.

(v) Due to shortage of funds, it sold one of its factory buildings for Rs. 180 lakhs (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 lakhs 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 lakhs in the preceding financial year. Unless otherwise mentioned, exports are made under letter of undertaking. [RTP-May 2023]

Sol:

(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 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 Sec. 16(3)(a) of that Act.]	15,00,000	Nil
Consultancy services provided to independent clients located in foreign countries.	30,00,000	Nil

[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.]		
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 occupation, whichever is earlier. Hence, the same is not liable to GST]	1,80,00,000	Nil
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 Electronic Credit Ledger of Jankinandan Associates for 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

51) Priya Infra Ltd., a registered supplier under GST in the State of Kerala, is engaged in the construction business. It provides the following information for the month of April, 2021:

S.N	Particulars	Amt (Rs.)
	OUTWARD SUPPLY:	
(i)	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

(ii)	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
(iii)	Supplies a consignment of marbles in the territorial waters to Classic 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
(iv)	Received an advance for future supplies of goods and services from a customer in Kerala (of which 70% is related to future supplies of services).	7,00,000
(v)	Computer used for business purpose was given free of cost to an unrelated person based in Kerala, computer was purchased 2 years' back at cost of Rs. 88,500 (including GST of Rs. 13,500,) having a W.D.V. of Rs. 71,685 as on the date of sale. Open market value is Rs: 55,000 (excluding GST). No ITC is taken on this computer at the time of purchase.	Nil
INWARD SUPPLY:		
(i)	Availed services of an arbitral tribunal in Trivandrum, Kerala to settle a case relating to RERA Act.	7,00,000
(ii)	Purchased construction materials from Baahu 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 material	12,00,000

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 Baahu Steels Ltd.'s GST number has been enabled for e-invoicing. However, the supplier did not issue e-invoice/ tax invoice with invoice reference number (IRN). The invoice was reflected in GSTR-2B.
- (iv) Turnover of Priya 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 2021. Reason for treatment needs to be given. [PYQ Dec'21]

Sol: Computation of minimum net GST payable in cash by Priya Infra Ltd. for April 2021

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
<u>GST payable under forward charge</u>			

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 place of 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%]	-
Computer given free of cost to unrelated customer [Since ITC has not been taken on the computer, permanent transfer of the same without any consideration to an unrelated customer shall not amount to deemed supply in terms of Schedule I to the CGST Act, 2017. Further, since no ITC has been taken, question of reversal of ITC attributable to the remaining useful life of the computer does not arise.]	-	-	-
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)
Net output GST payable in cash [A]	Nil	Nil	2,32,200
<u>GST Payable Under Reverse Charge</u>			
GST payable under reverse charge			
Tax on services provided by the arbitral tribunal 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.	54,000	54,000	-

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 Priya Infra Ltd. for April 2021

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
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 Priya 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 Baahu 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	-

52) 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:

Details of outward supplies:	
(i) Intra-State	45,00,000
(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 unregistered GTA for intra-State transportation of goods [20% of the freight paid was towards transportation of goods not liable to GST.]	60,000
(ii) Telephone expenses [Out of the above, Rs. 18,000 was spent on landline installed in the sales outlet and Rs. 12,000 was spent on phones provided to employees in relation to the work of the firm.]	30,000
(iii) Premium paid on insurance taken on car used by proprietor of the firm in relation to the work of the firm (intra-State)	8,500
(iv) Outdoor catering service expenses incurred during Diwali 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 Rs. 50 lakh were used only for making taxable supplies and exempt inward supplies of Rs. 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.

[PYQ May'22]

Sol:

Computation of ITC credited to Electronic Credit Ledger

Particulars	Value (Rs.)	CGST(Rs.)	SGST(Rs.)	IGST(Rs.)
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 unregistered GTA for intra-State of taxable goods@ 2.5% [Since GTA is unregistered, tax is payable under reverse charge @ 2.5%.] [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 located in the State of Gujarat.]	48,000 [60,000 X 80%]	1,200	1,200	--
GST on freight paid to unregistered GTA for intra-State of exempt goods @ 2.5% under reverse charge [ITC on input services used exclusively in relation to exempt supplies is not available.] [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.]	12,000 [60,000 X 20%]	--	--	
GST on telephone expenses@ 9% [ITC of services used in the course or furtherance of' business is available.] [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.]	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% [ITC of services used in the course or furtherance of business is available.] [It has been assumed that supplier of services of renting of premises is registered in the State of Gujarat.]	60,000	5,400	5,400	
ITC credited to the electronic ledger		3,69,300	3,69,300	1,80,000

(2) Computation of common ITC available for apportionment

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
ITC credited to Electronic Credit Ledger	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 transportation of taxable goods	1,200	1,200	
Common credit for apportionment	8,100	8,100	--

(3) Computation of ITC attributable towards exempt supplies

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period/ Total turnover during the tax period [Rs. 8,100 x (Rs. 6,00,000/Rs. 66,00,000)]*	736	736	

*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.

(4) Computation of ITC available for utilization towards payment of tax in terms of rule 86B

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Maximum amount of output tax liability that can be discharged from ECrL [99% of Output tax liability] [Since the value of taxable supply other than exempt supply in December 2021 (Rs. 45 lakh + Rs. 15 lakh) exceeds Rs. 50 lakh, amount from electronic credit ledger which it can use to discharge is output tax liability of said month cannot exceed 99% of such tax liability in terms of rule 86B of the CGST Rules, 2017.]	4,00,950 [45,00,000 X 9% X 99%]	4,00,950 [45,00,000 X 9% X 99%]	2,67,300 [1500000 X 18% x 99%]
Amount of ITC available for utilization towards payment of tax [Since the ITC available in ECrL after reversal thereof is lower than the aforesaid amount, entire ITC can be utilized towards payment of GST.]	3,68,564 [3,69,300 - 736]	3,68,564 [3,69,300 - 736]	1,80,000

53) Adityanath Private Limited is registered under GST in the State of Uttar Pradesh. It is engaged in supplying three products - Product Alpha, Product Beta and Product Gamma, from its factory located in Rampur, Uttar Pradesh.

Product Alpha and Product Beta are taxable whereas Product Gamma 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 Alpha	50,00,000
Supply of Product Gamma	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 Beta	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 Manimani 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 (including VAT of Rs.5,00,000 and excise duty of Rs.12,50,000)	80,00,000
Amount received from Durga Das Private Limited of Lucknow, Uttar Pradesh. It has sponsored the business exhibition organized in Delhi by Adityanath Private Limited.	6,00,000

* excluding GST

Adityanath Private Limited furnishes the following additional information:

Particulars	(Rs.)*
Consideration paid for repair of machinery used for manufacturing Product Alpha by George Inc. of USA [Said machinery was sent to George Inc. in August for carrying out repair work on the same.]	5,20,000
Life insurance premium paid by the company for the life insurance of employees as per the policy of the company. There is no legal obligation for such insurance for employees	48,50,000
Audit fees paid	6,50,000
Raw material purchased [including raw material of Rs. 1,50,000 imported from China. Basic customs duty of Rs. 15,000, social welfare surcharge of Rs. 1,500 and integrated tax of Rs. 29,970 are separately paid on the imported raw material]	10,00,000
Transportation charges paid for transporting the goods [Rs. 4,00,000 is paid to unregistered Goods Transport Agency (GTA) located in Uttar Pradesh and Rs. 1,00,000 is paid for transport of goods by horse pulled carts. GST applicable on the services of GTA is 5%.]	5,00,000
Telephone expenses paid [Such expenses pertain to bills for landline phone installed at the factory and mobile phones given to employees for official use.]	4,25,000
Bank charges paid towards company's current account maintained with Manimani Bank	2,00,000
Legal services received from an advocate during the period only in relation to Product Beta	3,50,000

With the help of the above-mentioned information, compute the gross GST liability and net GST payable from Electronic Cash Ledger of Adityanath 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 Adityanath Private Limited, if any, have been made to persons other than distinct/related persons and are made by furnishing LUT without payment of IGST.

Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Turnover of Adityanath Private Limited was Rs. 40 crores in the preceding financial year. The inputs and input services received during August are commonly used for making all the outward supplies unless otherwise specified. The opening balance of Electronic Credit Ledger for the relevant tax period is Nil. [RTP May '22]

Sol: Computation of gross GST liability on outward supply of Adityanath Private Limited for the month of August

Particulars	Value (Rs.)	GST (Rs.)
Supply of Product Alpha [Liable to GST @ 12%]	50,00,000	6,00,000
Supply of Product Gamma [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 Beta [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.]		
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 of section 16(3)(a) of that Act.]	20,00,000	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, 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 liable to GST.]	2,50,00,000	Nil

Interest received on investment in fixed deposits with Manimani Bank [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]	10,50,000	Nil
Sale of shares [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.]	2,50,00,000	Nil
Supply of cigarettes [Liable to GST@ 28%] [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.]	1,00,00,000	28,00,000
Supply of petrol and diesel [Supply of petrol and diesel is not leviable to GST as per section 9 of the CGST Act, 2017.]	80,00,000	Nil
Amount received from Durga Das Private Limited for sponsorship of the business exhibition [Tax on services provided by any person by way of sponsorship to any body- corporate located in taxable territory is payable by the recipient (Durga Das Private Limited) under reverse charge. Thus, tax on such services is not payable by Adityanath Private Limited.]	6,00,000	Nil
Total GST liability on outward supply		52,00,000

Computation of net GST payable by Adityanath Private Limited for the month of August

Particulars	(Rs.)
Gross GST liability on outward supply	52,00,000
Less: Input tax credit (ITC) [Refer Working Note 2] [Since the value of taxable supply other than exempt supply and zero-rated supply of Adityanath Private Limited in August exceeds 50 lakh, amount available in 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 Rule 2017]	2,74,417
GST payable from Electronic Cash Ledger [A]	49,25,583
Add: GST payable on inward supplies under reverse charge	
Legal services [Rs. 3,50,000 x 18%] [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.]	63,000
Services received from unregistered GTA [Rs. 4,00,000 x 5%] [Tax on services provided by an unregistered GTA to a body corporate, is payable under reverse charge by the body corporate in terms of Notification No. 13/2017 CT (R) dated 28.06.2017.]	20,000
Tax payable under reverse charge [B]	83,000
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]	50,08,583

payable under reverse charge and thus, tax payable under reverse charge will have to be paid in cash.]

Working Note-1: Computation of common credit attributable to exempt supplies during August

Particulars	Amt (Rs.)	ITC (Rs)
Repair of machinery by George Inc. of USA [In case where either supplier or recipient is located outside India, the place of supply of services supplied in respect of goods required to be made physically available by recipient to supplier is the location where the services are actually performed in terms of section 13(3)(a) of the IGST Act, 2017. Hence, place of supply of repair services received in the given case is outside India. Since the location of supplier and place of supply are outside India, said repair services are not liable to GST.]	5,20,000	Nil
Life insurance premium paid by the company for the life insurance of employees [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 in terms of second proviso to section-17(5)(b).]	48,50,000	Nil
Audit fees [Rs. 6,50,000 × 18%] [Credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017]	6,50,000	1,17,000
Raw material [Rs. (10,00,000 - 1,50,000) × 12% + Rs. 29,970] [Credit of tax paid on inputs used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017. Further, IGST charged on raw material imported from China is also available because input tax, inter alia, includes IGST charged on import of goods (Section 2(62) of the CGST Act).]	10,00,000	1,31,970
Transportation charges for transporting the goods [Rs. 4,00,000 × 5 %] [Services by way of transportation of goods by road are exempt from GST except the services of a GTA. Hence, GST is not payable on transportation charges paid for horse pulled carts.]	4,00,000	20,000
Telephone expenses [Rs. 4,25,000 × 18%] [Credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017.]	4,25,000	76,500
Bank charges paid towards company's current account maintained with bank [Rs. 2,00,000 × 18%] [Credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017.]	2,00,000	36,000
Common credit on inputs and input services		3,81,470
Common credit attributable to exempt supplies (rounded off) = Common credit on inputs and input services × (Exempt turnover during the period / Total turnover in State during the period) = Rs. 3,81,470 × Rs. 29,60,00,000 / Rs. 66,40,00,000		1,70,053

Exempt turnover = Rs. 29,60,00,000 and total turnover in State = Rs. 66,40,00,000 [Refer note below]		
Legal services received from advocate [Rs. 3,50,000 x 18%] [Legal 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 (Adityanath Private Limited) in the preceding financial year exceeds Rs. 20 lakhs. Further, credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017. Full credit is available as these services are exclusively used for effecting taxable supply.]	3,50,000	63,000

Note: 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 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 to rule 42 of the CGST Rules, 2017, 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. Aggregate value of exempt supplies and total turnover excludes the central excise duty, State excise duty, central sales tax and VAT.

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), value of sale of shares (1% of Rs. 2,50,00,000 = Rs. 2,50,000), supply of Product Gamma (Rs. 1,00,00,000) and supply of petrol and diesel (Rs. 80,00,000 - Rs. 5,00,000 - Rs. 12,50,000 = Rs. 62,50,000), which comes out to be Rs. 29,60,00,000.

Total turnover in State = Rs. 66,40,00,000 [Rs. 50,00,000 + Rs. 1,00,00,000 + Rs. 50,00,000 + Rs. 50,00,000 + Rs. 1,00,00,000 + Rs. 20,00,000 + (Rs. 2,50,000/ 2 x 100 = Rs. 1,25,00,000) + Rs. 10,50,000 + (1% of Rs. 2,50,00,000 = Rs. 2,50,000) + (Rs. 1,00,00,000 - 12,50,000 = Rs. 87,50,000) + (Rs. 80,00,000 - Rs. 5,00,000 - Rs. 12,50,000 = Rs. 62,50,000) + Rs. 6,00,000]

Working Note-2: Computation of ITC available in the Electronic Credit Ledger of Adityanath Private Limited for the month of August

Particulars	(Rs.)
Common credit on inputs and input services [Refer working note-1]	3,81,470
Legal services used in the manufacture of taxable Product 'Beta' [Refer Working Note-1]	63,000
ITC available in the Electronic Credit Ledger	4,44,470
Less: Common credit attributable to exempt supplies during August [Refer Working Note 1]	1,70,053

Net ITC available	2,74,417
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54) 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:	
1	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
2	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
3	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
4	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:	
5	Monthly rent paid to Kerala State Government for an office taken on rent	6,00,000
6	Purchased raw material from Saksham Steels Ltd., registered in the State of Andhra Pradesh	15,00,000
7	Purchased a new truck from a dealer in Cochin, Kerala for transport of materials	12,00,000

The company provided the following additional information:

- 1) 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.
- 2) Availed services of an arbitral tribunal in Kannur, Kerala worth Rs. 7,00,000 to settle a case relating to Companies Act.
- 3) The company claimed depreciation under the Income-tax Act, 1961 on the new truck purchased including all applicable taxes.
- 4) 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.
- 5) Turnover of Sudarshan Ltd. for the previous financial year was Rs. 180 lakh.

6) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.

7) 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]

Sol: **Computation of minimum net GST payable in cash by Sudarshan Ltd. for January**

Particulars	Value (Rs.)	CGST (Rs)	SGST (Rs)	IGST (Rs)
<u>GST payable under forward charge</u>				
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 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)	6,00,000	54,000 [6,00,000 X 9%]	54,000 [6,00,000 X 9%]	
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 advance.]	4,90,000 (700000 - 210000)	44,100 [4,90,000 X 9%]	44,100 [4,90,000 X 9%]	
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 [1500000 x18%]
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

<u>GST payable under reverse charge</u>				
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	63,000	63,000	
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 non- body 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 1st 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 [700000 X 9%]	63,000 [700000 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	

55) Ram & Company, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product and an Exempt product A & B. 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.

Ram & Company has furnished following details with respect to its turnover and stock (exclusive of taxes): [Self-Framed + MTP May'19]

Turnover Details:		
Particulars	Turnover for the quarter ended 30.06.20XX (₹)	Turnover for the quarter ended 30.09.20XX (₹)
A	₹ 60,00,000	₹ 50,00,000
B	₹ 17,65,000	₹ 17,00,000

Stock Details:

Particulars	Stock as on 30.06.20XX (₹)	Stock as on 30.09.20XX (₹)	Stock as on 31.10.20XX (₹)
A	₹ 50,00,000	₹ 20,00,000	7,20,000
B	₹ 20,00,000	₹ 4,00,000	2,40,000

Notes:

The entire stock of products A & B available with the firm as on 30.09.20XX is purchased during the said half year, except a consignment of product A valuing ₹6,00,000, purchased in April of the preceding financial year.

In the current financial year (October), no purchases were made, and products were sold with a profit margin of 20% on sales (exclusive of taxes).

Extract of Bill Book:

Bill No.	Date	Value of Products (Exclusive of Taxes) (₹)		
		A	B	Total
2306	01.10.20XX	2,00,000	3,000	2,03,000
2307	01.10.20XX	1,33,000	5,250	1,38,250

2308	02.10.20XX	67,000	39,250	1,06,250
2309	03.10.20XX	58,750	33,750	92,500
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		

Service Details:

- Freight paid to Goods Transport Agency: ₹2,80,000. Paid monthly, equal amounts on the 10th of each month from April 20XX to October 20XX. Goods transported between the 11th to 20th day of the month.
- Special packing charges paid to a Packing Company Rs. 600000, having expertise in such specialized packing, during the period January 20XX to 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 9th day of each month.

All the above amounts are exclusive of taxes, wherever applicable

(i) 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	Date of Purchase	Value (₹)	GST (₹)
Computers	01.02.20XX	₹ 4,00,000	₹ 72,000
Printers	Jan. 1 two years prior to 1.1.20XX	₹ 1,60,000	₹ 28,800
Motor Cycle (staff use)	23.09.20XX	₹ 1,70,000	₹ 30,600
Furniture & Fixtures	12.06.20XX	₹ 8,00,000	₹1,44,000
Air Conditioner in Office	15.10.20XX	₹ 4,00,000	₹ 72,000
Exhaust Fan used in Godown	10.03.20XX	₹ 1,00,000	₹ 18,000

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.

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.

(ii) 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

Sol: 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 input services is not allowed and 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 Ram & Company on inputs held in stock and capital goods on 02.10.20XX will be computed as under:

ITC on inputs

Particulars	Amount
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 is considered]	20,00,000
Add: purchases [NO purchases are made in October, 20XX]	NIL
Less: cost of taxable goods sold from 01.10.20XX to 02.10,20XX	3,20,000
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]	16,80,000
Less: More than one year old stock	6,00,000
Stock of inputs on which ITC can be claimed	10,80,000
ITC of CGST @ 9% [Since all purchases are intra-State and from the suppliers registered under regular scheme]	97,200
ITC of SGST @ 9% [Since all purchases are intra-State and from the suppliers registered under regular scheme)	97,200

ITC on capital goods

Particulars	CGST @ 9%	SGST @ 9%
Computers [72,000 - (5% x 4 quarters)] /2	28800	28800
Printer [Being more than one year Old, no ITC is available]	-	-

Motor cycle [Section of CGST Act, 2017 allows ITC on motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons only when they are used for making the following taxable supplies, namely: (A) further supply of such motor vehicles; or (B) transportation of passengers; or imparting training on driving such motor vehicles] Since Ram & 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 144,000 - (5% x 3 quarters)] / 2	61,200	61,200
Air conditioner used in the office [Since purchased after 03.10.20XX, full ITC will be available & will be computed separately]	-	-
Exhaust fan used in the godown [18,000 - 5% x 4 quarters)/ 2	7,200	7,200
ITC to be claimed on capital goods	97,200	97,200
Total ITC on inputs and capital goods credited to Electronic Credit Ledger on 02.10.20XX	1,94,400	1,94,400

Output tax liability of Ram & 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 State (eastern part of Maharashtra), CGST and SGST @ 9% each will be payable on outward supplies.

Tax liability for month of October, 20XX under regular scheme will be computed as under:

Particulars	Value	CGST	SGST
Tax on outward supply of A (Taxable supplies from 03.10.20XX to 31.10.20XX chargeable to CGST and SGST 9% each)	12,00,000	1,08,000	1,08,000
ITC reversal on capital goods [Refer Working Note 2 below]		250	250
Total Output Tax liability		1,08,250	1,08,250
Less: ITC (Refer Working Note 3 below)		(1,08,250)	(1,08,250)
GST payable in cash		Nil	Nil
Tax on inward supplies attracting reverse charge GTA services availed chargeable to CGST & SGST @ 2.5% each (2,80,000/7)	40,000	1,000	1,000
Total GST payable in cash		1,000	1,000
As per section 49(4) of CGST Act, 2017 amount available in electronic credit ledger may be used for making payment			

towards output tax. However, tax payable under RCM is not an output tax in terms of Sec. 2(82) of CGST Act. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.			
Working Note I: Particulars	Value	CGST	SGST
CGST & SGST @ 2.5% each paid under RCM on freight paid on GTA on 10.10.20XX (for the goods transported between 11.10.20 XX & 20.10.20XX) will be available as ITC under RCM	40,000	1,000	1,000
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 & 10.11.20XX) will be available as ITC under regular scheme.	60,000	5,400	5,400
Total common credit		6,400	6,400
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) 6400 x152,500/13,52,500 Turnover of B (exempt turnover) from 03.10.20XX 31.10.20XX is 152500 [Refer Working Note 4] Total turnover from 03.10.20XX to 31.10.20XX is 13,52,500 [Refer W. Note 4]		722	722

Working Note 2

Particulars	CGST@9%	SGST@9%
ITC claimed on capital goods on 02.10.20XX	97200	97200
Air conditioner used in the once purchased on 15.10.20XX	36000	36000
Common ITC [Since all the capital goods are used for effecting both taxable and exempt supplies, the entire ITC on capital goods is common	133200	133200
Common credit for a tax period (Common credit/60) (rounded off)	2220	2220
Common credit on capital goods attributable to exempt supplies (rounded of) 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) = 2220 x 152,500/1352500	250	250

Working Note 3

Particulars	CGST	SGST
ITC on inputs and capital goods claimed on 02.10.20XX	194400	194400
ITC on air conditioner used in the office purchased on 15.10.20XX	36000	36000
ITC on freight paid to GTA	1000	1000
ITC on packing charges	5400	5400
Less: ITC reversal on input services [Refer Working Note I]	(722)	(722)
Total ITC available with the firm	236078	236078

Working Note 4

Particulars	Total turnover for the month of October 20XX	Turnover in month of Oct under RCM (03.10.20XX-31.10.20XX)
A	16,00,000 [20,00,000- 720,000]X125%	12,00,000 [16,00,000-2,00,000- 1,33,000-67,000]
B	2,00,000 {4,00,000- 240,000}X125%	1,52,500 [2,00,000-3,000-5,250-39,250]
Agg. Turnover	18,00,000	13,52,500

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)

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