

ITC Master Question | CA Final IDT

Mr. Deven is registered under GST in the State of Karnataka and Mumbai, involved in business of sale purchase of goods, and some services like security services, event organization, providing MV on hire etc.

He is engaged in providing multiple types of services and provides the following information related to his business from Karnataka for the month of February 2025:

Particulars	Amount in ₹
Outward Supplies	
a. Provided security services to various concerns (Out of ₹ 5,00,000, services provided to unregistered persons were ₹ 1,00,000)	5,00,000
b. Provided services for organizing an entertainment event to Wonderful Fims Limited, registered in the State of Telangana, for launch of their new movie. Event was held in the State of Karnataka.	15,00,000
c. Provided training services in a program organized by National Skill Development Corporation, even though Mr. Deven was a not a training partner.	2,00,000
d. Sold his old godown used for the purposes of his business (stamp value was ₹ 14,00,000)	20,00,000
e. Karnataka Store transfers to Mumbai store certain taxable items for the purpose of distributing the same as free samples. The value declared in the invoice for such items is Rs. 5,00,000. Such items are sold in the Karnataka Store at Rs. 8,00,000.	5,00,000
f. Interest received on investment in fixed deposits with a bank	4,00,000
g. Provided free of cost training in a resort in Puducherry to its agents based in the State of Karnataka on effective use of the products of the company. <i>[Open market value of the said service is Rs. 1,00,000. Value of supply of service of like kind and quality is Rs. 1,20,000.]</i>	
h. Provided intra-State service as a Direct Selling Agent (D.S.A.) to Uday Small Finance Bank Limited for their retail loan products	5,00,000
i. He sold a van by auction; van was being used for official travel purposes. The van was purchased at Rs. 3,20,000 and depreciation was claimed under section 32 of the Income-Tax Act, 1961. The depreciated value at the time of sale was Rs. 1,40,000. No ITC was taken on the same. The van was sold intra-State for an amount of Rs. 1,50,000.	1,50,000
j. 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
k. 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 28 th February	--

from its premises in Kerala to a buyer in the State of Karnataka at a price of Rs.1,00,000	
l. Supply of cigarettes [GST @ 40%] *including excise duty of ₹ 2,50,000	13,00,000
m. Provided printing related consultancy services to M/s. Tay Hung & Co, a resident of South Korea, for the new market potential for South Korea, for the new market potential for its latest Hi-tech printing machine. Market study involving demo of machine working was conducted in Japan, Indonesia and State of Karnataka, India. Out of consideration of ₹ 20 lakhs, ₹ 14 lakhs were apportioned to study done abroad.	20,00,000
n. Provided means of transportation of goods on rent to Sharma Carriers (GTA)	40,000
o. Service w.r.t horticulture works provided to CPWD (Delhi). Total value is ₹ 5,00,000. Portion of it w.r.t services is 10% of total value.	--
p. Provided ambulance service locally for transport of patients and charged nominal amounts for it (he is neither a doctor, nor attached to any hospital)	10,000
<i>Inward Supplies</i>	
a. Availed tax consultation services from his CA (Registered) <i>(registered in Tamil Nadu with an aggregate turnover of Rs. 6 crores in the preceding financial year). The CA raises an e-invoice without IRN (Invoice Reference Number) for said services.</i>	30,000
b. Availed various input services in relation to organizing entertainment event as in point (b) above from registered persons.	4,00,000
c. Monthly rent payable for the complex, taken on rent from DDA (Delhi Development Authority, Registered) (one third of space used for personal residential purpose).	5,50,000
d. Freight paid to goods transport agency (GTA) [service taxable @ 5%] for inward transportation of goods not leviable to GST	50,000
e. Security Services availed (payment made to A Plus Security Ltd, a company unregistered under GST)	70,000
f. Purchased processing machines from David & Co., registered under GST, in the State of Gujarat. Machines were bought in "as is where is condition" at Gujarat to produce taxable items.	30,000
g. IGST of Rs. 90,000 paid on goods imported from Japan, to be used for production of taxable items [Goods landed in Gujarat port and reached at his registered premises on 27 th February.]	90,000
h. 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. Deven paid sales commission of Rs. 50,000 to Mrs. Tanya (Taiwan), his agent in connection with this transaction. The transaction was completed in the third week of February. (The figures in ₹ have been given	--

after conversion though transaction was in convertible foreign currency).	
i. Sponsored a cricket tournament of Trent Tech Ltd	5,00,000
j. Purchased silk yarn (manufactured from raw silk) from manufacturer- Raheja Silk Traders (registered in Mumbai). Goods sent to Karnataka	50,000
k. Raw material purchased (Note iii)	3,50,000

Following additional information is also provided by Mr. Deven:

- (i) Wherever details for determination of place of supply are not given in the question, it shall be taken as intra-State transaction.
- (ii) Imported consultation services in the course of his business from his father-in-law in Australia, without a consideration and valued at ₹ 1,20,000.
- (iii) Raw material amounting to Rs. 0.80 lakh is procured from Bihar (from registered persons) and Rs. 1.5 lakh is imported from China. Basic customs duty of Rs. 0.15 lakh, social welfare surcharge of Rs. 0.015 lakh and integrated tax of Rs. 0.2997 lakh are paid on the imported raw material.

Remaining raw material is procured from suppliers located in Karnataka. Out of such raw material, raw material worth Rs. 0.30 lakh is procured from unregistered suppliers; the remaining raw material is procured from registered suppliers.

Further, raw material worth Rs. 0.05 lakh purchased from registered supplier located in Karnataka has been destroyed due to seepage problem in the factory and thus, could not be used in the manufacturing process.

- (iv) During the course of arranging and filing documents, Deven observed that an invoice for Rs. 96,000 (excluding GST) dated 2nd February of was omitted to be recorded in the books of accounts and no payment was made against till end of February. This invoice was issued by Mr. Rishi of Kerala (Registered), from whom Deven had taken cars designed to carry goods. Mr. Rishi (monthly filer) filed his GSTR-1 for February on 15th March. Invoice covers cost of fuel. Rate of GST = 5%.

Other Info:

All the amounts given above are exclusive of tax, wherever applicable.

Assume the rate of tax for CGST/SGST/IGST as 9%/9%/18% respectively for both inward and outward supplies, unless specified otherwise.

Subject to the information given above, Mr. Deven fulfilled all the conditions required for availing ITC.

Unless otherwise specified, all the expenses are for common purposes, and none of them are for non business purpose.

Determine the net GST liability payable in cash by Mr. Deven for the month of February 2025.

Reason for treatment of each items needs to be given in the answer.

Answer

Tax Payable by Mr. Deven w.r.t Outward and Inward Supplies

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Tax Payable w.r.t Outward Supplies				
Security services to unregistered persons [On ₹ 1,00,000, tax is payable under forward charge and not under reverse charge since security services are provided to unregistered persons.]	1,00,000	9,000	9,000	-
Security services to registered persons [On ₹ 4,00,000, tax is payable under reverse charge by the recipient since security services are provided by a non- body corporate or by an individual to registered persons.]		-	-	-
Organisation of entertainment event [Inter-State supply, since place of supply of services provided by way of organisation of entertainment event to a registered recipient is the location of recipient, i.e. Telangana.]	15,00,000			2,70,000
Training services in a program organized by National Skill Development Corporation (NSDC) [Taxable, since services provided by only a training partner approved by NSDC, in relation to the National Skill Development Programme are exempt.]	2,00,000	18,000	18,000	-
Sale of old godown [Since sale of building (godown) is neither supply of goods nor supply of services as it is covered in Schedule III of the CGST Act, 2017. Thus, sale of godown is not a supply]	-	-	-	-
Transfer to Mumbai Store [Recipient is not eligible for ITC as it's blocked because of purchase for distribution as free samples]	8,00,000			1,44,000 [8,00,000 x 18%]
Interest received	4,00,000	-	-	-

[Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest are exempt]				
Free of cost training to agents [Services provided by the company to agents without consideration is not deemed as supply in terms of para 3 of Schedule-I since only goods supplied by principal to agent are covered therein. Further, such services are also not covered in para 2 of Schedule I as agents are not related persons.]	-	-	-	-
DSA service to Uday Small Finance Bank [Tax payable by the Bank under reverse charge since supplied by an Individual]	--	--	--	--
Sale of Van by auction [In case of a registered person who has claimed depreciation under section 32 of the Income-Tax Act, 1961 on the said goods, value = Consideration received - Depreciated value on the date of supply]	10,000	900	900	
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.]	-	-	-	-
Finished goods sold from the premises of the job worker [Supply of goods by principal from the job worker's premises is regarded as supply by principal only irrespective of the location of job worker. Therefore, since the place of supply is the location where movement of goods terminates for delivery	1,00,000	9,000	9,000	

to recipient, i.e., Karnataka, it is an intra-State supply.]				
Supply of cigarettes	13,00,000	2,60,000	2,60,000	
Consultancy services provided to a resident of South Korea [Intra-State supply since where services supplied in respect of goods required to be made physically available by the recipient to supplier are supplied at more than one location [13(6) IGST], including a location in the taxable territory, place of supply is the location in the taxable territory, i.e., Karnataka.] <i>Author's Note:</i> Nature of intra has been taken by the ICAI. However, in my opinion, this should be "inter-state" as place of supply has been determined as per sec. 13.	20,00,000	1,80,000	1,80,000	
Means of transport of goods on rent to Sharma Carriers (GTA) [Exempt from GST]	40,000	-	-	-
Service w.r.t horticulture works to CPWD [Eligible for entry 3A NN 12/2017 – CT (R) exemption, but here goods value is 90% of total, hence taxable]	5,00,000			90,000
Ambulance service [Exempt]	10,000	-	-	-
Value of taxable supply				
Total output tax		4,76,900	4,76,900	5,04,000
Tax Payable w.r.t Inward Supplies				
Freight paid to GTA	50,000	1,250	1,250	
Silk Yarn Purchased	50,000			9,000
Total GST payable under Reverse Charge		1,250	1,250	9,000

Input Tax Credit

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Tax consultation services [ITC not available since the e-invoice issued is without IRN, which makes the invoice an invalid document]	30,000	-	-	-
Input services availed in relation to organizing entertainment event [Since used exclusively for taxable supply, ITC is fully available.]	4,00,000	36,000	36,000	
Rent payable for the complex [ITC would be available w.r.t two-third portion only. Tax not payable under Reverse Charge since DDA is not a local authority]	3,66,666	33,000	33,000	
Freight paid to the GTA [No ITC since its used for an exempt supply]	50,000	--	--	--
Security services availed [Here, forward charge shall apply since the supplier is a body-corporate . No GST shall be charged since the supplier is an unregistered company]				
Machine purchased [It is intra-State supply since place of supply in case of goods not involving movement of goods is location of goods at the time of delivery to recipient, viz. Gujarat. However, ITC of the same will not be available as CGST/SGST of one State cannot be utilized for discharging of CGST/SGST liability of another State.]	30,000			
Goods imported from Japan [IGST paid shall be available as Input Tax Credit]				90,000

Commission to paid to Mrs. Tanya (Taiwan) [Since service provider - Mrs. Tanya is an intermediary in the given transaction, place of supply is location of Mrs. Tanya, i.e. outside India [section 13(8), IGST]. Thus, tax is not payable under reverse charge on said services as it's not an import of service]	50,000	-	-	-
Sponsorship service received [would be taxable under forward charge since supplied by a body corporate]	5,00,000	45,000	45,000	
Silk Yarn purchased [input tax credit available]	50,000			9,000
<u>Raw Material Purchase</u>				
Raw material purchased from Bihar				14,400
Raw material purchased from China				29,970
Raw material purchased from unregistered suppliers within West Bengal				Nil
Raw material destroyed due to seepage				Nil
Raw material purchased from Karnataka [3.5-1.5-0.8-0.3-0.05] = Rs. 0.85 Lacs		7,650	7,650	
Import of consultation services from father- in law [Since father-in-law is not a related person , import of services from him, though in the course of business shall not be deemed as supply since it is made without consideration.]				
Cars on rent [FCM applicable, not RCM since it's designed to carry goods, not passengers. Also, no ITC since the supplier has filed it after 11 th March, i.e. the ITC would be avail. next month for Deven in 2B]	--			--
Total ITC		1,21,650	1,21,650	1,43,370
Less: Common credit attributable to exempt supplies $85,650 \times 23,50,000/90,10,000$ $53,370 \times 23,50,000/90,10,000$		22,339	22,339	13,920
Net ITC eligible for set-off		99,311	99,311	1,29,450

Note 1: Exempt Turnover

- (i) Security services taxable under reverse charge = 4,00,000
- (ii) sale of godown [value adopted for paying stamp duty] = 14,00,000
- (iii) DSA Service = 5,00,000
- (iv) MV on rent to Sharma Carriers = 40,000
- (v) Ambulance Service = 10,000

TOTAL = 23,50,000

Note 2: Total Turnover

= 5,00,000 + 15,00,000 + 2,00,000 + 14,00,000 + 8,00,000 + 4,00,000 + 5,00,000 + 10,000 + 1,00,000 + (13,00,000 – 2,50,000) + 20,00,000 + 40,000 + 5,00,000 + 10,000

TOTAL = 90,10,000

Note 3: Common Credit

CGST and SGST each: 33,000 (rent) + 45,000 (sponsorship) + 7,650 (Raw Material) = 85,650

IGST: 14,400 (raw material) + 29,970 (imported) + 9,000 (silk yarn) = 53,370

GST Payable in Cash

Particulars	CGST	SGST	IGST
GST payable on outward supplies	4,76,900	4,76,900	5,04,000
Less: Net ITC	99,311	99,311	1,29,450
Payable	3,77,589	3,77,589	3,74,550
Add: GST Payable on Reverse Charge	1,250	1,250	9,000
Add: IGST paid [on ICEGATE portal in cash]			90,000 + 29,970
Total GST Payable	3,78,839	3,78,839	5,03,520