

- ✓ CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.

**Computation of minimum GST payable in cash**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
GST payable	800	2,500	2,000
Less: ITC	-	(2,000)-IGST	(2,000)-IGST
	(800)-CGST	(500) - SGST	
Net GST payable in cash	Nil	Nil	Nil

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, it is beneficial to use ITC of IGST to pay SGST (after paying IGST liability) to minimize cash outflow.

**Question 11**

PYP July'21

A Ltd. procured the following goods in the month of December.

Inward Supplies	GST (₹)
(1) Goods used in constructing an additional floor of office building	18,450
(2) Goods given as free sample to prospective customers	15,000
(3) Trucks used for transportation of inputs in the factory	11,000
(4) Inputs used in trial runs	9,850
Confectionery items for consumption of employees working in the factory	3,250
Cement used for making foundation and structural support to plant and machinery	8,050

Compute the amount of ITC available with A Ltd. for the month of December by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled.

**6 Marks**

**Answer:**

**Computation of amount of ITC available for the month of December**

	Particulars	GST (₹)
(1)	Goods used in construction of additional floor of office building [ITC on goods received by a taxable person for construction of an immovable property on his own account is blocked even if the same is used in the course or furtherance of business. It has been assumed that cost of construction of additional floor has been capitalized.]	Nil
(2)	Goods given as free samples to prospective customers [ITC on goods disposed of by way of free samples is blocked.]	Nil
(3)	Trucks used for transportation of inputs in the factory [ITC on motor vehicles used for transportation of goods is not blocked.]	11,000

It has been assumed that depreciation has not been claimed on tax component.

(4)	Inputs used in trial runs [Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed.]	9,850
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(5)	Confectionary items for consumption of employees working in the factory [ITC on food or beverages is blocked unless the same is used in same line of business or as an element of the taxable composite or mixed supply. Further, ITC on goods and/or service used for personal consumption is blocked.]	Nil
(6)	Cement used for making foundation and structural support to plant and machinery [ITC on goods used for construction of plant and machinery is not blocked. Plant and machinery include foundation and structural supports through which the same is fixed to earth.]	8,050
	<b>Total eligible ITC</b>	<b>28,900</b>

**Question 12**

PYQ Nov'20

Who can impose restrictions on utilization of input tax credit (ITC) available in the electronic credit ledger and under what circumstances can restrictions be imposed under the CGST Rules 2017?

5 Marks

**Answer:**

The Commissioner or an officer (not below the rank of an Assistant Commissioner) authorized by him has been empowered to impose restrictions on utilization of ITC available in the electronic credit ledger.

*The restrictions can be imposed under the CGST Rules, 2017 in the following circumstances:*

(i) 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 and/or services; or

✓ the tax in relation to which has not been paid to the Government

(ii) Registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business; or

(iii) Registered person availing ITC is not in possession of tax invoice/valid document.

**Question 13**

PYQ Nov'18

CANWIN Ltd., a registered supplier, is engaged in the manufacture of Tanks. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of January:

	Particulars	GST Paid (₹)
(I)	Purchase of Machinery where debit note is issued	1,15,000
(ii)	Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
(iii)	Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	50,000
(iv)	Works Contract services availed for construction of Staff quarters within the company premises	4,25,000

Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January by giving brief explanations for treatment of various items. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.

4 Mark

**Answer:**

Computation of input tax credit (ITC) available with  
CANWIN Ltd. for the month of January

Particulars	GST (₹)
Purchase of machinery where debit note is issued [Note-1]	1,15,000
Inputs directly delivered to a job worker supported by a valid document	80,000
Computers [Note-2]	Nil
Works contract services availed for construction of staff quarters within the company premises [Note-3]	Nil
<b>Total ITC</b>	<b>1,95,000</b>

Notes: -

1. Input tax credit on goods purchased on the basis of debit note which is a valid document is allowed.
2. Where depreciation has been claimed on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component is not allowed.
3. Input tax credit on works contract services supplied for construction of an immovable property is specifically disallowed except where it is an input service for further supply of works contract service.

#### Question 14

PYQ May'18

Fun Pharma Private Limited, a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information of GST paid on the purchases made/input services availed by it during the month of September:

Particulars	GST paid (₹)
Purchase of cabs used for the transportation of its employees	3,30,000
Inputs consisting of three lots, out of which first lot was received during the month	1,25,000
Capital Goods (out of three items, invoice for one item was missing and GST paid on that item was ₹25,000)	2,50,000
Outdoor catering service availed on Women's Day	72,000

Determine the amount of input tax credit available with M/s Fun Pharma Private Limited for the month of September by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled. **4 Marks**

Answer:

Computation of input tax credit (ITC) available with Fun Pharma Private Limited for the month of September

Particulars	₹
Purchase of cabs used for the transportation of its employees [Note-1]	Nil
Inputs consisting of three lots, out of which first lot was received during the month [Note-2]	Nil
Capital goods [Note-3]	2,25,000



Outdoor catering service availed on Women's Day [Note-4]	Nil
<b>Total ITC</b>	<b>2,25,000</b>

**Notes: -**

1. Section 17 of CGST Act, 2017 provides that ITC on motor vehicles can be availed, inter alia, when they are used for making the taxable supply of transportation of passengers i.e., if the taxable person is in the business of transport of passengers. In the given case, since the supplier is a manufacturer, it cannot avail credit on cabs used for transportation of its employees.
2. When inputs are received in instalments, ITC can be availed only on receipt of last instalment in terms of section 16 of CGST Act, 2017.
3. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC vide section 16 of CGST Act, 2017.
4. ITC on outdoor catering is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply in terms of section 17 of CGST Act, 2017.

**Question 15**

PYP May'22

Mr. B, a registered supplier of Uttar Pradesh, is doing the trading of taxable goods. He approaches you to understand the manner of utilization of available Input Tax Credit (ITC). With reference to the provisions of payment of tax, state the manner of utilization of ITC under GST law.

**5 Marks****Answer:**

The manner of utilization of ITC under GST law is as under:

1. IGST credit should first be utilized towards payment of IGST.
2. Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.
3. Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
4. Subsequently, ITC of CGST should be utilized for payment of CGST and IGST in that order.
5. ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order.
6. ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.

ITC of SGST/UTGST cannot be utilized for payment of CGST and vice versa.

**Moderate****Question 1**

MTP April'19

Laxmi Pvt. Ltd., a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of July:

	Particulars	GST paid
(1)	Raw Material (to be received in September, 2018)	2,50,000
(2)	Membership of a club availed for employees working in the factory	1,45,000



(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on that item is Rs. 80,000)	1,50,000
(6)	Confectionery items for consumption of employees working in the factory. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.	75,000

Determine the amount of tax credit available with Laxmi Pvt. Ltd. for the month of July by giving the necessary explanation for treatment of various items. All the conditions necessary for availing the ITC have been fulfilled.

6 Marks

Answer:

Computation of ITC available with Laxmi Pvt. Ltd. for the month of July

Particulars	Rs.
Raw Material [ITC not available as raw material is not received in July, 2018]	Nil
Membership of a club availed for employees working in the factory [Blocked credit in terms of section 17(5) of the CGST Act, 2017]	Nil
Inputs to be received in 5 lots, out of which 3rd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles is allowed only when used, inter alia, for transportation of goods in terms of section 17(5) of the CGST Act, 2017]	40,000
Capital goods [ITC of GST paid on items for which invoice is missing is not available. So, ITC of Rs. 80,000 is not available]	70,000
Confectionery items for consumption of employees working in the factory [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply-Section 17(5)(b)(I)]	Nil
Total ITC available	1,10,000

### Question 2

MTP April '23

(Includes concepts of Value of Supply)

M/s. ABC & Co., a chartered accountancy firm, has its office in Bengaluru and is registered under GST in the State of Karnataka. It submitted the following information for the month of April:

Sr. No.	Particulars	Amount of services provided excluding GST (₹)
1.	Statutory audit services provided (intra-State supplies)	1,20,000



2.	ITR filing services provided within Karnataka (intra-State supplies)	1,60,000
3.	Internal audit services provided to Mumbai client (inter-State supplies)	1,80,000

& Co. had also incurred the following expenses in the month of April for the purpose of providing the taxable services:

	Particulars	CGST (₹)	SGST (₹)
1.	Car purchased by firm for the use of senior partner of the firm for official use	42,000	42,000
2.	Office rent paid to landlord who is registered in State of Karnataka	450	450
3.	Professional fee paid to Mr. Rajesh, a practicing Chartered Accountant, for professional services availed [TDS of ₹ 20,000 is deducted under section 194J of the Income-tax Act, 1961]	18,000	18,000
4.	Computer purchased for office purpose	3,000	3,000

Out of the above 4 suppliers/service providers, landlord of office to whom rent was paid did not upload his GSTR-1 within the specified time allowed under GST resulting in the GST amount not being reflected in GSTR-2B of M/s. ABC & Co.

Compute the net GST payable in cash by M/s. ABC & Co. for the month of April.

Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively assuming that all the remaining conditions of utilization of ITC are fulfilled.

8 Marks

Answer:

Computation of net GST payable by ABC & Co. for the month of April

Particulars	Value of supply	CGST (₹)	SGST (₹)	IGST (₹)
Statutory audit services	1,20,000	10,800	10,800	
ITR filing services	1,60,000	14,400	14,400	
Internal audit services	1,80,000	-	-	32,400
Total output tax liability		25,200	25,200	32,400
Less: ITC [Refer Working Note] [CGST credit is set off against CGST liability and SGST credit is set off against SGST liability since CGST credit cannot be utilized towards payment of SGST liability and vice versa.]		(21,000)	(21,000)	
Net GST payable		4,200	4,200	32,400



## Working Note:

## Computation ITC that can be availed

Particulars	CGST (₹)	SGST (₹)
<b>Computation of eligible ITC</b>		
Car purchased for official use by senior partner [ITC on motor vehicles used for transportation of persons with seating capacity upto 13 persons (including driver) is blocked except when used for making specified outward supplies.]	Nil	Nil
Office rent paid to landlord [No ITC since the supplier did not upload the details of invoice in his GSTR-1 and said details are not being reflected in GSTR-2B of recipient.]	Nil	Nil
Professional fee paid [ITC on services used in the course/furtherance of the business is allowed.]	18,000	18,000
Computer for office purpose [ITC on goods used in the course/furtherance of the business is allowed.]	3,000	3,000
Total eligible ITC which can be availed [ITC in respect of invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of recipient.]	21,000	21,000

## Question 3

MTP May'20

Mr. Charlie, a registered supplier of goods at Bhatinda who pays GST under regular scheme, has made the following transactions (exclusive of tax) during April 20XX

Source	Purchases (Rs.)	Sales (Rs.)	Tax Rate
Rajasthan	5,00,000	10,00,000	18%
Punjab	2,50,000	8,00,000	9% each for SGST & CGST
Total	7,50,000	18,00,000	

He has complied with all the conditions for availing the input tax credit (ITC) and has the following ITC credit on 01-04-20XX:

Source	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Taxes	50,000	30,000	1,00,000

Compute the minimum net CGST, SGST and IGST payable by Mr. Charlie during April 20XX in cash?

8 Marks

Answer:

Computation of net CGST, SGST and IGST payable in cash by Mr. Charlie during April, 20XX

Particulars	Amount (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Sales made outside Bhatinda (Rajasthan) - [Being inter-State sale, the same is liable to IGST.]	10,00,000			1,80,000



Sales made in Punjab	8,00,000	72,000	72,000	
Total GST payable		72,000	72,000	1,80,000
ITC available during April 20XX for set off [Refer Working Note Below]		72,500	52,500	1,90,000
Less: Set off of IGST ITC against IGST and SGST tax liability respectively			(10,000) IGST	(1,80,000) IGST
Less: Set off of CGST ITC against CGST tax liability		(72,000) CGST		
Less: Set off of SGST ITC against SGST tax liability			(52,500) SGST	
<b>Net tax liability payable in cash</b>		<b>Nil</b>	<b>9,500</b>	<b>Nil</b>
<b>Net ITC available</b>		<b>500</b>	<b>Nil</b>	<b>Nil</b>

**Working Note**

ITC available during April, 20XX is computed as under: -

Particulars	Amount (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening balance of ITC		50,000	30,000	1,00,000
Purchases from Rajasthan [Being inter-State purchase, IGST would have been paid on it.]	5,00,000			90,000
Purchases from Punjab	2,50,000	22,500	22,500	
<b>Total input tax credit</b>		<b>72,500</b>	<b>52,500</b>	<b>1,90,000</b>

**Note:**

Since sufficient balance of ITC of CGST is available for paying CGST liability and cross-utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow.

**Question 4**

RTP May '18

Granites Textiles Ltd. purchased a needle detecting machine on 8th July, 2022 from Makhija Engineering Works Ltd. for ₹ 10,00,000 (excluding GST) paying GST @ 18% on the same. It availed the ITC of the GST paid on the machine and started using it for manufacture of goods. The machine was sold on 22nd October, 2023 for ₹ 7,50,000 (excluding GST), as second-hand machine to LT. Pvt. Ltd. The GST rate on supply of machine is 18%.

State the action which Granites Textiles Ltd. is required to take, if any, in accordance with the statutory GST provisions on the sale of the second-hand machine provisions on the sale of the second-hand machine.

**Answer:**

Section 18 of the CGST Act, 2017 read with the CGST Rules, 2017 provides that if capital goods or plant and machinery on which input tax credit has been taken are supplied outward by the registered person, he must pay an amount that is the higher of the following:



input tax credit taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods (i.e., input tax credit pertaining to remaining useful life of the capital goods), or tax on transaction value.

Accordingly, the amount payable on supply of needle detecting machine shall be computed as follows:

Particulars	₹	₹
Input tax credit taken on the machine (₹ 10,00,000 × 18%)		1,80,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine		
(i) For the year 2017-18 = (₹ 1,80,000 × 5%) × 3 quarters	27,000	
(ii) For the year 2018-19 = (₹ 1,80,000 × 5%) × 3 quarters	27,000	54,000
<b>Amount required to be paid (A)</b>		<b>1,26,000</b>
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)		1,35,000

### Question 5

RTP Nov '18

Cloud Seven Private Limited, a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of February,

	Particulars	GST paid (₹)
(i)	Trucks used for the transport of raw material	1,20,000
(ii)	Foods and beverages for consumption of employees working in the factory	40,000
(iii)	Inputs are to be received in five lots, out of which third lot was received during the month	80,000
(iv)	Membership of a club availed for employees working in the factory	1,50,000
(v)	Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000)	4,00,000
(vi)	Raw material (to be received in March, 20XX)	1,50,000

Determine the amount of input tax credit available with Cloud Seven Private Limited for the month of February, 20XX by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.

Answer:

Computation of input tax credit (ITC) available with Cloud Seven Private Limited for the month of February, 20

Particulars	₹
Trucks used for the transport of raw material [Note-1]	1,20,000
Foods and beverages for consumption of employees working in the factory [Note-2]	Nil
Inputs are to be received in five lots, out of which third lot was received during the month [Note-3]	Nil
Membership of a club availed for employees working in the factory [Note-4]	Nil



Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000) [Note-5]	3,50,000
Raw material to be received in March, 20XX [Note-6]	Nil
Total ITC	4,70,000

**Notes: -**

- ✓ ITC on motor vehicles is disallowed in terms of section 17(5) of the CGST Act, 2017, except when they are used inter alia, for transportation of goods.
- ✓ ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply- [Section 17(5)].
- ✓ When inputs are received in instalments, ITC can be availed only on receipt of last instalment- [Section 16(2)].
- ✓ Membership of a club is specifically disallowed under section 17(5) of the CGST Act, 2017.
- ✓ ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2) of CGST Act, 2017].
- ✓ Input tax credit is available only upon the receipt of goods in terms of section 16(2) of CGST Act, 2017.

**Question 6**

RTP May '19

Mr. Ekaant, a supplier, a registered supplier, is engaged in manufacturing taxable goods. It provides the following details of items purchased and services availed by it from Gujarat, for the month of March, 20XX:

	Particulars	IGST (₹)
1	Motor vehicle purchased for employees to be used for personal as well as business purposes	1,50,000
2	Motor vehicle purchased for transportation of goods within the factory	2,00,000
3	Food items for consumption of employees. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.	2,000
4	Rent-a-cab facility availed for employees to fulfill a statutory obligation in this regard. The Government has notified such service under section 17(5)(b)(iii)(A) of the CGST Act, 2017.	36,000

Calculate the amount of eligible input tax credit for the month of March, 20XX.

**Answer:**

**Computation of eligible input tax credit**

Particulars	Eligible ITC (₹)
Motor vehicle purchased for employees to be used for personal as well as business purposes [Note-1]	-
Motor vehicle purchased for transportation of goods within the factory [Note-1]	2,00,000
Food items for consumption of employees [Note-2]	-



Rent-a-cab facility given to employees [Note-3]	36,000
<b>Total eligible input tax credit</b>	<b>2,36,000</b>

Notes: -

**As per section 17(5) of the CGST Act, 2017:**

1. ITC on motor vehicles and other conveyances is blocked except when they are used—

(i) for making the following taxable supplies, namely: —

- further supply of such vehicles or conveyances; or
- transportation of passengers; or
- imparting training on driving, flying, navigating such vehicles or conveyances;

(ii) for transportation of goods.

Thus, in the given case, ITC on motor vehicle purchased for transportation of goods within the factory will only be allowed

2. ITC in respect of food and beverages is blocked unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply. Thus, in the given case, ITC of taxes paid on food for employees is not allowed.

3. ITC on supply of rent-a cab services is not blocked where the Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service.

### Question 7

RTP May '20

Advice regarding availability of input tax credit (ITC) under the CGST Act, 2017 in the following independent cases: -

**AMT Co. Ltd.** purchased a mini bus having seating capacity of 16 persons for transportation of its employees from their residence to office and back.

**Bangor Ceramics Ltd.**, a manufacturing company purchased two trucks for transportation of its finished goods from the factory to dealers located in various locations within the country.

**Hans premium** dealing in luxury cars in Chanakyapuri, Delhi purchased five Skoda VRS cars for sale to customers.

**Sun & Moon Packers Pvt. Ltd.** availed outdoor catering service to run a canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory.

**Answer:**

- Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for certain specified purposes. Since in the given case, the mini bus has a seating capacity of 16 persons, the ITC thereon will not be blocked.
- Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons with certain exceptions. Thus, ITC on motor vehicles for transportation of goods is allowed unconditionally. Therefore, ITC on trucks purchased by Bangor Ceramics Ltd for transportation of its finished goods from the factory to dealers located in various locations within the country is allowed.
- Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for making further supply of such motor vehicles.

