

**Question 1**

**Dhairya Limited, India, a registered supplier under GST in the State of Kerala, is engaged in supplying goods and services. Dhairya Inc., San Francisco, USA, is a subsidiary of Dhairya Limited, India and is engaged in supply of information technology services to customers in USA. Dhairya Limited, India has undertaken following transactions during the month of April :**

Particulars	Amount (₹)
Supplied large paper rolls to Ford Mount School, Bengaluru (Karnataka), for printing of question papers. As directed by the school, Dhairya Limited delivered the paper rolls at a printing press located in Trivandrum, Kerala.	15,00,000
Bond amount recovered from the outgoing Managing Director (residing in Kerala) of Dhairya Limited since he had left the employment before contracted period.	2,50,000
Supplied steel sheets in the territorial waters* to Dhruvank Builders. *Located at a distance of 12 nautical miles from the baseline of Kerala and 15 nautical miles from the baseline of Tamil Nadu.	6,00,000
Received an advance for future supplies of goods from a customer based in Kerala	2,10,000
Received an advance for future supplies of services from a customer based in Kerala	4,90,000
Computer (used for business purpose & on which no ITC has been taken yet) given free of cost to unrelated person based in Kerala [Purchased 2 years' back at a price of ` 1,12,100 (including GST). Open market value is ` 75,000.]	Nil

**Dhairya Limited provided the following additional information for the month of April:**

- (i) The company paid the sitting fee of ₹ 6,00,000 to an independent director, based at Cochin, Kerala, for attending meetings.
- (ii) Room charges of ₹ 2,25,000 were paid to Hillwoods Hotel located in Mumbai, Maharashtra for stay of the CEO of the company on a business trip.
- (iii) The company availed the services of an Arbitral Tribunal in Cochin, Kerala to settle a business dispute and paid ₹ 7,00,000.
- (iv) Salary of ₹ 15,00,000 was paid to employees on payroll.
- (v) The company purchased a new machinery from a dealer based in Cochin, Kerala for ₹ 12,00,000. Depreciation has been claimed under the Income-tax Act, 1961 on the same including on all applicable taxes.

**In the month of May, Dhairya Limited sent a team of 25 employees to San Francisco for receiving the training in emerging information technologies. The training was given by Dhairya Inc., USA, at its office located in San Francisco. The expenses related to such training were paid by Dhairya Limited to Dhairya Inc., USA. Further, Dhoom Events Ltd., an event management company, located and registered at Karnataka, had organized a cultural event in the month of May for Dhairya Limited, in Dubai. Dhairya Limited paid a**

**sum of ₹ 10,00,000 to Dhoom Events Ltd. for the same.**

**Notes –**

- (A) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services, wherever applicable.
- (B) All the amounts given above are exclusive of taxes, wherever applicable.
- (C) The opening balance of input tax credit for the relevant tax periods of Dhairya Limited, India is Nil.
- (D) Assume that there is no other outward or inward transaction apart from aforesaid transactions, in the months of April and May. Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. (i) to (vi) below:- [CA Final RTP May 24]

**i) Which of the following activities/transactions undertaken by Dhairya Limited do not amount to supply?**

- (i) Supply of steel sheets in territorial waters
  - (ii) Computer being used for business purpose given free of cost to unrelated person
  - (iii) Supply of paper rolls for printing of question papers to Ford Mount Senior Secondary School
  - (iv) Recovery of bond amount from the outgoing Managing Director
- Choose the most appropriate option.**

- (a) (ii) and (iv)                      (b) (ii), (iii) and (iv)  
 (c) (i), (iii) and (iv)                (d) (i), (ii) and (iii)

[Hint:- i) Steel sheets given is supply as there is consideration involved & supplied in the course/furtherance of business, ii) Computer without consideration to unrelated person is not a supply under para 1 & para 2 of schedule II as ITC is not availed on it, iii) Paper rolls given is supply as there is consideration involved & supplied in the course/furtherance of business. Exemption is available to only certain services supplied to school whereas there is no exemption available for supply of goods to school & in this case, as there is supply of goods to school, exemption is not available & iv) Refer circular no. 178/10/2022- There must be an expressed or implied agreement or contract & in this case, there is no such expressed or implied agreement or contract & also, amounts recovered for forfeiture of salary or bond in employment contracts are not taxable as they discourage non-serious employees]

ii) Which of the inward supplies received by Dhairya Limited in the month of April are taxable under reverse charge?

- (i) Services received from the independent director  
 (ii) Accommodation services received from Hillwoods Hotel, Mumbai  
 (iii) Services of the Arbitral Tribunal  
 (iv) New machinery purchased from the dealer

based in Cochin

(v) Salary paid to employees on payroll

Choose the most appropriate option.

- (a) (ii) and (v)                      (b) (ii), (iii) and (iv)  
 (c) (i), (iii) and (v)                (d) (i) and (iii)

[Hint:- i) One of the condition for being Independent director (ID) is the director should not have been an employee of the company & hence, services provided by ID is a supply & RCM is applicable as per sl. No. 6 of RCM, ii) RCM is N.A. as there is no entry on this, iii) RCM is applicable as per sl. no. 3 of RCM as the service is not exempt under sl. no. 45 of exemption chapter, iv) RCM is N.A. as there is no entry on this, & v) It is not supply as per para 1 of schedule III & thus, there is no question of RCM as tax is only not payable.]

iii) Compute the total GST payable on outward supplies before setting off of ITC for the month of April by Dhairya Limited.

- (a) CGST - ₹ 1,03,050, SGST - ₹ 1,03,050 and IGST - ₹ 2,70,000  
 (b) CGST - ₹ 98,100, SGST - ₹ 98,100 and IGST - ₹ 2,70,000  
 (c) CGST - ₹ 1,35,000, SGST - ₹ 1,35,000  
 (d) CGST - ₹ 98,100, SGST - ₹ 98,100

[Hint:- Total GST payable before setting off of ITC:-

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
<b>Tax payable under FC</b>			
Supply of paper rolls (taxability is discussed in sub-MCQ 1 above)(As per sec 10(1)(b) of IGST Act- POS shall be Karnataka & LOS is Kerala. Thus, it is inter-state supply) (15 lakhs * 18% IGST)	2,70,000	-	-
Bond amount recovered from MD (it is not supply as discussed in sub-MCQ 1 above)	-	-	-
Supply of steel sheets in territorial waters (As per sec 9 of IGST Act - POS is the coastal State or UT nearest to the baseline i.e. Kerala. It is intra-state supply as LOS & POS are in same state) (₹6 lakhs * 9% CGST & SGST each)	-	54000	54000
Advance for supply of goods (As per n/no. 66/2017, TOS is not on advance received for supply of goods by supplier except for supply by composition dealer & specified actionable claim)	-	-	-
Advance for supply of services (N/N. 66/2017 is not applicable to supply of services) (₹490000 * 9% CGST & SGST each) (LOS & POS is in Kerala & hence, it is intra-state supply)	-	44100	44100

computer supplied free of cost (not a supply as discussed in sub-MCQ 1 above)	-	-	-
<b>Total GST payable</b>	<b>270000</b>	<b>98100</b>	<b>98100</b>

Note:- Total GST payable on outward supplies is asked in question and hence, tax payable under RCM is not considered here. Also, room charges paid to Hillwoods Hotel is an inward supply & hence, not taken here in calculation of GST payable on outward supply]

iv) Compute the total ITC admissible to Dhairya Limited for the month of April.

(a) CGST - ₹ 63,000, SGST - ₹ 63,000 and IGST - ₹ 40,500

(b) CGST - ₹ 1,17,000, SGST - ₹ 1,17,000 and IGST - Nil

(c) IGST - ₹ 2,74,500

(d) CGST - ₹ 2,25,000, SGST - ₹ 2,25,000 and IGST - ₹ 40,500

[Hint:- Total ITC admissible to Dhairya limited for April:-

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Tax paid under RCM on sitting fee paid to Independent director under sl. No. 6 (₹6 lakhs * 9% CGST & SGST each)	-	54000	54000
Room charges (POS is in MH as per sec 12(3) whereas LOS is also in MH & Hence, it is intra-state supply. ITC is not allowed for CGST & SGST paid in other state]	-		

Services of arbitral tribunal availed taxable under RCM as discussed in sub-MCQ 2 above (7 lakhs * 9% CGST & SGST each)	-	63,000	63,000
Salary paid (it is not a supply as discussed in sub-MCQ 2 above)	-		
Machine purchased (ITC is not allowed as per sec 16(2) as depreciation is claimed on GST component also)	-		
<b>Total ITC admissible</b>	<b>-</b>	<b>1,17,000</b>	<b>1,17,000</b>

v) Whether GST is applicable on the event organized by Dhoom Events Ltd., Karnataka for Dhairya Limited in Dubai and what is the place of supply in such case?

(a) GST is applicable and the place of supply is Karnataka.

(b) GST is applicable and the place of supply is Kerala.

(c) GST is not applicable and the place of supply is Dubai.

(d) GST is applicable and the place of supply is Dubai.

[Hint:- GST is applicable as it is a supply. LOS is in Karnataka & LOR is in (registered in Kerala) India. It is B2B transaction & hence, POS as per sec 12(7)(a) shall be LOR i.e. Kerala]

vi) How shall the amount paid towards the training expenses of employees of Dhairya Limited be

**treated under the GST law?**

(a) No GST is applicable on the transaction since training was imparted in San Francisco, i.e., a place outside India.

(b) GST is applicable on the training expenses and is payable as IGST by Dhairya Limited since the place of supply for training services in case of registered person is location of such registered person.

(c) Dhairya Inc., USA, is required to obtain registration as casual taxable person in India and discharge the GST liability on training expenses in India.

(d) Dhairya Inc., USA, is required to obtain registration as - online information and database access or retrieval service provider in India and discharge the tax liability on training service.

[Hint:- LOS is outside India & POS is also outside India as per sec 13(3)(b) of IGST Act. Thus, No GST is payable]

### Question 2

Alpha Cargo Private Limited, a company registered under GST in the State of Rajasthan, is engaged in supplying services of transportation of goods. In addition to its head office registered in Rajasthan, the company has also obtained registration in other States where it is operating as supplier of goods transportation services. During the month of January, following transactions were undertaken:

- Revenue from service of transportation of goods provided to registered persons is ₹ 70,00,000.

2. Revenue from supply of goods transportation services provided to Dhoop Garments, registered in Rajasthan, for transport of goods to Japan is ₹ 18,10,000.

3. The company paid rent to the local municipal authorities of respective States for its offices located in different States as mentioned below:

- Rajasthan - ₹ 50,000

- Maharashtra - ₹ 75,000

- Delhi - ₹ 25,000

- Gujarat - ₹ 40,000

The invoice was issued by the local municipal authority in these States to the offices of the company located in respective States.

4. There are 5 independent directors in the company (all based in Rajasthan) and the sitting fees paid to each such director during the month is ₹ 25,000 from the head office of the company.

Out of these directors, Mr. X, a chartered accountant and an independent director of the company, is also a partner in ABC LLP, a chartered accountant firm in Delhi. ABC LLP provided professional services to the company during the month. The LLP has issued an invoice for ₹ 1,50,000 on the head office in the month of January.

Another independent director, Mr. Z, on account of his long-term relationship with Alpha Cargo Private Limited, has provided personal guarantee of ₹ 1 crore to Dhandhan Bank for loan taken by

the company during the month of January. He has not charged any commission or brokerage for the same.

5. The company obtained services of Mr. Y (based in Rajasthan), who is providing agency services for payment of annual road tax payable to the Government for the vehicles owned and operated by the company.

Mr. Y issued an invoice amounting to ₹ 10,00,000 on the head office.

Such amount includes ₹ 9,50,000 as amount of road tax paid on actual basis and is indicated separately in the invoice and ₹ 50,000 as fee of Mr. Y for said services.

6. The company also paid an amount of ₹ 5,00,000 for an event related to goods transport industry in the State of Rajasthan as sponsorship amount.

7. The company, registered as Goods Transport Agency, has opted for payment of GST on goods transportation services on forward charge basis.

In the month of February, Rajasthan office of the company has following balances available in its electronic cash ledger:

Description	IGST (₹)	CGST (₹)	SGST (₹)	Total (₹)
Tax	25,000	20,000	20,000	65,000
Interest	2,000	3,000	3,000	8,000

All the amounts given in the scenario are exclusive of GST, unless otherwise provided. The opening balance of input tax credit of Alpha Cargo Private Limited for the relevant tax periods is nil. GST is

payable (wherever applicable) on all inward and outward transactions in the aforesaid case scenario at the following rates, unless otherwise specified:

I. Intra-State supply - 9% CGST and 9% SGST

II. Inter-State supply - 18% IGST

Based on the facts of the case scenario given above, choose the most appropriate answer to Q.

Nos. i) to v) below:- [CA Final RTP May 24]

i) Total amount of GST payable (before setting off of ITC) by the company including GST payable under reverse charge for the month of January, for all its locations, is:

(a) ₹ 16,20,000

(b) ₹ 12,60,000

(c) ₹ 13,72,000

(d) ₹ 17,32,500

[Hint:- Total GST payable before setting off of ITC:-

Particulars	GST (₹)
<b>Tax payable under forward charge:-</b>	
Transport of goods within India (₹70 lakhs * 18%)	12,60,000
Goods transport to Japan (₹18,10,000 * 18%) [Refer Notes 1]	3,25,800
<b>Tax payable under RCM:-</b>	
Rent paid to local municipal authorities (RCM is applicable as per sl. No. 5A under RCM. [(₹50000 + ₹75000 + ₹25000 + ₹40000)*18%])	34,200
Sitting fee to directors (RCM is applicable as per sl. No. 6 under RCM - ₹25000 * 5 * 18%)	22,500
Sponsorship service received (RCM is applicable as per sl. No. 4 under RCM - ₹5 lakhs * 18%)	90,000
<b>Total GST payable before setting off of ITC</b>	<b>17,32,500</b>

**Note 1 :-** It is a B2B transaction. As LOS & LOR both are in India, POS shall be determined as per sec 12(8)(a) (as amended) which shall be the location of registered recipient i.e. Rajasthan. The proviso to sec 12(8) is omitted which stated that if transportation of goods is to a place outside India, the POS shall be the place of destination of such goods)

ii) In February, after paying all its dues for the month, Rajasthan office wants to transfer certain amounts using Form GST PMT-09 from its electronic cash ledger to the electronic cash ledger of Orissa office. It wants to transfer:

(i) from tax (minor head) under IGST (major head) amounting to:

- (a) ₹ 12,000 to tax under CGST head and
- (b) ₹ 12,000 to tax under SGST head, of Orissa office, and

(ii) from interest (minor head) under the major head of:

- (a) CGST of ₹ 3,000 to interest under IGST head, and
- (b) SGST of ₹ 3,000 to interest under IGST head, of Orissa office.

Balance under all the heads in electronic cash ledger of Orissa office is nil at that time. The balance of tax under IGST, CGST and SGST heads of the electronic cash ledger of Orissa office and that of interest under IGST, CGST and SGST heads of the electronic cash ledger of Rajasthan office will be:

- (a) Tax: Nil; ₹12,000; Nil and Interest: ₹ 2,000; Nil; ₹ 3,000
- (b) Tax: Nil; ₹12,000; ₹12,000 and Interest: ₹2,000; Nil; Nil
- (c) Tax: Nil; Nil; ₹12,000 and Interest: ₹2,000; Nil; Nil
- (d) Tax: ₹24,000; Nil; Nil and Interest: ₹2,000; Nil; ₹3,000

Hint: Note - Balance of any minor head of any major head cannot be transferred to another DDP's minor head of SGST/UTGST major head. Balance from minor heads of SGST/UTGST major head cannot be transferred to any minor head of any major head of another DDP. In short, transfer to and from SGST/UTGST e-cash ledger is not allowed in case of transfer of amounts between DDP. Only CGST/IGST balanced can be transferred to and from CGST/IGST in any manner in case of DDP.

Rajasthan Office balances of E- cash ledger:-				
		IGST (₹)	CGST (₹)	SGST (₹)
Tax (₹)	Opening Bal	25000	20000	20000
	Transferred	-12000	-	
	<b>Closing</b>	<b>13,000</b>	<b>20000</b>	<b>20000</b>
Interest (₹)	Opening Bal	2000	3000	3000
	Transferred	-	-3000	-
	<b>Closing</b>	<b>2000</b>	<b>0</b>	<b>3000</b>

Orissa Office balances of E- cash ledger:-				
		IGST (₹)	CGST (₹)	SGST (₹)
Tax (₹)	Opening Bal	-	-	-
	Transferred	-	12000	-
	<b>Closing</b>	<b>0</b>	<b>12000</b>	<b>0</b>
Interest (₹)	Opening Bal	-	-	-
	Transferred	3000	-	-
	<b>Closing</b>	<b>3000</b>	<b>-</b>	<b>-</b>

iii) The total amount payable to Mr. Y including GST as applicable is \_\_\_\_\_.

- (a) ₹ 10,00,000
- (b) ₹ 11,80,000
- (c) ₹ 11,71,000
- (d) ₹ 10,09,000

[Hint:- Road tax paid ₹950000 out of total ₹1000000 shall not be included in taxable value as per rule 33 -

as that is paid as pure agent by Mr. Y & separately shown in invoice. Thus, taxable value = ₹50000 fee charged & GST = ₹50000 \* 18% = ₹9000. Now, question is asking the total amount payable to Mr. A and not the total taxable value which will include road tax. Thus, amount payable = ₹1000000 + ₹9000 = ₹1009000]

iv) Total input tax credit available to the company at PAN India level is:

- (a) ₹ 1,82,700 as IGST
- (b) ₹ 3,53,700 as IGST
- (c) ₹ 77,850 as CGST, ₹ 77,850 as SGST and ₹ 27,000 as IGST
- (d) ₹ 91,350 as CGST and ₹ 91,350 as SGST

[Hint:- Total ITC available at PAN India level:-

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
<b>Tax paid under RCM:-</b>			
Rent paid to local municipal authorities (RCM is applicable as per sl. No. 5A under RCM. [(₹50000 + ₹75000 + ₹25000 + ₹40000) * 18%] (LOS & POS both are in respective same states so it is intra-state supply)	-	17,100	17,100
Sitting fee to directors (RCM is applicable as per sl. No. 6 under RCM - ₹25000 * 5 * 18%) (LOS & POS both are in same states so it is intra-state supply)	-	11250	11250
Sponsorship service received (RCM is applicable as per sl. No. 4 under RCM - ₹5 lakhs * 18%) (LOS & POS both are in same states so it is intra-state supply)	-	45000	45000

Tax paid under FC			
Agency service from Mr. Y (Valuation & tax is discussed in above question) (LOS & POS both in Rajasthan & hence it is intra-state supply) (₹50000 * 9% CGST & SGST each)	-	4,500	4,500
Professional services received from ABC LLP (LOS is Delhi & POS is Rajasthan as per sec 12(2) of IGST Act & hence, it is inter-state supply liable to IGST) (₹150000 * 18% IGST)	27000	-	-
<b>Total ITC available for Feb at PAN India level</b>	<b>27000</b>	<b>77,850</b>	<b>77850</b>

[Hint:- Refer Circular No. 204/16/2023- there is no consideration involved in this kind of guarantee as per RBI Guideline & hence, there is no taxable value as there is no OMV]

v) The value of supply of the service of providing personal guarantee by Mr. Z to Dhandhan Bank for sanctioning of credit facilities to the company is:

(a) Nil since it is not a supply under GST.

(b) Nil. Services provided by a director to a company is deemed as supply, even without consideration, under Schedule I of the CGST Act, 2017. However, since as per RBI Guidelines, no consideration can be paid to the director by the company for providing guarantee, Open Market Value (OMV) of said supply will be zero.

(c) 1% of the amount of the guarantee provided, i.e. 1 lakh.

(d) 10% of the amount of the guarantee provided, i.e. ₹ 10 lakh.