

# Concept of Supply

CCP 01.04.11.01

ABC Insurance Ltd., a registered insurer in Maharashtra, is engaged in providing insurance services. During the current financial year, the company entered into following transactions:

1. ABC Insurance Ltd. enters into a co-insurance agreement with XYZ Insurance Ltd. where ABC Insurance Ltd. is the lead insurer. The insured – Gyaati Industries- pays a total premium of ₹ 50,00,000 which is apportioned by the lead insurer - ABC Insurance Ltd. between itself and XYZ Insurance Ltd. in the ratio of 60:40 for the insurance services jointly supplied by them to Gyaati Industries. ABC Insurance Ltd. agrees to discharge the entire GST liability on the full amount of premium received from Gyaati Industries.
2. A large industrial plant needs an insurance worth ₹ 500 crore. It approaches ABC Insurance Ltd. for the same. However, since ABC Insurance Ltd. is unable to underwrite the entire risk alone, it enters into a reinsurance agreement with a reinsurer - PQR Insurance Ltd. The total premium charged is ₹ 50 lakh. The insurer - ABC Insurance Ltd. pays a reinsurance premium of ₹ 20 lakh to PQR Insurance Ltd. This allows ABC Insurance Ltd. to manage its risk and financial exposure. While paying this amount to PQR Insurance Ltd., ABC Insurance Ltd. deducts a ceding commission of ₹ 1,00,000 which it has charged for the services it provides to PQR Insurance Ltd. PQR Insurance Ltd. pays GST on the gross reinsurance premium including the ceding commission.

Based on the provisions of Schedule III of the CGST Act, 2017, discuss whether the following activities amount to supply:

- (a) Apportionment of co-insurance premium by ABC Insurance Ltd. to XYZ Insurance Ltd. for the insurance services jointly supplied by them to Gyaati Industries.
- (b) Services by ABC Insurance Ltd. to PQR Insurance Ltd. for which ceding commission is deducted from reinsurance premium paid by ABC Insurance Ltd. to PQR Insurance Ltd. [CA Final RTP Sep 25]

Answer:

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|----|--|
| 1. | <p><b>Legal Provision:</b> Activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured is <b>neither supply of goods nor supply of services</b> if lead insurer paid GST on entire premium and hence no GST is charged on the apportionment transaction. [Para 9 of Schedule III]</p> <p><b>Conclusion:</b></p> <ul style="list-style-type: none"> <li>➔ The lead insurer (ABC Insurance Ltd.) is <b>required to pay the entire GST</b> (CGST and SGST or IGST, as applicable) on the full premium amount paid by the insured – Gyati Industries, of ₹ 50,00,000.</li> <li>➔ The co-insurer, XYZ Insurance Ltd. <b>does not pay GST</b> on its share of the premium separately.</li> </ul> |
| 2. | <p><b>Legal Provision:</b> Services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the <b>reinsurer is neither supply of goods nor supply of services</b>, subject to the condition that the GST is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said commission. [Para 10 of Schedule III]</p> <p><b>Conclusion:</b> In the given case, the reinsurer (PQR Reinsurers Ltd.) is liable to pay GST on the gross reinsurance premium payable by the insurer (₹ 20 lakh), inclusive of the ceding commission (₹ 1 lakh).</p>   |

CCP 01.09.29.00

Decide with reason whether following independent transactions amount to supply or not as per the provision, rules, circulars and notification issued under the GST law:

- (i) Satyam has lent securities to Kala Enterprises for a consideration of ₹ 10,000 towards lending of securities under the Securities Lending Scheme, 1997 through an approved intermediary. Ignore the transaction between Satyam and intermediary.
- (ii) Patta Limited made supply of goods to its agent, Romi, without consideration. Romi issued invoice for the further supply of goods to the customers in his own name. Romi also disclosed the name of principal in the invoice issued.

(iii) Dilasa Limited recruited Miss Chhaya as senior relationship manager. At the time of joining as senior relationship manager, the company paid ₹ 3,00,000 towards "Not joining" Milan Limited, a stiff competitor of Dilasa Limited. [CA Final Nov 24 Exam]

Answer:-

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|------|--|
| i)   | <p>⇒ Lending of securities under the Securities Lending Scheme is <b>not a transaction</b> in securities as it does not involve disposal of securities. It is not excluded from the definition of services and amounts to supply.</p> <p>⇒ Consequently, lending of securities for consideration to Kala Enterprise <b>amounts to supply</b>.</p>  |
| ii)  | <p>⇒ Since the invoice for further supply of goods is being issued by the agent – Romi. in his own name, the provision of goods from the principal – Patta Limited. - to the agent – Romi - would fall within <b>the purview of Schedule I</b> of the CGST Act, 2017 and would amount to supply even though made without consideration.</p> <p>⇒ Further, supply of goods by Romi to the customer for consideration amounts to supply.</p> |
| iii) | <p>Since any amount paid by employer to employee for not joining a competing business is paid for providing the service of forbearance to act to refrain cannot be considered for providing services in the course of employment, amount received by Miss Chhaya from Dilasa Limited <b>amounts to supply</b> under the GST law.</p>   |

## Reverse Charge Mechanism

CCP 03.02.04.00

Panini Private Limited, Jaipur, agrees to sponsor a sports event organized by Pink City Club in Jaipur. Panini Private Limited has paid an amount of ₹ 5,00,000 for such sponsorship of the sports event. Consequently, said event was named after the brand name of Panini Private Limited. Examine who is the person liable to pay tax in the given case. [Study Mat]

Answer:- Legal Provision:-

⇒ As per reverse charge notification, If sponsorship services are provided by **any person other than a body corporate to Any body corporate or partnership firm** located in the taxable territory, then GST is payable on reverse charge basis by recipient.

Discussion & Conclusion:-

- ⇒ In the present case, Pink City Club is the supplier of sponsorship services which is receiving the consideration i.e., sponsorship fee of ₹ 5,00,000 from Panini Private Limited, against the provision of sponsorship service.
- ⇒ Since the recipient of sponsorship services- **Panini Private Limited is a body corporate**, GST on said services is **payable by the recipient** - Panini Private Limited, under **reverse charge**.

CCP 03.02.05.00

Mr. Ram who is registered under GST has 4 flats & 2 shops in Pune. He has given all flats & Shops on rent as follows & Determine tax payable in each case.

- a) Flat 1 is given on rent to Mr. B (Salaried person) for his residence purpose.
- b) Flat 2 is given on rent to XYZ Ltd. (reg. in GST) company is using as guest house for residence purpose.
- c) Flat 3 is given on rent to Mr. C, a CA (unregistered person), who is using it for official purpose.
- d) What would be your answer if Mr. ram is unregistered & has given 2 Commercial shops on rent to Partnership firm who is registered under GST. Would your answer change if partnership firm will opt for composition levy u/s 10?

Answer:- Legal Provision:-

- 1) Services supplied by way of renting of residential dwelling by any person to a registered person then under reverse charge, registered person is liable to pay tax.
- 2) Service by way of renting of residential dwelling to unregistered person for the purpose of residence is exempted.

3) Also, as per new entry, renting of immovable property (other than residential dwelling) by an unregistered person to a registered person (other than composition dealer) then under reverse charge, registered person is liable to pay tax. But if, recipient is composition dealer then, forward charge is applicable.

**Discussion:-**

- a) Renting of Flat -1 to Mr. B, a salaried un-registered person is **exempt** from payment of GST.
- b) Renting of flat -2 to XYZ Ltd. a registered person for use of guesthouse is liable to GST under reverse charge & XYZ Ltd. is **liable to pay tax**.
- c) **Exemption is available** only if flat is given on rent only for residence purpose. In given case, eventhough Mr. C is un-registered person but he is using flat for official purpose hence renting service is taxable under forward charge & Mr. Ram is liable to pay tax.
- d) If Mr. ram is unregistered & has given 2 Commercial shops on rent to Partnership firm who is registered under GST then, under reverse charge partnership firm is liable to pay tax.  
But if partnership firm is under composition levy then **tax is payable under forward charge**.

**CCP 03.03.13.00**

**State, with reason, the person liable to pay GST in each of following independent cases:-**

**Assume recipient is located in taxable territory.**

- (i) **Rental income received by Tamil Nadu State Government from renting an immovable property to Mannappa Pvt. Ltd. (Turnover of the company was ₹ 22 lakhs in the preceding F.Y.).**
- (ii) **Legal Fees received by Mr. Sushrut, a senior advocate, from M/s. Tatva Trading Company having turnover of ₹50 lakhs in preceding financial year.**
- (iii) **Services supplied by a recovery agent to a car dealer.**
- (iv) **XYZ Ltd. availed services of Vimal Goods transport agency for transportation of goods by road from factory located in New Delhi to its Jaipur depot and paid freight of ₹1,00,000 where the GST is charged at the rate applicable. Vimal Goods transport agency is registered under GST & has exercised the option to pay tax under forward charge.**

**What will be your answer if GTA has not exercised the option to pay tax under forward charge?**

- (v) **Sponsorship services provided by a partnership firm to an individual.**
- (vi) **Mr. Arun Kumar, an individual based in Delhi, owns a commercial office space in Connaught Place. He is not registered under GST, as his total turnover falls below the prescribed threshold. Mr. Arun rents out this commercial property to M/s TechNova Pvt. Ltd., a GST-registered private limited IT company that uses the premises for business purposes. Determine who is liable to pay tax.**

**Would your answer, differ if M/s TechNova Pvt. Ltd. opt for Composition Scheme.**

**Answer:-**

|      |  |
|------|--|
| (i)  | <p><b>Legal Provision:-</b> As per section 9(3) of CGST Act, 2017, if service of renting of immovable property is provided by the Central Government, State Government, Union Territory, or local authority to <b>any registered person</b> located in the taxable territory, then GST is payable under reverse charge by recipient.</p> <p><b>Discussion &amp; Conclusion:-</b></p> <ul style="list-style-type: none"> <li>➤ In the given case, Mannappa Pvt. Ltd. is <b>registered</b> under GST as the turnover of the company was ₹ 22 lakhs in the preceding financial year which is exceeding threshold limit for registration u/s 22 of CGST Act.</li> <li>➤ So, here, the <b>State Government</b> of Tamil Nadu provided <b>service of renting of immovable property to a registered person</b> located in taxable territory.</li> <li>➤ Therefore, <b>Mannappa Pvt. Ltd.</b> is liable to pay GST under <b>reverse charge</b>.</li> </ul> |
| (ii) | <p><b>Legal Provision:-</b> As per section 9(3) of CGST Act, if legal services are supplied by a senior advocate to any business entity located in the taxable territory, then GST is payable on reverse charge basis by recipient.</p> <p><b>Discussion &amp; Conclusion:-</b></p> <ul style="list-style-type: none"> <li>➤ In the given case, Mr. Sushrut is a <b>senior advocate</b> &amp; he is supplying <b>legal services</b> to M/s. Tatva Trading Company i.e. a business entity.</li> <li>➤ Thus, <b>M/s. Tatva Trading Company</b> is liable to pay GST under <b>reverse charge</b>.</li> </ul>  |

|       |   |
|-------|---|
| (iii) | <p><b>Legal Provision:-</b> As per section 9(3) of CGST Act, if services are supplied by a <b>recovery agent to a banking company or a financial institution or a non- banking financial company (NBFC)</b> located in the taxable territory, then GST is payable on reverse charge basis by recipient.</p> <p><b>Discussion &amp; Conclusion:-</b></p> <ul style="list-style-type: none"> <li>➤ In the given case, services are being supplied by a recovery agent <b>to a car dealer &amp; not to a banking company or financial institution or NBFC.</b></li> <li>➤ Thus, service provider i.e. the <b>recovery agent</b> is liable to pay GST under <b>forward charge.</b></li> </ul>   |
| (iv)  | <p><b>Legal Provision:-</b></p> <ul style="list-style-type: none"> <li>➤ As per section 9(3) of CGST Act, if service of transportation of goods by road is provided by a GTA to a is a specified recipient, i.e., a body corporate established by or under any law, then such body corporate is liable to pay tax under reverse charge.</li> <li>➤ However, if the registered GTA has exercised the option to pay tax under forward charge on transportation of goods and also issued a tax invoice to the recipient charging Central Tax at the applicable rates with a declaration thereon, then the <b>GTA is liable to pay tax under forward charge.</b></li> </ul> <p><b>Discussion &amp; Conclusion:-</b></p> <ul style="list-style-type: none"> <li>➤ In the first case, XYZ Ltd. is a specified recipient, i.e., <b>a body corporate</b> established by or under any law liable to pay freight.</li> <li>➤ However, GTA has exercised the option to pay tax under forward charge and also issued a tax invoice charging GST at the applicable rate.</li> <li>➤ Therefore, Vimal Goods transport agency is liable to pay GST under <b>forward charge.</b></li> <li>➤ <b>In the second case, if GTA has not exercised the option to pay tax</b> under forward charge, then XYZ Ltd., being a specified recipient, is liable to tax under reverse charge.</li> </ul> |
| (v)   | <p><b>Legal Provision:-</b> As per section 9(3) of CGST Act, If sponsorship services are provided by <b>any person other than a body corporate to Any body corporate or partnership firm</b> located in the taxable territory, then GST is payable on reverse charge basis by recipient.</p> <p><b>Discussion &amp; Conclusion:-</b></p> <ul style="list-style-type: none"> <li>➤ In the given case, sponsorship services have been provided by Partnership firm to an <b>individual.</b></li> <li>➤ <b>Thus, the reverse charge provisions will not be attracted here.</b></li> <li>➤ So, Partnership firm i.e. the <b>supplier</b> is liable to pay GST under <b>forward charge.</b></li> </ul>   |
| (vi)  | <p><b>Legal Provision:</b> If an unregistered person provides a service by way of renting of immovable property other than a residential dwelling to a registered person other than one paying tax under the composition scheme, the GST liability falls under the <b>Reverse Charge Mechanism. [Sec 9(3)]</b></p> <p><b>Conclusion:</b></p> <ul style="list-style-type: none"> <li>➤ In the first case, M/s TechNova Pvt. Ltd. is liable to pay tax under RCM.</li> <li>➤ In the Second case, No tax is payable as M/s TechNova Pvt. Ltd. opts for <b>Composition Scheme.</b></li> </ul>   |

## Composition Scheme

CCP 03.03.08.00

Ranveer Industries, registered in Himachal Pradesh, is engaged in making inter-state supplies of readymade garments. The aggregate turnover of Ranveer Industries in the financial year 20XX-YY is ₹ 70 lakh. It has opted for composition levy under sub-sections (1) and (2) of section 10 in the financial year 20YY-ZZ and paid tax for the April – June quarter of financial year 20YY-ZZ under composition levy. The proper officer has levied penalty for wrongly availing the scheme on Ranveer Industries in addition to the tax payable by it.

**Examine the validity of the action taken by proper officer. [Study Mat] [CA Final Nov 18 exam]**

**Answer: The action taken by proper officer is valid in law.**

**Legal Provision:-**

- As per sec 10(1), A **Registered Person**, whose **aggregate turnover** in the **PFY** did not exceed **₹1.5 Cr.** may opt to pay tax under composition levy. [₹ 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir].
- If the proper officer has reasons to believe that a taxable person has paid tax u/s 10(1)/(2A) despite not being eligible, then such person shall be liable to:-
  - pay tax payable by him under any other provisions of sec 73/74/74A shall mutatis & mutandis apply for tax and penalty of CGST Act.

**Discussion:-**

- In given case, since Ranveer Industries is **engaged in making inter-state supplies** of readymade garments, it is **not eligible to opt for composition scheme** in current year irrespective of its turnover not exceeding the threshold limit of ₹1.5 Cr in the preceding FY.

**Conclusion:-** Thus, the **action taken** by the proper officer of levying the penalty for wrongly availing the composition scheme is **valid in law**.

## Time of Supply

CCP 05.05.13.00

**Determine the time of supply in the following cases assuming that GST is payable under reverse charge: [Study Mat]**

| S. No. | Date of payment by recipient for supply of services  | Date of issue of invoice by supplier of services | Date of issue of invoice by Recipient of services, if supplier is unregistered |
|--------|--|--|--|
| (i)    | August 10  | June 29  | -  |
| (ii)   | August 10  | June 1   | -  |
| (iii)  | Part payment made on June 30 & balance amount paid on September 1  | June 29  | -  |
| (iv)   | Payment is entered in the recipient's books of account on June 28 & debited in recipient's bank account on June 30   | June 1   | -  |
| (v)    | Payment is entered in the recipient's books of account on June 30 and debited in recipient's bank account on June 26 | June 29  | -  |
| (vi)   | August 10  | -  | August 5   |

**Answer:**

**Legal Provision:-** If supply of services is liable under reverse charge, then time of supply of services shall be the earliest of the following dates: [Sec 13(3)]

- a) Date of payment by recipient (i.e., earlier of book entry or debit to bank)
- b) 61st day from supplier's invoice, in cases where invoice is required to be issued by the supplier or
- c) Date of issue of invoice by the Recipient, in cases where invoice (Self Invoice) is to be issued by the recipient.

**Determination of the time of supply of services taxable under reverse charge:-**

| S. NO. | Date of payment by recipient of services  | Date of issue of invoice by supplier of services | 61st day from date of Invoice | Date of issue of invoice by recipient of services | Time of Supply of Services u/s 13(3)                    |
|--------|---|--|-------------------------------|---|---|
|        | (1)   | (2)  |                               | (3)   | [Earlier of (1), (2) & (3)]                             |
| (i)    | August 10   | June 29  | August 29                     | -   | August 10   |
| (ii)   | August 10   | June 1   | August 1                      | -   | August 1  |
| (iii)  | Part payment made on June 30 & balance amount paid on Sep 1   | June 29  | August 29                     | -   | June 30 for Part Payment & August 29 for balance amount |
| (iv)   | Payment is entered in the recipient's books of account on June 28 & debited in recipient's bank account on June 30  | June 1   | August 1                      | -   | June 28   |
| (v)    | Payment is entered in the recipient's books of account on June 30 and debited in recipient's bank account on Jun 26 | June 29  | August 29                     | -   | June 26   |
| (vi)   | August 10   |  |                               | August 5  | August 5  |

**CCP 05.05.13.01**

XYZ Pvt. Ltd. received legal services from ABC Consultants who is not registered under GST on March 1, 20XX. The legal services are subject to GST under the RCM. XYZ Pvt. Ltd. issued an invoice for the services on March 10, 20XX & supplier has not issued the invoice as it is unregistered. XYZ Pvt. Ltd. made the payment for the legal services on May 02, 20XX. Determine Time of Supply.

What would be your answer if ABC Consultants is registered under GST & invoice is issued by it only & not by XYZ Pvt. Ltd. on March 5, 20XX.

**Answer:**

**Legal Provision:** If supply of services is liable under reverse charge, then time of supply of services shall be the earliest of the following dates: [Sec 13(3)]

- a) **Date of payment** by recipient (i.e., earlier of book entry or debit to bank)
- b) **61st day** from supplier's invoice, in cases where invoice is required to be issued by the supplier or
- c) **Date of issue of invoice** (Self Invoice) by the Recipient, in cases where invoice is to be issued by the recipient.

**Discussion & Conclusion:**

- In given case, ABC Consultants is **not registered** under GST, so it is not required to issue invoice, so condition of 61st day from issuance of invoice by supplier is **not relevant here**.
- Thus, Time of Supply will be **earlier** of following:
  - a) Date of payment is May 02, 20XX.
  - b) Date of issue of invoice by XYZ Pvt. Ltd. (recipient) is March 10, 20XX.



- Therefore, TOS will be **March 10, 20XX**.
- In the second case, invoice is issued by ABC Consultants, So TOS will be earlier of:
  - a) Date of payment is May 02, 20XX
  - b) 61st date from the invoice issuance date by the supplier i.e May 5, 20XX
- **Thus, TOS will be May 02, 20XX.**

#### CCP 05.05.13.02

**M/s Vijay Communication Ltd., a registered telecom operator, is planning to bid for securing the right to use spectrum offered by the Government under the spectrum allocation model followed by Department of Telecommunications (DoT).**

**Company appointed you as advisor to give advice when the liability of payment of GST will arise in the following independent situations:**

- (i) In case where full upfront payment is made.**
- (ii) In case where deferred payment is made by the telecom operator in 18 monthly instalments.**

**Give your advice by explaining the relevant legal provisions with reference to the liability to pay GST, issue of invoice and time of supply. [CA Final May 25 Exam]**

**Answer:** The GST is to be discharged on the supply of spectrum allocation services by the recipient of services (the telecom operator) on reverse charge basis (RCM).

|            |   |
|------------|---|
| <b>i)</b>  | ➤ In case where <b>full upfront payment</b> is made by the telecom operator, GST would be payable when the payment of the said upfront amount is made or is due, <b>whichever is earlier.</b>   |
| <b>ii)</b> | <ul style="list-style-type: none"> <li>➤ In case where <b>deferred payment</b> is made by the telecom operator in 18 monthly instalments, supply shall be considered as '<b>continuous supply of services</b>', since the services are being supplied continuously for a period exceeding 3 months with periodic payment obligations.</li> <li>➤ Since the due date of payment is ascertainable from the contract, the invoice shall be issued on or before such due date of payment as per the option exercised by the telecom operator.</li> <li>➤ Thus, in this case, GST would be payable as and when the payments are due or made, <b>whichever is earlier.</b></li> </ul> |

#### CCP 05.05.14.00

**Mint Industries Ltd., a registered supplier, imports business support services from Green Inc. of USA on 13th August. The relevant invoice for \$ 1,20,000 is raised by Green Inc on 18th August. Mint Industries Ltd. makes the payment on 22nd September. Based on the above information, answer the following questions?**

**1. Determine the Time of Supply?**

**2. Determine the TOS if Mint Industries Ltd. issues self-invoice on 12th September.**

**Answer:- Legal Provision:**

- If services are supplied by any person located in a non-taxable territory to any person located in taxable territory other than non-taxable online recipient, GST is payable under reverse charge by the person located in the taxable territory. [Sec 9(3)]
- If supply of services is liable under reverse charge, then time of supply of services shall be the **earliest** of the following dates: [Sec 13(3)]
  - a) Date of payment by recipient (i.e., earlier of book entry or debit to bank)
  - b) 61st day from supplier's invoice, in cases where invoice is required to be issued by the supplier or
  - c) Date of issue of invoice by the Recipient, in cases where invoice (Self Invoice) is to be issued by the recipient.

**Discussion & Conclusion :** In the given case, business support services are provided by Green Inc (located in non-taxable territory) to Mint Ltd. (person other than non-taxable online recipient and located in taxable territory), tax is payable under reverse charge by Mint Ltd.

|           |  |
|-----------|--|
| <b>1)</b> | <p>➔ In the given case, Time of supply is the <b>earliest of:</b></p> <ul style="list-style-type: none"> <li>➤ Date of payment = 22nd September</li> <li>➤ 61st day from invoice date = 18th August + 61 days = 18th October</li> <li>➤ Date of self-invoice by recipient (if any) = Not mentioned here</li> </ul> <p>➔ Since no self-invoice is issued, Thus, Time of Supply will be <b>22nd September.</b></p> |
| <b>2)</b> | <p>➔ If Mint Industries issues a self-invoice, then TOS is earliest of:</p> <ul style="list-style-type: none"> <li>➤ Date of payment = 22nd September</li> <li>➤ 61st day from supplier's invoice = 18th August + 61 days = 18th October</li> <li>➤ Date of self-invoice = 12th September</li> </ul> <p>➔ Therefore, Time of Supply will be <b>12th September.</b></p>   |

## Value of Supply

### CCP 06.05.19.02

M/s Ronak Ltd. having a registered head office in Maharashtra, provides a service to its branch office in Kerala in the month of April 2024 by way of carrying out administrative work with the use of service of the employees working in the head office. However, the head office has not included the salary cost of employees involved in providing the said services while issuing tax invoice to its branch office.

**You are required to decide the following:**

**What will be the value of service and also discuss whether the salary cost of head office employees involved in providing the said services has to be mandatorily included in the computation of value of service provided by head office to branch office (when full ITC is available to the concerned branch office)?**

**What will be the value of service if head office has not issue invoice to the branch office?**

**Also discuss in brief the relevant provisions of GST law. [CA Final Nov 24 Exam]**

**Answer:-**

|           |  |
|-----------|--|
| <b>1)</b> | <p>➔ The value of supply of services by Head Office (HO) to its Branch Office (BO) [HO and BO being the distinct persons], shall be the open market value (OMV) of such supply.</p> <p>➔ Further, where the recipient - BO - is eligible for full input tax credit (ITC), the value declared in the invoice by HO shall be deemed to be OMV of such services.</p> <p>➔ Moreover, the cost of any particular component of said services including the salary cost of the HO employees involved in providing the said services is not required to be mandatorily included in the value of the services in the invoice.</p> |
| <b>2)</b> | <p>If HO has not issued a tax invoice to the BO and the recipient - BO - is eligible for full ITC, the value of service by HO to BO may be deemed to be declared as Nil and may be deemed as OMV of such services.</p>   |

## Exemptions under GST

**CCP.04.15.31.01**

Mr. Ayush is a registered supplier in Ahmedabad (Gujarat) under GST law. He provides the following information pertaining to various outward supplies made by him during the month of March 20XX:

| S.No. | Particulars  | Amount(₹) |
|-------|--|-----------|
| i)    | Vijay Vayapar Chamber of Commerce organized a business summit. Nuba Pvt. Ltd., manufacturer of readymade garments, sponsored the summit and paid sponsorship fee of ₹ 1,80,000 to Vijay Vayapar Chamber of Commerce. Mr. Ayush, an independent director of Nuba Private Ltd., provided the services to the company in relation to this and Nuba Private Ltd. paid ₹ 40,000 to him as remuneration. | 40,000    |
| ii)   | Supply of railway equipment's by way of transportation by a vessel from one place in India to another  | 1,20,000  |
| iii)  | Services by way of storage/warehousing of processed tea used for beverage as green tea.  | 70,000    |
| iv)   | Health care services by his clinical establishment of providing rooms having room charges ₹ 3,100 per day to a person receiving health care services.  | 3,00,000  |
| v)    | Services of a guest house, for lodging purposes, having value of supply of a unit of accommodation ₹ 800 per day   | 72,000    |

All above amounts are exclusive of GST. All the supplies are intra-State supply and assume the rate of taxes are IGST @ 18% and CGST & SGST @ 9% each.

From the above information, compute the GST liability of each item separately, on which tax to be paid by Mr. Ayush for the month of March, 20XX. [CA Final Nov 24 Exam]

**Answer :**

| Particulars   | Value of Supply (₹) | GST (₹) | Explanation   |
|---|---------------------|---------|---|
| Service provided to Nuba Pvt. Ltd                                     | -                   | -       | Tax on services provided in the capacity of an independent director is payable by the recipient – Nuba Pvt. Ltd. under RCM and not by Mr. Ayush.  |
| Supply of transportation of railway equipment by vessel               | 10,800              | 10,800  | <b>Taxable</b> , since it is not specifically exempt. Transportation of specified goods by vessel from one place in India to another are exempt. However, railway equipment is not a specified good. Exemption earlier available to transportation of railway equipment by vessel from one place in India to another was withdrawn. |
| Storage/warehousing of processed tea                                  | 6,300               | 6,300   | <b>Taxable</b> , since storage/warehousing of only agricultural produce is exempt but processed tea is not an agricultural produce.   |
| Health care services of providing rooms by his clinical establishment | -                   | -       | <b>Exempt</b> , since room charges do not exceed ₹ 5,000 per day.   |
| Services of a guest house for lodging purposes                        | 6,480               | 6,480   | <b>Taxable</b> , since exemption with respect to services provided by guest house for lodging purposes with value of supply up to ₹ 1,000 per day, was withdrawn.   |

**Quick Revision Pointers (QRP's) :**

- i) Fumigation services is not withdrawn from exemption for agricultural sector  
 ii) Services by foreign diplomatic missions in India are exempt, but services to them are taxable

**CCP 04.15.36.00**

M/s. JLM & Sons, a partnership firm, is registered under GST at Bengaluru in the State of Karnataka. It has provided the following information related to the month of October, 20XX:

| S.No. | Particular   | (₹)       |
|-------|--|-----------|
| i.    | Amount charged for composite supply of goods and services by way of milling of wheat into wheat flour, along with fortification to Tamil Nadu Government for distribution of such wheat flour under Public Distribution System (PDS) in Tamil Nadu. (The value of supply of goods in the above supply constitutes 49% of the value of composite supply). | 8,50,000  |
| ii.   | Taxable supply of direct selling agent services to a local branch of a public sector Bank.   | 4,00,000  |
| iii.  | Supply of tobacco leaves as agriculturist to M/s Ram & Sons, a sole proprietorship firm registered at Hubli (Karnataka).   | 1,05,000  |
| iv.   | Amount received for services provided to State Government in relation to training of drivers at Karnataka during the road safety week celebration of the Karnataka Government. (79.50% of the total expenditure is borne by the Government)  | 1,05,000  |
| v.    | JLM & Sons got the permission from the municipal authorities to build an 8 floors building in the Bengaluru. But it agreed to build only 4 floors building and received ₹ 26,00,000 as compensation from Sunil Constructions Ltd., a neighbouring housing project which wants to protect its sunlight.   | 26,00,000 |

Based on the information given above, calculate the taxable value of supply under GST law on which tax to be paid by M/s JLM & Sons and also calculate tax payable for each item separately for the month of October, 20XX.

All the above amounts are exclusive of GST, if any.

Assume rate of CGST and SGST @ 9% each and IGST @ 18% for all the supplies covered including services of obligation to refrain from an act or to tolerate an act. [CA Final May 25 Exam]

Answer:-Computation of taxable value of supply on which tax is to be paid by M/s JLM & Sons and tax payable thereon:

| Particular  | Amount (₹)       | IGST (₹)        | CGST Payable(₹) | SGST payable(₹) |
|---|------------------|-----------------|-----------------|-----------------|
| Amount charged from Tamil Nadu Govt [Note 1]                                    | 8,50,000         | 1,53,000        | -               | -               |
| Direct selling agent (DSA) services to bank [Note 2]                            | 4,00,000         |                 | 36,000          | 36,000          |
| Supply of tobacco leaves [Note 3]   |                  | -               | -               | -               |
| Services provided to State Government [Note 4]                                  |                  | -               | -               | -               |
| Compensation from Sunil Construction Ltd [Note 5]                               | 26,00,000        | -               | 2,34,000        | 2,34,000        |
| <b>Taxable value of supply on which tax is to be paid by M/s JLM &amp; Sons</b> | <b>38,50,000</b> | <b>1,53,000</b> | <b>2,70,000</b> | <b>2,70,000</b> |

**Notes:-**

|    |  |
|----|--|
| 1. | <ul style="list-style-type: none"> <li>➤ <b>Taxable</b>, since composite supply of service of milling of wheat into flour and fortification for distribution by State Governments under PDS is <b>exempt</b> from GST only if value of goods supplied in said supply does not exceed upto 25% of the total value of composite supply.</li> <li>➤ Further, it's an inter- State supply since place of supply is location of recipient, i.e., Tamil Nadu.</li> </ul> |
|----|--|

|    |   |
|----|---|
| 2. | <ul style="list-style-type: none"> <li>➤ DSA services are not being provided by an individual direct selling agent, but by a partnership firm.</li> <li>➤ Therefore, tax is <b>not payable</b> under reverse charge but is payable under forward charge.</li> <li>➤ Further, it's an intra- State supply since place of supply is location of recipient, i.e., Karnataka</li> </ul> |
| 3. | Tax on supply of tobacco leaves by an agriculturist to a registered person is payable by recipient under reverse charge. So, tax is not payable by M/s JLM & Sons.  |
| 4. | Services provided to the State Government under any training programme for which 75% or more of the total expenditure is borne by the State Government is <b>exempt</b> under GST.  |
| 5. | <ul style="list-style-type: none"> <li>➤ Service of agreeing to the obligation to refrain from an act is being provided.</li> <li>➤ Further, it's an intra- State supply since place of supply is location of recipient, i.e., Bengaluru.</li> </ul>  |

## Input Tax Credit

### CCP 07.02.04.01

**Aakarsha Traders, a registered supplier under GST in Uttar Pradesh, had their GST registration cancelled retrospectively with effect from 1st September of current financial year. The cancellation order was passed on 15th September of current financial year. At the time of cancellation, the supplier had not availed ITC on certain eligible invoices issued in February and March of the preceding financial year for inward supplies of taxable goods on which ITC is otherwise available under GST law.**

**Subsequently, on filing an application for revocation, the cancellation of registration was revoked by the Proper Officer on 15th December of current financial year.**

**The firm wishes to file its GSTR-3B return for the month of September on 21st December of current financial year and wishes to claim ITC on the said invoices of February and March of preceding financial year in this return.**

**You are required to advise Aakarsha Traders whether it is entitled to claim input tax credit (ITC) in respect of invoices issued in February and March of the preceding financial year in terms of provisions of the GST law assuming that annual return for previous year is furnished on 31st December of the current financial year.**

**[CA Final RTP Sep 25]**

**Answer:- Legal Provision:** As per **section 16(6)**, If the registration of a registered person is cancelled u/s 29, and subsequently cancellation is revoked by any order u/s 30, and availment of ITC was not restricted u/s 16(4) on the date of cancellation, then such person is **entitled to take ITC** on such invoice or debit note in a return u/s 39:

- (i) filed up to 30th November following the financial year to which such invoice or debit note pertains, or date of furnishing annual return, whichever is earlier or
- (ii) for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within 30 days from the date of order of revocation of cancellation of registration

**whichever is later.**

**Discussion & Conclusion:**

➤ In the given case, Aakarsha Traders is entitled to claim ITC in respect of invoices issued in February and March of the preceding financial year in a return u/s 39:

- filed up to 30th November of current financial year or
- (return filed for the period from effective date of cancellation of registration till the date of order of revocation of cancellation of registration, within 30 days of revocation of cancellation i.e., up to 14th January.

**whichever is later.**

➤ Thus, Aakarsha Traders is **entitled** to claim input tax credit (ITC) in respect of invoices issued in February and March of the preceding financial year in the return for the month of September furnished on 21st December of current financial year.

**CCP 07.08.26.01**

Mr. Divas, a registered person in Agra, Uttar Pradesh purchased a car for ₹ 12,50,000 on 15th October. On 31st October, the car met with an accident resulting in minor damage.

Due to urgency, he got his car repaired in the local garage of a nearby market instead of garage authorized by his general insurance company, i.e. Suraksha Insurance Company, through which his car was insured.

The total cost of repairs was ₹ 54,000 (excluding GST @ 18%). On the instructions of Mr. Divas, the invoice for the entire amount was raised by garage in the name of Suraksha Insurance Company. The insurance company approved the claim amount of only ₹ 40,000 after the survey and reimbursed the same amount along with GST @ 18% to Mr. Divas. In light of the above facts, you are required to answer the following questions :

1. Whether Suraksha Insurance Company is eligible to avail ITC on the basis of the invoice raised by garage? If yes, what would the amount of eligible input tax credit?
2. Would your answer be different, if garage had issued two different invoices, one for ₹ 40,000 + GST @ 18% to Suraksha Insurance Company and another for ₹ 14000 + GST @ 18% to Mr. Divas?
3. In case, the garage issued the invoice in the name of Mr. Divas, would Suraksha Insurance Company be eligible to avail ITC? [CA Final RTP May 25]

**Answer :**

1.
  - **Section 17(5)** provides that ITC of services of repair of motor vehicles shall be available where received by a taxable person engaged in the supply of general insurance services in respect of motor vehicles insured by him.
  - **CBIC has clarified** that in reimbursement mode of claim settlement, the payment is made by the insurance company for the approved cost of repair services through reimbursement to the insured.
  - Further, irrespective of the fact that the payment of the repair services to the garage is first made by the insured, which is then reimbursed by the insurance company to the insured to the extent of the approved claim cost, **the liability to pay for the repair service for the approved claim cost lies with the insurance company**, and thus, the insurance company is covered in the definition of recipient in respect of the said supply of services of vehicle repair provided by the garage, to the extent of approved repair liability.
  - Moreover, avilment of ITC paid on motor vehicle repair services received by the insurance company for outward supply of insurance services for such motor vehicles is **not blocked** u/s 17(5).
  - Accordingly, it is **clarified** that ITC is available to insurance companies in respect of motor vehicle repair expenses incurred by them in case of reimbursement mode of claim settlement.
  - It is **further clarified** that if the invoice for full amount for repair services is issued to the insurance company while the insurance company makes reimbursement to the insured only for the approved claim cost, then the **ITC may be available** to the insurance company only to the extent of reimbursement of the approved claim cost to the insured, and not on the full invoice value.
  - In the given case, although the invoice for the full amount of repair services (₹ 54,000 + GST) is raised in the name of Suraksha Insurance Company, it is liable to pay the repair service to the extent of the approved claim cost (₹ 40,000 + GST). Thus, it is covered in the definition of 'recipient' to the extent of approved claim cost.
  - Hence, it is eligible to avail the ITC to the extent of the GST paid on the amount of ₹ 40,000 (approved claim cost). **Thus, ITC of ₹ 7,200 (₹ 40,000 × 18%) is available** to Suraksha Insurance Company.

|    |  |
|----|--|
| 2. | <ul style="list-style-type: none"> <li>➤ The <b>circular further clarifies</b> that in cases where the garage issues two separate invoices in respect of the repair services, one to the insurance company in respect of approved claim cost and second to the customer for the amount of repair service in excess of the approved claim cost, <b>ITC may be available</b> to the insurance company on the said invoice issued to the insurance company subject to reimbursement of said amount by insurance company to the customer.</li> <li>➤ Thus, in the given case, if the garage has issued two different invoices, the answer would remain the same because the approved claim of service cost which was reimbursed by Suraksha Insurance Company to Mr. Diwas was ₹ 40,000 only.</li> <li>➤ Thus, <b>ITC of ₹ 7,200 (₹ 40,000 × 18%) is available</b> to Suraksha Insurance Company.</li> </ul> |
| 3. | <ul style="list-style-type: none"> <li>➤ The <b>circular also clarifies</b> that where the invoice for the repair of the vehicle is not in name of the insurance company, condition of <b>section 16(2)(a) &amp; (aa)</b> is not satisfied and accordingly, ITC will not be available to the insurance company in respect of such an invoice.</li> <li>➤ Thus, in the given case, if the invoice has been raised in the name of Mr. Diwas, then Suraksha Insurance Company <b>would not be eligible</b> to avail the ITC.</li> </ul>   |

### CCP 07.08.28.01

Vijay Pvt. Ltd. of Chennai, Tamil Nadu, exclusively manufactures and sells product 'V2Z' which is exempt from GST vide notifications with certain taxable supplies. The company sells product 'V2Z' only within Tamil Nadu and it is registered under GST under regular scheme. Further, all the inward supplies of the company are taxable under forward charge. The company expects the sales to grow in the current year. Owing to the growing demand for the product, the company decided to increase its production capacity and purchased additional machinery exclusively used for manufacturing 'V2Z' on 1st August, 20XX. The purchase price of such machinery was ₹ 45 lakh (exclusive of GST@ 18%).

However, with effect from 1st December, 20XX, exemption available on 'V2Z' was withdrawn by the Central Government and GST @ 12% was imposed thereon. Can Vijay Pvt. Ltd take input tax credit on additional machinery purchased exclusively for manufacturing 'V2Z'? If yes, then when and how much credit can be availed? Advice Vijay Pvt. Ltd. on the above issues with reference to the provisions of GST law.

**Correct provisions of law should form the part of your answer. [CA Final Nov 24 Exam]**

**Answer:**

- Where an exempt supply of goods by a registered person becomes a taxable supply, such person shall be entitled to take ITC, in respect of capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable i.e. Nov 30, 20XX.
- ITC on capital goods can be claimed after reducing the tax paid on such capital goods by **5% per quarter of a year or part thereof** from the date of the invoice.
- Thus, Vijay Pvt. Ltd. can take following amount of ITC on additional machinery purchased exclusively for manufacturing "V2Z" by making an electronic declaration in prescribed form specifying the details of capital goods on the day immediately preceding the date from which such supply becomes taxable within 30 days of becoming eligible to avail ITC:
  - = (₹ 45 lakh × 18%) - (₹ 45 lakh × 18% × 5% × 2 quarters)
  - = ₹ 8,10,000 – ₹ 81,000
  - = ₹ 7,29,000

# Place of Supply

CCP.08.11.50.01

Smith Inc., a company located in USA, charges subscription fee from its unregistered customers in India at its online money gaming portal. The Department contends that GST should be charged on the subscription fees which Smith Inc. receives from Indian customers.

Smith Inc. opposes the above view stating that since online money gaming are intangible goods and do not cross customs frontiers physically in this case, GST is not leviable thereon.

Considering the above facts, you are required to answer the following questions:

(i) What would be the place of supply in this case?

(ii) Whether GST is leviable on the subscription fee charged by Smith Inc. from unregistered customers? If yes, who is required to pay said GST? [CA Final RTP May 25]

**Answer:**

|      |   |
|------|---|
| (i)  | <p><b>Legal Provision:</b> As per section 11 of IGST Act, <b>Place of Supply of goods:-</b></p> <p>a) imported into India shall be the location of importer,<br/>                 b) exported from India shall be the location outside <b>india</b>.</p> <p><b>Discussion &amp; Conclusion:</b></p> <ul style="list-style-type: none"> <li>☞ In the given case, Online money gaming being specified actionable claim is covered in goods, as per <b>2(52) read with section 2(102A)</b></li> <li>☞ Thus, the POS would be location of the recipient of specified actionable claim of online money gaming, i.e., <b>India</b>.</li> </ul>  |
| (ii) | <p><b>The contention of department is correct.</b></p> <ul style="list-style-type: none"> <li>☞ As per proviso to <b>section 5(1) of the IGST Act, 2017</b>, IGST on goods imported into India is levied and collected as per section 3 of the Customs Tariff Act, 1975 on the determined value at the point when duties of customs are levied on the said goods u/s 12 of the Customs Act, 1962.</li> <li>☞ However, in case of intangible goods, it is not possible to levy and collect IGST on imports in said manner, as the goods do not cross the customs frontiers physically.</li> <li>☞ Resultantly, the Government has notified certain goods for whom proviso to section 5(1) of the IGST Act, 2017 will not be applicable for levy and collection of IGST, in such cases, IGST shall be levied and collected in the manner specified in section 5(1) only. Supply of online money gaming has been notified for the said purpose.</li> <li>☞ So, import of specified actionable claims of online money gaming <b>will be taxed</b> under IGST as import of goods.</li> <li>☞ As per <b>section 14A</b> of the IGST Act, 2017, a supplier of online money gaming, not located in the taxable territory, shall in respect of the supply of online money gaming by him to a person in the taxable territory, be liable to pay IGST on such supply.</li> <li>☞ <b>Section 24(xia)</b> makes it mandatory for a every person supplying online money gaming from a place outside India to a person in India to obtain registration irrespective of quantum of aggregate turnover. A supplier of online gaming services is required to take a single registration under a Simplified Registration Scheme.</li> <li>☞ However, if the supplier has a representative in India for any purpose, such person (representative in India) shall get registered and pay IGST on behalf of the supplier.</li> <li>☞ In case, the overseas supplier neither has a physical presence nor has any representative for any purpose in India, he may appoint a person in India for the purpose of paying IGST and such person shall be liable for payment of such tax.</li> <li>☞ Accordingly, in the given case, <b>Smith Inc. is liable to pay IGST</b> on subscription fees that it charges from Indian customers, it is required to pay the IGST in the manner specified above.</li> </ul> |

**CCP.08.11.50.02**

Determine the 'place of supply' along with explaining the correct provision of law for the following independent cases:

- (i) Mr. Prakash Kumar (unregistered person under GST law) is a resident of Surat, Gujarat. He places an order on 'E-SHOPPE' (an e-commerce platform) for supply of laptop, which is to be delivered to his sister Ms. Ridhima at Mumbai, Maharashtra. Mr. Prakash, while placing the order on the above e-commerce platform, provides the billing address of his residence located in Surat, Gujarat,
- (ii) Ms. Ritu is proprietor of 'G n F Center', situated at Lucknow and registered under GST law in Uttar Pradesh. Her client Ms. Neha (unregistered person under GST law) located at Delhi, requests her to provide personal grooming & fitness services at her home at Delhi. Ms. Ritu provides her grooming & fitness services at client's home at Delhi.
- (iii) Decor n Décor, an interior decorator firm located at Dehradun, Uttarakhand, enters into a contract with Mr. Diego of Italy to provide interior decoration services in respect two immovable properties of Mr. Diego, one located at Dehradun, Uttarakhand and another located at Italy.
- (iv) SQR Mills Private Limited of Kolkata, registered under GST law in West Bengal, gives a contract to LQR Private Limited of Varanasi, registered under GST law in Uttar Pradesh to supply a machine which is required to be assembled at a printing plant of SQR Mills Private Limited located at Bhopal, Madhya Pradesh. [CA Final May 25 Exam]

**Answer:-**

|    |  |
|----|--|
| 1. | <p>➤ In cases involving supply of goods to an unregistered person, where the billing address and delivery address are different, the delivery address shall be the place of supply. [Sec 10(1)(ca)]</p> <p>➤ Thus, place of supply is <b>Mumbai, Maharashtra.</b></p>  |
| 2. | <p>➤ The place of supply of personal grooming and fitness services is the location where the services are actually performed. [Sec 12(4)]</p> <p>➤ Thus, place of supply is <b>Delhi.</b></p>  |
| 3. | <p>➤ Where any services directly in relation to an immovable property are supplied at more than one location, including a location in the taxable territory, its place of supply shall be the location in the taxable territory. [Sec 13(4) read with Sec 13(6)]</p> <p>➤ Thus, place of supply is <b>Dehradun, Uttarakhand</b> in respect of interior decoration services provided in relation to the immovable properties located in Dehradun and Italy.</p> |
| 4. | <p>➤ Where the goods are assembled at site, place of supply shall be the place of such assembly. [Sec 10(1)(d)]</p> <p>➤ Thus, place of supply is <b>Bhopal, Madhya Pradesh.</b></p>   |

# Payment of Tax

CCP 12.02.04.00

Miss Nitya has following balances in her Electronic Cash Ledger as on 28th February as per GST portal

| Major Heads | Minor Heads | Amount (₹) |
|-------------|-------------|------------|
| CGST        | Tax         | 40,000     |
|             | Interest    | 1,000      |
|             | Penalty     | 800        |
| SGST        | Tax         | 80,000     |
|             | Interest    | 400        |
|             | Penalty     | 1,200      |
|             | Fee         | 2,000      |
| IGST        | Tax         | 45,000     |
|             | Interest    | 200        |
|             | Penalty     | Nil        |

She furnishes return on monthly basis. Her tax liability for the month of February for CGST and SGST was ₹ 75,000 each. She failed to pay the tax and contacted you as legal advisor on 12th April to advise her as to how much amount of tax or interest she is required to pay, if any. In order to optimize the interest liability as per GST provisions, she is willing to make any transfer from the cash ledger between any of the major or minor heads as the case may be. She wants to pay the tax on 20th April.

**Other information:**

- Date of collection of GST was 18th February.
- No other transaction after this up to 20th April.
- Ignore penalty and late fee for this transaction.
- No other balance is available.

You are required to advise her with reference to legal provisions with brief notes on the legal provisions applicable. [Study Mat] [CA Final Nov 18 Exam]

**Answer: Legal Provision:**

- ⇒ Under **Section 50 of the CGST Act**, interest on late tax payments applies to the **net tax liability** (i.e., tax paid using the **E-cash ledger**). However, if the tax amount was already credited to the **E-cash ledger** before the due date but debited later when filing the return, no interest is charged for the period it remained unused.
- ⇒ **Section 49(10)** allows taxpayers to transfer funds from one major/minor head to another within the **E-cash ledger** for IGST, CGST, or SGST.

**Discussion & Conclusion:- In this case:**

- ⇒ Tax collected on **18th February is due by 20th March, but Miss Nitya plans to pay it on 20th April.**
- ⇒ On **20th March**, there were unutilized balances in all major heads of the E-cash ledger.
- ⇒ Since the funds remained unused until **20th April, no interest** is payable on the amounts used to settle the tax.

**Tax Payment Summary :**

| Particulars  | CGST Tax (₹)  | SGST Tax (₹) |
|--|---------------|--------------|
| Tax Liability                                      | 75,000        | 75,000       |
| Balances in E-Cash ledger in same Major/minor head | 40,000        | 80,000       |
| Balance transferred from other Major/minor head    | 35,000 (IGST) |              |
| <b>Amount payable in cash</b>                      | <b>Nil</b>    | <b>Nil</b>   |

⇒ **Remaining balances :**

- IGST: ₹ 10,000
- SGST: ₹ 5,000



**CCP 12.03.05.00**

M/S MN Ltd has a balance of ₹ 30,000 as CGST and ₹ 30,000 SGST in the electronic credit ledger in the beginning of April 20XX. During the month of April 20XX, M/S MN Ltd has following liabilities:-

| Particulars  | CGST (₹)      | SGST(₹)       |
|--|---------------|---------------|
| GST Payable on outward supplies  | 10,000        | 10,000        |
| GST payable as a consequence of proceeding instituted under the provision of GST law | 5,000         | 5,000         |
| GST payable on reverse charge supplies   | 6,000         | 6,000         |
| Interest for default in late filing of GSTR-3B                                       | 500           | 500           |
| Penalty  | 500           | 500           |
| <b>Total</b>   | <b>22,000</b> | <b>22,000</b> |

There is no input tax credit for the month of April 20XX.

M/S MN Ltd is of the view that since opening balance in the electronic credit ledger is sufficient to discharge the whole liability for the month of April 20XX, it is not required to deposit any tax for the above month.

Explain with reasons whether the contention of M/S MN Ltd is correct in view of the applicable provisions of the CGST Act, 2017.

If not, what would be the amount payable in cash for the month of April 20XX?

Also discuss in brief, the relevant provision of GST law. [CA Final Nov 24 Exam]

**Answer:**

- The electronic credit ledger can be used for making payment of only output tax which is the tax chargeable on taxable outward supply, but excludes tax payable on reverse charge mechanism. It cannot be used for making payment of any interest, penalty, fees or any other amount payable under the GST law.
- Accordingly, electronic credit ledger can be used for any payment towards output tax, whether self-assessed in the return or payable as a consequence of any proceeding instituted under the GST law.
- Thus, in view of the above-mentioned provisions, the contention of MN Ltd. is **not correct**.

| Particulars   | CGST (₹)      | SGST (₹)      |
|---|---------------|---------------|
| GST Payable on outward supplies                                   | 10,000        | 10,000        |
| GST payable as consequence of proceeding instituted under GST law | 5000          | 5000          |
| <b>TOTAL</b>  | <b>15,000</b> | <b>15,000</b> |
| <b>Less:</b> ITC in Electronic Credit ledger                      | (15,000)      | (15,000)      |
| Balance   | Nil           | Nil           |
| <b>Add:</b> GST payable on reverse charge supplies                | 6,000         | 6,000         |
| <b>Add:</b> Interest for default in late filing of GSTR-3B        | 500           | 500           |
| <b>Add:</b> Penalty   | 500           | 500           |
| <b>Total amount payable in cash</b>                               | <b>7,000</b>  | <b>7,000</b>  |

**CCP 12.06.17.01**

M/s XYZ, registered in the State of Maharashtra under GST, made the following supplies during the last week of October 20XX. Considering the below mentioned independent supplies your advice is sought with appropriate reasoning for applicability of TDS provisions on the supplies made by XYZ along with quantification of the amount of TDS, if applicable.

Value of supply is exclusive of GST unless otherwise stated. The applicable rate of GST on outward supplies made is CGST 9%, SGST 9% and IGST 18%.

- (i) Provided taxable supply worth ₹ 20,000 & exempted supply worth ₹ 40,000/- in an invoice to the Government of NCT of Delhi at New Delhi where a contract for supply is for ₹ 5,00,000 (out of which ₹ 2,60,000 is for taxable supply including GST and ₹ 2,40,000 is for exempted supply).



- (ii) Provided supply of taxable goods amounting to ₹ 20,00,000 to Mumbai office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860.
- (iii) Provided taxable services worth ₹ 5,00,000 to the Government Department of Himachal Pradesh (registered in Himachal Pradesh only) directly in relation to the property located at Nagpur in the State of Maharashtra and being managed by the Government of Himachal Pradesh.
- (iv) Provided supply of taxable goods valued at ₹ 1,00,000 (Contract value ₹ 2,50,000) to Government of Chhattisgarh.
- (v) Provided supply of taxable iron scrap valued at ₹ 3,00,000 to M/s GGS Private Limited, a non-Government private company and registered under GST in Mumbai, Maharashtra. [CA Final May 25 Exam]

Answer:-

| S.No. | Particulars  | IGST (₹) | CGST (₹) | SGST (₹) |
|-------|--|----------|----------|----------|
| i)    | Taxable supply to Government of NCT of Delhi<br>[Since the total value of taxable supply [₹ 2,20,339 (₹ 2,60,000 * 100/118)] under the contract for both taxable and exempted supply does not exceed ₹ 2,50,000, tax is <b>NOT required</b> to be deducted]                                    | -        | -        | -        |
| ii)   | Supply of taxable goods to Mumbai office of National Housing Bank<br>[Since total contract value exceeds ₹ 2,50,000, tax is <b>required</b> to be deducted on intra-State supply.]   | -        | 20,000   | 20,000   |
| iii)  | Taxable services to Government Department of Himachal Pradesh.<br>[ <b>No TDS</b> will be deducted since the location of supplier and place of supply (being location of immovable property) is in Maharashtra which is different from State of registration of recipient (Himachal Pradesh).] | -        | -        | -        |
| iv)   | Supply of taxable goods to Chhattisgarh Government<br>[Since total contract value does not exceed ₹ 2,50,000, <b>no TDS</b> will be deducted.]   | -        | -        | -        |
| v)    | Supply of taxable iron scrap<br>[Any registered person receiving supplies of iron scrap from other registered person is notified person to <b>deduct TDS</b> where total contract value exceeds ₹ 2,50,000.]   |          | 3,000    | 3,000    |

## Tax Invoice

### CCP.10.07.13.01

Examine the statement, "Once the E-Commerce operator (ECO) has complied with the dynamic QR code requirements for issuing invoices, the suppliers using such e-commerce portal for B2C supplies will not be required to comply with the requirement of dynamic QR code".

Comment on the validity of the above statement with reference to GST law. [CA Final May 25 Exam]

Answer :-

- The given statement is **not correct**.
- Dynamic QR code requirements apply to each supplier separately, if such person is liable to issue invoices with Dynamic QR Code for B2C supplies.
- In case, the supplier is making supply through the e-commerce portal or application, and the said supplier gives

cross references of the payment received in respect of the said supply on the invoice, then such invoices would be deemed to have complied with the requirements of Dynamic QR Code.

- In cases other than pre-paid supply i.e. where payment is made after generation/ issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.

### CCP.10.07.13.02

**Sunita Industries, registered in the State of Gujarat, receives machinery for repair in its workshop located in Surat, Gujarat on 4th April, 2024 from Titen Ltd., an automobile manufacturing company based in China. Titen Ltd. is not registered in India. The repair work was carried out by Sunita Industries for which it was paid in convertible foreign exchange. The aggregate turnover of Sunita Industries was ₹ 450 crore in the preceding financial year 2023-2024 but for the financial year 2022-2023 the turnover was ₹ 562 crore.**

**While raising the invoice for the said consideration, the accountant of Sunita Industries approaches you as to whether the Dynamic Quick Response (QR) code is mandatorily required on said invoice?**

**You are required to advise him on the same by explaining the relevant provisions of GST law with reference to Dynamic Quick Response code along with applicable provisional of place of supply.**

**[CA Final Nov 24 Exam] [CA Final RTP Nov 22]**

**Answer :- ALTERNATIVE-I: Where it is assumed that the machinery is exported without being put to any use in India:**

- The place of supply of the services supplied in respect of goods which are temporarily imported into India for repairs and are exported after such repairs without being put to any use in India where supplier is in India and recipient is located outside India, **is the location of the recipient of services, location outside India i.e. China.**
- Thus, place of supply of repair services provided to Titen Ltd. in the given case is China.
- Further, said repair services shall qualify as “export of services” since:
  - supplier is in India,
  - both recipient and place of supply are outside India,
  - the payment for service is received in convertible foreign exchange, and
  - supplier and recipient are not merely establishments of a distinct person.
- All B2C invoices issued by a registered person whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores will have a Dynamic QR code.
- However, no Dynamic QR code is required in case of exports.
- In the given case, although the aggregate turnover of Sunita Industries exceeds ₹ 500 crore in preceding FY 2022-23, it is still not mandatorily required to have a Dynamic QR code requirement on the invoice for said services as Dynamic QR code requirement is not applicable to exports.

**ALTERNATIVE-II: Where it is assumed that the machinery is exported after being put to use in India:**

- The place of supply of the services supplied which are required to be made physically available by the recipient to the supplier for repairs and are exported after such repairs if put to any use in India where supplier is in India and recipient is located outside India, **is the location where goods are situated at the time of supply of services.**
- Thus, place of supply of repair services provided to Titen Ltd. in the given case is Gujarat.
- All B2C invoices issued by a registered person whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores will have a Dynamic QR code.
- However, in cases, where an invoice is issued to recipient outside India, for supply of services, for which place of supply is in India and the payment is received by supplier, in convertible FOREX, such invoice may be issued without having a Dynamic QR Code.
- In the given case, although the aggregate turnover of Sunita Industries exceeds ₹ 500 crore in preceding FY 2022-23, it is still not mandatorily required to have a Dynamic QR code requirement on the invoice for said services.

# Returns

CCP 14.05.09.01

RRY Ltd. has two registered places of business, one in the State of Tamil Nadu and another in the State of Karnataka. Aggregate turnover during the previous financial year 20XX-20YY for both the places of business was ₹ 3.27 crore and ₹ 1.47 crore respectively for Tamil Nadu and Karnataka. RRY Ltd. wishes to opt for 'Quarterly Return Monthly Payment' scheme popularly known as QRMP for one of its place of business in the current financial year 20YY-ZZ and wants to continue with regular return filing scheme and to file return on monthly basis for its other place of business.

You are required to examine the above case and answer that can RRY Ltd. do so? Explain with reasons with reference to GST law. [CA Final May 25 Exam]

**Answer:**

- Since the aggregate annual turnover (PAN based) of RRY Ltd. in preceding financial year does not exceed ₹ 5 crore, it can opt for the QRMP scheme.
- Further, QRMP scheme is GSTIN wise.
- Since distinct persons can avail QRMP scheme for one or more GSTINs, RRY Ltd. can opt for QRMP scheme for one of its places of business and continue with regular return filing scheme for its other place of business.

# Refund

CCP 14.06.11.00

With reference to section 54(3) of the CGST Act, 2017, mention the cases where refund of unutilised input tax credit is allowed. [Study Mat]

**Answer:-**

As per section 54(3) of CGST Act, 2017, a registered person may claim refund of any unutilised input tax credit (ITC) at the end of any tax period in the following cases:-

**1) Zero rated supplies made without payment of tax:-**

- Supply of goods &/or services to a SEZ developer/unit or export of goods &/or services qualifies as zero rated supplies. However, refund of unutilized ITC **shall not be allowed if:-**
- **the goods exported out of India & IGST paid on ZRS of goods** (i.e. on which some export duty has to be paid at the time of export) or
- the supplier of goods &/or services avails of drawback in respect of CGST or claims refund of the IGST paid on such supplies.

**2) Accumulated ITC on account of inverted duty structure:-** Where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies), except supplies of goods or services or both as may be notified by the Government on the recommendations of the Council.

# Assessment & Audit

## CCP.16.02.04.00

What are the powers available to proper officers for scrutiny of returns under GST. The proper officer while conducting scrutiny of returns under Section 61 of the CGST Act, 2017, detected discrepancy in the return filed by M/s R Kumar Pvt. Ltd. (registered under GST). Explain the recourse that may be taken by the proper officer in case proper explanation is not furnished by M/s R Kumar Pvt. Ltd [CA Final May 23 Exam]

**Answer: As per section 61 of CGST Act**, if proper explanation is not furnished for the discrepancy detected in return filed by the registered person while conducting scrutiny, the proper officer may:-

- (i) Proceed to **conduct audit** of the registered person under scrutiny **u/s 65**,
- (ii) Direct the registered person under scrutiny to get his records including books of account examined & **audited** by a Chartered Accountant or a Cost Accountant nominated by the commissioner i.e. special audit **u/s 66**,
- (iii) Undertake procedures of **inspection, search & seizure u/s 67**, or
- (iv) Initiate proceeding to **determine the tax and other dues u/s 73 or 74 or 74A**.

## CCP.16.02.04.01

Write short note on the 'Assessment of Non-filer of returns' under section 62 of the CGST Act, 2017. [CA Final May 25 Exam]

**Answer : Assessment of non-filer of returns under section 62 of the CGST Act, 2017:**

- Notwithstanding anything to the contrary contained in **section 73 or 74 or 74A**, where a RP
  - fails to furnish the monthly/quarterly return u/s 39 or
  - fails to furnish the final return u/s 45
  - even after service of a notice requiring him to furnish the return **within a period of 15 days**,
- the proper officer may assess the tax liability of said person to the best of his judgement taking into account all the relevant material which is available or which he has gathered.
- The assessment order shall be issued within a period of 5 years from the date specified for furnishing of the annual return for the financial year to which the tax not paid relates.
- Where the registered person furnishes a valid return within 60 days of service of the assessment order passed above, the said assessment order shall be **deemed** to have been withdrawn but the liability for payment of interest /late fee shall continue.
- Otherwise, he may furnish the same within a further period of 60 days on payment of an additional late fee of ₹ 100 for each day of delay beyond 60 days of the service of the said assessment order. In such case, said order shall be deemed to have been withdrawn, but the liability to pay interest/late fee shall continue.

## CCP.16.04.06.00

Explain the provisions relating to assessment of unregistered persons by the proper officer under section 63 of the CGST Act, 2017. [CA Final July 21 Exam]

**Answer :**

- **Section 63** of CGST Act overrides section 73,74 or 74A.
- **Best judgement Assessment:-** Where a taxable person **fails to obtain registration** despite being liable, or whose registration is **cancelled under Sec 29(2)** but remains liable to pay tax, the proper officer may assess the tax liability **to the best of his judgement** for the relevant tax periods.
- **Issue of Notice:-** The proper officer shall issue a notice specifying the **grounds for best judgement assessment** and serve a **summary electronically**. After allowing **15 days** for a reply, an **order will** be passed, and its summary will be uploaded electronically. An **opportunity of being heard** will be provided before passing the order.

- ⊖ **Time limit for Assessment order:-** The assessment order shall be issued by the proper officer **within 5 years** from the **due date** for furnishing the **annual return** for the relevant financial year to which the **non-payment of tax relates**.

#### CCP.16.05.08.00

**Write a brief note on Summary Assessment in certain special cases as per section 64 of the CGST Act, 2017. [Study Mat] [CA Final Nov 23 Exam] [CA Final MTP 1 May 25]**

**Answer :**

- ⊖ As per **section 64** of CGST Act, 2017, summary assessments can be initiated to protect the interest of revenue with the previous permission of Additional/ Joint Commissioner.
- ⊖ If proper officer has:-
  - Evidence of a taxable person's liability under the Act.
  - Sufficient grounds to believe that delaying the assessment may harm revenue interests.
- ⊖ Additional/ Joint Commissioner may **withdraw** summary assessment order:-
  - a) on an application filed by taxable person **within 30 days** from the date of receipt of order or
  - b) on his own motion, if he finds such order to be erroneous, with further proceedings under **Sec 73, Sec 74, or Sec 74A**.
- ⊖ If the taxable person to whom the liability pertains is not ascertainable and such liability pertains to supply of goods, the person in charge of such goods shall be deemed to be the taxable person liable to be assessed and liable to pay tax and any other amount due .

#### CCP.16.07.11.01

**Under what circumstances, special audit under section 66 of the CGST Act, 2017 may be directed? Is the special audit provision applicable even if the accounts of the registered person have already been audited under any other provisions of the GST law? [CA Final May 25 Exam]**

**Answer : Following are the circumstances in which special audit may be directed:-**

- ⊖ If at any stage of scrutiny, inquiry, investigation or any other proceedings before him, any officer not below the rank of Assistant Commissioner, having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that –
  - the value has not been correctly declared or
  - the credit availed is not within the normal limits,
- ⊖ he may, with the prior approval of the Commissioner, **issue a direction** to the registered person by a communication in writing to get his records including books of account examined and audited by a chartered accountant or a cost accountant as may be nominated by the Commissioner.
- ⊖ **Yes**, the provisions of special audit shall have effect even if the accounts of the registered person have been audited under any other provisions of the GST law.

#### CCP.16.08.12.00

**Explain in what cases, assessment order passed by proper officer may be withdrawn under CGST Act, 2017 [CA Final Nov 22 Exam] [Study Mat]**

**Answer:- Assessment order passed by the proper officer may be withdrawn in following cases:-**

**(i) Assessment of non-filers of returns-**

- ⊖ As per **section 62** of CGST Act, 2017, if the registered person furnishes a valid return for the default period **within 60 days** of the service of the best judgment assessment order, the said order shall be deemed to have been withdrawn.
- ⊖ But the liability for payment of interest on delayed payment of tax u/s 50 or for payment of late fee u/s 47 shall continue.

|             |  |
|-------------|--|
|             | <ul style="list-style-type: none"> <li>➤ However, if the registered person fails to furnish a valid return within 60 days of the service of the assessment order, he may furnish the same within a <b>further period of 60 days</b> on payment of an additional late fee of ₹ 100 for each day of delay beyond 60 days of the service of the said order.</li> <li>➤ If he furnishes valid return within such extended period, the said order shall be <b>deemed to have been withdrawn</b>, but the liability to pay interest u/s 50(1) or late fee u/s 47 shall continue.</li> </ul>  |
| <b>(ii)</b> | <p><b>Summary assessment-</b></p> <ul style="list-style-type: none"> <li>➤ As per <b>section 64(2)</b> of CGST Act, 2017, the summary assessment order may be withdrawn by Additional Commissioner/Joint Commissioner, –             <ul style="list-style-type: none"> <li>a) on an application filed by taxable person for its withdrawal <b>within 30 days</b> from the date of receipt of order or</li> <li>b) on his own motion, where he finds such order to be erroneous.</li> </ul> </li> <li>➤ He may instead follow the procedures laid down in <b>section 73/74/74A</b> to determine the tax liability of such taxable person.</li> </ul> |

## Offences & Penalties

### CCP 21.01.05.00

M/s Blue Berry Traders, a registered person under GST, issued a tax invoice on 1st August, 20XX to M/s Blue Lagoon Traders without any underlying supply of goods or services amounting to Input Tax Credit (ITC) involved of ₹ 30 lakh. M/s Blue Berry Traders conducted this transaction at the instance of its tax consultant who was not a qualified professional.

M/s Blue Lagoon Traders avails ITC on the basis of the said tax invoice. The department issued a show cause notice to M/s Blue Lagoon Traders on 1st April, 20XX specifying the amount of tax along with interest payable thereon u/s 50 and applicable penalty. M/s Blue Lagoon Traders paid the amount of tax along with interest payable thereon u/s 50 specified in the show cause notice on 15th April, 20XX and also along with applicable penalty.

Explain the relevant provision in brief and determine the amount of penalty to be paid by M/s Blue Berry Traders, M/s Blue Lagoon Traders and Tax consultant under CGST Act, 2017 in respect of above referred transaction. [CA Final May 23 Exam Similar] [CA Final Dec 21 Exam (Similar)]

**Answer:- Legal Provision:-**

- As per **section 122(1)** of CGST Act, if a taxable person
  - a) issues any invoice without supply of goods, or
  - b) takes or utilises ITC without actual receipt of goods, fully or partially, in contravention of the provisions of GST law or rules made thereunder, then such person shall be liable to pay a penalty which shall be higher of the following:-
    - ₹ 10,000 or
    - an amount equivalent to the ITC availed of or passed on
- As per **section 122(1A)**, any person at whose instance above transactions are conducted shall be liable to a penalty of an amount equivalent to ITC availed of or passed on.
- Further As per **Sec 74A(9)(ii)** of CGST Act, If any person chargeable with tax due to wrongful availment and utilization of ITC by reason of fraud etc. pays the said tax along with interest payable u/s 50 and a **penalty equivalent to 25%** of such tax **within 60 days of issue of the notice**, all proceedings in respect of the said notice shall be deemed to be concluded.

**Discussion & Conclusion:**

- **In the given case**, M/s Blue Berry Traders issued an invoice without any supply of goods or services. So, it shall

be liable to pay a penalty of ₹ 30,00,000 each under CGST & SGST, which is **higher** of the following:-

- ₹ 10,000 or
- ₹ 30,00,000

- ⇒ Also, M/s Blue Lagoon Traders has to pay penalty of ₹ 7,50,000 (₹ 30 lakh x 25%) each under CGST and SGST.
- ⇒ M/s Blue Berry Traders conducted the said transaction at the instance of tax consultant and thus, the tax consultant will be liable to pay a **penalty of ₹ 30 lakh**.

### CCP 21.07.20.01

Swastik Tours and Travel is registered taxable person under GST in the State of Punjab. Its gross receipts from the overseas package tours for the month of February 20XX amounted to ₹ 50 crore. Out of this ₹ 50 crore, ₹ 10 crore were received from registered persons. While filing GSTR-1 for the month-of February 20XX, it tampered the amount of invoices issued to unregistered persons and reported only ₹ 20 crore on account of B to C transactions (i. e, transaction with unregistered persons), thus, understating the tax liability by ₹ 3.60 crore (i.e. 18% of ₹ 20 crore). Moreover, while filing GSTR-3B for the same month, it availed ITC of ₹ 0.40 crore on account of fake invoices received without receipt of goods/services.

GST Department initiated prosecution proceedings against Swastik Tours and Travel for the above offence.

Swastik Tours and Travel deposited the amount of tax due along with the interest and penalty and ₹ 1 crore as compounding amount being amount equivalent to 25% of tax evaded and requested the commissioner for compounding of offence. Other conditions required for compounding the amount were duly complied with.

Even then commissioner rejected the request of Swastik Tours and Travel on the plea that compounding amount deposited by Swastik Tours and Travel is less than the minimum amount to be deposited for compounding of offence.

You are required to examine the case and comment upon the rejection of request of Swastik Tours and Travel as per the provisions of section 138 of the CGST Act, 2017 read with relevant rule of the CGST Rules, 2017.

Also discuss the relevant legal provision in brief. [CA Final Nov 24 Exam]

**Answer :-**

- ⇒ In the given case, Swastik Tours and Travel has committed the following offences:
  - Availing of ITC using the fake invoices received without receipt of goods/services
  - Falsification or substitution of financial records with an intention to evade payment of tax due or evasion of tax
- ⇒ Here, the amount of tax evaded/ITC wrongly availed is ₹ 4 crore (₹ 3.60 crore + ₹ 0.4 crore), i.e. it exceeds ₹ 2 crore but does not exceed ₹ 5 crore.
- ⇒ Further, where the offence committed by the person falls under more than one category, the compounding amount shall be the amount determined for the offence for which higher compounding amount has been prescribed.
- ⇒ Thus, the **compounding amount** will be as follows:
  - For the offence of availing of ITC using the fake invoices received without receipt of goods/services, compounding amount is 40% of the amount of ITC wrongly availed.
  - For the offence of falsification or substitution of financial records with an intention to evade payment of tax due or evasion of tax, compounding amount is 40% [higher of 25% or 40%] of the amount of tax evaded.
- ⇒ Thus, Swastik Tours and Travel should have deposited the following amount of tax evaded/ITC wrongly availed as the compounding amount:
  - = 40% of ₹ 4 crore
  - = **₹ 1.60 crore**
- ⇒ Since Swastik Tours and Travel has deposited lesser compounding amount than required, the rejection of its request for compounding by the Commissioner is justified.

# Computation of GST

**CCP 24.01.01.00**     **Replace with old Question**

Poorva Impex Ltd., a registered entity under GST in the State of Maharashtra, is engaged in making various supplies. It is not engaged in agricultural operations. Poorva Impex Ltd., India is a subsidiary of Poorva Inc., an entity incorporated in USA, engaged in providing information technology services to customers in India. It provides the following information for the month of April:

| S.No.                  | Particulars  | (₹)       |
|------------------------|--|-----------|
| <b>OUTWARD SUPPLY:</b> |  |           |
| i)                     | Undertook the promotion and marketing of information technology services on principal-to-principal basis in India for Poorva Inc.  | 20,00,000 |
| ii)                    | Printed letter cards supplied to Subhashini Enterprises, registered in Maharashtra. A logo depicting the vision of the firm was to be imprinted on each letter card and said logo was provided by the firm. Material cost was ₹ 8,00,000 and printing cost was ₹ 72,000.   | 8,72,000  |
| iii)                   | Supplied raw cotton to Dhruvtara Traders, registered in Maharashtra. The raw cotton was purchased from the local farmers during the previous month.  | 5,00,000  |
| iv)                    | Supplied maintenance services to Municipal Corporation of Greater Mumbai which has awarded a contract of maintenance of street-lights in Greater Mumbai Municipal area. Maintenance work involved the replacement of defunct lights and other spares. [Out of total value of supply of ₹ 1,20,000, value of defunct lights and other spares replaced is ₹ 32,000.] | 1,20,000  |
| v)                     | Given on hire 10 cars (seating capacity of 5 persons including driver) to Gujarat State Road Transport Corporation (GSRTC)   | 3,00,000  |
| <b>INWARD SUPPLY:</b>  |  |           |
| i)                     | Purchased processing machines from Bobby & Co., registered under GST, in the State of Gujarat. Machines were bought in "as is where is condition" at Gujarat to produce taxable items.   | 5,00,000  |
| ii)                    | Purchased metal scrap (covered under Chapter 72) from Mansukh Traders of Maharashtra, an unregistered person, to be used in manufacturing process  | 2,00,000  |
| iii)                   | Procured information technology services for its business through electronic mode from Thomas Inc., a company located in Germany   | 1,50,000  |
| iv)                    | A machinery to be used for manufacturing was sent to George Inc., USA for carrying out repair work on the same. The consideration to George Inc. was paid for such repair work. Machine was received after repair, in the month of May.  | 5,00,000  |

The company provided the following additional information:

- i) Poorva Inc., USA provided a corporate guarantee of ₹ 1.5 crore on behalf of Poorva Impex Ltd. to Manimani Bank, Maharashtra, free of cost.
- ii) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of services and rates of CGST, SGST and IGST are 6%, 6% and 12% respectively for both inward and outward supply of goods, except in case of supply of raw cotton where the applicable rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% and in case of supply of metal scrap where the applicable rates of CGST, SGST and IGST are 9%, 9% and 18%
- iii) All the amounts given above are exclusive of taxes, wherever applicable.
- iv) There was no opening balance of any ITC for the relevant period.
- v) All exports made by Poorva Impex Ltd. are through furnishing of LUT without payment of IGST.

**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 for the Poorva Impex Ltd., Maharashtra. [CA Final RTP May 25]**

**Answer:- Computation of minimum net GST payable in cash for the month of April:**

| Goods/Services supplied  | Amount (₹) | IGST(₹)                       | CGST (₹)                       | SGST(₹)                        |
|--|------------|-------------------------------|--------------------------------|--------------------------------|
| Promotion and marketing of information technology services to Poorva Inc. [Note 1]         | 20,00,000  |                               | -                              | -                              |
| Supply of printed letter cards [Note 2]  | 8,72,000   |                               | 52,320<br>[8,72,000<br>X 6%]   | 52,320<br>[8,72,000<br>X 6%]   |
| Intra-State supply of raw cotton [Note 3]  | 5,00,000   |                               | 12,500<br>[5,00,000<br>× 2.5%] | 12,500<br>[5,00,000<br>× 2.5%] |
| Maintenance services provided to Municipal Corporation of Greater Mumbai [Note 4]          | 1,20,000   |                               | 10,800<br>[1,20,000<br>× 9%]   | 10,800<br>[1,20,000<br>× 9%]   |
| Inter-State service of giving motor vehicles on hire [Note 5]                              | 3,00,000   | 54,000<br>[3,00,000<br>× 18%] |                                |                                |
| <b>Total output tax</b>  |            | <b>54,000</b>                 | <b>75,620</b>                  | <b>75,620</b>                  |
| <b>Less: ITC [Working Note] [Note 6]</b><br>IGST: 54,000<br>CGST: 18,000<br>SGST: 18,000   |            | (54,000)                      | (18,000)                       | (18,000)                       |
| <b>Net GST</b>   |            | <b>Nil</b>                    | <b>57,620</b>                  | <b>57,620</b>                  |
| <b>GST Payable under Reverse Charge:</b>   |            |                               |                                |                                |
| Metal scrap purchased [Note 7]   | 2,00,000   |                               | 18,000<br>[2,00,000<br>× 9%]   | 18,000<br>[2,00,000<br>× 9%]   |
| Information technology services procured from Thomas Inc. through electronic mode [Note 8] | 1,50,000   | 27,000<br>[1,50,000<br>× 18%] |                                |                                |
| Corporate guarantee provided by Poorva Inc. [Note 9]                                       | 1,50,000   | 27,000<br>[1,50,000<br>× 18%] |                                |                                |
| <b>Total Net GST payable in cash</b>   |            | <b>54,000</b>                 | <b>75,620</b>                  | <b>75,620</b>                  |

**Working Note - Computation of eligible ITC available for set off:**

| Goods/Services supplied  | Amount (₹) | IGST(₹)                       | CGST (₹)                     | SGST(₹)                      |
|--|------------|-------------------------------|------------------------------|------------------------------|
| Machines purchased [Note 10]   | Nil        |                               |                              |                              |
| Metal scrap purchased [Note 11]                                      | 2,00,000   |                               | 18,000<br>[2,00,000<br>× 9%] | 18,000<br>[2,00,000<br>× 9%] |
| Information technology services procured from Thomas Inc [Note 12]   | 1,50,000   | 27,000<br>[1,50,000<br>× 18%] |                              |                              |
| Machinery sent for carrying out repair work to George Inc. [Note 13] | Nil        |                               |                              |                              |

|  |          |                               |               |               |
|--|----------|-------------------------------|---------------|---------------|
| Corporate guarantee provided by Poorva Inc.<br>[Note 14] | 1,50,000 | 27,000<br>[1,50,000<br>× 18%] |               |               |
| <b>Eligible ITC available for set off</b>                |          | <b>54,000</b>                 | <b>18,000</b> | <b>18,000</b> |

**Notes:**

|     |   |
|-----|---|
| 1.  | <ul style="list-style-type: none"> <li>➤ Since the place of supply of promotion and marketing services is the location of recipient – Poorva Inc., viz, outside India, they <b>qualify as export of services</b> by Poorva Impex Ltd. to Poorva Inc. since all the conditions of section 2(6) of the IGST Act, 2017 are complied with.</li> <li>➤ Further, all exports made by Poorva Impex Ltd. are through the furnishing of LUT <b>without payment of IGST.</b></li> </ul>         |
| 2.  | <ul style="list-style-type: none"> <li>➤ Since letter cards are supplied by the printer using its own physical inputs to print the logo supplied by the recipient, it is a <b>composite supply</b> wherein the predominant/ principal supply is the supply of goods.</li> <li>➤ As per <b>Sec 10(1)(a)</b>, It is an intra-State supply since the place of supply is Maharashtra being the location where movement of goods terminates.</li> </ul>                                    |
| 3.  | Reverse Charge mechanism is not applicable since here, raw cotton is being sold by a person other than agriculturist. Thus, Taxable under forward charge.   |
| 4.  | <ul style="list-style-type: none"> <li>➤ <b>Taxable</b>, since the value of supply of goods constitutes more than 25% of the value of composite supply of goods and services provided to the local authority.</li> <li>➤ Further, the principal supply is the supply of maintenance services. It is an intra-State supply since the place of supply is Maharashtra being location of the recipient, in terms of section 12(2) of the IGST Act, 2017</li> </ul>                        |
| 5.  | <ul style="list-style-type: none"> <li>➤ Services by way of giving on hire to a State Transport Undertaking (STU), a motor vehicle are <b>exempt</b> only when such motor vehicle is meant to carry more than 12 passengers. Thus, in the given case, the service of giving cars on hire is <b>not exempt.</b></li> <li>➤ Further, it is an inter-State supply as place of supply being location of recipient is Gujarat, in terms of section 12(2) of the IGST Act, 2017.</li> </ul> |
| 6.  | ITC of IGST is utilized for payment of IGST liability and ITC of CGST and SGST is utilized for payment of CGST and SGST liability respectively.   |
| 7.  | Tax on metal scrap purchased by a registered person from an unregistered person is <b>payable under reverse charge.</b>   |
| 8.  | Tax on information technology services imported is <b>payable under reverse charge.</b>   |
| 9.  | Where corporate guarantee is provided by the foreign/ overseas entity for a related entity located in India, GST would be <b>payable under reverse charge mechanism</b> , by the recipient of service, i.e., the related entity located in India.   |
| 10. | <ul style="list-style-type: none"> <li>➤ 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, in terms of section 10(1)(c) of the IGST Act, 2017.</li> <li>➤ However, <b>ITC of the same will not be available</b> since the recipient of said intra- State supply is located in a different State / UT than that of place of supply</li> </ul>                   |
| 11. | <ul style="list-style-type: none"> <li>➤ It is intra-State supply since place of supply is Maharashtra being the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, in terms of section 10(1)(a) of the IGST Act, 2017.</li> <li>➤ <b>ITC is available</b> since said goods are being used in course or furtherance of business.</li> </ul>   |

|     |   |
|-----|---|
| 12. | <ul style="list-style-type: none"> <li>➤ The place of supply is Maharashtra being the location of the recipient, in terms of section 13(2) of the IGST Act, 2017. Supply of any services where supplier is outside India and the recipient and place of supply is in India, qualifies as import of services.</li> <li>➤ Further, in case of import of service, tax is payable by the person importing such service. <b>ITC is available</b> since said services are being used in course or furtherance of business.</li> </ul> |
| 13. | Since the place of supply of repair services is outside India being the location where the services are actually performed in terms of section 13(3) of the IGST Act, 2017, said services are not amenable to tax.  |
| 14. | <ul style="list-style-type: none"> <li>➤ If a supplier gives a corporate guarantee on behalf of a related party located in India for securing of credit facilities from a bank/financial institution by such related party, the value of service is 1% of the amount of guarantee offered per annum or actual consideration, whichever is higher, i.e. 1% of ₹ 1.5 crore.</li> <li>➤ Further, <b>ITC is available</b> since said services are being used in course or furtherance of business.</li> </ul>                       |

**Q.4** M/s Adityanath & Sons is a partnership firm which 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   | (₹)*        |
|---|-------------|
| 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 ₹ 5 lakh (payment is received in Indian currency in said case)]  | 20,00,000   |
| Sale of building (excluding stamp duty of ₹ 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 ₹ 2,40,00,000)   | 2,50,00,000 |
| Supply of cigarettes [GST being levied @ 28%.] (including excise duty of ₹ 12,50,000)   | 1,00,00,000 |
| Supply of petrol & diesel (including VAT of ₹ 5,00,000 and excise duty of ₹ 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 M/s Adityanath & Sons.   | 6,00,000    |

\*excluding GST

With the help of the above-mentioned information, compute the gross GST liability of M/s Adityanath & Sons 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 M/s Adityanath & Sons, if any, have been made to persons other than distinct/related persons and are made by furnishing LUT without payment of IGST. [CA Final RTPMAY 22]

**Answer:-**

**Computation of gross GST liability on outward supply of M/s Adityanath & Sons for the month of August:-**

| Particulars  | Value(₹)    | GST(₹)           |
|--|-------------|------------------|
| 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 [Note 1]                        | 50,00,000   | 9,00,000         |
| Export of Product Beta [Note 2]  | 1,00,00,000 | Nil              |
| Export of consultancy services [Note 3]  | 20,00,000   | Nil              |
| Sale of building [Note 4]  | 2,50,00,000 | Nil              |
| Interest received on investment in fixed deposits with Manimani Bank [Note 5]                      | 10,50,000   | Nil              |
| Sale of shares [Note 6]  | 2,50,00,000 | Nil              |
| Supply of cigarettes (Liable to GST@28%) [Note 7]  | 1,00,00,000 | 28,00,000        |
| Supply of petrol and diesel [Note 8]   | 80,00,000   | Nil              |
| Amount received from Durga Das Private Limited for sponsorship of the business exhibition [Note 9] | 6,00,000    | Nil              |
| <b>Total GST liability on outward supply</b>   |             | <b>52,00,000</b> |

**Notes:**

|   |  |
|---|--|
| 1 | <ul style="list-style-type: none"> <li>➤ Services by way of renting of residential dwelling for use as residence to an unregistered person are <b>exempt</b> from GST.</li> <li>➤ Thus, renting of commercial complex is taxable and GST is payable on same @ 18%.</li> </ul>  |
| 2 | As per <b>section 16(1)(a)</b> of IGST Act 2017, Export of goods is a zero-rated supply & A zero rated supply can be supplied <b>without payment of tax</b> under LUT as per section 16(3)(a) of that Act.   |
| 3 | <ul style="list-style-type: none"> <li>➤ As per <b>section 2(6) of IGST Act</b>, The activity is <b>an export of service</b> if payment for service has been received in convertible foreign exchange or in Indian rupees wherever permitted by Reserve Bank of India.</li> <li>➤ 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'</li> <li>➤ As per <b>section 16(1)(a)</b> of IGST Act 2017, Export of services is a zero-rated supply &amp; A zero rated supply can be supplied <b>without payment of tax</b> under LUT as per section 16(3)(a) of that Act.</li> </ul> |
| 4 | <ul style="list-style-type: none"> <li>➤ As per <b>para 5 of Schedule III</b> to CGST Act 2017, Sale of building is neither a supply of goods nor a supply of services provided the entire consideration has been received after issue of completion certificate by competent authority or after its occupation, <b>whichever is earlier</b>.</li> <li>➤ Hence, the same is <b>not liable</b> to GST.</li> </ul>   |
| 5 | Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest are <b>exempt</b> .  |
| 6 | Shares are neither goods nor services, hence sale of shares is <b>not liable</b> to GST.   |
| 7 | As per <b>section 15(2)(a)</b> of the CGST Act, Excise duty is included in the value as value of supply <b>includes</b> all taxes, duties, cesses other than GST.  |
| 8 | As per <b>section 9</b> of the CGST Act, Supply of petrol and diesel is not leviable to GST.   |

|          |  |
|----------|--|
| <b>9</b> | <ul style="list-style-type: none"> <li>➤ As per <b>section 9(3)</b> of CGST Act, Tax on services provided by any person other than Body Corporate by way of sponsorship to any body corporate located in taxable territory is payable by the recipient (Durga Das Private Limited) <b>under reverse charge.</b></li> <li>➤ <b>Thus</b>, tax on such services is <b>not payable</b> by M/s Adityanath &amp; Sons</li> </ul> |
|----------|--|

**CCP 24.01.09.00****Replace with old Question**

**Nandita Pvt. Ltd., registered under GST in the State of Rajasthan, is engaged in making various supplies of goods and services. It also has a branch located in Uttarakhand and a manufacturing unit in Jharkhand.**

**The company has provided the following transactions undertaken by Rajasthan office, for the month of January:**

| S.No.                 | Particulars   | (₹)       |
|-----------------------|---|-----------|
| <b>OUTWARD SUPPLY</b> |   |           |
| i)                    | Entered into a forward contract for a commodity on the Multi Commodity Exchange (MCX) which was settled by netting off the difference between the forward rate and market rate on the settlement date in January itself   | 18,00,000 |
| ii)                   | Renting of dumpers including driver given for transport of minerals within the mining area in Jharkhand for a period of 2 years to Dhanvarsha Builders, registered in Jharkhand   | 11,50,000 |
| iii)                  | Manufactured the silk yarn from raw silk and supplied it to Gajodhar Traders, registered in Mumbai  | 80,00,000 |
| iv)                   | Amount received for accommodation services provided to 10 students preparing for UPSC. The said accommodation service is supplied for a continuous period of 6 months at a monthly rent of ₹ 20,000 per student.  | 2,00,000  |
| v)                    | Supplied branded electronic goods to a consignment agent -Suhasini Traders - in Jodhpur, Rajasthan. (Suhasini Traders issued an invoice using its own name while further supplying goods to customers.) Suhasini Traders supplied goods of like kind and quality to the unrelated wholesalers in the States of Madhya Pradesh and Uttar Pradesh for ₹5,60,000 during the same month. Open market value is ₹ 5,40,000. |           |
| <b>INWARD SUPPLY</b>  |   |           |
| i)                    | Availed event management services from “White Frame Events” (registered in Rajasthan) for organizing the company's product launch meet at a convention center in Delhi.   | 5,50,000  |
| ii)                   | Purchased high-capacity industrial machine from TechFab Engineering Ltd., a registered supplier based in Ranchi, Jharkhand to produce taxable items. As per the terms of the contract, parts of the machine were brought at the manufacturing unit located in Jharkhand and assembled and commissioned thereat and after the recipient's inspection and approval, its delivery was completed.                         | 2,00,000  |
| iii)                  | Purchased 3 electric scooters with engine capacity of 25 cc for use by its employees for commuting within the office premises and nearby client locations. Scooters were supplied in Jaipur by a GST-registered dealer located in Kerala.   | 1,80,000  |

**The company provided the following additional information:**

- (i) Some taxable goods were transferred to the company's branch located in Uttarakhand for promotional gifting by branch. Invoice value was ₹ 2,40,000, but open market value was ₹ 2,80,000.**
- (ii) Nandita Pvt. Ltd. had secured a loan amounting to ₹ 120 crores in the month of April from Manimani Bank, Rajasthan. Penal charges amounting to ₹ 26,00,000 were levied by Manimani Bank in the month of January, in compliance with RBI directions, since Nandita Pvt. Ltd. failed to comply with the material terms and conditions of the loan contract.**

- (iii) All the amounts given the question are exclusive of taxes, wherever applicable.
- (iv) All the inward supplies were used for taxable as well as exempted outward supplies.
- (v) There was no opening balance of any ITC for the relevant tax period.
- (vi) The company always chooses the most beneficial option for valuation of supplies made to agent and branches.
- (vii) Rates of CGST, SGST and IGST on all inward and outward supplies are 9%, 9% and 18% respectively.
- Based on the information provided above, determine the following for Nandita Pvt. Ltd. (Rajasthan) for the month of January, providing brief reasoning thereof:
1. Eligible Input Tax Credit (ITC) available for set-off.
  2. Minimum net GST liability payable in cash (CGST and SGST or IGST, as the case may be).

[CA Final RTP Sep 25]

Answer: Computation of minimum net GST payable in cash by Nandita Pvt. Ltd. for the month of January:

| Particulars  |           | IGST                             | CGST                         | SGST                         |
|--|-----------|----------------------------------|------------------------------|------------------------------|
| Forward derivatives contract [Note 1]                                | 18,00,000 | -                                | -                            | -                            |
| Renting of dumpers to Dhanvarsha Builders [Note 2]                   | 11,50,000 | 2,07,000<br>[11,50,000<br>× 18%] |                              |                              |
| Supply of silk yarn [Note 3]   | 80,00,000 |                                  | -                            | -                            |
| Accommodation service provided to students [Note 4]                  | 2,00,000  | -                                | -                            | -                            |
| Supply of goods to an agent [Note 5]                                 | 5,04,000  |                                  | 45,360<br>[5,04,000<br>× 9%] | 45,360<br>[5,04,000<br>× 9%] |
| Inter-State transfer of taxable goods to Uttarakhand branch [Note 6] | 2,80,000  | 50,400<br>[2,80,000 ×<br>18%]    |                              |                              |
| Penal charges [Note 7]   | 26,00,000 |                                  |                              |                              |
| <b>Total Output Tax</b>  |           | <b>2,57,400</b>                  | <b>45,360</b>                | <b>45,360</b>                |
| <b>Less: ITC (Working Note)</b>                                      |           | 6,172                            | 9,430                        | 9,430                        |
| <b>Minimum net GST payable in cash (rounded off)</b>                 |           | <b>2,51,228</b>                  | <b>35,930</b>                | <b>35,930</b>                |

Working Note - Computation of eligible ITC available for set off:

| Particulars                                | Value (₹) | IGST                          | CGST                         | SGST                         |
|--|-----------|-------------------------------|------------------------------|------------------------------|
| Event management services availed [Note 8] | 5,50,000  |                               | 49,500<br>[5,50,000<br>× 9%] | 49,500<br>[5,50,000<br>× 9%] |
| Machine purchased [Note 9]                 | 1,00,000  |                               |                              |                              |
| Electric scooters purchased [Note 10]      | 1,80,000  | 32,400<br>[1,80,000<br>× 18%] |                              |                              |
| <b>Total ITC</b>                           |           | <b>32,400</b>                 | <b>49,500</b>                | <b>49,500</b>                |

| Computation of eligible ITC available for set-off   |  |              |              |              |
|---|--|--------------|--------------|--------------|
| Common credit<br>[All inward supplies are used commonly for exempt and taxable supplies.]   |  | 32,400       | 49,500       | 49,500       |
| <b>Less:</b> ITC attributable to exempt supplies [Common credit x (Exempt turnover/ Total turnover)] to be reversed<br>[Common credit × ₹ 82,18,000/ ₹ 1,01,52,000] [Note 11] |  | (26,228)     | (40,070)     | (40,070)     |
| <b>Eligible ITC available for set off</b>   |  | <b>6,172</b> | <b>9,430</b> | <b>9,430</b> |

**Notes:-**

|    |   |
|----|---|
| 1. | <ul style="list-style-type: none"> <li>➤ Forward Derivative Contract contracts where the settlement takes place by netting off the difference between the forward rate and market rate qualify as securities.</li> <li>➤ Hence, they are neither goods nor services. Thus, given transaction is not a supply.</li> </ul>  |
| 2. | <b>Not specifically exempt.</b> Further, it is an inter-State supply since place of supply provided to registered person is location of recipient, i.e. Jharkhand.  |
| 3. | Tax on silk yarn supplied by a person who manufactures it from raw silk to a registered person is payable <b>under reverse charge</b> by the recipient. Thus, tax is payable by Gajodhar Traders.   |
| 4. | Supply of accommodation services having value of supply less than or equal to ₹ 20,000 per person per month is exempt provided that the accommodation service is supplied for a continuous period of at least 90 days.  |
| 5. | <ul style="list-style-type: none"> <li>➤ Supply of goods by the company to agent qualifies as supply in terms of para 3 of Schedule I of the CGST Act, 2017 since agent issues invoice to customers in its own name.</li> <li>➤ Further, it is an intra-State supply since the POS is the location where movement of goods terminates, viz. Rajasthan.</li> <li>➤ Moreover, the value of supply of goods to agent is Open Market Value (₹ 5,40,000) or 90% of the price of goods of like kind and quality charged by recipient to unrelated customer ₹ 5,04,000 (₹ 5,60,000 × 90%), at the option of supplier [<b>Rule 29</b>].</li> <li>➤ Since the company wishes to choose most beneficial option, <b>least of the two values</b> has been taken.</li> </ul> |
| 6. | <ul style="list-style-type: none"> <li>➤ ITC of goods received for promotional gifting is not available to branch, as ITC in respect of goods disposed of by way of gift or free samples is <b>blocked</b> as per section 17(5)(h).</li> <li>➤ Since recipient - branch is not eligible for full ITC and goods are not intended for further supply as such by it, the value of supply of said goods shall be open market value (<b>Rule 28</b>).</li> </ul>   |
| 7. | Penal charges levied by regulatory entities including banks, in compliance with RBI directions are essentially in the nature of charges for breach of terms of contract and hence, no GST is payable on the same [ <b>Circular No. 245/02/2025</b> ]  |
| 8. | It is intra-State supply as POS of event management services provided to registered person is location of recipient, i.e. Rajasthan. Further, ITC of services used in course or furtherance of business is <b>available</b> .   |
| 9. | <ul style="list-style-type: none"> <li>➤ 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. Jharkhand.</li> <li>➤ However, ITC of the same will <b>not be available</b> since the recipient of said intra-State supply is located in a different State than that of place of supply.</li> </ul>  |

|     |   |
|-----|---|
| 10. | <ul style="list-style-type: none"> <li>➤ It is inter-State supply since place of supply is Jaipur and supplier is in Kerala.</li> <li>➤ Further, ITC on two- wheelers with engine capacity upto 25cc, used in course or furtherance of business, is <b>not blocked as per 17(5)(a)</b> since they are excluded from the definition of motor vehicle.</li> </ul>   |
| 11. | <ul style="list-style-type: none"> <li>➤ As per <b>section 17(3)</b>, value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis and transactions in securities. As per explanation the value of exempt supply for security is 1% of the sale value of such security.</li> <li>➤ Therefore, the <b>value of exempt supply</b> in the given case will be the sum of value of output supply on which tax is payable under reverse charge (₹ 80,00,000), accommodation service provided to students (₹2,00,000), and value of supply of securities (1% of ₹ 18,00,000 = ₹ 18,000), which comes out to be ₹ 82,18,000.</li> <li>➤ <b>Total turnover</b> = ₹1,01,52,000 (₹ 18,000 + ₹11,50,000 + ₹80,00,000 + ₹ 2,00,000 + ₹ 5,04,000 + ₹ 2,80,000)</li> </ul> |

**CCP 24.01.10.00**

**Replace with old Question**

Sachha and Sudh Associates is a registered supplier of taxable goods and services at Raipur in the state of Chhattisgarh under regular scheme. Head office of the company is at Raipur whereas its branch office situated at Ludhiana, Punjab. It furnished the following information for various activities or transaction made during the month of April 20XX:

| S.No.                 | Particulars   | (₹)      |
|-----------------------|---|----------|
| <b>OUTWARD SUPPLY</b> |   |          |
| i)                    | Supplied goods to Matadeen and Sons in the State of Rajasthan on the instruction of Dhananjai Associates, a registered person under GST in the State of Chhattisgarh. The contract for such supply was for the delivery of goods at buyer's premises and included a fixed transportation cost of ₹ 20,000 irrespective of the actual freight paid. It is indicated separately in the invoice issued in this respect of supply of goods. | 8,00,000 |
| ii)                   | Amount received for sale of the loading tempo, used for transportation of goods, to Mr. Suresh. Loading tempo was purchased at ₹ 4,80,000 and its depreciated value at the time of sale was ₹ 2,40,000. No GST credit was taken. Delivery of the loading tempo was given at registered office of the company  | 1,80,000 |
| iii)                  | Provided intra-State supply of sponsorship service to Vidhi Agency, a proprietary concern of Raipur.  | 50,000   |
| iv)                   | Received as fine from Vipul, a registered person, for delayed supply of goods. Such payment was made as a compensation for margin loss caused due to price reduction between due date and actual date of supply. There was no express contract in this respect.   | 50,000   |
| <b>INWARD SUPPLY</b>  |   |          |
| i)                    | Intra-State purchase of goods from various registered persons.(Out of this ₹ 7,00,000, goods of ₹ 1,00,000 was received on 1st May, 20XX due to riots in the area but all the invoices were received by 30th April, 20XX.)  | 7,00,000 |
| ii)                   | Rent paid to Indian Railway for office premises situated in the State of Chhattisgarh   | 40,000   |
| iii)                  | Representational service from Mr. Vikas Gupta, an advocate of Delhi and unregistered person under GST, towards dealing the GST appeal matters with the Commissioner (Appeal)  | 1,00,000 |

**Additional information:** The company paid ₹ 15,000 towards actual freight to Mr. Shailendra of Chhattisgarh, a truck owner and unregistered person in respect of supply of goods to Matadeen & Sons in the State of Rajasthan. Mr. Shailendra had not issued the consignment note.

(i) On 15th April, 20XX, the company acquired 1% additional shareholding in one of its subsidiary company for a consideration of ₹ 10,00,000

(ii) The company made inter-State purchase of goods of ₹ 1,00,000 to be used for discharge of corporate social responsibility (CSR) referred to in section 135 of the Companies Act, 2013.

**Notes:**

➤ Assume rates of CGST, SGST and IGST are 9%, 9% and 18% for both inward and outward supply of goods and services except transportation service, which is chargeable at 2.5%, 2.5% and 5% CGST, SGST and IGST respectively.

➤ Both inward and outward supplies given above are exclusive of taxes.

➤ All the conditions necessary for availing the ITC have been fulfilled.

➤ There was no opening balance of any input tax credit.

Compute the minimum net GST payable in cash by Sachha and Sudh Associates for the month of April 20XX by considering that company wants to pay minimum amount of SGST as far as possible legally.

Working notes and correct provision of law for each point should form the part of your answer along with applicable provisions of place of supply under GST law. [CA Final Nov 24 Exam]

**Answer:** Computation of minimum net GST payable in cash by Sachha and Sudh Associates to be paid in cash for the month of April 20XX:

| Particulars  | Value (₹) | IGST (₹)      | CGST(₹)                      | SGST(₹)                      |
|--|-----------|---------------|------------------------------|------------------------------|
| Supplied goods to Matadeen and Sons [Note 1]   | 8,00,000  | -             | 72,000<br>(₹8,00,000<br>*9%) | 72,000<br>(₹8,00,000<br>*9%) |
| Sale of used loading tempo to Suresh [Note 2]  | Nil       |               |                              |                              |
| Intra-State supply of sponsorship service [Note 3]   | 50,000    |               | 4,500<br>(₹ 50,000<br>*9%)   | 4,500<br>(₹ 50,000<br>*9%)   |
| Fine for delayed supply of goods [Note 4]  | -         |               |                              |                              |
| <b>Total Output tax</b>  |           |               | <b>76,500</b>                | <b>76,500</b>                |
| <b>Less: ITC (Working Note) [Note 5]</b>   |           |               |                              |                              |
| IGST: 18,000   |           |               | -                            | 18,000                       |
| CGST: 57,600   |           |               | 57,600                       | x                            |
| SGST: 57,600   |           |               | x                            | 57,600                       |
| <b>Net output tax payable in cash</b>  |           |               | <b>18,900</b>                | <b>900</b>                   |
| <b>GST payable in cash under reverse charge</b>  |           |               |                              |                              |
| <b>Add:</b> Tax on services received from the advocate – Vikas Gupta - is payable under reverse charge by the recipient of service |           | 18,000        |                              |                              |
| <b>Minimum net GST payable</b>   |           | <b>18,000</b> | <b>18,900</b>                | <b>900</b>                   |

**Working Note: Computation of eligible ITC available for set off**

| Particulars  | Value (₹)                           | IGST (₹)                   | CGST(₹)                   | SGST(₹)                   |
|--|-------------------------------------|----------------------------|---------------------------|---------------------------|
| Intra-State purchase of goods [Note 6]   | 6,00,000<br>[₹7,00,000 – ₹1,00,000] | -                          | 54,000<br>(₹6,00,000 *9%) | 54,000<br>(₹6,00,000 *9%) |
| Freight paid to truck owner [Note 7]   | 15,000                              | -                          | -                         | -                         |
| Rent paid to Indian Railway [Note 8]   | 40,000                              |                            | 3,600<br>(₹ 40,000 *9%)   | 3,600<br>(₹ 40,000 *9%)   |
| Representational services received from Vikas Gupta [Note 9]                           | 1,00,000                            | 18,000<br>(₹1,00,000 *18%) |                           |                           |
| Additional share holding acquired in subsidiary [Note 10]                              | -                                   |                            |                           |                           |
| Inter-State purchase of goods to be used for corporate social responsibility [Note 11] | -                                   |                            |                           |                           |
| <b>Total ITC available</b>   |                                     | <b>18,000</b>              | <b>57,600</b>             | <b>57,600</b>             |

**Notes:-**

|    |  |
|----|--|
| 1. | <ul style="list-style-type: none"> <li>➤ Since the contract is for delivery of goods at buyer's premises and includes transportation cost, it becomes a <b>composite supply</b>, the principal supply being the supply of goods.</li> <li>➤ Thus, GST rate applicable on goods will be charged on the entire value of supply of ₹ 8,00,000 (contract price actually paid by buyer).</li> <li>➤ Further, since goods are delivered on Bill to Ship to Model to Matadeen and Sons on the direction of a third person – Dhananjai Associates, said third person is deemed to have received the goods and the place of supply is the principal place of business of such person, <b>i.e. Chhattisgarh</b>. Thus, it is an intra-State supply.</li> </ul> |
| 2. | <ul style="list-style-type: none"> <li>➤ Since ITC has not been taken on the tempo and depreciation has been claimed on it under the Income-Tax Act, 1961, value of supply is consideration received less depreciated value on the date of supply of tempo.</li> <li>➤ However, since value of supply is negative [₹ 1,80,000 – ₹ 2,40,000], it is to be ignored.</li> </ul>   |
| 3. | Tax is payable under forward charge since recipient of said services is a proprietary concern & Supplier is any Person other than Body Corporate. Tax is not payable under reverse charge since recipient of said services is a not a partnership firm or body corporate   |
| 4. | There was no express contract. Fine received from Vipul, being liquidated damages is merely a payment to compensate the loss caused due to delayed supply of goods and is not a consideration for supply.  |
| 5. | IGST credit is utilized for payment of SGST only in order to minimize the SGST liability. CGST and SGST credit are utilized for payment of CGST and SGST liability respectively.   |
| 6. | ITC on goods ₹ 1,00,000 <b>not received in April</b> cannot be availed.  |
| 7. | <b>No ITC is available</b> since GST on service of transportation of goods by road received from a person other than a GTA is exempt.  |
| 8. | <ul style="list-style-type: none"> <li>➤ It is an intra-State supply since the place of supply is location of immovable property, i.e. Chhattisgarh and supplier – Indian Railways is in Chhattisgarh Tax is payable under forward charge.</li> <li>➤ Further, ITC on services used in course or furtherance of business is allowed.</li> </ul>  |
| 9. | <ul style="list-style-type: none"> <li>➤ Services received by a business entity from advocates are not exempt. It is an inter-State supply since the supplier is in Delhi and place of supply is location of recipient, i.e. Chhattisgarh.</li> <li>➤ Further, ITC on services used in course or furtherance of business is available.</li> </ul>  |

|     |   |
|-----|---|
| 10. | It is neither supply of goods nor supply of services, which is covered under Schedule III. ITC cannot be claimed since no GST is payable on the same. |
| 11. | ITC on goods to be used for discharge of corporate social responsibility is blocked u/s 17(5).  |

**CCP 24.01.14.00****Replace with old Question**

M/s BBV Ltd. of Nagpur, registered under GST in the State of Maharashtra, is engaged in providing following types of outward supplies:

- (i) Manufacture of taxable product 'D'
- (ii) Service of hiring of trucks
- (iii) Services on which tax payable under reverse charge
- (iv) Other supplies

M/s BBV Ltd. has provided the following details related to the outward supplies for the month of October, 20YY:

| S.No. | Particulars   | Amount (₹)  |
|-------|---|-------------|
| 1     | Export of product 'D' with payment of IGST  | 16,50,000   |
| 2     | Product 'D' supplied under a Letter of Undertaking (LUT) to M/s CFF Pvt. Ltd. located in a SEZ in the state of Maharashtra.   | 9,00,000    |
| 3     | Exprt of product 'D' under Letter of Undertaking (LUT)  | 11,00,000   |
| 4     | Domestic outward supply turnover of product 'D'   | 46,00,000   |
| 5     | Domestic Turnover of other outward services on which tax is payable under reverse charge  | 8,00,000    |
| 6     | Sale of securities (Purchased at ₹36,00,000 in the month of January 20YY)   | 42,00,000   |
| 7     | Outward supply of Hiring of trucks to M/s ABB, a Goods Transport Agency for transportation of goods.  | 7,00,000    |
| 8     | Sale of land (excluding stamp duty value of ₹ 2,80,000, being 2% of value considered for the purpose of stamp duty)(Land was purchased in the month of November 20XX) | 1,25,00,000 |
| 9     | Interest received on investment in fixed deposits with a public sector bank.  | 2,51,000    |

**Details of inward supplies for the month of October, 20YY:**

| S.No. | Particulars   | Amount (₹) |
|-------|---|------------|
| 1     | Common input and input services used for outward supply of goods and services mentioned above:<br>a)Inputs - ₹ 20,00,000<br>b)Input services - ₹ 8,00,000<br>Nothing has been used for any non-business purpose | 28,00,000  |
| 2     | Freight paid in relation to product 'D' to an unregistered Goods Transport Agency, used in relation to taxable supply only.   | 75,000     |

**Notes:**

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

There is no opening balance of any input tax credit. Assume that all the conditions necessary for availing the input tax credit have been fulfilled including that details of GST paid on inward supplies are available in GSTR 2B.

2. Assume that all the domestic transactions of company are inter-State and that rate of IGST on goods and services are 12% and 18% respectively, however, rate for goods transport agency service to be considered as 5%.

3. Company is not covered under any of the exception provided in rule 86B of the CGST Rules, 2017 regarding restriction on use of available input tax credit.

**Compute the net minimum GST liability of M/s BBV Ltd., to be paid in cash if any, after utilizing Input tax credit if any, for the month of October, 20YY.**

**Note: Legal explanations for each point should form part of your answer. [CA Final May 25 Exam]**

**Answer :-Computation of ITC available with Bhama Ltd. for April:**

| Particulars  | Amount (₹) | IGST (₹)                      |
|--|------------|-------------------------------|
| Export of product 'D' with payment of tax [Note 1]   | 16,50,000  | 1,98,000<br>[16,50,000 x 12%] |
| Product 'D' supplied to SEZ under LUT [Note 2]   |            | -                             |
| Export of product 'D' under LUT [Note 3]   |            | -                             |
| Domestic outward supply of Product 'D'   | 46,00,000  | 5,52,000<br>[46,00,000 x 12%] |
| Outward services taxable under reverse charge [Note 4]   |            |                               |
| Sale of securities [Note 5]  |            |                               |
| Supply of hiring of trucks to GTA [Note 6]   |            |                               |
| Sale of land [Note 7]  |            |                               |
| Interest received on investments [Note 8]  |            |                               |
| <b>Total Output Tax</b>  |            | <b>7,50,000</b>               |
| <b>Less: ITC [Note 9] [Working Note]</b>   |            | <b>(1,39,523)</b>             |
| <b>Net GST payable [Note 10]</b>   |            | <b>6,10,477</b>               |
| <b>Add: Tax on services received by the registered recipient from unregistered GTA is payable under reverse charge</b> | 7,50,000   | 3,750                         |
| <b>Minimum net GST payable in cash</b>   |            | <b>6,14,277</b>               |

**Working note: Computation of eligible ITC available for set off:**

| Particulars  |                  |                            | IGST (₹)               |
|--|------------------|----------------------------|------------------------|
| Common credit on inputs  | <b>20,00,000</b> | 2,40,000 [20,00,000 × 12%] | 3,84,000               |
| Common credit on input services  | <b>8,00,000</b>  | 1,44,000 [8,00,000 × 18%]  |                        |
| Freight paid [Note 11] [Since used exclusively for taxable supply, ITC is fully available.]  |                  |                            | 3,750<br>[75,000 × 5%] |
| <b>Less: Common credit attributable to exempt supplies (rounded off)</b><br>= Common credit on inputs and input services x (Exempt turnover during the period / Total turnover during the period)<br>= ₹ 3,84,000 x ₹ 1,55,42,000 / ₹ 2,40,43,000<br>Exempt turnover = ₹ 1,55,42,000 [Note 12] and<br>Total turnover = ₹ 2,40,43,000 [Note 13] |                  |                            | <b>(2,48,227)</b>      |
| <b>Total ITC eligible for set-off</b>  |                  |                            | <b>1,39,523</b>        |

**Notes:-**

|    |   |
|----|---|
| 1. | Since exports are inter-State supplies, IGST is payable on them.  |
| 2. | Supply to a SEZ unit is a zero-rated supply. Further, no tax is payable since goods are supplied under LUT. |
| 3. | Export is a zero-rated supply. Further, no tax is payable since goods are supplied under LUT.               |
| 4. | No tax is payable since recipient is liable to pay tax.   |

| 5.   | Since securities are neither goods nor services, sale of securities is not a supply.   |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
|--|--|-------------|------------|----------------------------------|--|---------------------------------------|----------|--|----------|--|--------|---|-------------|---|--|------------------------|--------------------|
| 6.   | Exempt, since services by way of giving on hire to a GTA, a means of transportation of goods, are exempt.  |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| 7.   | Sale of land is neither supply of goods nor supply of services, as it is covered in Schedule III. Thus, it is not a supply.  |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| 8.   | Services by way of extending deposits in so far as the consideration is represented by way of interest are exempt.   |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| 9.   | ITC of IGST is being utilized for set-off of IGST liability.   |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| 10.  | Since the value of supply in October month exceeds ₹ 50 lakh, at least 1% of output tax liability is to be paid in cash, in terms of rule 86B. However, since in the given question, ITC available is much less than 99% of the output tax liability, there is no need for any adjustment of amount utilized from electronic credit ledger.  |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| 11.  | Since used exclusively for taxable supply, ITC is fully available.   |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| 12.  | <p><b>Computation of Exempt turnover:</b></p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount (₹)</th> </tr> </thead> <tbody> <tr> <td><b>Exempt turnover includes:</b></td> <td></td> </tr> <tr> <td>(i) Supply of hiring of trucks to GTA</td> <td>7,00,000</td> </tr> <tr> <td>(ii) Services taxable under reverse charge</td> <td>8,00,000</td> </tr> <tr> <td>(iii) Sale of securities<br/>(Value of exempt supply in respect of security is 1% of the sale value of such security) &amp;</td> <td>42,000</td> </tr> <tr> <td>(iv) Sale of land<br/>(Value of exempt supply in respect of land is the value adopted for paying stamp duty)</td> <td>1,40,00,000</td> </tr> <tr> <td><b>Excludes</b> Interest received on investments (₹ 2,51,000)</td> <td></td> </tr> <tr> <td><b>Exempt Turnover</b></td> <td><b>1,55,42,000</b></td> </tr> </tbody> </table> | Particulars | Amount (₹) | <b>Exempt turnover includes:</b> |  | (i) Supply of hiring of trucks to GTA | 7,00,000 | (ii) Services taxable under reverse charge | 8,00,000 | (iii) Sale of securities<br>(Value of exempt supply in respect of security is 1% of the sale value of such security) & | 42,000 | (iv) Sale of land<br>(Value of exempt supply in respect of land is the value adopted for paying stamp duty) | 1,40,00,000 | <b>Excludes</b> Interest received on investments (₹ 2,51,000) |  | <b>Exempt Turnover</b> | <b>1,55,42,000</b> |
| Particulars  | Amount (₹)   |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| <b>Exempt turnover includes:</b>   |  |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| (i) Supply of hiring of trucks to GTA  | 7,00,000   |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| (ii) Services taxable under reverse charge   | 8,00,000   |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| (iii) Sale of securities<br>(Value of exempt supply in respect of security is 1% of the sale value of such security) & | 42,000   |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| (iv) Sale of land<br>(Value of exempt supply in respect of land is the value adopted for paying stamp duty)            | 1,40,00,000  |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| <b>Excludes</b> Interest received on investments (₹ 2,51,000)  |  |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| <b>Exempt Turnover</b>   | <b>1,55,42,000</b>   |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |
| 13.  | <p><b>Computation of Total turnover:</b> ₹16,50,000 + ₹ 9,00,000 + ₹ 11,00,000 + ₹ 46,00,000 + ₹ 8,00,000 + ₹ 42,000 + ₹ 7,00,000 + ₹ 1,40,00,000 + ₹ 2,51,000 = ₹ <b>2,40,43,000</b></p>  |             |            |                                  |  |                                       |          |  |          |  |        |   |             |   |  |                        |                    |