

| | | | | | |
|-------|---|-------------------------------------|--------------|-------------------|----------|
| (i) | Outward supply of goods made during the month to various non-related persons: | | | | |
| | | Particulars | Market value | Transaction Value | |
| | a. | in the State of Bihar (Intra-State) | 3,00,000 | 4,00,000 | |
| | b. | to other States (Inter-State) | 2,00,000 | 1,00,000 | |
| (ii) | Services provided to the State Government of Karnataka for conducting a computer training programmed for its employees. Total expenditure incurred for the said programmed was ₹ 90,000, of which ₹ 63,000 was borne by the State Govt. (Inter-State transaction) | | | | 5,00,000 |
| (iii) | Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTN for convenience of accounting and billing. Value under section 15 - ₹ 20,000 (Intra -State) | | | | Nil |
| (iv) | Intra - State inward supply of various services for use in the course or furtherance of business (30 invoices) | | | | 6,50,000 |

Additional Information:

- All the amounts given above are exclusive of taxes.
- During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 02.12.2021 was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January 2022. This invoice was issued by Mr. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra -State transaction).
- Rate of GST applicable on various supplies are as follows:

| Nature of supply | CGST | SGST | IGST |
|---------------------------------------|------|------|------|
| Car rental service | 2.5% | 2.5% | 5% |
| All other inward and outward supplies | 9% | 9% | 18% |

- No opening balance of input tax credit exists in the beginning of the month.
- Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to ₹ 1,50,000 were e-invoices in which Invoice Reference Number (IRN) was not mentioned. However, all the invoices were duly reflected in GSTR 2B for the month of January 2022, since the suppliers had filed their GSTR-1.
- Subject to the information given above, conditions necessary for claiming ITC were complied with. You are required to calculate the amount of net GST liability payable in cash by Ajay Limited for the month of January 2022. Brief notes for treatment given for each item should form part of your.

8 Marks

Answer:

| Particulars | CGST (₹) | SGST (₹) | IGST (₹) |
|--|---------------------------|---------------------------|----------|
| Outward intra-State supply of goods made in the State of Bihar [Value of supply is the transaction value of the goods.] | 36,000 [4,00,000 × 9%] | 36,000 [4,00,000 × 9%] | |



| | | | |
|---|------------------------|------------------------|----------------------------|
| Outward supply of goods made to other States [Value of supply is the transaction value of the goods.] | | | 18,000 [1,00,000 × 18%] |
| Inter-State services provided to State Government of Karnataka for conducting a computer training programmed [Not exempt since the State Government has borne less than 75% of total expenditure of the training programmed.] | | | 90,000 [5,00,000 × 18%] |
| Intra-State stock transfer to Gaya Branch with separate registration [Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.] | 1,800 [20,000 × 9%] | 1,800 [20,000 × 9%] | |
| Total output tax | 37,800 | 37800 | 1,08,000 |
| Less: Input Tax Credit [Refer Working Note below] | (37,800) (CGST) | | (7,200) (CGST) |
| [CGST credit should be utilized for payment of CGST and IGST in that order. Similarly, SGST credit should be utilized for payment of SGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.] | | (37,800) (SGST) | (7,200) (SGST) |
| Net GST payable in cash | Nil | Nil | 93,600 |

Working Note:**Computation of ITC available**

| Particulars | CGST (₹) | SGST (₹) | IGST (₹) |
|---|-----------------|-----------------|----------|
| Intra-State inward supply of services [₹ 6,50,000 - ₹1,50,000] | 45,000 | 45,000 | -- |
| [ITC cannot be claimed on the e-invoices without IRN since an e-invoice without IRN is not treated as valid document for claiming ITC.] | [5,00,000 × 9%] | [5,00,000 × 9%] | |
| Cars taken on rental basis from Mr. Mukesh [Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a non-body corporate to a body corporate and invoice is issued charging CGST/SGST @ 2.5% is payable under reverse charge. Time of supply of such services is 1st February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, tax liability on the same does not arise in said month. Further, ITC on renting of motor car services received is blocked since the recipient - Ajay Ltd. is not in the same | -- | -- | -- |



| | | | |
|----------------------------------|--------|--------|----|
| line of business ¹ .] | | | |
| Total ITC available | 45,000 | 45,000 | -- |

¹ It has been most logically assumed that Ajay Ltd. is not engaged renting of cars business

Question 12

PYQ May '23

Jino Enterprises, a partnership firm is a regular taxable person registered in Guwahati, Assam and is engaged in supply of Air conditioners and its accessories as well as air-conditioned repairing services. Details of their various activities for the month of October 2023 are as follows:

(i) Intra State supply of Air conditioner to customers in Assam. Freight is separately charged in invoices for delivery of goods at customer's doorstep.

| | |
|--|----------|
| | ₹ |
| Value of goods | 4,00,000 |
| Value of freight charges charged separately in above invoices. | 1,00,000 |

(ii) Intra State supply of repairing services wherein apart from charging service charges, cost of parts/ spares provided to customers is also charged and consideration for the same is separately mentioned in the invoices.

| | |
|---|----------|
| | ₹ |
| Value of services component of invoices | 3,00,000 |
| Value of parts / spares component in invoices | 50,000 |

(iii) In order to enhance their sales and to clear the stock of old models of air- conditioner, Jino Enterprises made combo offers to customers wherein, if a customer purchases an Air-conditioner along with a stabilizer, the same is offered at a combo price of ₹20,000 as against the original price of ₹30,000 (Air-conditioner ₹22,000 & stabilizer ₹8,000) if these are purchased separately. During October, 2023, Jino Enterprises had made inter-State supply of 10 numbers of such combo products.

(iv) Purchased business class air tickets for intra State travel from Guwahati Airport, Assam to Dibrugarh Airport, Assam for its executive employees relating to business of the concern. Basic air fare was ₹40,000 and airlines charges GST @ 2.5% CGST, SGST each on basic freight, in case the same is applicable.

Additional Information:

All the figures mentioned above are exclusive of taxes.

In respect of few of the invoices relating to F.Y. 2022-2023, involving ITC of CGST ₹20,000, SGST of ₹20,000, IGST ₹80,000 was not taken earlier. Jino Enterprises now want to avail credit in respect of such invoices in the current month.

The rates of GST applicable on various supplies are as follows:

| Nature of Supply | CGST | SGST | IGST |
|---|------|------|------|
| Air-Conditioner, Parts and accessories (Except Stabilizers) | 6% | 6% | 12% |
| Services | 9% | 9% | 18% |
| Stabilizers | 9% | 9% | 18% |
| Freight | 6% | 6% | 12% |

Calculate the amount of minimum CGST, SGST & IGST tax payable in cash by Jino Enterprises for the month of October, 2023.

Note: Working Notes (legal provisions) should form part of your answer. **8 Marks**



Answer:

Computation of minimum CGST, SGST and IGST payable in cash by Jino Enterprises for the month of October, 2023

| Particulars | Value (₹) | CGST (₹) | SGST (₹) | IGST (₹) |
|--|--------------------------------------|---|---|-------------------------------|
| Intra-State supply of air-conditioners [Since goods are agreed to be delivered at customer's doorsteps, supply of air-conditioners along with transportation thereof is a composite supply which is treated as the supply of the principal supply (viz. air conditioners). Accordingly, rate of principal supply, i.e. air- conditioners will be charged.] | 5,00,000 [4,00,000 + 1,00,000] | 30,000 [5,00,000 × 6%] | 30,000 [5,00,000 × 6%] | |
| Intra-State supply of [Since parts/ spares and repairing services ¹ repair services are not Intra-State supply of parts / spares naturally bundled, they are taxable separately at the applicable rates.] | 3,00,000 50,000 | 27,000 [3,00,000 × 9%] 3,000 [50,000 × 6%] | 27,000 [3,00,000 × 9%] 3,000 [50,000 × 6%] | |
| Inter-State supply of 10 combos of air conditioners and stabilizers [Since supplies are not naturally bundled and a single price is being charged, it is a mixed supply. It is treated as supply of that particular supply which attracts highest tax rate(i.e., stabilizers).] | 2,00,000 [20,000 × 10] | | | 36,000 [2,00,000 × 18%] |
| Total output tax | | 60,000 | 60,000 | 36,000 |
| Less: Input Tax Credit [Refer Working Note below] [IGST credit is first utilized for payment of IGST liability. Remaining IGST credit has been utilized for payment of CGST and SGST in such proportion to keep the liability at its minimum. After exhausting IGST credit, CGST and SGST credits have been utilized. CGST credit is utilized for payment of CGST and SGST credit is utilised for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.] | | (22,000) (IGST) (21,000) (CGST) | (22,000) (IGST) (21,000) (SGST) | (36,000) (IGST) |
| Minimum net GST payable in cash | | 17,000 | 17,000 | Nil |

Working Note:

Computation of ITC available

| Particulars | CGST (₹) | SGST (₹) | IGST (₹) |
|--|-----------------------------|-----------------------------|----------|
| Purchase of business class air tickets for travel from Assam [Not exempt, since air travel embarking from Assam is not being undertaken in economy class. Further, ITC is available since service is used in the course/furtherance of business.] | 1,000 [40,000 × 2.5%] | 1,000 [40,000 × 2.5%] | |
| Invoices relating to FY 2022-23 ² [ITC in respect of any invoice can be taken upto 30 th November following the end of FY to which such invoice relates or furnishing of the relevant annual return, whichever is earlier.] | 20,000 | 20,000 | 80,000 |
| Total ITC available | | | |

¹ Based on the view taken in Circular No. 47/21/2018 GST dated 08.06.2018. However, it is also possible to consider the supply of repairing services along with parts/spares as a



composite supply.

² It has been most logically assumed that the annual return for the FY 2022-23 has not yet been furnished

CA VIVEK GABA



Multiple Choice Questions

Question 1

MTP Oct'21, MTP Apr'19

Discount given after the supply has been effected is deducted from the value of taxable supply, if -

- (i) such discount is given as per the agreement entered into an/or before the supply
 - (ii) such discount is linked to the relevant invoices
 - (iii) proportionate input tax credit is reversed by the recipient of supply
- a) (i)
b) (i) and (ii)
c) (ii) and (iii)
d) (i), (ii) and (iii)

Question 2

RTP May '20

With reference to the provisions relating to transaction value under section 15 of the CGST Act, 2017, which of the following is not correct?

- a) Central excise duty will not be included in transaction value for supply of tobacco.
- b) Municipal taxes paid by tenant will be included in transaction value for supply of renting service.
- c) Entertainment tax included in movie ticket will form part of transaction value.
- d) Customer makes payment of freight which is payable by the supplier, directly to the service provider. However, supplier does not include this amount in the invoice. Such amount will be included in transaction value of the supplier.

Question 3

RTP Nov '20

Pradeep Traders, registered in Haryana, sold goods for ₹ 2,05,000 to Balram Pvt. Ltd. registered in Uttar Pradesh (GST is leviable @ 5% on said goods). As per the terms of sales contract, Pradeep Traders has to deliver the goods at the factory of Balram Pvt. Ltd. For this purpose, Pradeep Traders has charged freight of ₹ 2,400 from Balram Pvt. Ltd. GST is leviable @ 12% on freight. What would be the net GST liability to be paid in cash in this case assuming that the amounts given herein are exclusive of GST?

- a) IGST-₹ 37,332
- b) IGST-₹ 10,370
- c) CGST-₹ 18,666 and SGST-₹ 18,666
- d) CGST-₹ 5,185 and SGST-₹ 5,185

Answers

| 1 | 2 | 3 |
|---|---|---|
| d | a | b |



Chapter 8: Input Tax Credit

Descriptive Questions

Easy

Question 1

MTP Oct'22, MTP Mar'22

What is the ITC entitlement of a newly registered person?

Answer:

A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

In case of voluntary registration, ITC of such goods held in stock on the day immediately preceding the date of registration can be taken.

Question 2

MTP Oct'18, Mar'18

Radiance Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps - 'Glow 24x7' in Mumbai. It has provided the following information pertaining to purchases made/services availed in the month of January:

| Particulars | Amount (Rs.) |
|--|--------------|
| Soap making machine [Note-1] | 50,000 |
| Motor vehicles for transportation of inputs [Note-2] | 70,000 |
| Membership of 'Amaze' health and fitness center for its employees [Note-3] | Nil |
| Inputs stolen from the factory [Note-4] | Nil |
| Total ITC available | 1,20,000 |

You are required to compute the input tax credit (ITC) available with Radiance Soap Factory for the month of January, 2018 assuming that all the other conditions for availing ITC, wherever applicable, have been fulfilled.

4 Marks

Answer:

Computation of ITC available with Radiance Soap Factory

| Particulars | Amount (Rs.) |
|--|--------------|
| Soap making machine [Note-1] | 50,000 |
| Motor vehicles for transportation of inputs [Note-2] | 70,000 |
| Membership of 'Amaze' health and fitness center for its employees [Note-3] | Nil |



| | |
|---|----------|
| Inputs stolen from the factory [Note-4] | Nil |
| Total ITC available | 1,20,000 |

Notes: -

- ITC in respect of goods used in course/furtherance of business is available in terms of section 16 of the CGST Act.
- ITC in respect of motor vehicles and conveyances is blocked, except when used, inter alia, for transportation of goods, in terms of section 17(5) of the CGST Act.
- ITC in respect of membership of a club, health and fitness center is blocked in terms of section 17(5) of the CGST Act.
- ITC in respect of goods stolen is blocked in terms of section 17(5) of the CGST Act.

Question 3

MTP Aug'18

Shridhar Co. Ltd., a registered supplier, is engaged in the manufacture of heavy machinery. It procured the following items during the month of March.

| | Items | GST paid (Rs.) |
|-------|---|----------------|
| (i) | Sweets for consumption of employees working in the factory | 50,000 |
| (ii) | Raw material | 1,00,000 |
| (iii) | Trucks used for the transport of raw material | 2,00,000 |
| (iv) | Electrical transformers to be used in the manufacturing process | 4,00,000 |

Determine the amount of input tax credit available with Shridhar Co. Ltd., for the month of March by giving necessary explanations for treatment of various items. Note: All the conditions necessary for availing the input tax credit have been fulfilled. **4 Marks**

Answer:

Computation of ITC available with Shridhar Co. Ltd. for the month of March

| | Items | ITC (Rs.) |
|-------|---|-----------------|
| (I) | Sweets for consumption of employees working in the factory [Note-1] | Nil |
| (ii) | Raw material [Note-2] | 1,00,000 |
| (iii) | Trucks used for the transport of raw material [Note-3] | 2,00,000 |
| (iv) | Electrical transformers [Note-4] | 4,00,000 |
| | Total ITC | 7,00,000 |

Notes: -

1. ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed Supply-Section 17(5)(b)(I).
2. Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).
3. Though ITC on motor vehicles has been specifically disallowed under section 17(5)(a), ITC on motor vehicles used for transportation of goods is allowed under section 17(5)(a)(ii).
4. Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).



MTP April 22

Question 4

What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

5 Marks

Answer:

In case of supply of capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to the ITC taken on the said capital goods or plant and machinery reduced by 5% per quarter or part thereof from the date of invoice or the tax on the transaction value of such capital goods, whichever is higher.

However, in case of refractory bricks, molds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

Question 5

MTP Sep'22, MTP Aug'18

Enumerate the conditions necessary for availing ITC under GST law.

3 Marks

Answer:

No registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless:

1. he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
2. he has received the goods or services or both;
3. subject to section 41 of the CGST Act, the supplier has actually paid the tax charged in respect of the supply to the Government;
4. he has furnished the return under section 39; and
5. the details of the invoice/debit note in respect of said supply has been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such bit note in the manner specified under section 37

Question 6

MTP March '23

A registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. State the exceptions to said rule.

3 Marks

Answer:

The condition of payment of value of supply plus tax within 180 days does not apply in the following situations:

- ✓ Supplies on which tax is payable under reverse charge
- ✓ Deemed supplies without consideration
- ✓ Additions made to the value of supplies on account of supplier's liability, in relation to such supplies, being incurred by the recipient of the supply.

Question 7

MTP Aug'18

Mr. Bholenath, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of January, 20XX:

| | Particulars | (Rs.) |
|-------|---------------------------------------|-----------|
| (i) | Inter-state taxable supply of goods | 10,00,000 |
| (ii) | Intra state taxable supply of goods | 2,00,000 |
| (iii) | Intra state purchase of taxable goods | 5,00,000 |



He has the following input tax credit at the beginning of January 20XX:

| Nature | ITC Amount in (Rs.) |
|--------|---------------------|
| CGST | 20,000 |
| SGST | 30,000 |
| IGST | 25,000 |

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively. Both inward and outward supplies are exclusive of taxes wherever applicable. All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. Bholenath for the month of January, 20XX.

6 Marks

Answer:

Computation of net GST payable by Mr. Bholenath for the month of January, 20XX Working of GST payable on Outward supplies

| S.No. | Particulars | (Rs.) | GST (Rs.) |
|-------|-------------------------------------|--------|-----------|
| (i) | Inter-State taxable supply of goods | | |
| | IGST @ 18% on Rs. 10,00,000 | | 1,80,000 |
| (ii) | Intra-State taxable supply of goods | | |
| | CGST @ 9% on Rs. 2,00,000 | 18,000 | |
| | SGST @ 9% on Rs. 2,00,000 | 18,000 | 36,000 |

Computation of total ITC

| Particulars | CGST @ 9% (Rs.) | SGST @ 9% (Rs.) | IGST @ 18% (Rs.) |
|---|-----------------|-----------------|------------------|
| Opening ITC | 20,000 | 30,000 | 25,000 |
| Add: ITC on Intra-State purchases of taxable goods valuing Rs. 5,00,000 | 45,000 | 45,000 | |
| Total ITC | 65,000 | 75,000 | 25,000 |

Computation of GST payable from cash ledger

| Particulars | CGST @ 9% (Rs.) | SGST @ 9% (Rs.) | IGST @ 18% (Rs.) |
|-------------|-----------------|-----------------|------------------|
| GST payable | 18,000 | 18,000 | 1,80,000 |
| Less: ITC | (18,000)-CGST | (18,000)-SGST | (25,000)-IGST |
| | | | (47,000)-CGST |
| | | | (57,000)-SGST |
| | Nil | Nil | 51,000 |

Note:

ITC of IGST, CGST & SGST have been used to pay IGST in that order.

Question 8

RTP Nov '18

Explain the meaning of the term "input tax" under section 2(62) of CGST Act, 2017.

Answer:

As per section 2(62) of CGST Act, 2017, "input tax" in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

1. the integrated goods and services tax charged on import of goods;



2. the tax payable under the provisions of sub-sections (3) and (4) of section 9;
3. the tax payable under the provisions of sub-section (3) and (4) of section 5 of the IGST Act;
4. the tax payable under the provisions of sub-section (3) and sub-section (4) of section 9 of the respective SGST Act; or
5. the tax payable under the provisions of sub-section (3) and sub-section (4) of section 7 of the UTGST Act, but does not include the tax paid under the composition levy.

Question 9

RTP May '18

Shipra Traders is a registered supplier of goods in Assam. It purchased goods valued at ₹ 10,000 from Kartik Suppliers located within the same State. Kartik Suppliers charged CGST & SGST separately in its invoice. Subsequently, Shipra Traders sold goods valuing ₹ 9,500 to Rabina Manufacturers located in Assam. 20% of the inputs purchased are still lying in stock and there was no opening stock of goods. Rate of CGST and SGST on supply and purchase of goods is 9% each. Calculate the net GST payable by Shipra Traders and input tax credit (ITC) to be carried forward, if any.

Answer 24

Computation of net GST payable by Shipra Traders

| Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) |
|--|----------------------|----------------------|
| GST payable on intra-State supply of goods [Being an intra- State supply, CGST and CGST is payable on the same] | 855 [9,500 × 9%] | 855 [9,500 × 9%] |
| Less: ITC on intra-State purchase of goods [ITC of CGST and SGST paid on intra-State purchase is available in full, even if some inputs are lying in stock] | 900 [10,000 × 9%] | 900 [10,000 × 9%] |
| Net GST payable | Nil | Nil |
| Input tax credit carried forward in Electronic Credit Ledger | 45 | 45 |

Question 10

RTP May '20

Mr. X, a supplier of goods, pays GST under regular scheme. The amount of input tax credit (ITC) available and output tax liability under different tax heads is as under: -

| Head | Output tax liability | ITC |
|---------------|----------------------|-------|
| IGST | 2,000 | 4,000 |
| 7C79G7S9T4646 | 800 | 2,000 |
| SGST/ UTGST | 2,500 | 500 |

Compute the minimum GST payable in cash by Mr. X. Make suitable assumptions as required.

Answer:

Mr. X can use the ITC to pay his output tax liability. The order of utilisation of ITC is as under: -

- ✓ IGST credit should first be utilized towards payment of IGST.
- ✓ Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.
- ✓ Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
- ✓ ITC of CGST should be utilized for payment of CGST and IGST in that order.
- ✓ ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.

