

Answer:

## Computation of net GST payable in cash of Mr. Himanshu for September

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Total tax liability				
Intra-State outward supplies of goods	25,00,000	2,25,000	2,25,000	
Inter-State outward supplies of goods	5,00,000			90,000
Total tax liability (A)		2,25,000	2,25,000	90,000
Input Tax Credit (ITC)				
Brought forward ITC		95,000	60,000	50,000
Intra-State purchase of goods from registered dealer [Note-1]	14,00,000	1,26,000	1,26,000	
Inter-State purchase of goods from registered dealer [Note-1 and Note 4]	3,00,000	-	-	54,000
Intra-State purchase of goods from unregistered dealer [Note-2]	2,00,000	-	-	-
Purchase of car used for business purpose [Note-3]	-	-	-	-
Total ITC (B)		2,21,000	1,86,000	1,04,000
Net GST liability = (A)-(B)		4,000	39,000	(14,000)
Less: Set off from IGST credit [Note- 5]		4,000	10,000	
Net GST payable in cash		Nil	29,000	Nil

## Notes:

- Every registered person is entitled to take credit of input tax charged on any inward supply of goods used/intended to be used in the course/furtherance of his business.
- Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the tax leviable thereon under reverse charge till 30.09.2019. Since no tax has been paid, so no credit is available.
- Input tax paid on capital goods cannot be availed as ITC if depreciation has been claimed on such tax component. Moreover, ITC on motor vehicle (car) is blocked under section 17(5) of CGST Act, 2017.
- A registered person is entitled to avail input tax in respect of any supply of goods to him only if he has as actually received the said goods. Since goods worth ₹1,00,000 have not been received by Mr. Himanshu in the month of September 2018, credit in respect of same cannot be claimed in the said month.
- Input tax credit of IGST has been used to pay IGST, CGST and SGST in that order.

## Question 9

PYQ Nov'18

Mr. Dhiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February:

	Particulars	Amount in ₹
(i)	Intra-state taxable supply of service	5,20,000



(ii)	Legal fee paid to a Lawyer located within the state	20,000
(iii)	Rent paid to the State Govt. for his office building	30,000
(iv)	Received for services towards conduct of exams in Love all University, Pune (recognized by law), being an inter-state transaction	16,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Thiraj for the month of February. Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively. **6 Marks**

All the amounts given above are exclusive of taxes.

Answer:

Computation of net GST liability by Mr. Dhiraj for the month of February

	Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output supply					
(i)	Intra-State taxable supply of services	5,20,000	46,800	46,800	
(iv)	Services towards conduct of exams in Love all University, Pune [Note-1]	16,000			Exempt
Inward supply					
(ii)	Legal fee paid to lawyer located within State [Note-2]	20,000	1,800	1,800	
(iii)	Rent paid to State Government for Office Building [Note-3]	30,000	2,700	2,700	
Total tax liability			51,300	51,300	
Less: Cash paid towards tax payable under reverse charge [A] [Note-4]			(4,500)	(4,500)	
Output tax payable against which ITC can be set off			46,800	46,800	
Less: ITC of tax paid on legal fees and rent			(4,500)	(4,500)	
Output tax payable after set off of ITC [B]			42,300	42,300	
Net GST liability [A] + [B]			46,800	46,800	

Notes: -

Since Love all University provides education recognized by law<sup>1</sup>, it is an educational institution and services provided to an educational institution, by way of conduct of examination by such institution are exempt from GST.

It has been logically assumed that the education provided by the Love all University is recognized by Indian law.

- In case of legal services provided by an advocate to any business entity GST is payable under reverse charge by the recipient of service<sup>2</sup>.
- In case of services supplied by, inter alia, State Government by way of renting of immovable property to a person registered under the CGST Act, GST is payable under reverse charge by the recipient of service



3. The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

**Question 10**

PYQ July'21

X Electronics is a registered manufacturer of electrical appliances. It made contract with dealers, that purchase of air conditioners of capacity 1.5 ton in the month of October of quantity of more than 50 units will entitle them for 10% discount. Inter-State supply made during the month of October is ₹50,00,000 Details of Intra-State supply:

Particulars	Amount (₹)
Supply of Microwave Oven	15,00,000
Supply of Refrigerators with Stabilizers being a mixed supply, rate of GST on Refrigerator is 28% (14% CGST & 14% SGST), rate of GST on Stabilizer is 18% (9% CGST & 9% SGST)	40,00,000
Supply of Air Conditioners of capacity 1.5 Ton @ ₹50,000 per Air Conditioner	50,00,000

Intra-State inward supplies are:

Particulars	Amount ₹
Raw material	20,00,000
Paid Gym membership for employees	50,000
Truck purchased for transportation of goods	30,00,000

X Electronics made supply of Air Conditioners (capacity 1.5 ton) to only one dealer named Mr. L. Gym membership for employees is not obligatory for X Electronics under any law. Opening Balance of ITC is as under:

CGST: ₹58,000

SGST: ₹70,000

IGST: ₹10,00,000

Note:

1. Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.
2. Both inward and outward supplies are exclusive of taxes.
3. All the conditions for availing the ITC have been fulfilled.

Compute the Net GST payable in cash by X Electronics for the month of October. **8 Marks**

Answer:

Computation of net GST payable in cash by X Electronics for October

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State supply				
Supply of microwave oven	15,00,000	1,35,000	1,35,000	



Supply of refrigerators with stabilizers [Being mixed supply, the supply shall be treated as a supply of that particular supply which attracts the highest rate of tax and taxed accordingly. Thus, it will be taxed @ 14% CGST and 14% SGST.]	40,00,000	5,60,000	5,60,000	
Supply of 100 (₹50 lakh/ ₹50,000) air conditioners [Since 100 air conditioners have been supplied, discount @10% will be available.]	45,00,000 [₹50,00,000 × 90%]	4,05,000	4,05,000	

It has been presumed that there is one supply transaction for 100 ACs and thus, the discount has been given in the invoice itself. Alternatively, even if there have been multiple supply transactions for the ACs during the month and the discount has been given vide credit note, it has been presumed that the credit note has been issued in October and all other conditions prescribed in section 15(3)(b) of the CGST Act, 2017 have been complied with. Thus, the effect of the discount has been adjusted in the month of October itself.

Inter-State supply @ 18%	50,00,000			9,00,000
Total outward tax liability		11,00,000		9,00,000
			11,00,000	
Less: Input Tax Credit (Refer Working Note below)				
IGST credit first utilized towards payment of IGST. Remaining amount can be utilized towards CGST and SGST in any order and in any proportion		1,00,000 (IGST)		9,00,00 (IGST)
CGST credit set off against CGST liability and SGST credit set off against SGST liability as CGST credit cannot be utilized towards payment of SGST and vice versa.		5,08,00 (CGST)	5,20,00 (SGST)	
Net GST liability payable in cash		4,92,000	5,80,000	Nil

### Working Note

Computation of ITC available with X Electronics

Particulars		CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC		58,000	70,000	10,00,000
Intra-State inward supplies				
Raw material	20,00,000	1,80,000	1,80,000	
Gym membership for employees [ITC on membership of a health and fitness center is blocked if there is no statutory obligation for the employer to provide the same.]	50,000	Nil	Nil	



Truck purchased for transportation of goods [ITC on motor vehicles used for transportation of goods is not blocked.]	30,00,000	2,70,000	2,70,000	
<b>Total ITC</b>		<b>5,08,000</b>	<b>5,20,000</b>	<b>10,00,000</b>

Note:

In the above answer, tax payable in cash has been computed by setting off the IGST credit against CGST liability. However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in different other ways as well. In all such cases, net CGST and net SGST payable in cash will differ though the total amount of net GST payable (₹10,72,000) in cash will remain the same.

### Question 11

PYP May'22

Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand, is engaged in the manufacturing of washing machines & mixer grinders. It provides you the details of various activities undertaken during the month of September as follows:

Sr. No.	Particulars	Amount (₹)
(i)	Outward supplies made during the month	
	a. Within Jharkhand	₹ 24,00,000
	b. Outside Jharkhand	₹ 5,00,000
		29,00,000
(ii)	Purchase of raw materials from registered dealers within Jharkhand which includes materials worth ₹ 2,00,000 purchased from Mr. Krishna, a registered person who is paying tax under composition scheme.	7,00,000
(iii)	Bus purchased from a registered dealer in Tata Nagar, Jharkhand. Bus used to ferry its 25 workers to and from factory.	12,00,000

Assume the rates of GST applicable on various supplies as follows:

Nature of supply	CGST	SGST	IGST
Composition supplies	0.5%	0.5%	-
Bus	14%	14%	28%
Raw material	6%	6%	12%
Washing machines & mixer grinders	9%	9%	18%

Opening balances of input tax credit as on September were as follows:

CGST (₹)	SGST (₹)	IGST (₹)
20,000	5,000	95,000

Note:

- All the figures mentioned above are exclusive of taxes.
- Both inward & outward supplies within the State of Jharkhand are to be considered intra-State supplies and outside the State of Jharkhand are inter-State supplies.
- Subject to information given above, all the other conditions necessary for availing ITC have been fulfilled.



Calculate the amount of net minimum GST payable in cash by Zeon Ltd. for the month of September, 2021. Brief and suitable notes should form part of your answer. **8 Marks**

Answer:

Computation of minimum net GST payable in cash by Zeon Ltd. for the month of September

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward supplies made within Jharkhand	2,16,000 [24,00,000 × 9%]	2,16,000 [24,00,000 × 9%]	
Outward supplies made outside Jharkhand			90,000 [5,00,000 × 18%]
Total output tax	2,16,000	2,16,000	90,000
Less: Input Tax Credit [Refer Working Note below]	-	5,000 (IGST)	(90,000) (IGST)
[IGST credit be first utilized for payment of IGST liability. Remaining IGST credit has been utilized for payment of SGST liability since the SGST liability is to be kept at minimum. After exhausting IGST credit, CGST and SGST credit to be utilized. CGST credit to be utilized for payment of CGST and SGST credit to be utilized for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	2,16,000 (CGST)	2,03,000 (SGST)	
Minimum net GST payable in cash	Nil	8,000	Nil
ITC to be carried forward next month	2,000		

Working Note:

Computation of ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	20,000	5,000	95,000
Purchase of raw materials from registered dealers within Jharkhand [7,00,000 - 2,00,000] [ITC on purchases of goods worth ₹ 2,00,000 on which tax has been paid under composition scheme is blocked. ITC on remaining purchases worth ₹ 5,00,000 is available, being supply of goods used/intended to be used in the course/furtherance of business.]	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]	
Bus purchased from dealer in Jharkhand used to ferry 25 workers to and from factory [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,68,000 [12,00,000 × 14%]	1,68,000 [12,00,000 × 14%]	
Total ITC available	2,18,000	2,03,000	95,000



## Multiple Choice Questions

## Question 1

MTP Oct'20

Akash Ltd. a registered person in Punjab has purchased Air Conditioner for invoice value of ₹ 32,000 (which includes GST at 18%) from Mukesh Ltd. registered in Punjab. Akash Ltd. had capitalized Air Conditioner in his books of accounts for full value of ₹ 32,000 and taking the benefit of depreciation on the same. Keeping in view of the above situation the input tax credit which Akash Ltd. is required to take in his books of accounts will be;

- a) Nil
- b) ₹4,881
- c) ₹5,760
- d) ₹2,880

  
  
  


## Question 2

MTP March'19

A supplier takes deduction of depreciation on the GST component of the cost of capital goods as per Income- tax Act, 1961. The supplier can-

- a) avail only 50% of the said tax component as ITC
- b) not avail ITC on the said tax component
- c) avail 100% ITC of the said tax component
- d) avail only 25% of the said tax component as ITC

  
  
  


## Question 3

MTP March 22

Ganesh Traders, engaged in manufacturing of taxable as well as exempt goods, purchased a machinery worth ₹ 17,70,000 (₹ 15,00,000 plus ₹ 2,70,000 GST). It capitalized full amount including taxes in the books of accounts and claimed depreciation on it as per provisions of the Income Tax Act, 1961. Compute the amount of ITC that can be claimed by Ganesh Traders?

- (a) ₹ 2,70,000
- (b) Zero
- (c) In proportion of taxable and exempt supply
- (d) By decreasing percentage points as prescribed

  
  
  


## Question 4

MTP Sep'22

Medhavi Industries, engaged in manufacturing of taxable goods, purchased cars for official use of its employees. Amount of GST paid on purchase of the cars amounted to ₹ 2,80,000. It also availed outdoor catering services for a marketing event organised for its prospective customers. Amount of GST paid on said services was ₹18,000. Compute the total amount of ITC that can be claimed by Medhavi Industries.

- a) ₹ 2,98,000
- b) ₹618,000
- c) ₹2,80,000
- d) Nil

  
  
  



**Question 5**

MTP Oct'22

ITC on is not blocked.

- trucks purchased by a company for transportation of its finished goods
- aircraft purchased by a manufacturing company for official use of its CEO
- general insurance taken on a car used by employees of a manufacturing company for official purposes
- cars purchased by a manufacturing company for official use of its employees

  
  
  

**Question 6**

MTP March '23, RTP Nov'21

PZY Ltd. is engaged in manufacturing of motor car. The company paid following amount of GST to its suppliers against the invoices raised to it. Compute the amount of ineligible input tax credit under GST law:-

S. No.	Particulars	GST Paid (₹)
1.	General insurance taken on cars manufactured by PZY Ltd.	1,00,00,000
2.	Buses purchased for transportation of employees (Seating capacity 23)	25,00,000
3.	Life and health insurance for employees under statutory obligation	6,00,000
4.	Outdoor catering in Diwali Mela organized for employees	3,50,000

- ₹ 9,50,000
- ₹ 3,50,000
- ₹ 1,31,00,000
- ₹ 28,50,000

  
  
  

**Question 7**

MTP April '23, RTP Nov'20

Mr. Raghu avails services of Mr. Raja, a Chartered Accountant, as under-

- Audit of financial accounts of Mr. Raghu ₹ 55,000
- Tax audit and annual accounts filing of Mr. Raghu ₹ 10,000
- Income-tax return filing of Mr. Raghu 's wife (salaried-return) ₹ 5,000

All the above amounts are exclusive of taxes and the applicable rate of GST on these services is 18%.

The accountant of Mr. Raghu has booked the entire expenses of ₹ 70,000 plus GST in the books of account. Mr. Raghu is eligible to take input tax credit of -

- ₹ 13,500
- ₹ 11,700
- ₹ 9,900
- ₹ 1,800

  
  
  



**Question 8**

MTP April '23, RTP Nov'20

TT Pvt. Ltd., registered in Rajasthan, furnished following information for the month of June:

- Inter-State sale of goods for ₹ 1,25,000 to JJ Enterprises registered in Haryana
- Inter-State purchases of goods from XYZ company, registered in Punjab, for ₹ 40,000
- Intra-State purchases of goods from RR Traders, registered in Rajasthan, for ₹ 65,000

All the above amounts are exclusive of taxes. The applicable rates of CGST, SGST and IGST are 9%, 9% and 18% respectively on inward as well as outward supplies. There is no opening balance of ITC. GST liability payable in cash is-

- CGST ₹ 1,800 & SGST ₹ 1,800
- SGST ₹ 3,600
- IGST ₹ 3,600
- CGST ₹ 3,600

**Question 9**

RTP Nov '19

Calculate the amount of eligible input tax credit-

S. No.	Particulars	GST paid (₹)
1.	A Mini bus having seating capacity of 15 persons (including driver) used for running on hire	15,00,000
2.	Car having seating capacity of 8 people used for business purposes	1,00,00,000
3.	Car having seating capacity of 4 persons used for imparting training on driving such car	50,00,000
4.	Special purpose vehicle having seating capacity of 2 persons used for transportation of goods	60,00,000

- ₹ 2,25,00,000/-
- ₹ 2,10,00,000/-
- ₹ 1,25,00,000/-
- ₹ 75,00,000/-

**Question 10**

RTP May '20

M/s. Comfortable (P) Ltd. is registered under GST in the State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from M/s. High-Fi Infotech (P) Ltd. for ₹ 11,00,000/- (excluding GST @ 18%) on 28-Oct-20XX. Invoice for service rendered was issued on 5-Nov-XX. M/s Comfortable (P) Ltd. made part-payment of ₹ 4,20,000/- on 30-Nov-XX. Being unhappy with service provided by M/s High-fi Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by M/s High-Fi Infotech (P) Ltd. by 15-Feb-XY. M/s. Comfortable (P) Ltd. made payment of ₹ 3,00,000/- on 15-Feb-XY and balance payment was made on 6-June-20XY, i.e. after 180 days of issue of invoice.

Input tax credit available in respect of IT engineering services received from M/s. High-Fi Infotech (P) Ltd. in financial year 20XX-XY:

- ₹ 1,98,000/-
- Nil
- ₹ 64,068/-
- ₹ 1,09,831/-



**Question 11**

CS Execu.

Under which of the following situations, input tax credit will be available under GST law?

- (a) Cars purchased by a manufacturing company for official use of its employees.
- (b) Aircraft purchased by a manufacturing company for official use of its CEO.
- (c) General insurance taken on a car used by employees of a manufacturing company for official purposes.
- (d) Maintenance & repair services availed by a company for a truck used for transporting its finished goods.

  
  
  

**Question 12**

CS Execu.

Which of the following statements is false?

- (a) ITC on works contracts services availed by a software company for construction of its office, is blocked.
- (b) ITC on works contract services availed by a manufacturing company for construction of pipelines to be laid outside its factory, is blocked.
- (c) ITC on goods and/or services used by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.
- (d) ITC on works contract services availed by a consulting firm for repair of its office building is blocked provided the company has booked such expenditure in profit and loss account.

  
  
  

**Question 13**

CS Execu.

If the goods are received in lots/installment.

- (a) 50% ITC can be taken on receipt of 1st instalment and balance 50% on receipt of last installment
- (b) ITC can be availed upon receipt of last installment
- (c) 100% ITC can be taken on receipt of 1st installment.
- (d) Proportionate ITC can be availed on receipt of each lot/installment

  
  
  

**Question 14**

CS Execu.

What is the time limit for taking ITC?

- (a) 180 days from the date of invoice
- (b) 1 year from the date of Invoice.
- (c) 20th October of the next financial year or the date of filing annual return whichever is earlier
- (d) No limit

  
  
  

**Question 15**

CS Execu.

Input tax credit on capital goods can be availed in:

- (a) 36 Installments
- (b) 12 Installments
- (c) 1 Installment
- (d) 6 Installments

  
  
  



**Question 16**

CS Execu.

Banking company or Financial Institution have an option of claiming:

- (a) Eligible Credit or 50% credit of the tax paid on inputs, input services and capital goods
- (b) Only 50% Credit
- (c) Only Eligible credit
- (d) Eligible credit and 50% credit of the tax paid on inputs, input services and capital goods

  
  
  

**Question 17**

CS Execu.

In case of Compulsory registration, input tax credit can be availed on—

- (a) credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act provided application for registration is filed within 30 days from the due date
- b) on stocks held on the day immediately preceding the date of grant of registration under the provisions of this Act.
- (c) on stocks held on the day immediately preceding the date of application of registration under the provisions of this Act.
- (d) None of the above

  
  
  

**Question 18**

CS Execu.

ITC is allowed only on those goods and / or Services which are intended for making :

- (a) Taxable Supplies
- (b) Zero Rated Supplies
- (c) Both taxable supplies and zero-rated supplies
- (d) Even on Taxable Inward Supply and Non- Taxable Local or Interstate Supplies

  
  
  

**Question 19**

CS Execu.

The unutilized ITC in the electronic ITC Ledger will be allowed to a new entity on business as a whole transfer, merger, demerger, amalgamation and on lease if the transfer deed provides for:

- (a) Transfer of all the Assets of the Existing Business Concern
- (b) Transfer of all the Liabilities of the Existing Business Concern
- (c) Transfer of both Assets and Liabilities of the existing business concern including credit on Electronic Cash Ledger
- (d) Any of the Above

  
  
  

**Answers**

1	2	3	4	5	6	7	8	9	10
a	b	b	d	a	b	b	c	c	a
11	12	13	14	15	16	17	18	19	
d	d	b	c	c	a	a	c	c	

