

GST - PRACTICE TEST PAPER - SET 11

(From GST 9th Edition Question Bank)

For Admission / Inquiry - Whatsapp at 8527230445 (11am to 6pm)

1. **[Exemption + ITC + Tax Invoice]** M/s Aditi & Co, a partnership firm registered under GST, is undertaking various Government projects.

The firm has let out on hire the following vehicles-

- (i) A motor vehicle to carry more than 15 passengers to a State Government Electricity Department
- (ii) An electric motor vehicle to carry more than 12 passengers to Local Municipal Corporation
- (iii) An electric motor vehicle to carry up-to 12 passengers to State Transport Undertaking

The firm provided the following additional information for the month of October:

- (i) Works contract services were availed for construction of immovable property being plant and machinery, where value of GST component was ₹1,10,000.
- (ii) GST amounting to ₹70,000 was paid on account of demand of the Department due to fraud in returns filed.
- (iii) Goods valuing ₹ 10,00,000, (GST on the same ₹ 1,00,000) were received 180 days ago (invoice also issued on the date of receipt of supply) for which payment has been made till date to an extent of ₹4,00,000 towards value, ₹40,000 towards tax.

The firm made two independent outward supplies in which value of supply was understated in one case by ₹ 75,000 and overstated by ₹ 45,000 in the other case.

The firm received certain supply of goods from registered persons on which tax was payable under reverse charge basis.

All the amounts given above are exclusive of taxes, wherever applicable. All transactions referred to above are intra-State. All the conditions for availing ITC have been fulfilled subject to the information given above.

From the information given above, choose the most appropriate answer for questions given below:-

A. In respect of vehicles let out on hire by the firm, services that are exempt from GST are

- (i) Letting on hire a motor vehicle to State Electricity Department (>15passengers)
- (ii) Letting on hire an electric vehicle to Local Municipality (> 12 passengers)
- (iii) Letting on hire an electric vehicle to State Transport Undertaking (<12passengers)

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

B. Determine the amount of eligible ITC to be claimed by the firm for the month of October.

- (a) ₹70,000
- (b) ₹1,10,000
- (c) ₹1,80,000
- (d) Nil

C. Determine the amount of ITC to be added to the output tax liability.

- (a) ₹40,000
- (b) ₹60,000
- (c) ₹1,00,000
- (d) Nil

- D.** Which of the following is correct in respect of document to be issued by the firm for understatement and overstatement of invoice value?
- Debit note is to be issued for ₹75,000.
 - Credit note is to be issued for ₹75,000.
 - Debit note is to be issued for ₹45,000.
 - Credit note is to be issued for ₹45,000.
- i & iii
 - ii & iii
 - i & iv
 - ii & iv
- E.** Which of the following statements is correct in respect of supply of goods received by the firm which are taxable under reverse charge?
- Firm shall issue a payment voucher at the time of making payment to supplier.
 - Firm shall issue invoice for supply of goods.
 - Firm shall issue receipt voucher at the time of making payment to supplier.
 - Firm is not required to issue any document in respect of such supply.
- i
 - i & ii
 - ii & iii
 - iv
- 2. [Exemption]** Sahil, a resident of Delhi, is having a residential property in Vasant Vihar, Delhi which has been given on rent to a family for ₹ 50 lakh per annum. Determine whether Sahil is liable to pay GST on such rent.
- Yes, as services by way of renting is taxable supply under GST.
 - No, service by way of renting of residential property is exempt.
 - No, service by way of renting of residential property does not constitute supply.
 - Sahil, being individual, is not liable to pay GST.
- 3. [Basic of GST]** Various taxes have been subsumed in GST to make one nation one tax one market for consumers. Out of the following, determine which taxes have been subsumed in GST.
- Basic customs duty levied under Customs Act, 1962
 - Taxes on lotteries
 - Environment tax**
- (ii)
 - (ii) and (iii)
 - (iii)
 - (i), (ii) and (iii)
- 4. [Supply]** Goods as per section 2(52) of the CGST Act, 2017 includes:
- Actionable claims
 - Growing crops attached to the land agreed to be severed before supply.
 - Money
 - Securities
- (i) and (iii)
 - (iii) and (iv)
 - (i) and (ii)
 - (ii) and (iii)
- 5. [Registration]** Mr. Z of Himachal Pradesh starts a new business and makes following supplies in the first month-
- Intra-State supply of taxable goods amounting to ₹17 lakh
 - Supply of exempted goods amounting to ₹1 lakh
 - Inter-State supply of taxable goods amounting to ₹1 lakh.
- Whether he is required to obtain registration?
- Mr. Z is liable to obtain registration as the threshold limit of ₹ 10 lakh is crossed.
 - Mr. Z is not liable to obtain registration as he makes exempted supplies.
 - Mr. Z is liable to obtain registration as he makes the inter-State supply of goods.
 - Mr. Z is not liable to obtain registration as the threshold limit of ₹20 lakh is not crossed.

ANSWER KEY

1(A)	1(B)	1(C)	1(D)	1(E)	2	3	4	5
(b)	(b)	(b)	(c)	(a)	(b)	(a)	(c)	(c)

6. [Composition Scheme] “Wedding Bells”, a wedding photographer, has commenced providing pre-wedding shoot services in Jaipur from the beginning of current financial year. It has provided the following details of turnover for the various quarters till December, 20XX:-

S. No.	Quarter	Amount (₹ in lakh)
1	April, 20XX - June, 20XX	20
2	July, 20XX - September, 20XX	30
3	October, 20XX - December, 20XX	40

You may assume the applicable tax rate as 18%. Wedding Bells wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter?

Solution:

Section 10(2A) of the CGST Act, 2017 provides the turnover limit of ₹ 50 lakh in the preceding financial year for becoming eligible for composition levy for services. Wedding Bells has started the supply of services in the current financial year (FY), thus, its aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, Wedding Bells is eligible for composition scheme for services.

A registered person opting for composition levy for services shall pay tax @ 3% [Effective rate 6% (CGST+SGST/UTGST)] of the turnover of supplies of goods and services in the State.

Further, Wedding Bells becomes eligible for the registration when the aggregate turnover exceeds ₹ 20 lakh (the threshold limit of obtaining registration). While registering under GST, Wedding Bells can opt for composition scheme for services.

The option of a registered person to avail composition scheme for services shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of ₹50 lakh.

However, for the purposes of determining the tax payable under composition scheme, the expression “turnover in State” **shall not** include the value of supplies from the first day of April of a FY up to the date when such person becomes liable for registration under this Act.

Thus, for determining the **turnover of the State for payment of tax** under composition scheme for services, turnover of April, 20XX – June, 20XX quarter [₹ 20 lakh] shall be excluded. **On next ₹30 lakh [turnover of July, 20XX – September, 20XX quarter], it shall pay tax @ 6% [3% CGST and 3% SGST].**

For the purposes of **computing aggregate turnover of a registered person for determining his eligibility to pay tax under this section**, aggregate turnover includes value of supplies from the 1st April of a FY up to the date of his becoming liable for registration.

Thus, while computing aggregate turnover for determining Wedding Bells's **eligibility** to pay tax under composition scheme, value of supplies from the first day of April of a financial year up to the date when it becomes liable for registration under this Act (i.e. turnover of April, 20XX – June, 20XX quarter), are included.

By the end of July, 20XX – September, 20XX quarter, the aggregate turnover reaches ₹ 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 20XX – September, 20XX quarter **and thereafter, it is required to pay tax at the normal rate of 18%.**

Considering the above provisions, the tax payable for each quarter is as under:-

S. No.	Quarter	GST rate [CGST + SGST]	Turnover (₹ in lakh)	GST payable (₹ in lakh)
1	April, 20XX – June, 20XX	-	20	-
2	July, 20XX – September, 20XX	6%	30	1.8
3	October, 20XX – December, 20XX	18%	40	7.2

7. **[Supply + Reverse Charge]** Mr. Priyam, director of Sun Moon Company Private Limited, provided service to the company for remuneration of ₹ 1,25,000. Briefly answer whether GST is applicable in the below mentioned independent cases? If yes, who is liable to pay GST?
- ★
- Mr. Priyam is an independent director of Sun Moon Company Private Limited and not an employee of the company.
 - Mr. Priyam is an executive director, i.e. an employee of Sun Moon Company Private Limited. Out of total remuneration amounting to ₹ 1,25,000, ₹ 60,000 has been declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, ₹ 65,000 has been declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services.

Solution:

- (i) As per Para I of Schedule III of the CGST Act, services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. **Services provided by the independent directors who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable.** Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis.

Thus, GST is applicable in this case and Sun Moon Company Private Limited is liable to pay GST.

- (ii) The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), **is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.**

Further, the part of employee director's remuneration which is declared separately other than salaries in the company's accounts **and subjected to TDS under section 194J of the IT Act** as fees for professional or technical services are treated as consideration for providing services **which are outside the scope of Schedule III and is therefore, taxable.** The recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis.

In lieu of the above provisions, ₹ 60,000 declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), **is not taxable** being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, ₹ 65,000 declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services **is treated as consideration for providing services which is outside the scope of Schedule III** and is therefore, taxable. **The recipient of the said services i.e. the Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.**

8. GST RETURN

- Miss Kashi is a registered intra-State supplier of goods in Haryana. During the months of August and September, she was out of station on a religious pilgrimage with her family for 55 days. Thus, no business transaction was made during August. Miss Kashi is of the opinion that as there is no transaction, there is no need to file monthly return [GSTR-3B] for the month of August. However, her tax consultant has advised her to file nil GSTR-3B. Whether the advice given by tax consultant is correct? Explain.
- Will your answer in (a) change, if Miss Kashi has placed an order for some purchases during August over her mobile phone, which has been received in her premises and she intends to take input tax credit on the same?
- Assuming in (a) above, Miss Kashi does not have internet facility in her mobile and there is no facilitation centre notified by the Commissioner, whether no return is required to be filed in the absence of means to file return? Explain.

Solution:**(a) The advice given by tax consultant is correct.**

Under GST law, filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

Therefore, in the given case, even though Miss Kashi was out of station on a religious pilgrimage with her family for 55 days and thus, could not do any business transaction during the month of August, she is still required to file Nil GSTR-3B for that month.

(b) Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case, Miss Kashi has received certain purchases, she cannot file Nil GSTR-3B, as the said purchases will need to be disclosed in the "Table for Eligible ITC" in GSTR-3B.

Thus, Miss Kashi is required to file monthly return, GSTR-3B for the month of August.

(c) GSTR-3B can be submitted electronically on the common portal, either directly or through a Facilitation Centre notified by the Commissioner. Further, a Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer.

Thus, Miss Kashi is required to file Nil GSTR-3B for the month of August through an SMS using her registered mobile number even though there is no internet facility in her mobile and no Facilitation Centre notified by the Commissioner.

9. TAX INVOICE - Bali Limited, a registered taxpayer, provides security services to registered persons from Mumbai office and Delhi office. The aggregate turnover of Mumbai office and Delhi office in the preceding financial year (FY 2020-21) is ₹ 30 crore and ₹ 25 crore respectively. For the month of April in the current financial year (FY 2021-22), Bali Limited prepares duplicate invoices and does not issue e-invoice as it is of the view that it's aggregate turnover does not cross the threshold limit to make it liable for issuing e-invoices.

Briefly explain whether the view taken by Bali Limited is correct in law? Also explain the advantages of e-invoicing, if any.

Solution:**The view taken by Bali Limited is not correct in law.**

W.e.f. 01/04/2021, All notified registered businesses (except specified class of persons) with an aggregate turnover (based on PAN) in the preceding financial year **greater than ₹ 50 crore** are required to issue e-invoices.

The eligibility is based on aggregate annual turnover on the common PAN. Thus, the aggregate total turnover of Bali Limited is more than ₹ 50 crores (considering both the GSTINs) and is required to issue e-invoices.

Further, where e-invoicing is applicable, there is no need of issuing invoice copies in triplicate/duplicate.

E-invoice has many advantages for businesses, which have been given as under:-

- (i) Auto-reporting of invoices into GST return and auto-generation of e-way bill (wherever required).** Under e-invoicing, business has to report the B2B invoice data only once in the e-invoice form and the same is reported in multiple forms (GSTR-1, e-way bill etc.). E-way bill can be auto-generated using e-invoice data. GSTR-1 can also be auto-populated with the e-invoice data. It will become part of the business process of the taxpayer.
- (ii) Accuracy/Reconciliation.** Since same data is reported to tax department as well as to the buyer to prepare his inward supplies (purchase) register, transcription errors are reduced. On receipt of information through GST System, buyer can do reconciliation with his Purchase Order.
- (iii) Early payment.** E-invoicing facilitates standardisation and inter-operability leading to reduction of disputes among transacting parties and thus, improving payment cycles.
- (iv) Cost reduction.** E-invoicing helps in reducing processing costs and thus, leads to improvement of overall business efficiency.
- (v) Reduction of tax evasion.** Since a complete trail of B2B invoices is available with the Department, it will enable the system-level matching of input tax credit and output tax thereby reducing the tax evasion.

(vi) Elimination of fake invoices. E-invoicing eliminates the fake invoices. Claiming fictitious input tax credit (ITC) by raising fake invoices is also one of the biggest challenges currently faced by tax-authorities. The e-invoice system helps to curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities have access to data in real-time.

(vii) Paper Elimination. E-invoicing helps in paper elimination and thereby it is eco-friendly.