

GST - PRACTICE TEST PAPER - SET 10

(From GST 9th Edition Question Bank)

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

1. [VALUE OF SUPPLY & ITC] Kaira Air Ltd. located in Anand, Gujarat is engaged in manufacturing of Air Coolers and Air Purifiers. They supply goods all over India and their aggregate turnover during F.Y. 2020-21 was ₹ 125 lakh. The details of various activities undertaken during the month of January 2022 are as follows:

S. No.	Particulars	Amount (₹)
(i)	Outward supplies made during the month: (a) Within Gujarat 11,00,000 (b) Outside Gujarat 3,00,000	14,00,000
(ii)	On 5th January 2022, the company had issued 10 exchange vouchers @ 1,000 each of which can be exchanged/redeemed against purchase of Air cooler worth ₹ 10,000 each at any of the company's outlets in the State of Gujarat. Out of the above, 7 vouchers were encashed during the month of January 2022 & rest 3 were encashed during the month of February 2022.	
(iii)	Purchase of material within Gujarat which includes material worth ₹ 3,00,000 purchased from M/s. Kalpana Industries registered as a Composition dealer.	8,00,000
(iv)	In respect of few invoices worth ₹ 1,00,000 raised during the month of October 2021, the stipulated condition was to pay the dues within 1 month from the date of raising of invoices, otherwise interest @ 24% was payable on supplies made against such invoices. The buyers failed to pay the dues within the stipulated time and made the payment together with interest of ₹ 11,200 during the month of January 2022.	
(v)	Send 10 managers for 15 days training course organized by IIM Ahmedabad, Gujarat on 5th January 2022. The IIM provides Participation Certificates at the end of the course.	50,000

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

Nature of Supply	CGST	SGST	IGST
Goods	6%	6%	12%
Services	9%	9%	18%
Composition Supplies	2.5%	2.5%	-

Opening balances of input tax credit as on 1st January, 2022 were as follows:

CGST (₹)	SGST (₹)	IGST (₹)
4,000	10,000	5,000

All the figures mentioned above other than S. No. (iv) are exclusive of taxes.

Both Inward & Outward supplies within the State of Gujarat are Intra State supplies and outside Gujarat supplies are Inter State Supplies.


Calculate the amount of tax payable in cash by Kaira Air Ltd. for the month of January 2022. Brief and suitable notes should form part of your answer.

Answer:**Computation of tax payable in cash by Kaira Air Ltd. for January 2022**

Particulars		Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
I.	Output tax				
	Outward supplies within Gujarat	11,00,000 @ 6%	66,000	66,000	
	Outward supplies outside Gujarat	3,00,000 @ 12%			36,000
	Supply of 10 exchange vouchers [Since supply is identifiable at the time of issue of the 10 vouchers, the time of supply is the date of their issue and are thus the same are taxable in January itself irrespective of the time of their redemption.]	10,000 @ 6%	600	600	
	Interest for delayed payment [Includible in value and taxable when the same is received, i.e. in January.]	10,000 [11,200 x 100/112] [Since inclusive of GST]			1,200
	Total output tax liability (A)		66,600	66,600	37,200
II.	Input tax credit				
	Opening balance		4,000	10,000	5,000
	Purchase of material within Gujarat [No credit on material purchased from composition dealer as he cannot collect any tax from the recipient on supplies made by him.]	5,00,000 [₹ 8,00,000 – ₹ 3,00,000] @ 6%	30,000	30,000	
	Training course organized by IIM Gujarat [Not exempt. Short duration programmes offered by IIMs for which participation certificate is awarded are not 'qualification recognized by law'.]	50,000 @ 9%	4,500	4,500	
	Total ITC (B)		38,500	44,500	5,000
	Net GST payable in cash = (A) - (B) [IGST credit be first utilized for payment of IGST liability and then for payment of CGST and SGST liability in any order and in any proportion. After exhausting IGST credit, CGST and SGST credit to be utilized. ITC of CGST cannot be utilized for payment of SGST and vice versa.]		28,100	22,100	32,200

Note:

- It has been assumed that interest for delayed payment has been collected in respect of inter-State sale of goods. However, interest on delayed payment can also be assumed in respect of intra-State sale.

- [IMPORTANT] Input Tax Credit:** SRI Petrol Pump is a licensed petrol pump of M/s. IOC Corporation and engaged in the sale of (a) petrol (b) HSD & (c) Mobil. 

During the month of March 20XX, total sales of M/s. SRI Petrol Pump is as follows:

Item	Sale Value (₹)
Petrol	7,00,000
Diesel [HSD]	15,00,000
Mobil	3,00,000

Details of Purchases of M/s. SRI Petrol Pump during March 20XX are as follows:

Item	Purchase Value
Petrol	5,00,000
Diesel	16,00,000
Mobil	2,00,000

[All the figures above are exclusive of GST and rate of GST is 9% CGST and 9% SGST on applicable items.]

Other Information:

- (i) Every month M/s. IOC Corporation charges license fees from SRI Petrol Pump for grant of license and the same is charged based on total quantity of sale of all the products. During the month of March 20XX, the amount of License fees charged by IOC Corporation was ₹ 1,00,000 plus CGST & SGST @ 9% each.
- (ii) Administrative Expenses incurred by SRI Petrol Pump was ₹ 50,000 on which CGST & SGST @ 6% each were paid.

You are required to calculate the amount of taxable supply under GST, available input tax credit and net liability of SRI Petrol Pump for the month of March 20XX. Kindly provide appropriate reason wherever necessary.

Answer:**Computation of value of taxable supply and net GST liability of SRI Petrol Pump for March, 20XX**

Particulars		Amount (₹)
Supply of Petrol	Levy of GST on petrol and diesel has been deferred and thus, being not leviable to tax, the supply of the same is non-taxable supply.	-
Supply of Diesel		-
Supply of Mobil @ 9%		3,00,000
Value of taxable supply		3,00,000
Tax liability		CGST
Total outward tax liability [₹ 3,00,000 x 9%]		27,000
Less: Input Tax Credit (Refer Working Note below)		19,440
Net GST liability payable in cash		7,560

Working Note**Computation of ITC available with SRI Petrol Pump**

Particulars		Amount (₹)	CGST (₹)	SGST (₹)
Inward supply of Petrol	Being Non-taxable supply, no GST is payable thereon and hence, no ITC.	5,00,000	-	-
Inward supply of Diesel		16,00,000	-	-
Inward supply of Mobil	Being used in the course or furtherance of business, ITC is available	2,00,000	18,000	18,000
License fees @ 9%		1,00,000	9,000	9,000
Administrative expenses @ 6%		50,000	3,000	3,000
Less: Ineligible ITC attributable to exempt supply [License fee and administrative expenses are used for making both taxable supply of mobil and exempt supply of petrol and diesel, hence ITC attributable to exempt supply will be reversed as under:			(10,560)	(10,560)
Ineligible ITC = Common ITC x Exempt supply/ Aggregate turnover				
Common ITC = ₹ 9,000 + ₹ 3,000 = ₹ 12,000				
Exempt supply = ₹ 7,00,000 + ₹ 15,00,000 = ₹ 22,00,000				
Aggregate turnover = ₹ 7,00,000 + ₹ 15,00,000 + ₹ 3,00,000 = ₹ 25,00,000				
Ineligible ITC = 12,000 x 22,00,000/25,00,000 = ₹ 10,560				
Eligible ITC			19,440	19,440

3. **[Important] SUPPLY UNDER GST:** M/s. Chand is a manufacturer of Paper products having factory at Pune, Maharashtra. M/s. Kela and M/s. Bela of Mumbai, Maharashtra are appointed as agents to sell the products on behalf of M/s. Chand with the conditions that both of them guarantee the realization of payment from buyers.

Both M/s. Kela and M/s. Bela provide short-term borrowing facilities to buyers for timely payment of dues against supplies made to them and for this they charge interest from the ultimate buyer. While M/s. Kela raises invoices in the name of M/s. Chand and M/s. Bela raises invoices in its own name.

In light of provisions contained in Para 3 of Schedule I of CGST Act, kindly explain treatment of interest charged by M/s. Kela and M/s. Bela in above mentioned cases.

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Answer:

M/s. Kela and M/s. Bela are del credere agents (DCA) of M/s. Chand as they guarantee the payment to the supplier.

A DCA falls under the ambit of 'agent' under Para 3 of Schedule I of the CGST Act, 2017 **if the invoice for supply of goods is issued by the DCA in its own name.**

However, if the invoice for supply of goods is issued by the supplier to the customer, either himself or through DCA, the DCA is not an 'agent' in terms of Para 3 of Schedule I. **Thus, while M/s. Bela is an agent of M/s. Chand in terms of Para 3 of Schedule I, M/s. Kela is not.**

Where the DCA is not an agent under Para 3 of Schedule I, the temporary short-term loan being provided by DCA to the buyer **is a supply of service by the DCA to the recipient on principal-to-principal basis** and is an independent supply. **Said supply is specifically exempt from tax. Thus, interest charged by M/s. Kela is an independent supply and is exempt from tax.**

Where the DCA is an agent under Para 3 of Schedule I, the temporary short-term credit being provided by DCA to the buyer no longer retains its character of an independent supply **and is subsumed in the supply of the goods by the DCA to the recipient.**

The value of the interest charged for such credit is included in the value of supply of goods by DCA to the recipient. Thus, interest charged by M/s. Bela will be included in the value of goods supplied by it.

4. [Payment of Tax] MNI Ltd. provides following details for the month of March 20XX:

- (i) While filling GST return of March 20XX on 20-04-20XX (within the prescribed due date), they came to know that one bill of January 20XX consisting tax amount of ₹ 50,000 was not considered while filling return for the month of January 20XX (Return was filed on 20-02-20XX, within the prescribed due date).**
- (ii) MNI Ltd. has paid the above shortfall of ₹ 50,000 of January 20XX, through GSTR-3B for the month of March 20XX (payment through cash ledger was ₹ 30,000 and payment through credit ledger was ₹ 20,000).**

MNI Ltd. got a notice regarding interest payment u/s 50 of the CGST Act, 2017. MNI Ltd. assumed that they paid self-assessed tax and both returns were also filed timely so they were not liable for payment of interest. They seek your opinion regarding whether,

- (a) They are liable to pay interest u/s 50 of the CGST Act.**
- (b) If they had filed return of January 20XX on 20-04-20XX (Self assessed tax also paid on 20-04-20XX of ₹ 50,000 (payment through cash ledger was ₹ 30,000 and payment through credit ledger was ₹ 20,000) then also they are liable to pay interest u/s 50 of the CGST Act.**

Answer:

- (i) As per section 50 of the CGST Act, 2017, in case of delayed payment of tax, interest @ 18% p.a. is payable from the date following the due date of payment to the actual date of payment of tax.**

Further, the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period **furnished after the due date is payable on the net tax liability** paid through electronic cash ledger.

In the given case, MNI Ltd. has defaulted in making the payment of ₹ 50,000 in the return of January 20XX. Therefore, it will be liable to pay interest @ 18% p.a. from 21.02.20XX till the date of payment.

Further, since the return for the month of January, 20XX has been filed on the due date, MNI Ltd. will be liable to pay interest on the gross tax liability i.e., ₹ 50,000 and not on net tax liability paid in cash.

- (ii) If MNI Ltd. had filed the return for the month of January, 20XX on 20.04.20XX, i.e. after the prescribed due date and the tax of ₹ 50,000 is also paid on 20.04.20XX, interest will be payable on net tax liability paid through electronic cash ledger i.e., ₹ 30,000.**

5. [REGISTRATION] Answer the following individual independent cases with reference to the provisions of registration under the CGST Act, 2017 and the rules made thereunder:

- (i) Govardhan is an agriculturist engaged in supply of produce out of cultivation of land. He utilizes services of Manu who is a commission agent as per the Agricultural Produce Marketing Committee Act. Turnover of Manu is above the threshold limit prescribed. Manu wants to know whether he is liable to get registered under GST Act or not.
- (ii) Anubhav is dealing in supply of taxable goods and services in the state of Gujarat. His turnover from intra-State supply of taxable goods is ₹ 16 lakh and inter-state supply of taxable services is ₹ 22 lakh. He is of the opinion that his aggregate turnover is within the limit so he is not required to get registered. Advise him.

Answer:

- (i) A commission agent under APMC Act is **not liable to be compulsorily registered** since it provides exempt services of sale/purchase of agricultural produce on behalf of an agriculturist **being a non-taxable person** as he supplies produce out of cultivation of land.

Moreover, such commission agents are otherwise also exempt from registration **since any person engaged exclusively in the business of supplying exempt services** is not liable to registration.

Therefore, Manu is not liable to get registered under GST law.

- (ii) A supplier who is supplying both goods and services is required to obtain registration in the State (other than special category States) from where he makes a taxable supply **if his aggregate turnover exceeds specified threshold limit of ₹ 20 lakh in a financial year.**

In the given case, the aggregate turnover of goods and services supplied by Anubhav (₹ 38 lakh) exceeds the threshold limit and thus, he is required to obtain registration.

6. [REGISTRATION] Zen Pvt. Ltd. is a dealer in goods having registered office at Noida, Uttar Pradesh and shops are located at Noida, Uttar Pradesh and Chennai, Tamil Nadu.

Details of various supplies both inward and outward undertaken by them during March 20XX quarter are given in the table below:

All the values given in the table **are inclusive of GST** (CGST/SGST/ UTGST/IGST), **wherever applicable.**

Applicable IGST Rate is 5% and CGST & SGST @ 2.5% each, on inward & RCM supplies as well.

S. No.	Particulars	Amount (₹)
(i)	Export of goods to China from Noida	20,00,000
(ii)	Goods supplied to SEZ located at Delhi from Noida	15,00,000
(iii)	Supply of goods directly to customer from location of job worker at Lucknow (U.P.) after completion of job work. (Intra state)	2,00,000
(iv)	Sales from Chennai Shop (Inter State)	11,00,000
(v)	Local sales at Noida (Intra State)	25,00,000
(vi)	Services of transport availed from M/s. ABC Transport (Inter State)	3,00,000
(vii)	Commission paid to Mr. Nagar, Sales Executive which is not part of the terms of employment. (Intra State)	50,000

Calculate the aggregate turnover of Zen Pvt. Ltd. for March 20XX quarter. Brief and suitable notes should form part of your answer.

Answer:**Computation of aggregate turnover of Zen Pvt. Ltd.**

	Particulars	Amount (₹) [Excluding GST]
(i)	Exports of goods to China from Noida [Includible in the aggregate turnover]	20,00,000
(ii)	Goods supplied to SEZ located at Delhi from Noida	15,00,000
(iii)	Supply of goods directly to customer from location of job worker – includible in the aggregate turnover of Zen Pvt. Ltd. (₹ 2,00,000 x 100/105)	1,90,476 (₹ 2,00,000 x 100/105)
(iv)	Sales from Chennai shop (Inter-State) [Includible in the aggregate turnover. Further, IGST be excluded from the same]	10,47,619 [₹ 11,00,000 × 100/105]
(v)	Local sales at Noida (Intra-State) [Includible in the aggregate turnover. Further, CGST and SGST be excluded from the same]	23,80,952 [₹ 25,00,000 × 100/105]
(vi)	Services of transport availed	[Inward supplies are not included in aggregate turnover] Nil
(vii)	Commission paid to sales executive	Nil
	Total aggregate turnover	71,19,047

- It has been assumed that exports of goods have been made without payment of tax.
- It has been assumed that supply of goods to SEZ have been made without payment of tax.

7. [REGISTRATION] M/s. S Corporation has made default in furnishing returns. It has not filed returns from the month of June 2021. The proper officer cancelled its registration with effect from 1st January 2022 by an order dated 1st January 2022. It applied for revocation of cancellation of registration and the order for revocation of cancellation of registration was passed on 1st March 2022. What are the provisions regarding filing returns before making such an application of revocation of cancellation of registration for the given case?

Answer:

Where the registration is cancelled suo-moto by the appropriate officer, the registrant seeking revocation of the order, has to apply for the revocation of cancellation **within 30 days from the date of service of the order** of cancellation of registration.

Further, he has to furnish **all the returns due till the date** of such cancellation before the application for revocation can be filed.

Further, he should **also pay any amount due as tax along with** any amount payable towards interest, penalty, and late fee in respect of the said returns.

Thus, in the given case, before making an application for revocation of cancellation of registration, M/s S. Corporation should file all returns due for the period from June 2021 till 1st January 2022.

8. [SUPPLY UNDER GST] List down the activities/transactions specified under schedule III of the GST Act as non- supplies or 'Negative List'.

Answer:

The activities/transactions specified under Schedule III of the CGST Act as non-supplies or "Negative List" are as follows:—

- (i) Services by an employee to the employer in the course of or in relation to his employment.
- (ii) Services by any court or Tribunal established under any law for the time being in force.
- (iii) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.
- (iv) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity.
- (v) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
- (vi) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- (vii) Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building.
- (viii) Actionable claims, other than lottery, betting and gambling.

9. [Tax Invoice] To whom mandatory E-invoicing is applicable?**Answer:**

W.e.f 01/04/2021; Mandatory e-invoicing is applicable to all notified registered businesses (except specified class of persons) with an aggregate turnover **greater than ₹ 50 crore (based on PAN)** in any preceding financial year from 2017-18 onwards.

10. [Tax Invoice] Which entities are exempt from mandatory requirement of E-invoicing? **Answer:**

The following entities are exempt from mandatory requirement of e-invoicing:-

- (a) **A Government Department, A Local Authority**
- (b) Special Economic Zone units
- (c) Insurer or banking company or financial institution including NBFC
- (d) GTA supplying services in relation to transportation of goods by road in a goods carriage
- (e) Supplier of passenger transportation service
- (f) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens

11. [Tax Invoice] What are the advantages of E-Invoicing?**Answer:**

The advantages of e-invoicing are as follows:-

- (i) Auto-reporting of invoices into GST returns and auto-generation of e-way bill (wherever required)
- (ii) Reduction in transcription errors
- (iii) Elimination of fake invoices
- (iv) Reduction in tax evasion
- (v) Reduction in disputes among transacting parties
- (vi) Improvement in payment cycles
- (vii) Reduction in processing costs
- (viii) Eco-friendly as it eliminates paper

12. [Tax Invoice] Under what circumstances, a registered person is required to issue a "Bill of Supply"?**Answer:**

A registered person is required to issue a "bill of supply" in the following two circumstances:-

- (a) In case of supplying exempted goods and/or services or
- (b) In case of payment of tax under composition levy.

13. [E-Way Bill] What are the documents required to be carried by a person-in-charge of a conveyance?**Answer:**

The documents required to be carried by a person-in-charge of a conveyance are as under:-

- (i) Tax invoice; or
QR code with embedded IRN may be produced electronically in case of e- invoice; or
bill of supply; or
delivery challan; **as the case may be**
- (ii) a copy of the e-way bill in physical form; or
e-way bill number in electronic form; or
e-way bill number mapped to a RFID embedded on to the conveyance [except in case of rail or air or vessel].

14. [Tax Invoice] What are the circumstances under which "Debit Notes" needs to be issued by a taxable person?**Answer:**

The circumstances under which debit note needs to be issued by a taxable person are:-

- (a) The taxable value declared in the invoice is less than the actual value of the supply;
- (b) The tax charged in the invoice is less than the actual tax payable in respect of the supply;
- (c) The quantity received by the recipient is more than what has been declared in the tax invoice and the customer chooses to retain the same.

