


GST - PRACTICE TEST PAPER - SET 7
(From GST 9th Edition Question Bank)
For Admission / Inquiry - Whatsapp at 8527230445 (11am to 6pm)

1. **[Supply, Registration & Exemption]** Ms. Adisha, a Doctor having in-patient facility in her hospital is a registered person under GST. 

She availed interior decoration services from her spouse without any consideration being paid. She also availed IT related services from her sister-in-law without any consideration. Both services were for the purpose of her profession.

Ms. Adisha provided treatment of various diseases in her hospital and apart from that she also provided the following services in her hospital-

- (a) Plastic surgery to enhance the beauty of the face
- (b) Ambulance service for transportation of patients
- (c) Renting of space to run medical store in hospital premises

She is also a consultant in other hospitals and received ₹ 40,00,000 as consultancy fee from the other hospitals. Further, she also provides canteen facility and received ₹ 55,000 from in-patients, ₹ 35,000 from patients who are not admitted and ₹ 25,000 from visitors for the same facility.

She filed GSTR-3B for the month of June with some errors. She filed the Annual return for the said financial year on 31st October of the next year, whereas due date for the said Annual return is 31st December of the next year.

Proper Officer of the department cancelled the registration certificate of Ms. Adisha suo-motu on 31st July. Order of cancellation was served on 5th August. However, she applied for revocation of the same and got her registration certificate revoked.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise.

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

(i) Which of the following is a correct statement as per the provisions of CGST Act, 2017?

- (i) Service availed from her Spouse is a deemed supply
 - (ii) Service availed from her Sister-in-Law is a deemed supply
 - (iii) Service availed from her Spouse is not a deemed supply
 - (iv) Service availed from her Sister-in-Law is not a deemed supply
- (a) (i) and (iv)
 - (b) (iii) and (iv)
 - (c) (ii) and (iii)
 - (d) (i) and (ii)

(ii) Compute the taxable value of supply of canteen service provided by Ms. Adisha?

- (a) ₹ 25,000
- (b) ₹ 35,000
- (c) ₹ 60,000
- (d) ₹ 80,000

(iii) Ms. Adisha should have applied for revocation of cancellation of registration certificate by

- (a) 5th August
- (b) 20th August
- (c) 30th August
- (d) 4th September

(iv) Maximum time permissible for rectification of error committed in monthly return of June is _____

- (a) 20th July
- (b) 20th October of the next year
- (c) 31st October of the next year
- (d) 31st December of the next year

- (v) Determine which of the following services provided by Ms. Adisha and her hospital is exempt from GST?
- Plastic surgery to enhance the beauty of the face
 - Ambulance service for transportation of patients
 - Renting of space to run medical store in hospital premises
 - Consultancy service by Ms. Adisha in other hospitals
- (i), (ii) & (iv)
 - (i), (ii)
 - (ii) & (iv)
 - (i) & (iii)

2. [Value of Supply] Discount given after the supply has been effected is deducted from the value of taxable supply, if –

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

| Question No. | Answer | |
|--------------|--------|---|
| 1 (i) | (a) | (i) and (iv) |
| (ii) | (c) | ₹ 60,000 |
| (iii) | (d) | 4 th September |
| (iv) | (b) | 20 th October of the next year |
| (v) | (c) | (ii) & (iv) |
| 2. | (d) | (i), (ii) and (iii) |

3. [PAYMENT OF TAX] SATC Pvt. Ltd., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

| Particulars | Amount (₹) |
|-----------------------------|------------|
| Intra-State supply of goods | 8,00,000 |
| Inter-State supply of goods | 3,00,000 |

It has also furnished the following information in respect of purchases made by it in that tax period:

| Particulars | Amount (₹) |
|--------------------------------|------------|
| Intra-State purchases of goods | 2,00,000 |
| Inter-State purchases of goods | 50,000 |

The company has following ITCs with it at the beginning of the tax period:

| Particulars | Amount (₹) |
|-------------|------------|
| CGST | 57,000 |
| SGST | Nil |
| IGST | 70,000 |

Note:

- Rates 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 minimum GST, payable in cash, by SATC Pvt. Ltd. for the tax period. Make suitable assumptions as required.

[SIMPLE QUESTION – CAN BE IGNORED IN REVISION]

Solution:**Computation of GST payable on outward supplies**

| S. No. | Particulars | CGST @9% (₹) | SGST @9% (₹) | IGST @18% (₹) | Total (₹) |
|--------|--|--------------|--------------|---------------|-----------------|
| (i) | Intra-State supply of goods for ₹ 8,00,000 | 72,000 | 72,000 | | 1,44,000 |
| (ii) | Inter-State supply of goods for ₹ 3,00,000 | | | 54,000 | 54,000 |
| | Total GST payable | | | | 1,98,000 |

Computation of total ITC

| Particulars | CGST @9% (₹) | SGST @9% (₹) | IGST @18% (₹) |
|---|---------------|---------------|---------------|
| Opening ITC | 57,000 | Nil | 70,000 |
| Add: ITC on Intra-State purchases of goods valuing ₹ 2,00,000 | 18,000 | 18,000 | Nil |
| Add: ITC on Inter-State purchases of goods valuing ₹ 50,000 | Nil | Nil | 9,000 |
| Total ITC | 75,000 | 18,000 | 79,000 |

Computation of minimum GST payable from electronic cash ledger

| Particulars | CGST @9% (₹) | SGST @ 9% (₹) | IGST @18% (₹) | Total (₹) |
|---|--------------|----------------------|---------------|---------------|
| GST payable | 72,000 | 72,000 | 54,000 | 1,98,000 |
| Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow] | (Nil)IGST | (25,000) IGST | (54,000) IGST | 79,000 |
| | (72,000)CGST | (18,000)SGST | | 90,000 |
| Minimum GST payable in cash | Nil | 29,000 | Nil | 29,000 |

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, **ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow.** CGST Credit balance to be carry forward is ₹ 3,000.

4. [VALUE OF SUPPLY] M/s. Flow Pro, a registered supplier, sold a machine to BP Ltd. It provides the following information in this regard: -

| S. No. | Particulars | Amount (₹) |
|--------|---|------------|
| (i) | Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)] | 25,000 |
| (ii) | Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flow Pro.] | 5,000 |
| (iii) | Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises] | 2,000 |
| (iv) | Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price] | 5,000 |
| (v) | Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice | |

Note: Price of the machine is net of the subsidy received.

Determine the value of taxable supply made by M/s Flow Pro to BP Ltd.

[SIMPLE QUESTION – CAN BE IGNORED IN REVISION]

Solution:**Computation of value of taxable supply made by M/s. Flow Pro to BP Ltd.**

| Particulars | Amount (₹) |
|--|---------------|
| Price of the machine [Since the subsidy is received from the State Government, the same is not includible in the value of supply in terms of section 15(2)(e)] | 25,000 |
| Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)] | 5,000 |
| Freight charges for delivery of the machine [Since arranging freight is the liability of supplier , it is a case of composite supply and thus, freight charges are added in the value of principal supply.] | 2,000 |
| Total | 32,000 |
| Less: Discount @ 2% on ₹ 25,000 being price charged to BP Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply in terms of section 15(3)(a)] | 500 |
| Value of taxable supply | 31,500 |

5. **[COMPOSITION SCHEME]** A person availing composition scheme, under sub-sections (1) & (2) of section 10, in Haryana during a financial year crosses the turnover of ₹ 1.5 crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March? Please advise.

[Page 5.34 of GST 9th Edition Book]

Solution:

No. The option to pay tax under composition scheme lapses from the day on which the aggregate turnover of the person availing composition scheme for goods during the financial year **exceeds the specified limit (₹ 1.5 crore)**. Once he crosses the threshold, he is required to file an intimation for withdrawal from the scheme **in prescribed form within 7 days of the occurrence of such event**.

Every person who has furnished such an intimation, may electronically furnish at the common portal, a statement in prescribed form containing **details of the stock of inputs and inputs contained in semi-finished or finished goods** held in stock by him on the date on which the option is withdrawn, **within a period of 30 days** from the date from which the option is withdrawn.

6. **[TAX INVOICE]** Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March 20XX:

- Value of supply charged in invoice no. 1 was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000.
- Tax charged in invoice no. 4 was ₹ 32,000 against the actual tax liability of ₹ 68,000 due to wrong HSN code being chosen while issuing invoice.
- Value charged in invoice no. 8 was ₹ 3,20,000 as against the actual value of ₹ 4,20,000 due to wrong quantity considered while billing.

Kartik & Co. asks you to answer the following:

- Who shall issue a debit/credit note under CGST Act?
- Whether debit note or credit note has to be issued in each of the above circumstances?
- What is the maximum time-limit available for declaring the credit note in the GST Return?

[Repetitive in Nature – Ignore at the time of revision]

Solution:

- The debit/credit note **shall be issued by the registered person who has supplied the goods and/or services**, i.e. Kartik & Co.
- Yes, debit/credit note need to be issued in each of the circumstances as under:**
 - A credit note is required to be issued **as the taxable value in invoice no. 1 exceeds the actual taxable value**.
 - A debit note is required to be issued **as the tax charged in the invoice no. 4 is less than the actual tax payable**.
 - A debit note is required to be issued **as the value of supply charged in the invoice no. 8 is less than the actual value**.
- The **details of the credit note** cannot be declared later than the return for the month of September following the end of the financial year **in which such supply was made** or the date of furnishing of the relevant annual return, whichever is earlier.

7. **[PAYMENT OF TAX]** M/s ABC & Co., have defaulted in filing the return under Section 39 of CGST Act, 2017 i.e. GSTR-3B for the month of March, 20XX within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 20XX, which have been finalised during May 20XX.

The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of ₹ 2,000 under CGST and SGST each.

Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in **Electronic Credit Ledger** for the late fees. Give your guidance in this regard.

Solution:

Section 49(3) of the CGST Act, 2017 provides that the amount available in the **electronic cash ledger** may be used for making any payment **towards tax, interest, penalty, fees or any other amount** payable under the provisions of this Act or the rules made there under in prescribed manner.

Further, section 49(4) provides that the amount available in the **electronic credit ledger** may be used for making any payment towards **output tax** under this Act or under the Integrated Goods and Services Tax Act in prescribed manner.

Accordingly, as per the combined reading of the above provisions, **late fees shall be paid only through electronic cash ledger and not possible through electronic credit ledger.**

Thus, contention of the accountant of M/s ABC & Co., is not correct and the above amount shown on the common portal has to be deposited in Electronic Cash Ledger under appropriate minor head, through any of the specified modes.

8. **[BASICS of GST]** Write a short note on various Lists provided under Seventh Schedule to the Constitution of India.

Solution:

Seventh Schedule to Article 246 of the Constitution contains three lists which enumerate the matters under which the Union and the State Governments have the authority to make laws.

(i) **List - I (UNION LIST):**

It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws.

(ii) **List - II (STATE LIST):**

It contains the matters in respect of which the State Government has the exclusive right to make laws.

(iii) **List - III (CONCURRENT LIST):**

It contains the matters in respect of which both the Central & State Governments have power to make laws.

9. **[GST RETURN]** Discuss the eligibility for QRMP scheme under GST?

[Page 11.21 of GST 9th Edition Book]

Solution:

Registered persons (other than supplier of online information and database access or retrieval services (OIDAR) located in non-taxable territory and providing such services to a non-taxable online recipient), **having an aggregate turnover up to ₹ 5 crore in the preceding financial year, and who have opted to furnish quarterly return under QRMP scheme are eligible for QRMP scheme as the class of persons who shall furnish a return for every quarter from January, 2021 onwards, and pay the tax due every month.**

Thus, the taxpayers whose aggregate turnover is up to ₹ 5 crore in the preceding financial year are eligible for QRMP scheme. For computing aggregate turnover, details furnished in returns for tax periods in the preceding financial year shall be taken into account.

