


GST - PRACTICE TEST PAPER - SET 3

(From GST 9th Edition Question Bank)

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

1. **[IMPORTANT]** Mr. Lala is engaged in supply of tiles and marbles in the **State of Telangana**. He is not registered under GST. He commenced his business from the month of July. 

He availed godown construction services for business from his **brother-in-law** who was dependent on him. He also availed professional consultancy services for the purpose of business **from his son** who is a Company Secretary and his son is not dependent on him. Mr. Lala did not pay anything for both the services as both of them were his relative / family member respectively **[Page 4.12 / 9th Edition]**.

On the basis of advice of his son, Mr. Lala made the supply of tiles within his State only. His turnover reached to ₹ 7 lakh as on 31st October. However, he planned to expand his business to other States, since he has received decent orders from other States also.

During the month of December, **he received** a consignment of tiles **from Rajasthan** through Prompt Carriers, a goods transport agency based in the State of Rajasthan. Goods were dispatched by the supplier on 'to-pay' basis for freight. Freight charges were ₹ 50,000 and the said **GTA pays GST @ 12%** **[SATC Hint: means – Reverse charge is not applicable]**. Mr. Lala paid the invoice amount in the month of December itself. This was an inter-State transaction.

During the month of January, Mr. Lala made his **first inter-State supply** to Tamil Nadu on 4th January. His turnover before making such supply was ₹ 15 lakh.

Value of such inter-state supply was ₹ 4,50,000, exclusive of taxes. Payment for the said inter-State supply was received on 28th February. Invoice was raised by Mr. Lala on 25th January.

All the figures given above are exclusive of taxes wherever applicable.

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

- A.** In respect of services availed by Mr. Lala, which of the following is a correct statement?
- (a) Godown construction service availed from his **brother-in-law** **[SATC: Not a family member]** free of cost is considered as a deemed supply
 - (b) Professional service availed from **his son free of cost** is considered as a **deemed supply**
 - (c) Neither of the services is a deemed supply
 - (d) Both services are deemed supply
- B.** Upto which limit of aggregate turnover, Mr Lala can continue to supply goods without registration within his state, if he does not procure any goods/services on which tax is payable under reverse charge mechanism?
- (a) ₹ 20 lakh
 - (b) ₹ 40 lakh
 - (c) ₹ 10 lakh
 - (d) ₹ 150 lakh
- C.** What is the tax liability for the freight charges?
- (a) ₹ 6000 of IGST under reverse charge
 - (b) ₹ 6000 of IGST under forward charge
 - (c) ₹3000 each under CGST and SGST under reverse charge
 - (d) Nil as it is exempt **[SATC Hint: Mr. Lala was unregistered person at that time]**
- D.** Which of the following statement is correct with respect to liability of Mr. Lala to register under GST?
- (a) Mr. Lala is liable to register in the month of December for receipt of GTA services.
 - (b) Mr. Lala is liable to register in the month of January for effecting inter-State outward supply of goods.
 - (c) Mr. Lala is liable to register only when his turnover exceeds the threshold limit irrespective of whether he is in receiving any GTA services or is effecting inter-State outward supply.
 - (d) Mr. Lala is not required to register as it is his first year of business.

E. What is the time of supply of goods made by Mr Lala during January?

- (a) 4th January
- (b) 25th January
- (c) 3rd February
- (d) 28th February

2. [IMPORTANT] Aanya, an individual, based in Gujarat, is in employment and earning ₹ 10 lakh as salary. She is also providing consultancy services to different organizations on GST implications of business. Her turnover from the supply of such services is ₹ 12 lakh. Determine whether Aanya is liable for taking registration as per provisions of the CGST Act?

- (a) Yes, as her aggregate turnover is more than ₹ 20 lakh.
- (b) No, as her aggregate turnover is less than ₹ 40 lakh.
- (c) No, as services in the course of employment does not constitute supply and therefore, aggregate turnover is less than ₹ 20 lakh.
- (d) Yes, since she is engaged in taxable supply of services.

SUGGESTED ANSWERS

1(A)	1(B)	1(C)	1(D)	1(E)	2
(b)	(a)	(d)	(b)	(a)	(c)

[Hint: Page 6.10]

3. [Exemption (Page 6.21) + Reverse Charge] Alfa Institute of Management (AIM), a private college, is registered under GST in the State of Punjab. AIM provides the following particulars for the month of April, 20XX :

S. No.	Particulars	Amount (₹)
i.	Tuition fee received from students pursuing management courses recognised by Punjab University, established by an Act of State Legislature	18,00,000
ii.	Tuition fee received from students pursuing under- graduate courses <u>recognised by Stan University, London</u> under Dual Degree programmes	8,50,000
iii.	Fee received from students of competitive exam training academy run by a Department of AIM	5,40,000
iv.	Mess fees received from students pursuing qualification recognized by Indian law (Mess is run by AIM on its own)	3,20,000
v.	Amount paid to Local Municipal Corporation for premises taken on rent for conducting coaching classes for competitive exams	50,000
vi.	Legal services availed from Top Care & Co., a Partnership firm of advocates, for the competitive exam training academy (Intra-state transaction)	20,000

Note:

The aggregate turnover of AIM in the preceding financial year exceeds ₹ 20 lakh. Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both outward and inward supplies.

All the amounts given above are exclusive of taxes, wherever applicable. All the conditions necessary for availing the ITC have been fulfilled, wherever applicable. There is no opening balance of ITC under any head of tax.

From the information given above, you are required to calculate the Value of taxable supply and minimum GST liability (CGST, SGST or IGST as the case may be) to be paid in cash, if any, by AIM for the month of April, 20XX.

Solution:

Particulars	Amount (₹)
Tuition fee received from students pursuing recognized management courses [Note-1]	Nil
Tuition fee received from students pursuing under-graduate courses recognized by Foreign University [Note-2]	8,50,000
Fee received from students of Competitive Exam Training Academy [Note-3]	5,40,000
Mess fees received from students [Note-4]	Nil
Total value of taxable supply	13,90,000

Particulars	CGST (₹)	SGST (₹)
GST liability under forward charge @ 9% [Note-5]	1,25,100	1,25,100
Services on which tax is payable under reverse charge:		
Rent paid to Local Municipal Corporation [Note-6]	4,500	4,500
Legal services received from Top Care & Co., a partnership firm of advocates [Note-7]	1,800	1,800
GST liability under reverse charge payable in cash [A] [Note-8]	6,300	6,300
Output tax payable against which ITC can be set off	1,25,100	1,25,100
Less: ITC of renting immovable property and legal services	6,300	6,300
Output tax payable after set off of ITC [B]	1,18,800	1,18,800
Net GST liability payable in cash [A] + [B]	1,25,100	1,25,100

SATC Hint: GST Liability on reverse charge is payable through Electronic Cash ledger. Further, The same is also eligible as ITC to be utilized against Output GST Liability.

Notes:-

- Services provided by an educational institution to its students are exempt. Further, educational institution means inter alia an institution providing services by way of education as a part of a curriculum for obtaining a qualification **recognised by an Indian law**. Therefore, tuition fee received by Punjab University, being an educational institution, is exempt, since it provides qualification recognised by Indian law.
- Tuition fee received by Stan University is taxable since Stan University is not an educational institution as qualification provided by it is not recognised by Indian law.
- Fee received from students of competitive exam training academy is taxable as Department of AIM is not an educational institution since competitive exam training does not lead to grant of a recognized qualification.
- Catering services **provided by educational institutions** to its students are exempt.
- Since all the services provided are intra-State, CGST and SGST @ 9% is charged
- GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.**
- GST is payable under reverse charge in case of legal services supplied by a firm of advocates to a business entity.
- 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.

4. **[EXEMPTION CHAPTER – Q33 (Page 6B.2 of GST 9th Edition Book)]** M/s. Paisa Saver Bank Limited, a scheduled commercial bank, has furnished the following details for the month of September:

Particulars	Amount [₹ in lakh] (excluding GST)
Extended housing loan to its customers	130
Processing fees collected from its customers on sanction of loan	20
Commission collected from its customers on bank guarantee	30
Interest income on credit card issued by the bank	40
Interest received on housing loan extended by the bank	35
Minimum balance charges collected from current account and saving account holder	03

Compute the value of taxable supply.

Solution: Computation of value of taxable supply of M/s. Paisa Saver Bank Limited for the month of September:

Particulars	Amount in lakh (₹)
Housing loan extended to customers [Since money does not constitute goods, extending housing loan is not a supply.]	Nil
Processing fee collected on sanction of loan [Interest does not include processing fee on sanction of the loan. Hence, the same is taxable.]	20
Commission collected on bank guarantee [Any commission collected over and above interest on loan, advance or deposit are not exempt.]	30
Interest income on credit card issued by the bank [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax. However, interest involved in credit card services is specifically excluded from this exemption entry.]	40
Interest received on housing loan [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax.]	Nil
Minimum balance charges collected from current account and saving account holder [Any charges collected over and above interest on loan, advance or deposit are not exempt.]	03
Value of taxable supply	93

5. **[VALUE OF SUPPLY – Q5 (Page 8B.2 of GST 9th Edition Book)]** Blue Stone Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March. 

S. No.	Particulars	Amount (₹)
(i)	List price of taxable goods supplied inter-state (exclusive of taxes)	12,00,000
(ii)	Subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	1,75,000
(iii)	Subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv)	Tax levied by Municipal Authority	20,000
(v)	Packing charges	15,000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay ₹ 6,000 in lump sum and no additional amount is payable by him)	6,000

The list price of the goods is net of the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price.

Calculate the total value of taxable supplies made by Blue Stone Ltd. during the month of March. Rate of IGST is 18%.

Solution:

Computation of total value of taxable supplies made by Blue Stone Ltd. during the month of March

Particulars	Amount (₹)
List price of the goods	12,00,000
Subsidy amounting to ₹ 1,75,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e) of the CGST Act]	NIL
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a) of the CGST Act]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c) of the CGST Act]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15(2)(d) of the CGST Act - As the amount of interest received is a lump sum amount, the same has to be taken as inclusive of GST [₹ 6,000 x 100/118] rounded off]	5,085
Total value of taxable supplies	12,90,085

6. [TAX INVOICE CHAPTER – Question 11 / Page 9A.3 of 9th Edition GST Book] Namo & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March:

- (i) Value of supply charged in invoice no. 1 was ₹ 1,50,000 against the actual taxable value of ₹ 1,30,000.
- (ii) Tax charged in invoice no. 4 was ₹ 42,000 against the actual tax liability of ₹ 78,000 due to wrong HSN code being chosen while issuing invoice.
- (iii) Value charged in invoice no. 8 was ₹ 3,50,000 as against the actual value of ₹ 4,50,000 due to wrong quantity considered while billing.

Namo & Co. asks you to answer the following:

- (1) Who shall issue a debit/credit note under CGST Act?
- (2) Whether debit note or credit note has to be issued in each of the above circumstances?
- (3) What is the maximum time-limit available for declaring the credit note in the GST Return? (4 Marks)

[Page 9.21, 9.22, 9.23 of GST 9th Edition Book]

Solution:

- (1) The debit/credit note shall be issued by the registered person who has supplied the goods and/or services, i.e. Namo & Co.
- (2) Yes, debit/credit note need to be issued in each of the circumstances as under:
 - (i) A credit note is required to be issued as the taxable value in invoice no. 1 exceeds the actual taxable value.
 - (ii) A debit note is required to be issued as the tax charged in the invoice no. 4 is less than the actual tax payable.
 - (iii) 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.
- (3) 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 - Section 50] Raghav Ltd., have filed their GSTR-3B for the month of July, 2021 within the due date prescribed under Section 39 i.e. 20.08.2021. Post filing of the return, the registered person has noticed during September 2021 that tax dues for the month of July, 2021 have been short paid for ₹ 40,000.

Raghav Ltd., has paid the above shortfall of ₹ 40,000, through GSTR-3B of September 2021, filed on 20.10.2021 [payment through Cash ledger - ₹ 30,000 and Credit ledger ₹ 10,000]. Examine the Interest payable under the CGST Act, 2017.

What would be your answer if, GSTR-3B for the month of July 2021 has been filed belatedly on 20.10.2021 and the self-assessed tax of ₹ 40,000/- has been paid on 20.10.2021 [payment through electronic cash ledger - ₹ 30,000 and electronic credit ledger ₹ 10,000]

Notes:

- There exists adequate balance in Electronic Cash & Credit ledger as on 31.07.2021 for the above short fall
- No other supply has been made nor tax payable for the month of July, 2021 other than ₹ 40,000/- missed out to be paid on forward charge basis
- Ignore the effect of leap year, if applicable in this case.

[Page 2.18 of GST 9th Edition Book]

Solution:

Interest is payable under Section 50 of the CGST Act, 2017 in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

As per proviso to sub-section (1) of Section 50, interest is payable on the **net tax liability paid in cash, only if the return to be filed for a tax period under Section 39, has been filed after the due date to furnish such return.**

In the above scenario, Raghav Ltd., has defaulted in making the payment for ₹ 40,000 on self- assessment basis in the return for the month of July, 2021. **Accordingly, interest is payable on the gross liability and proviso of sub-section 50(1) shall not be applicable.**

Thus, the amount of interest payable by Raghav Ltd., is as under:-

Period of delay = 21st August, 2021 to 20th October, 2021 = 60 days

Hence, amount of interest = ₹ 40,000 x 18% x 60/365 = ₹ 1,184

Alternatively, if Raghav Ltd., have filed the return for the month of July, 2021 on 20.10.2021, beyond the stipulated due date of 20.08.2021 and if the self-assessed tax for July, 2021 has been paid on 20.10.2021, **Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only.**

Hence,

Interest is payable from 21st August 2021 till 20th October 2021 = 60 days

Amount of Interest = ₹ 30,000 x 18% x 60/365 = ₹ 888

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

[Page 12.26 of GST 9th Edition Book]

Solution:

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, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

9. [Registration] Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled?

[Page 3.35 of GST 9th Edition Book]

Solution:

Yes, as per Section 29(5) of the CGST Act, 2017, every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, **whichever is higher.**