

GST - PRACTICE TEST PAPER - SET 1

(From GST 9th Edition Question Bank)

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

1. [Registration + ITC + Reverse Charge + Tax Invoice + E-way Bill + Return Chapter]

Vidhula Impex Ltd. is engaged in supplying sports goods. The company did not opt for registration under GST. The proper officer under GST, based on enquiry, finds that the concern is liable for registration and he registers the firm on temporary basis on 15th June, 2021.

After being granted the registration certificate, the company availed the following services for the purpose of its business-

- (i) Renting of motor vehicles from **Blue Taxi Pvt. Ltd.** where GST was charged @ 12%.
- (ii) Appointed Mr. Rajesh as Technical Director for advisory role in business and the payment was made based on the contract entered. However, he was not employee of the company.

During the course of its business, the company issued an invoice to a customer and erroneously charged higher value by ₹ 34,000. Such invoice was issued on 28th February, 2022.

Further, in the month of February 2022, the company also generated an e-way bill for inter-State transport of goods. However, immediately on generation of the e-way bill, the buyer cancelled the order before it is dispatched from the factory for delivery.

In the month of March 2022, since the company was incurring heavy losses, it applied for cancellation of GST registration on 15th March, 2022. The order for cancellation was made on 30th March, 2022 effecting cancelling the registration with effect from 15th March, 2022.

From the information provided above, choose the most appropriate answer for the following questions:

- A. After the grant of temporary registration, Vidhula Impex Ltd. needs to **apply for registration** within _____ from the date of grant of temporary registration, if no extension of period is to be granted for such temporary registration.
 - (a) 30 days
 - (b) 90 days
 - (c) 7 days
 - (d) 15 days
- B. In case of which of the following services, the company is liable to pay tax under **reverse charge**?
 - (a) Renting of Motor Vehicles
 - (b) Directorship services
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
- C. **Which document** is required to be issued by the company in respect of the invoice issued on 28th February, 2022?
 - (a) Debit note
 - (b) Credit note
 - (c) Bill of supply
 - (d) Revised Tax invoice
- D. The Company needs to file its **Final return** by _____.
 - (a) 30th April, 2022
 - (b) 30th August, 2022
 - (c) 15th June, 2022
 - (d) 30th June, 2022
- E. Which of the following statements is correct in respect of e-way bill generated for goods in the month of February for which order was cancelled?
 - (a) Once generated, e-way bill cannot be cancelled.
 - (b) E-way bill can be cancelled within 24 hours of generation
 - (c) E-way bill can be cancelled within 48 hours of generation
 - (d) E-way bill can be cancelled within 72 hours of generation

SUGGESTED ANSWERS

1(A)	1(B)	1(C)	1(D)	1(E)
(b)	(b)	(b)	(d)	(b)

2. **[Based on Amendment] E-WAY BILL CHAPTER** - Mr. Shambhu, a trader registered under GST in Delhi is engaged in wholesale business of toys for kids. Mr. Nandi registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Shambhu for selling to end consumers.

Mr. Shambhu paying tax in regular scheme in Delhi, has not filed GSTR-3B for last 2 months. Mr. Nandi wants to generate e-way bill for toys amounting to ₹ 5,00,000 to be supplied to Mr. Shambhu. Also Mr. Narayan from Jammu approached Mr. Shambhu for purchasing toys amounting to ₹ 75,000 for the purpose of return gift on his son's first birthday party. Shambhu wants to generate an e-way bill in respect of an outward supply of goods to Mr. Narayan.

Examine with reference to the provisions under GST law, whether Mr. Nandi and Mr. Shambhu can generate e-way bill?

[Page 10.11 & 10.12 of GST 9th Edition Book]

Solution:

Rule 138E of the CGST Rules, 2017 contains provisions pertaining to blocking of e-way bill generation facility, i.e. disabling the generation of e-way bill.

A user will not be able to generate e-way bill for a GSTIN if the said GSTIN is not eligible for e-way bill generation as per rule 138E.

Rule 138E as amended vide Notification No. 15/2021 CT dated 18.05.2021 provides that blocking of GSTIN for e-way bill generation would only be for the defaulting supplier GSTIN and not for the defaulting Recipient or Transporter GSTIN.

In terms of rule 138E, a person paying tax under regular scheme who has not furnished the returns for a consecutive period of 2 tax periods is considered as a defaulting person.

Suspended GSTIN cannot generate e-way bill as supplier. However, the suspended GSTIN can get the e-way bill generated as recipient or as transporter.

In other words, e-way bill generation facility is blocked **only in respect of any outward movement of goods of the registered person who is not eligible for e-way bill generation as per rule 138E.** E-way bills can be generated in respect of inward supplies of said registered person.

Thus, applying the above provisions, there will be **no restriction in generating e-way Bill by Mr. Nandi** as Mr. Nandi who is making outward movement of goods is a regular return filer.

E-way bill generation is **blocked in case of movement of goods made by Mr. Shambhu to Mr. Narayan as it's an outward movement of goods of Mr. Shambhu** who has not filed GSTR-3B for past 2 months.

3. **[Based on Amendment] – RETURN CHAPTER** - Mr. Ayushman, a registered person having intra-State aggregate turnover of ₹ 1.2 crores in the preceding financial year did not file GSTR-3B for the month of September, 2021 by 31st March, 2022. The amount of tax payable for the month of September, 2021 is ₹ 8 lakh. All his supplies are intra-State supplies.

Is there any late fee payable for the same? If yes, what is the amount of **maximum** late fee payable?

Will your answer be different in (a), if Mr. Ayushman has intra-State aggregate turnover of ₹ 5 crores in the preceding financial year?

Will your answer be different in (a), if total amount of tax payable in the GSTR-3B for the month of September is Nil?

[Page 11.38 of GST 9th Edition Book]

Solution:

SATC Note: Amendment through Notification provides **maximum limit on Late fee payable under Section 47.**

As per section 47 of the CGST Act, 2017 **read with Notification No 19/2021 CT dated 01.06.2021**, the registered persons whose aggregate turnover is ≤ ₹ 1.5 crores in the preceding FY, and who fails to furnish the returns required under section 39 by the due date **shall pay a maximum** late fee of ₹ 2,000 (₹ 1,000 each under CGST & SGST or ₹ 2,000 under IGST).

Thus, **Maximum late fee** is payable in the given case and the amount of such late fee payable is ₹ 2,000 (₹ 1,000 each under CGST & SGST).

As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is more than ₹ 1.5 crores but less than equal to ₹ 5 crores in the preceding FY, and who fails to furnish the returns required under section 39 by the due date shall pay a **maximum** late fee of ₹ 5,000 (₹ 2,500 each under CGST & SGST or ₹ 5,000 under IGST).

Thus, **Maximum late fee** is payable in the given case and the amount of late fee payable is ₹ 5,000 (₹ 2,500 each under CGST & SGST).

As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, any registered person whose total amount of tax payable in the GSTR-3B is Nil and who fails to furnish the returns required under section 39 by the due date **shall pay a maximum late fee** of ₹ 500 (₹ 250 each under CGST & SGST or ₹ 500 under IGST).

Thus, **Maximum late fee is leviable** even if total amount of tax payable in the GSTR-3B for the month of September is Nil. The amount of such late fee would be ₹ 500 (₹ 250 each under CGST & SGST).

4. [Based on Amendment] – REGISTRATION CHAPTER - Mr. X of Haryana intends to start business of supply of building material to various construction sites in Haryana. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer suo-motu cancelled the registration of Mr. X. You are required to examine whether the action taken by proper officer is valid in law?

Mr. X has applied for revocation of cancellation of registration **after 40 days** from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. However, Mr. X contends that the period of submission of application may be extended on sufficient grounds being shown.

You are required to comment upon the validity of contentions raised by Department and Mr. X.

[Page 3.34 & 3.40 of GST 9th Edition Book]

Solution:

As per section 29 of the CGST Act, 2017, the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,-

- (a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or
- (b) a person paying tax under composition scheme has not furnished returns for three consecutive tax periods; or
- (c) any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months; or
- (d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or
- (e) registration has been obtained by means of fraud, wilful misstatement, or suppression of facts:

Thus, in view of the above-mentioned provisions, suo-motu cancellation of registration of Mr. X by proper officer is valid in law since Mr. X, a voluntarily registered person, has not commenced his business within 6 months from the date of registration.

Further, where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation to such proper officer, within 30 days from the date of service of the order of cancellation of registration.

However, the said period of 30 days may, on sufficient cause being shown and for reasons to be recorded in writing, be extended for a period not exceeding 30 days by Additional/Joint Commissioner and by further period not exceeding 30 days by Commissioner.

Thus, considering the above provisions, the contention of Department is not valid in law as extension can be sought in the prescribed time limit for revocation of cancellation of registration.

The contention raised by Mr. X is valid in law as extension in time limit is allowed on sufficient cause being shown and for reasons to be recorded in writing.

5. [Exemption Chapter] Gita Services Limited, registered under GST, is engaged in providing various services to Government. The company provides the following information in respect of services provided during the month of April:

S. No.	Description of Services provided
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods.
(ii)	Service provided by Fair Price Shops owned by Gita Services Limited by way of sale of sugar under Public Distribution System against consideration in the form of commission.
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares alongwith maintenance. Generally replacement of defunct lights and other spares constitutes 35% of the supply of service.
(iv)	[BASED ON AMENDMENT] Service of brochure distribution provided under a training programme for which 70% of the total expenditure is borne by the Government.

Comment on the taxability or otherwise of the above transactions under GST law. Also state the correct legal provisions for the same.

Solution:

S. No.	Particulars	Taxability
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods. [Pure services provided to Government are exempt.] – Page 6.35 of GST 9 th Edition Book	Exempt
(ii)	Service provided by Fair Price Shops by way of sale of sugar under Public Distribution System – Page 6.34 [Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against consideration in the form of commission is exempt.]	Exempt
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares constituting 35% of the supply of service. – Page 6.35 [Composite supply of goods and services to Government in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply is exempt. Since, in this case value of supply of goods constitutes 35% of the supply of composite service, same is taxable.]	Taxable
(iv)	Service of brochure distribution provided under a training programme. – Page 6.34 [Services provided to the Government under any training programme for which 75% or more of the total expenditure is borne by the Government is exempt. Since in the given case, 70% of the total expenditure is borne by the Government, it is taxable.]	Taxable

6. [Payment of Tax / ITC Chapter] Restrictions have been imposed on the use of amount available in the electronic credit ledger vide Rule 86B of the CGST Rules, 2017. Is there any exceptions to rule 86B? If yes, state the exceptions.

[Page 2.9 of GST 9th Edition Book]

Solution:

Restrictions have been imposed on the use of amount available in electronic credit ledger vide rule 86B of the CGST Rules, 2017.

Rule 86B has been inserted in the CGST Rules to **restrict the amount available in electronic credit ledger** which a registered person can use to discharge his output tax liability to **99% of such tax liability** in cases where the value of taxable supply other than exempt supply and zero-rated supply, **in a month exceeds ₹ 50 lakh. This rule overrides all other rules**

Yes, there are exceptions to rule 86B. The exceptions to rule 86B are as under:-

- (i) **Payment of Income Tax more than ₹ 1 lakh:**

Rule 86B may not apply in cases whereby person mentioned below have deposited sum of **more than ₹ 1 lakh as income tax** under the Income-tax Act, 1961 in **each of the last 2 financial years** for which the time limit to file return of income under section 139(1) of the said Act has expired

- ❖ The registered person or
- ❖ The karta/proprietor/the managing director of the registered person;
- ❖ Any of the two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees of the registered person, as the case may be.

(ii) Receipt of refund of input tax credit of more than ₹ 1 lakh:

Rule 86B may not apply whereby registered person has **received a refund amount of more than ₹ 1 lakh (in the preceding financial year)** on account of unutilized input tax credit under the following:

- ❖ zero-rated supplies made without payment of tax
- ❖ Inverted duty structure

(iii) Payment of total output tax liability through electronic cash ledger in excess of 1% of total output tax liability:

If the registered person has paid **more than 1% of total output tax liability** using electronic cash ledger upto the said month in the current financial year, the restrictions as specified in Rule 86B shall not apply.

Note: GST liability paid under reverse charge mechanism should not be taken into account while calculating the total output liability paid through electronic cash ledger.

(iv) Specified registered person:

Rule 86B would not be applicable in case of below-mentioned registered person:

- ❖ Government Department; or
- ❖ a public sector undertaking; or
- ❖ a local authority; or
- ❖ a statutory body.

However, Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit.

