

# CHAPTER 7

## INPUT TAX CREDIT

### 1. ICAI STUDY MATERIAL QUESTIONS

#### Concept Problem 1

ABC Ltd. is engaged in the manufacture of heavy machinery. It procured the following items during month of July.

S No.	Items	GST Paid
1.	Electrical transformers to be used in the manufacturing process	5,20,000
2.	Trucks used for the transport of raw material	1,00,000
3.	Raw material	2,00,000
4.	Confectionery items for consumption of employees working in the factory	25,000

Determine the amount of ITC available with ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

#### Solution

#### Computation of ITC available with ABC Co. Ltd. for the month of July

S No.	Items	GST Paid
1.	Electrical transformers [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	5,20,000
2.	Trucks used for the transport of raw material [Though ITC on motor vehicles has been specifically disallowed u/s 17(5), ITC on motor vehicles used for transportation of goods is allowed u/s 17(5)]	1,00,000
3.	Raw material [Being goods used in the course or furtherance of business, ITC is available u/s 16(1)]	2,00,000
4.	Confectionery items for consumption of employees working in the factory [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply - Section 17(5)]	Nil
<b>Total ITC</b>		<b>8,20,000</b>

#### Concept Problem 2

XYZ Ltd., is engaged in manufacture of taxable goods. Compute the ITC available with XYZ Ltd. for the month of October from the following particulars:

S No.	Items	GST Paid	Remarks
1.	Inputs 'A'	1,00,000	One invoice on which GST payable was INR 10,000, is missing
2.	Inputs 'B'	50,000	Inputs are to be received in two instalments. First instalment has been received in October.
3.	Capital goods	1,20,000	XYZ Ltd. has capitalized the capital goods at full invoice value

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S No.	Items	GST Paid	Remarks
			inclusive of GST as it will avail depreciation on full invoice value.
4.	Input services	2,25,000	One invoice dated 20 January on which GST payable was INR 50,000 has been received in October.

**Note:**

- Subject to information given above, assume all other conditions necessary for availing ITC have been fulfilled
- The annual return for the preceding financial year was filed on 15<sup>th</sup> September.

**Solution****Computation of ITC available with XYZ Ltd. for the month of October**

S No.	Items	GST Paid
1.	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC-Section 16(2)(a)]	90,000
2.	Inputs 'B' [When inputs are received in instalments, ITC can be availed only on receipt of last instalment-First proviso to section 16(2)]	Nil
3.	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component – Section 16(3)]	Nil
4.	Input services [As per section 16(4), ITC on an invoice cannot be availed after the due date of furnishing of the return for the month of September following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the preceding FY has been filed on 15 <sup>th</sup> September (prior to due date of filing the return for September, of next FY i.e., 20 <sup>th</sup> October), ITC on the invoice pertaining to preceding FY cannot be availed after 15 <sup>th</sup> Sept of current FY.]	1,75,000
	<b>Total</b>	<b>2,65,000</b>

**Concept Problem 3**

XT 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

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

Particulars	Amount
Intra-State purchases of goods	2,00,000
Inter-State purchases of goods	50,000

Mr. X has following ITCs with him at the beginning of the tax period:

Particulars	Amount
CGST	57,000

Particulars	Amount
SGST	Nil
IGST	70,000

**Note:**

- i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
- ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum GST, payable in cash, by XT Pvt. Ltd. for tax period. Make suitable assumptions as required.

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

Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%
Intra-State supply of goods for INR 8,00,000	72,000	72,000	Nil
Inter-State supply of goods for INR 3,00,000	Nil	Nil	54,000
<b>Total GST payable</b>	<b>72,000</b>	<b>72,000</b>	<b>54,000</b>

**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
<b>Total ITC</b>	<b>75,000</b>	<b>18,000</b>	<b>79,000</b>

**Computation of GST payable from electronic cash ledger**

Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%
GST payable	72,000	72,000	54,000
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
	(72,000) – CGST	(18,000) – SGST	
<b>Net GST payable</b>	<b>Nil</b>	<b>29,000</b>	<b>Nil</b>

**Note:** Since sufficient balance of ITC of CGST is available for paying CGST liability & cross utilization of ITC of CGST & SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow.

**Concept Problem 4**

What is input tax?

**Solution**

Input tax means the central tax (CGST), State tax (SGST), integrated tax (IGST) or Union territory tax (UTGST) charged on supply of goods or services or both made to a registered person. It also includes tax paid on reverse charge basis and IGST charged on import of goods. It does not include tax paid under composition levy.

**Concept Problem 5**

What are the conditions necessary for availing ITC?

**Solution**

Following four conditions are to be satisfied by the registered taxable person for obtaining ITC:

- he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
- he has received the goods or services or both;
- supplier has actually paid the tax charged in respect of the supply to the Government; and
- he has furnished the return under section 39.

**Concept Problem 6**

Can a person take ITC without payment of consideration for the supply along with tax?

**Solution**

Yes, the recipient can take ITC. However, he is required to pay the consideration along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis.

**Concept Problem 7**

What is the time limit for taking ITC and reasons therefor?

**Solution**

Time limit for availing ITC: Due date of filing return for the month of September of succeeding financial year or date of filing of annual return, whichever is earlier”.

**Concept Problem 8**

What is the ITC entitlement of a newly registered person?

**Solution**

A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

In case of voluntary registration, ITC of such goods held in stock on the day immediately preceding the date of registration can be taken.

**Concept Problem 9**

What is tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

**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.

**Concept Problem 10**

A registered person transfers its business to another person. Is such registered person allowed to transfer the unutilized ITC lying in its electronic credit ledger to such transferred business? Discuss.

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**Solution**

As per section 18(3), in case of sale, merger, demerger, amalgamation, transfer or change in ownership of business etc., the ITC that remains unutilized in the electronic credit ledger of the registered person can be transferred to the new entity, provided there is a specific provision for transfer of liabilities in such change of constitution.

The registered person should furnish the details of change in constitution on the common portal and submit a certificate from practicing Chartered Account/Cost Accountant certifying that the change in constitution has been done with a specific provision for transfer of liabilities. Upon acceptance of such details by the transferee on the common portal, the unutilized ITC gets credited to his electronic credit ledger. The transferee should record the inputs and capital goods so transferred in his books of account.

**Concept Problem 11**

Swastik Pvt. Ltd. is a manufacturer of taxable goods. It purchased a machinery for 8,00,000 on which IGST of 14,400 is paid. The company has claimed depreciation under the Income-tax Act, 1961 on the full value of the machine, i.e. including the IGST component as also availed ITC of 14,400 paid by it as IGST.

Examine if the stand taken by the company is correct in law.

**Solution**

As per section 16(3), if the person taking the ITC on capital goods and plant and machinery has claimed depreciation on the tax component of the cost of the said items under the Income-tax Act 1961, the ITC on the said tax component shall not be allowed.

Since in the given case, Swastik Pvt. Ltd. has claimed depreciation on the tax component of the cost of the machine, it cannot claim ITC of IGST of 14,400 paid by it on the machine. It can either claim depreciation on the tax component or avail ITC of such tax but cannot avail both the benefits simultaneously.

**Concept Problem 12**

Sigma Consultants, an LLP of finance professionals, provides financial consultancy services. It made an advance payment of 1,18,000 (inclusive of IGST @ 18%) in the month of October to Azuro Computer Services for developing a software. The software would be used by the LLP to enhance the precision of the financial advice given by it to various clients. The balance payment is to be made after the successful test run of the software in the month of December. Sigma Consultants has availed ITC of IGST of 18,000 in the month of October.

Do you think Sigma Consultants can avail such ITC? Examine the scenario with reference to relevant legal provisions.

**Solution**

As per section 16(2)(b), tax paid on supply of goods and/or services can be availed as ITC only if such goods and/or services are received by the registered person.

In the given case, Sigma Consultants has paid IGST of 18,000, in the month of October, on advance for IT services intended to be used in the course or furtherance of business. However, it cannot avail ITC of such tax in the month of October as the services in relation to which advance payment has been made have not been received in that month.

**Concept Problem 13**

A taxable person is in the business of information technology. He buys a car (maximum seating capacity – 5 persons) for use of his Executive Directors.

Can he avail the ITC in respect of GST paid on purchase of such car?

**Solution**

No. ITC on motor vehicles for transportation of persons with seating capacity of up to 13 persons (including driver), can be availed only if the taxable person is in the business of transport of passengers or is providing the services of imparting training on driving such motor vehicles or is in the business of supply of such motor vehicles.

**Concept Problem 14**

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A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ without payment of GST as these supplies are not taxable.

The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments.

### Solution

ITC is disallowed only to the extent it pertains to supplies used for non-business purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units are zero rated supplies in terms of section 16(1) of the IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

### Concept Problem 15

'AB', a registered person, was paying tax under composition scheme up to 30<sup>th</sup> July. However, w.e.f. 31<sup>st</sup> July, 'AB' becomes liable to pay tax under regular scheme. Is 'AB' eligible for any ITC?

### Solution

'AB' is eligible for ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and capital goods as on 30<sup>th</sup> July.

ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

### Concept Problem 16

Babla Enterprises is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1<sup>st</sup> October, exemption available on its goods gets withdrawn. On that day, turnover of Babla Enterprises was 50 lakh.

Examine the eligibility of Babla Enterprises for availing ITC, if any.

### Solution

Since the exemption available on goods being supplied by Babla Enterprises gets withdrawn, it becomes liable to registration as its turnover has crossed the threshold limit on the day when the exemption is withdrawn.

Assuming that Babla Enterprises applies for registration within 30 days of 1<sup>st</sup> October & it obtains such registration, it will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30<sup>th</sup> September [Section 18(1)(a)].

Input tax paid on capital goods will not be available as ITC in this case.

### Concept Problem 17

Mamta Trade Links trades in exempt goods and provides taxable services. It is registered under GST. On 1<sup>st</sup> October, the exemption available on its goods gets withdrawn.

Analyze the scenario and determine the eligibility of Mamta Trade Links for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods.

### Solution

If the exempt supply made by a **registered person** becomes a taxable supply, provisions of section 18(1)(d) become applicable. In the given case, since Mamta Trade Links is a registered person, section 18(1)(d) will be applicable.

As per section 18(1)(d), Mamta Trade Links will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e. 30<sup>th</sup> September. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

### Concept Problem 18

Harshgeet Pvt. Ltd., a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to purchases made/services availed by it during the month of July:

S.No.	Particulars	Amount
i.	Raw material ( to be received in the month of September)	2,50,000
ii.	Membership of a club availed for employees working in the factory	1,45,000
iii.	Inputs to be received in 5 lots, out of which 3 <sup>rd</sup> lot was received during the month	80,000
iv.	Trucks used for transport of raw material	40,000
v.	Capital goods (out of 3 items, invoice for 2 items is missing & GST paid on those items is 80,000)	1,50,000

Determine the amount of ITC available with Harshgeet Pvt. Ltd. for the month of July by giving the necessary explanation for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

### Solution

#### Computation of ITC available with Harshgeet Pvt. Ltd. for the month of July

Particulars	ITC
Raw Material [ITC not available as raw material is not received in July]	Nil
Membership of a club availed for employees working in the factory [Blocked credit in terms of section 17(5)]	Nil
Inputs to be received in 5 lots, out of which 3 <sup>rd</sup> lot was receive during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles used for transportation of goods is allowed unconditionally]	40,000
Capital goods [ITC can be availed only on the basis of a valid document (invoice). Thus, GST paid on items for which invoice is missing, i.e. 80,000, is not available.]	70,000
<b>Total ITC</b>	<b>1,10,000</b>

### Concept Problem 19

Jamku Ltd., a registered person, is engaged in the business of spices. It provides following details in relation to GST paid on inward supplies procured by it during the month of October.

S. No	Particulars	GST
1.	Raw spices purchase - Raw spices sold to customers - Raw spices used for personal use of directors	50,000 20,000
2.	Electric machinery purchased for being used in the manufacturing process	25,000
3.	Motor vehicle used for transportation of the employee	55,000
4.	Payment made to contractor for construction of staff quarter	1,25,000

Determine the amount of ITC available with Jamku Ltd. for the month October by giving the necessary explanation for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

**Solution**

Computation of ITC available with Jamku Ltd. for the month of October

Particulars	Amount
Purchase of raw spices which are sold to customers [Every registered person is entitled to take credit of input tax charged on any supply of goods to him which are used or intended to be used in the course or furtherance of his business.]	50,000
Purchase of raw spices for personal use of directors [ITC is not available on goods used for personal consumption.]	NIL
Electric machinery purchased for being used in the manufacturing process [Every registered person is entitled to take credit of input tax charged on any supply of goods to him which are used or intended to be used in the course or furtherance of his business.]	25,000
Motor vehicle used for transportation of employee [ITC on motor vehicles for transportation of persons with seating capacity $\leq$ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. In the given case, since the supplier is in the business of spices, ITC on motor vehicle used for transportation of the employee is blocked credit. ]	NIL
Payment made to contractor for construction of staff quarter [ITC is not available on goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.]	NIL
<b>Total ITC</b>	<b>75,000</b>

**Concept Problem 20**

Dina Ltd., a registered supplier from Maharashtra, is engaged in the manufacture of passenger autos. The company provides the following details of purchases made/services availed by it during the month of March.

S.No.	Particulars	GST
i.	Purchase of iron which is used as a raw material [Goods were received in two installments - first in March and the second in April]	2,50,000
ii.	Purchase of accessories which were delivered directly to the dealers of the company on the direction of Dina Ltd. [Only invoice was received by Dina Ltd.]	90,000
iii.	Purchase of bus (seating capacity 15) for the transportation of employees from their residence to company and back	1,97,000
iv.	General insurance taken on a car used by executives of the company for official purposes	5,200

You are required to determine the ITC available with Dina Ltd. for the month of March, by giving brief explanations for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

**Solution****Computation of ITC available with Dina Ltd. For the month of March**

Particulars	ITC
Purchase of iron used as a raw material [When inputs are received in instalments, ITC can be availed only on the receipt of last instalment.]	Nil

Particulars	ITC
Hence, since last instalment is received in April, ITC cannot be availed in March.]	
Purchase of accessories delivered directly to the dealers of the company [Goods delivered to another person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. Thus, ITC is available to the registered person, on whose order/direction the goods are delivered to a third person.]	90,000
Bus for the transportation of employees [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,97,000
General insurance taken on car used by executives of the company for official purpose [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles. Since, the car is not used for any of the eligible purposes, ITC thereon is blocked and thus, ITC on general insurance taken on such car is also blocked.]	Nil
<b>Total ITC</b>	<b>2,87,000</b>

**Concept Problem 21**

Comfortable (P) Ltd. is registered under GST in the State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from High-Fi Infotech (P) Ltd. For 11,00,000/- (excluding GST @ 18%) on 28<sup>th</sup> October. Invoice for service rendered was issued on 5<sup>th</sup> November.

Comfortable (P) Ltd. made part payment of ₹ 4,20,000/- on 30<sup>th</sup> November. Being unhappy with service provided by High-fi Infotech (P) Ltd., it did not make the payment. Deficiency in service rendered was made good by High- Fi Infotech (P) Ltd. by 15<sup>th</sup> April of next year. Comfortable (P) Ltd. made balance payment on 6<sup>th</sup> July of next year.

Examine the availability of ITC with Comfortable (P) Ltd. in respect of IT engineering services received by it.

**Solution**

Every registered person is entitled to take credit of input tax charged on any supply of goods and/or services which are used or intended to be used in the course or furtherance of his business if, inter alia, he is in possession of a tax invoice issued by a supplier and he has received the goods and/or services.

The registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. In the event of failure to do so, the corresponding credits availed by the registered person would be added to his output tax liability, with interest. However, once the recipient makes the payment of value of goods and/or services along with tax, he will be entitled to avail the credit again without any time limit. In case part-payment has been made, proportionate credit would be allowed.

In the given case, High-fi Infotech (P) Ltd. provides the service in the month of October and Comfortable (P) Ltd. receives the invoice in the month of November. Therefore, in view of the above provisions and assuming all other conditions required for availing ITC having been fulfilled, ITC of ₹ 1,98,000 (₹ 11,00,000 x 18%) will be availed by Comfortable (P) Ltd. in the month of November when it receives the invoice issued by High-fi Infotech (P) Ltd.

However, proportionate ITC amounting to 1,33,932 [(12,98,000- 4,20,000)/118] x 18] will be added to the output tax liability of Comfortable (P) Ltd. as full payment has not been made within 180 days of issuance of the invoice, i.e. by 4<sup>th</sup> May of next year. ITC of 1,33,932 can, however, be availed again by Comfortable (P) Ltd. in the month of July next year when it makes the balance payment.

**Concept Problem 22**

M/s. Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ INR 50 per kg (exclusive of GST) on M/s. Karim & Bros. of Noida, U.P. M/s. Karim & Bros. has agreed to deliver the goods at the warehouse of M/s. Diwan & Sons at New Delhi.

While the order was getting packed at the factory of M/s. Karim & Bros., M/s. Diwan & Sons got an order from Shubhkamna Sales of Hapur, U.P. for 250 kg of plastic granules @ INR 60 per kg (exclusive of GST). In order to save on transportation cost, M/s. Diwan & Sons asks M/s. Karim & Bros. to directly deliver the plastic granules to Shubhkamna Sales at its godown located in Hapur. Accordingly, M/s. Karim & Bros. has delivered the plastic granules at the godown of Shubhkamna Sales at Hapur.

Examine the availability of ITC with M/s. Diwan & Sons & M/s. Karim & Bros. Note: All the parties are registered under GST and rate of GST is 18%.

### Solution

One of the conditions for availing ITC is that the registered person taking the ITC must have received the goods and / or services. However, goods delivered to a third person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. So, ITC is available to the registered person, on whose order the goods are delivered to a third person even though the registered person does not receive the goods.

In the given case, goods have been delivered by M/s. Karim & Bros. (supplier) to Shubhkamna Sales (third person) on the direction of M/s. Diwan & Sons (registered person).

Therefore, in view of the above provisions, ITC of INR 2,250 (INR 50 x 250 x 18%) will be available to M/s. Diwan & Sons (registered person) on the purchase of 250 kg of plastic granules @ 50 per kg.

Further, in this case there is another supply between Diwan & Sons (supplier) and Shubhkamna Sales (recipient). Therefore, Shubhkamna Sales can avail ITC of INR 2,700 (INR 60 x 250 x 18%) on the purchase of 250 kg of plastic granules @ 60 per kg.

### Concept Problem 23

Paritosh & Co., 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	10,00,000
Inter-State supply of goods	8,00,000

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

Particulars	Amount
Intra-State supply of goods	3,00,000
Inter-State supply of goods	2,50,000

Paritosh & Co. has following ITCs with it at the beginning of the tax period:

Particulars	Amount
CGST	57,000
SGST	60,000
IGST	1,40,000

### Notes:-

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- Both inward and outward supplies are exclusive of taxes, wherever applicable.

c. All the conditions necessary for availing ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Paritosh & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required.

### 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 10,00,000	90,000	90,000		1,80,000
ii.	Inter- State supply of goods for 8,00,000			1,44,000	1,44,000
	<b>Total GST Payable</b>				<b>3,24,000</b>

#### Computation of Total ITC

Particulars	CGST 9% (°)	SGST 9% (°)	IGST 18(°)
Opening ITC	57,000	60,000	1,40,000
Add: ITC on Intra-State purchases of goods valuing 3,00,000	27,000	27,000	Nil
Add: ITC on Inter-State purchases of goods valuing 2,50,000	Nil	Nil	45,000
<b>Total ITC</b>	<b>84,000</b>	<b>87,000</b>	<b>1,85,000</b>

#### Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%	Total
GST payable	90,000	90,000	1,44,000	3,24,000
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]	(38,000) IGST	(3,000) IGST	1,44,000 IGST	1,85,000
	(52,000) CGST	(87,000) SGST	-	1,39,000
<b>Minimum GST payable in cash</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>ITC balance to be carried forward next month</b>	<b>32,000</b>	<b>Nil</b>	<b>Nil</b>	<b>32,000</b>

**Note :** The above computation is one of the many ways to set off the ITC of IGST (41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. To illustrate, IGST of 10,000 can be set off against SGST payable and IGST of 31,000 can be set off against CGST payable.

In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be 25,000 and 7,000 (totaling to 32,000) respectively. However, if the entire ITC of 41,000 is set off against CGST payable, then SGST of 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable.

## 2. ICAI RTPs, MTPs AND PAST YEAR QUESTIONS

### Concept Problem 24

Bank of India provides the following information for the month of December 20XX for their registration in Punjab;

Particulars	Amount
ITC from supplies of goods or services or both	2,50,000
ITC from other offices	50,000

How much credit will be allowed to Bank of India for the month of December?

*This Question Bank is meant for Nov 2022 exams and must be read with our Lectures (Regular or Fast Track) as many additional concepts are covered in class. We do lots of written practice in class & Kishan Sir personally evaluates grand Mock Test. Must cover GST Chalisa Handwritten Notes as well.*

**Solution**

A banking company or a financial institution including a NBFC has the option to limit its availment of ITC on inward supply from third parties (other than own branch) to 50% of the eligible ITC on inputs, capital goods and input services each month and the remaining ITC shall lapse.

Eligible credit for the month of December = 50% of INR 2,50,000 i.e., INR 1,25,000 + INR 50,000 = INR 1,75,000.

**Concept Problem 25**

R is engaged in providing beauty treatment services. On a particular day, with a view to cater to the demand of large number of customers, he availed the beauty treatment services from G. Accordingly, G raised an invoice on R for INR 20,000 along with applicable GST.

Will R be allowed input tax credit?

**Solution**

Beauty services have been categorized as Blocked Credit u/s 17(5) and input tax credit on the same is not allowed. However, in the given case, since beauty treatment services have been used by R for making an outward supply of services of the same category of services, he shall be eligible to avail ITC of the beauty treatment services.

**Concept Problem 26**

Ramoplast Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps- 'Forever Glow' in Mumbai. It has provided following information pertaining to purchases made/services availed in the month of January, 20XX:

Particulars	GST paid
Soap making machine	50,000
Motor vehicles for transportation of inputs	70,000
Membership of 'Fit and Fine' health and fitness centre for its employees	25,000
Inputs purchased, but stolen from the factory	40,000

You are required to compute the ITC available with Ramoplast Soap Factory for the month of January, 20XX assuming that all the other conditions for availing ITC, wherever applicable, have been fulfilled.

**Solution****Computation of ITC available with Ramoplast Soap Factory**

Particulars	Amount
Soap making machine [ITC in respect of goods used in course/furtherance of business is available in terms of section 16]	50,000
Motor vehicles for transportation of inputs [ITC in respect of motor vehicles and conveyances is blocked, except when used, inter alia, for transportation of goods, in terms of section 17(5)]	70,000
Membership of 'Fit and Fine' health and fitness centre for its employees [ITC in respect of membership of a club, health & fitness centre is blocked u/s 17(5)]	Nil
Inputs stolen from the factory [ITC in respect of goods stolen is blocked in terms of section 17(5) of the CGST Act]	Nil
<b>Total ITC available</b>	<b>1,20,000</b>

**Concept Problem 27**

M/s. Shri Durga Corporation Pvt. Ltd. is a supplier of goods and services at Kolkata. It has furnished the following information for the month of February, 20XX:

S No.	Particulars	Amount
(i)	Intra-State sale of taxable goods including INR 1,00,000 received as advance in January, 20XX, the invoice for the entire sale value is issued on 15 <sup>th</sup> February, 20XX	4,00,000
(ii)	Goods purchased from unregistered dealer on 20 <sup>th</sup> February, 20XX (Inter-State purchases are worth INR 30,000 and balance purchases are intra-State)	1,00,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
(iv)	Goods transport services received from a GTA. GTA is paying tax @ 12% (It is an inter-State transaction)	2,00,000

Compute net GST liability (CGST, SGST or IGST, as the case may be) of M/s Shri Durga Corporation Pvt. Ltd. for the month of February, 20XX.

Assume the rates of GST, unless otherwise specified, as under:

CGST	9%	SGST	9%	IGST	18%
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**Note:**

- i) The turnover of M/s. Shri Durga Corporation Pvt. Ltd. was INR 2.5 crore in the previous financial year.
- ii) All the amounts given above are exclusive of taxes.

**Solution**

**Computation of GST liability of M/s. Shri Durga Corporation Pvt. Ltd. for the month of Feb, 20XX**

Particulars	Value of Supply	CGST	SGST	IGST
Intra -State sale of taxable goods [Note-1]	4,00,000	36,000	36,000	
Goods purchased from unregistered dealer on 20 <sup>th</sup> February, 20XX [Note-2]	1,00,000	Nil	Nil	
Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-3]	1,00,000	9,000	9,000	
Goods transport services received from GTA [Note 4]	2,00,000			Nil
<b>Total GST liability for the month of February, 20XX</b>		<b>45,000</b>	<b>45,000</b>	<b>Nil</b>
Less: Input tax credit available [Note-5] (INR 2,00,000 x 12%)		12,000 - IGST	12,000 - IGST	-
<b>Net GST liability for the month of February, 20XX</b>		<b>33,000</b>	<b>33,000</b>	<b>Nil</b>

**Notes:**

1. Section 12 of CGST Act, 2017 read with Notification No. 66/2017 CT dated 15.11.2017 provides that the time of supply for all suppliers of goods (excluding composition suppliers) is the time of issue of invoice, without any turnover limit. Thus, liability to pay tax on the advance received in January, 20XX will also arise in the month of February, when the invoice for the supply is issued.
2. As per section 9(4), purchase from unregistered supplier is chargeable to RCM only if notified goods are purchased by specified registered recipient. No RCM in other cases of purchase from unregistered supplier.
3. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. Labour contracts **for repairing** are thus, taxable.
4. As per Notification No. 13/2017 CT(R), GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a GTA provided such GTA has **not** paid GST @ 12%. Since in

the given case, services have been received from a GTA who has paid GST @ 12%, RCM will not be applicable.

5. ITC of IGST shall be used to pay outward tax liability of IGST first and thereafter, balance will be used to pay outward tax liability CGST and SGST in any order and in any proportion. [Rule 88A].

ITC of CGST and SGST/UTGST shall be used only after ITC of IGST is fully utilised. [Section 49A]

### Concept Problem 28 [RTP May 2019]

Mr. Ekaant, a supplier registered in Delhi, is engaged in the business of sale and purchase of plastic raincoats. He furnishes the following information pertaining to inward/outward supply made by him for month of July, 20XX:

Particulars	Amount (lakh)
Value of inter-State outward supply to registered persons	30
Value of intra-State outward supply to registered persons	50
Value of intra-State outward supply to unregistered persons	15
Value of intra-State inward supply from registered persons	10
Value of inter-State inward supply from registered persons	5
Value of intra-State inward supply from unregistered persons	2

Following additional information is also provided by Mr. Ekaant:

Particulars	Amount (lakh)
IGST credit on capital goods purchased in the month of July	1.5
CGST/ SGST credit on other inward supplies [including credit of INR 5,000 (CGST and SGST each) on account of membership of a club]	0.5 (CGST and SGST each)
Availed consultancy services from Mr. Sujit, lawyer located in Delhi	1

The amount of ITC brought forward in the month of July, 20XX is as under: -

CGST: INR 2 lakh

SGST: INR 2 lakh

IGST: INR 5 lakh

Calculate the net GST liability (CGST and SGST or IGST, as the case may be) to be paid in cash for the month of July, 20XX by assuming the rates of GST as under:

CGST 9%; SGST 9%; IGST 18%

#### Notes

- All the amounts given above are exclusive of taxes.
- All the conditions necessary for availing the ITC have been fulfilled.

#### Solution

#### Computation of net GST liability of Mr. Ekaant

##### I. Computation of outward tax liability

Particulars	Value	CGST	SGST	IGST
<b>Outward Tax Liability</b>				
Value of inter-State outward supplies	30,00,000	-	-	5,40,000

Particulars	Value	CGST	SGST	IGST
Value of intra-State outward supplies to registered as well as unregistered persons (50,00,000 + 15,00,000)	65,00,000	5,85,000	5,85,000	-
<b>Total (A)</b>		<b>5,85,000</b>	<b>5,85,000</b>	<b>5,40,000</b>

**II. Computation of Input Tax Credit**

Particulars	Value	CGST	SGST	IGST
Brought forward ITC		2,00,000	2,00,000	5,00,000
Value of intra-State inward supplies from registered person [Note-2]	10,00,000	90,000	90,000	
Value of inter-State inward supplies from registered person [Note-2]	5,00,000	-	-	90,000
Value of intra-State inward supplies from unregistered person [Note-3]	2,00,000	-	-	-
IGST credit of capital goods [Note- 2]				1,50,000
Credit on other inward supplies purchased in the month of July less credit on membership of a club [Note-2 & 4]		45,000	45,000	-
Credit of legal consultancy services [Note-2]		9,000	9,000	-
<b>Total (B)</b>		<b>3,44,000</b>	<b>3,44,000</b>	<b>7,40,000</b>

**III. Computation of Net Tax Liability**

Particulars	CGST	SGST	IGST
<b>Outward Tax liability</b>	<b>5,85,000</b>	<b>5,85,000</b>	<b>5,40,000</b>
Less: IGST credit being set off against IGST liability			(5,40,000)
Less: IGST credit being used to pay CGST and SGST liability in any order and in any proportion	(1,00,000)	(1,00,000)	
Less: CGST and SGST credit being used to pay CGST and SGST liability respectively	(3,44,000)	(3,44,000)	
<b>Net outward GST payable in e-cash (C)</b>	<b>1,41,000</b>	<b>1,41,000</b>	<b>Nil</b>
Add: <b>GST Liability under RCM</b> - Value of intra-State legal consultancy services i.e., inward supplies liable to reverse charge mechanism (to be paid in cash) [Note-1] <b>(D)</b>	<b>9,000</b>	<b>9,000</b>	<b>-</b>
<b>Net GST liability to be paid in cash (C) + (D)</b>	<b>1,50,000</b>	<b>1,50,000</b>	<b>Nil</b>

**Concept Problem 29**

Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February:

	Particulars	Amount
(i)	Intra-state taxable supply of service	5,20,000
(ii)	Legal fee paid to a Lawyer located within the state	20,000
(iii)	Rent paid to the State Govt. for his office building	30,000
(iv)	Received for services towards conduct of exams in Loveall University, Pune (recognized by law), being an inter-state transaction	16,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Thiraj for the month of February.

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

All the amounts given above are exclusive of taxes.

### Solution

Computation of net GST liability by Mr. Thiraj for the month of February:

S.No.	Particulars	Value of supply	CGST @ 9%	SGST @ 9%	IGST @ 18%
<b>Tax on Output supply</b>					
(i)	Intra-State taxable supply of services	5,20,000	46,800	46,800	
(iv)	Services towards conduct of exams in Loveall University, Pune [Note-1]	16,000			Exempt
<b>Tax on Output supply (A)</b>			<b>46,800</b>	<b>46,800</b>	
<b>Tax on Inward supply</b>					
(ii)	Legal fee paid to lawyer located within State [Note-2]	20,000	1,800	1,800	
(iii)	Rent paid to State Government for Office Building [Note-3]	30,000	2,700	2,700	
<b>Tax on Inward supply under RCM (B)</b>			<b>4,500</b>	<b>4,500</b>	
<b>Net Tax Liability payable in cash</b>					
Output tax payable against which ITC can be set off			46,800	46,800	
Less: ITC of tax paid on legal fees and rent (C)			(4,500)	(4,500)	
<b>Output tax payable after set off of ITC [A-C]</b>			<b>42,300</b>	<b>42,300</b>	
<b>Net GST liability payable in cash [C] + [B]</b>			<b>46,800</b>	<b>46,800</b>	

### Notes:

- Since Loveall University provides education recognized by law, it is an educational institution and services provided to an educational institution, by way of conduct of examination are exempt from GST.
- In case of legal services provided by an advocate to any business entity GST is payable under reverse charge by the recipient of service.
- In case of services supplied by, inter alia, State Government by way of renting of immovable property to a person registered under the CGST Act, GST is payable under reverse charge by the recipient of service
- 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.

### Concept Problem 30 [RTP Nov 2020]

- Babla & Bros. is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1<sup>st</sup> October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla & Bros. was INR 50 lakh. Examine the eligibility of Babla & Bros. for availing ITC, if any.
- Sun & Moon Packers Pvt. Ltd. availed outdoor catering service to run a canteen in its factory. The Factories Act, 1948 requires Company to set up a canteen in its factory. Advice regarding availability of ITC under CGST Act.
- Mamta Sales trades in exempt goods and provides taxable services. It is registered under GST. On 1<sup>st</sup> October, the exemption available on its goods gets withdrawn.

Analyze the scenario and determine the eligibility of Mamta Sales for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods.

### Solution

- a) Since the exemption available on goods being supplied by Babla & Bros. is withdrawn, it becomes liable to registration as its turnover has crossed threshold limit (for registration) on day when exemption is withdrawn.

Assuming that Babla & Bros. applies for registration within 30 days of 1<sup>st</sup> October & it obtains such registration, it will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e., 30<sup>th</sup> September [Section 18(1)(a)]. Input tax paid on capital goods will not be available as input tax credit in this case.

- b) Section 17(5) of the CGST Act, 2017 inter alia, blocks input tax credit in respect of outdoor catering services. However, ITC is available on such services, when the same are provided by an employer to its employees under a statutory obligation.

Thus, in view of the above-mentioned provisions, Sun & Moon Packers Pvt. Ltd. can avail ITC in respect of outdoor catering services availed by it as the same is being provided under a statutory obligation.

- c) If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) become applicable. In given case, since Mamta Sales is a registered person, section 18(1)(d) will be applicable.

As per section 18(1)(d), Mamta Sales will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e., 30<sup>th</sup> September. Input tax credit on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

### Concept Problem 31

Mr. Himanshu, a registered supplier of chemicals, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies for the month of September 20XX:

Intra-State supply of goods	25,00,000
Inter-State supply of goods	5,00,000

He has also made the following inward supply:

Intra-State purchase of goods from registered dealer	14,00,000
Intra-State purchase of goods from unregistered dealer	2,00,000
Inter-State purchase of goods from registered dealer	4,00,000

Balance of ITC at the beginning of September:

CGST	95,000
SGST	60,000
IGST	50,000

Additional Information:

- He purchased a car (Intra-State supply) used for business purpose at a price of INR 6,72,000/- (including CGST of INR 36,000 & SGST of INR 36,000) on September 15. He capitalized the full value including GST in the books on the same date to claim depreciation
- Out of Inter-State purchase from registered dealer, goods worth INR 1,00,000 were received on October 3 due to road traffic jams.

**Note:**

*This Question Bank is meant for Nov 2022 exams and must be read with our Lectures (Regular or Fast Track) as many additional concepts are covered in class. We do lots of written practice in class & Kishan Sir personally evaluates grand Mock Test. Must cover GST Chalisa Handwritten Notes as well.*

- i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
- ii) Both inward and outward supplies given above are exclusive of taxes, wherever applicable.
- iii) All the conditions necessary for availing the ITC have been fulfilled except mentioned above.

Compute the net CGST, SGST and IGST payable in cash by Mr. Himanshu for the month of September.

### Solution

Computation of net GST payable in cash of Mr. Himanshu for September.

Particulars	Value	CGST	SGST	IGST
<b>Total tax liability</b>				
Intra-State outward supplies of goods	25,00,000	2,25,000	2,25,000	
Inter-State outward supplies of goods	5,00,000			90,000
<b>Total tax liability (A)</b>		<b>2,25,000</b>	<b>2,25,000</b>	<b>90,000</b>
<b>Input Tax Credit (ITC)</b>				
Brought forward ITC		95,000	60,000	50,000
Intra-State purchase of goods from registered dealer [Note-1]	14,00,000	1,26,000	1,26,000	
Inter-State purchase of goods from registered dealer [Note-1 and Note 4]	3,00,000	-	-	54,000
Intra-State purchase of goods from unregistered dealer [Note-2]	2,00,000	-	-	-
Purchase of car used for business purpose [Note-3]	-	-	-	-
<b>Total ITC (B)</b>		<b>2,21,000</b>	<b>1,86,000</b>	<b>1,04,000</b>
<b>Net Tax Payable</b>				
<b>Total tax liability (A)</b>		<b>2,25,000</b>	<b>2,25,000</b>	<b>90,000</b>
Less: Set off of IGST liability from IGST credit		-	-	90,000
Less: Set off IGST credit against CGST and SGST liability in any order and in any proportion		-	14,000	-
Less: Set off of CGST and SGST credit against CGST and SGST liability respectively		2,21,000	1,86,000	-
<b>Net GST payable in cash</b>		<b>4,000</b>	<b>25,000</b>	<b>-</b>

### Notes:

- Every registered person is entitled to take credit of input tax charged on any inward supply of goods used/intended to be used in the course/furtherance of his business.
- Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the tax leviable thereon under reverse charge. Since no tax has been paid, so no credit is available.
- Input tax paid on capital goods cannot be availed as ITC if depreciation has been claimed on such tax component. Moreover, ITC on motor vehicle (car) is blocked under section 17(5) of CGST Act, 2017.
- A registered person is entitled to avail input tax in respect of any supply of goods to him only if he has actually received the said goods. Since goods worth INR 1,00,000 have not been received by Mr. Himanshu in the month of September 20XX, credit in respect of same cannot be claimed in the said month.

**Note:** Under the amended position of law, the IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one Solution for the

minimum net CGST and SGST payable in cash [i.e., GST liability] as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

### Concept Problem 32 [RTP Nov 2020]

From the following, calculate the Net GST payable:

Payments	Amount	Receipts	Amount
Inter-State purchases of office stationery	1,40,000	Inter-State supply of office stationery	2,00,000
Repairing of lorry used to transport goods from warehouse to clients' location [Intra-State supply]	1,00,000	Intra-State supply of 500 combi packs containing one calculator and one diary	4,00,000
		Intra-State supply of services of business correspondent to Shubhvidhi Bank with respect to accounts in its urban area branch	1,00,000

The following additional information is provided by 'XY' in relation to the above receipts and payments

- i) 10% of the inter-State supply of office stationery are made to unregistered persons.
- ii) Each combi pack (containing a calculator and a diary) is priced at INR 800. The calculator and the diary are individually priced at INR 700 and INR 200 respectively.
- iii) An invoice of INR 40,000 towards purchase of office stationery is missing and no other tax paying document is available in respect of such goods.
- iv) All the figures mentioned above are exclusive of taxes, wherever applicable.
  - a. Rates of CGST, SGST and IGST for all services, office stationery and calculator are 9%, 9% and 18% respectively. Rates of CGST, SGST and IGST for diary are 14%, 14% and 28% respectively.
  - b. Subject to information given above, all the necessary conditions for availing ITC have been fulfilled.

Details of opening balances of input tax credit as on 1<sup>st</sup> July is given hereunder

Tax	Amount
CGST	5,000
SGST	5,000
IGST	80,000

Compute minimum net GST [CGST, SGST or IGST, as the case may be] payable in cash by 'XY' for month of July.

### Solution

Computation of minimum net GST payable in cash by 'XY' for the month of July

Particulars	Value	CGST	SGST	IGST
<b>Total tax liability</b>				
Inter-State supply of stationery [Note 1]	2,00,000			36,000
Intra-State supply of 500 combi packs of calculators and diaries [Note-2]	4,00,000 (500 x 800)	56,000 (4,00,000 x 14%)	56,000 (4,00,000 x 14%)	
Intra-State supply of services of business correspondent to a Shubhvidhi Bank with respect to accounts in its urban area branch [Note-3]	1,00,000	9,000 (1,00,000 x 9%)	9,000 (1,00,000 x 9%)	
<b>Total tax liability</b>		<b>65,000</b>	<b>65,000</b>	<b>36,000</b>

Input tax credit (ITC)				
Brought forward ITC		5,000	5,000	80,000
Inter-State purchase of office stationery [Note-4]	1,00,000			18,000
Intra-State repairing of lorry used for transportation of goods [Note-5]	1,00,000	9,000	9,000	
<b>Total ITC</b>		<b>14,000</b>	<b>14,000</b>	<b>98,000</b>
Minimum net GST payable in cash				
Total tax liability		65,000	65,000	36,000
Less: IGST credit being set off against IGST liability				(36,000)
Less: IGST credit being used to pay CGST and SGST liability in any order and in any proportion		(11,000)	(51,000)	
Less: CGST and SGST credit being used to pay CGST and SGST liability respectively		(14,000) CGST	(14,000) SGST	
<b>Minimum net GST payable in cash</b>		<b>40,000</b>	<b>Nil</b>	<b>Nil</b>

**Notes**

- 1) Taxable supplies made by a registered person are liable to tax irrespective of whether they are made to a registered person or to an unregistered person.
- 2) Supply of calculator and diary as a combination pack with a single price of 800 is a mixed supply. Being a mixed supply, it shall be treated as supply of that particular supply which attracts highest rate of tax.
- 3) Services provided by a business facilitator/ business correspondent to a banking company only with respect to accounts in its rural area branch are exempt and not with respect to accounts in its urban area branch.
- 4) ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
- 5) ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

**Note:** IGST credit, after being set off against IGST liability, can be utilized against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one Solution for the minimum net CGST and SGST payable in cash as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

**Concept Problem 33 [ICAI Jan 2021]**

Star Ltd., a registered supplier in Karnataka has provided the following details for supply of one machine:-

	Particulars	Amount
i.	List price of machine supplied [exclusive of items given below from (2) to (4)]	80,000
ii.	Tax levied by Local Authority on sale of such machine	6,000
iii.	Discount of 2% on list price of machine was provided (recorded in invoice of machine)	
iv.	Packing expenses for safe transportation charged separately in the invoice	4,000

Star Ltd. received 5,000 as subsidy from a NGO on sale of each such machine. The price of 80,000 of the machine is after considering such subsidy.

During the month of February, 20XX, Star Ltd. supplied three machines to Intra-state customers and one machine to Inter-state customer. Star Ltd. purchased inputs (intra-state) for 1,20,000 exclusive of GST for supplying the above four machines during the month.

The Balance of ITC at the beginning of February, 20XX was:

CGST	SGST	IGST
18,000	4,000	26,000

Note:

- Rate of CGST, SGST and IGST to be 9% , 9% and 18% respectively for both inward and outward supplies.
- All the amounts given above are exclusive of GST.
- All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum net GST payable in cash by Star Ltd. for the month of February, 20XX.

### Solution

#### Computation of value of taxable supply

Particulars	Amount
List Price of the machine	80,000
Add: Tax levied by Local Authority on the sale of machine [Tax other than GST, is charged separately , are included in the value in terms of section 15]	6,000
Add: Packing expenses for safe transportation [Includible in the value as per section 15 of the CGST Act, 2017]	4,000
Add: Subsidy received from a NGO on sale of each machine [Subsidy received from a Non- Government body and which is directly linked to the price, the same is included in the value in terms of section 1 of the CGST Act, 2017].	5,000
<b>Total</b>	<b>95,000</b>
Less: Discount @2% on 80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible u/s 15]	1600
<b>Value of taxable supply</b>	<b>93,400</b>

#### Computation of minimum net GST payable in cash by Star Ltd.

Particulars	CGST	SGST	IGST
Sale of machine [Intra- State Sales = 93,400 x 3 machine = 2,80,200 Inter – state sales = 93,400 x 1 machine = 93,400]	25,218 2,80,200 x 9%]	25,218 2,80,200 x 9%]	16,812 93,400 x 18%]
<b>Total output tax</b>	<b>25,218</b>	<b>25,218</b>	<b>16,812</b>
Less: Set off IGST against IGST and SGST [IGST credit first be utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion]		(9,188)	(16,812)
Less: Set off CGST against CGST and SGST against SGST [CGST credit cannot be utilized towards payment of SGST and vice versa]	(25,218)	(14,800)	
<b>Minimum net GST payable in cash</b>	<b>Nil</b>	<b>1230</b>	

#### Working Note:-

Computation of total ITC available-

Particulars	CGST	SGST	IGST
Opening balance of ITC	18,000	4,000	26,000

Add: Inputs purchased during the month	10,800 [1,20,000 x 9%]	10,800 [1,20,00 x 9%]	
<b>Total ITC available</b>	<b>28,800</b>	<b>14,800</b>	<b>26,000</b>

**Concept Problem 34 [ICAI May 2021]**

X Electronics is a registered manufacturer of electrical appliances. It made contract with dealers, that purchase air conditioners of capacity 1.5 ton in the month of October, 20XX of quantity of more than 50 units will entitle them for 10% discount.

Inter- state supply made during the month of October is 50,00,000.

Details of intra state supplies:

Particulars	Amount
Supply of Microwave Oven	15,00,00
Supply of Refrigerators with stabilizers being a mixed supply, rate of GST on refrigerators is 28% (14% CGST 14% SGST), rate of GST on stabilizer is 18% (9% CGST 9% SGST)	40,00,000
Supply of Air Conditioners of capacity 1.5 Ton @ 50,000 per Air Conditioner	50,00,000

Intra – State inward supplies are:

Particulars	Amount
Raw material	20,00,000
Paid Gym membership for employees	50,000
Truck purchased for transportation of goods	30,00,000

X electronics made supply of Air Conditioners (capacity 1.5 ton) to only one dealer named Mr. L

Gym membership for employees is not obligatory for X electronics under any law.

Opening Balance of ITC is as under:

CGST 58,000

SGST 70,000

IGST 10,00,000

**Note:**

- Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.
- Both inward and outward supplies are exclusive of taxes.
- All the conditions for availing the ITC have been fulfilled.

Compute the Net GST payable in cash by X Electronics for the month of October, 20XX.

**Solution****Computation of net GST payable in cash by X Electronics for October 20XX**

S No	Particulars	Amount	CGST	SGST	IGST
<b>I.</b>	<b>Intra-State Supply</b>				
	Supply of microwave oven	15,00,000	1,35,000	1,35,000	
	Supply of refrigerators with stabilizers [Being mixed supply, the supply shall be treated as	40,00,000	5,60,000	5,60,000	

a supply of that particular supply which attracts the highest rate of tax and taxed accordingly. Thus, it will be taxed @ 14% CGST and 14% SGST]				
Supply of 100 (50 lakh/ 50,000 ) air conditioners [Since 100 air conditioners have been supplied, discount @ 10% will be available]	4,50,000 [50,00,000 x 90%]	4,05,000	4,05,000	

**Note:** It has been presumed that there is one supply transaction for 100 ACs and thus, the discount has been given in the invoice itself. Alternatively, even if there have been multiple supply transactions for the ACs during the month and the discount has been given vide credit note, it has been presumed that the credit note has been issued in October 20XX and all other conditions prescribed in section 15(3) (b) of the CGST Act , 2017 have been complied with. Thus, the effect of the discount has been adjusted in the month of October 20XX itself.

S No	Particulars	Amount	CGST	SGST	IGST
II.	Intra –State Supply @18%	50,00,000			9,00,000
<b>Total outward tax liability</b>			<b>11,00,000</b>	<b>11,00,000</b>	<b>9,00,000</b>
Less: Input tax Credit (Refer Working Note Below)					
IGST credit first utilized towards payment of IGST. Remaining amount can be utilized towards CGST and SGST in any order and in any proportion			1,00,000 (IGST)		9,00,000 (IGST)
CGST credit set off against CGST Liability and SGST credit set off against SGST Liability as CGST credit cannot be utilized towards payment of GST & vice versa.			5,08,000 (CGST)	5,20,000 (SGST)	
<b>Net GST liability payable in cash</b>			<b>4,92,000</b>	<b>5,80,000</b>	<b>Nil</b>

### Working Note:

#### Computation of ITC available with X Electronics

Particulars	Amount	CGST	SGST	IGST
Opening balance of ITC		58,000	70,000	10,00,000
<b>Intra- state inward supplies</b>				
Raw material	20,00,000	1,80,000	1,80,000	
Gym membership for employees [ITC on membership of a health and fitness center is blocked if there is no statutory obligation for employer to provide it]	50,000	Nil	Nil	
Truck purchased for transportation of goods [ITC on motor vehicles used for transportation of goods is not blocked]	30,00,000	2,70,000	2,70,000	
<b>Total ITC</b>		<b>5,08,000</b>	<b>5,20,000</b>	<b>10,00,000</b>

**Note:** In the above Solution, tax payable in cash has been computed by setting off the IGST credit against CGST Liability. However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and /or SGST liabilities in different other ways as well. In all such cases, net CGST and net SGST payable in cash will differ though the total amount of net GST payable (10,72,000) In cash will remain the same.

#### Concept Problem 35 [ICAI May 2021]

A Ltd. procured the following goods in the month of December, 20XX.

Inward supplies	GST
1. Goods used in constructing an additional floor of office building	18,450
2. Goods given as free sample to prospective customers	15,000
3. Trucks used for transportation of inputs in the factory	11,000
4. Inputs used in trial runs	9,850
5. Confectionery items for consumption of employees working in the factory	3,250
6. Cement used for making foundation and structural support for plant and machinery	8,050

Compute the amount of ITC available with A Ltd. for the month of December 20XX by giving necessary explanations. Assume that all the other condition necessary for availing ITC have been fulfilled.

### Solution

#### Computation of amount of ITC available for the month of December 20XX

S.No.	Particulars	GST
1.	Goods used in construction of additional floor of office building [ITC on goods received by a taxable person for construction of an immovable property on his own account is blocked even if the same is used in the course or furtherance of business. It has been assumed that cost of construction of additional floor has been capitalized]	Nil
2.	Goods given as free samples to prospective customers [ITC on goods disposed of by way of free samples is blocked]	Nil
3.	Rucks used for transportation of inputs in the factory [ITC on motor vehicles used for transportation of goods is not blocked]	11,000
4.	Inputs used in trials runs [Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed]	9,850
5.	Confectionary items for consumption of employees working in the factory [ITC on food or beverages is blocked unless the same is used in same line of business or as an element of the taxable composite or mixed supply. Further, ITC on goods and/ or service used for personal consumption is blocked]	Nil
6.	Cement used for making foundation and structural support to plant and machinery [ITC on goods used for construction of plant and machinery is not blocked. Plant and machinery includes foundation and structural supports through which the same is fixed to earth]	8,050
	<b>Total eligible ITC</b>	<b>28,900</b>

#### Concept Problem 36 [ICAI Nov 2020]

KNK Ltd., a registered supplier of Mumbai is a manufacturer of heavy machines. Its outward supplies (exclusive of GST) for the month of January, 20XX are as follows:

S.No.	Particulars	Amount
i.	Inter- State	85,00,000
ii.	Intra – State	15,00,000

Applicable rate of CGST, SGST and IGST on outward supply are 9%, 9% and 18% respectively. Details of GST paid on inward supplies during the month of January, 20XX are as follows:

S No	Particulars	CGST	SGST
i.	Raw material A (of which 70% of inputs procured were used and 30% were in stock at the end of January, 20XX)	60,000	60,000
ii.	Raw material B (of which 90% material received in factory and remaining material completely damaged due to a road accident on the way of factory. There was no negligence on the part of KNK Ltd.)	50,000	50,000
iii.	Construction of pipelines laid outside the factory premises	30,000	30,000
iv.	Insurance charges paid for trucks used for transportation of goods.	55,000	55,000

**Additional Information:**

- There is no opening balance of any input tax credit & all conditions necessary for availing ITC is fulfilled.
- Details of GST paid on inward supplies are available in GSTR-2A except for item (i) i.e. Raw Material A, for which supplier has not filed its GSTR-1 for the month of January 20XX, hence corresponding ITC is not reflecting in GSTR-2A of KNK Ltd. in January, 20XX.

**Compute the following:**

- Amount of eligible input tax credit (ITC) available for the month of January, 20XX.
- Minimum net GST payable in cash, for the month of January, 20XX after using available input tax credit.

Working notes should form part of your answer.

**Solution****Computation of amount of eligible ITC available for the month of January, 20XX**

S No	Particulars	CGST	SGST
i.	Raw materials B (90%) [Note-1]	45,000	45,000
ii.	Construction of pipelines laid outside the factory premises [Note-2]	Nil	Nil
iii.	Insurance charges paid for trucks used for transportation of goods [Note-3]	55,000	55,000
iv.	Raw materials A [Note-4]	Nil	Nil
	<b>Eligible ITC on invoices the details of which are available in GSTR-2A</b>	<b>1,00,000 (45,000 + 55,000)</b>	<b>1,00,000 (45,000 + 55,000)</b>
	ITC on invoices the details of which are not available in GSTR-2A, i.e. the invoices which are uploaded by suppliers in their GSTR-1 [Note-4]	5,000	5,000
	<b>Total eligible ITC</b>	<b>1,05,000</b>	<b>1,05,000</b>

**Note:**

- ITC on goods destroyed is blocked under section 17 of the CGST Act, 2017.
- ITC on works contract services availed for construction of plant and machinery is allowed but pipelines laid outside the factory premises are excluded from the definition of plant & machinery. Hence, ITC is blocked.
- ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is also allowed on insurance services relating to motor vehicles, ITC on which is allowed.
- Where invoice has not been uploaded by the supplier in its GSTR-1, 5% of the eligible ITC available in respect of the uploaded invoices can be claimed by the recipient, i.e. 5% of 1,00,000.

Particulars	Value	CGST @ 9%	SGST @ 9%	IGST @ 18%
Inter – State outward supplies	85,00,000			15,30,000
Intra- state outward supplies	15,00,000	1,35,000	1,35,000	
<b>Total output tax payable</b>		<b>1,35,000</b>	<b>1,35,000</b>	<b>15,30,000</b>
Less: set off of CGST and SGST credit against CGST and SGST liability respectively		(1,05,000)	(1,05,000)	
<b>Minimum net GST payable in cash</b>		<b>30,000</b>	<b>30,000</b>	<b>15,30,000</b>

### Computation of minimum net GST payable in cash for the month of January, 20XX

#### Concept Problem 37 [ICAI May 2021]

Who can impose restrictions on utilization of input tax credit (ITC) available in the electronic credit ledger and under what circumstances can restrictions be imposed under the CGST Rules 2017?

#### Solution

The Commissioner or an officer (not below the rank of an Assistant Commissioner) authorised by him has been empowered to impose restrictions on utilization of ITC available in the electronic credit ledger.

The restrictions can be imposed under the CGST Rules, 2017 in the following circumstances:

- i) ITC has been availed on the basis of tax invoices/valid documents -
  - a) issued by a non-existent supplier or by a person not conducting any business from the registered place of business; or
  - b) without receipt of goods and/or services; or
  - c) the tax in relation to which has not been paid to the Government
- ii) Registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business; or
- iii) Registered person availing ITC is not in possession of tax invoice/valid document.