

## **LEVY OF GST**

### **Question 1: Nature of Supply – Supply of Goods or Supply of Services**

Nandeeshwar Manufacturers sends certain category of yarn for processing to the job worker. The job worker undertakes the processing work on the yarn as per the requirement of Nandeeshwar Manufacturers. During the process, the job worker uses his own material also. The processed yarn is sold by Nandeeshwar Manufacturers directly from the job worker premises. Balance quantity of yarn and waste material is sent back by the job worker to Nandeeshwar Manufacturers. The job worker is of the opinion that he is using his own material also in the processing and hence the supply to Nandeeshwar Manufacturers is in the nature of supply of goods as well as services. Do you agree with the opinion of job worker?

### **Solution:**

No, the opinion of the job worker is not fully correct. Section 7(1A) of the CGST Act provides that when certain activities or transactions constitute a supply in accordance with the provisions of section 7(1) of the CGST Act, they shall be treated either as a supply of goods or supply of services as referred to in Schedule II of the CGST Act. Any processing activity carried on any other person's goods is treated as supply of service in terms of Schedule II. The job worker, in addition to the goods received from the principal, can use his own goods for providing the services of job work. These goods are not supply per se, but being used in the processing activity carried out by it.

Thus, the activity undertaken by the job worker, in the given case, squarely falls within the purview of Schedule II and shall be considered as supply of service by the job worker to Nandeeshwar Manufacturers.

## **VALUATION**

(ICAI – Inter [Old Syllabus – 4 Marks] – Exam – May 2021)

**Question 1: Valuation – Inclusions in Value (Interest on Delayed Payment)**

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

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

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

**Solution:**

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

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

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

- (i) Where the DCA is not an agent under Para 3 of Schedule I, the temporary short-term loan being provided by DCA to the buyer is a supply of service by the DCA to the recipient on principal-to-principal basis and is an independent supply. Said supply is specifically exempt from tax. Thus, interest charged by M/s. Kela is an independent supply and is exempt from tax.
- (ii) Where the DCA is an agent under Para 3 of Schedule I, the temporary short-term credit being provided by DCA to the buyer no longer retains its character of an independent supply and is subsumed in the supply of the goods by the DCA to the recipient. The value of the interest charged for such credit is included in the value of supply of goods by DCA to the recipient. Thus, interest charged by M/s. Bela will be included in the value of goods supplied by it.

## CLASSIFICATION (INCLUDING EXEMPTIONS)

(ICAI – Inter [New Syllabus – 4 Marks] – Exam – May 2021)

### Question 1: Composite Supply or Mixed Supply

Explain the composite supply and mixed supply. If a trader launches a package sales for marriage containing double bed, refrigerator, washing machine, wooden wardrobe at a single rate. He is issuing invoice showing value of each goods separately. Whether this is case of mixed supply or composite supply. Explain.

#### Solution:

##### Composite Supply:

- (i) As per Section 2(30) of CGST Act, 2017, composite supply means two or more taxable supplies of goods or services or both, or any combination thereof, are naturally bundled and supplied in conjunction with each other, in the ordinary course of business, one of which is a principal supply.
- (ii) Composite supply shall be treated as supply of the principal supply.

##### Mixed Supply:

- (i) As per Section 2(74) of CGST Act, 2017, mixed supply means two or more individual supplies of goods or services or both, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute to composite supply.
- (ii) Mixed supply would be treated as supply of that particular goods or services which attracts the highest rate of tax.

Items such as double bed, refrigerator, washing machine and wooden wardrobe are not naturally bundled and also the invoice for the supply shows separate values for each item i.e., the package is not supplied for a single price.

Therefore, supply of such items as a package will neither constitute a composite supply nor a mixed supply. Thus, the various items of the package will be treated as being supplied individually.

**Note:** The question specifies that the various items are supplied at a single rate.. The “single rate” expression is construed as single rate of tax in the above answer. Further, the “single rate” may also be construed as single price as given in the below mentioned answer.

Items such as double bed, refrigerator, washing machine and wooden wardrobe are not naturally bundled. Therefore, supply of such items as a package will not constitute composite supply. Further, a single price has been charged for the package. Consequently, supply of such items as a package will be treated as mixed supply.

(ICAI – Inter [New Syllabus – 5 Marks] – Exam – May 2021)

### Question 2: Entertainment Services

XYZ Pvt. Ltd. manufactures beauty soap with the brand name “Forever Beauty”. XYZ Pvt. Ltd. has organized a concert to promote its brand. Ms. Mahima, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert is Rs.1,25,000.

- (i) Explain with relevant provisions of GST, whether Ms. Mahima will be required to pay any GST.
- (ii) What will be the answer if the proceeds of the concert is donated to a charitable organization?

**Solution:**

Services by an artist by way of a performance in folk or classical art forms of

- (i) Music, or
- (ii) Dance, or
- (iii) Theatre

are exempt from GST, if the consideration charged for such performance is not more than Rs.1,50,000. However, such exemption is not available in respect of service provided by such artist as a brand ambassador.

- (i) Since Ms. Mahima is the brand ambassador of “Forever Beauty” soap manufactured by XYZ Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by XYZ Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST.
- (ii) Even if the proceeds of the concert will be donated to a charitable organization, she will be liable to GST.

## **TIME OF SUPPLY**

**Question 1: Time of Supply for Goods**

Kanchenjunga Pvt. Ltd. supplies taxable goods to Sutlej Pvt. Ltd. for Rs.2,50,000 on 23<sup>rd</sup> June and issues the invoice on 25<sup>th</sup> June. Payment for the goods is made by Sutlej Pvt. Ltd. on 15<sup>th</sup> July. Determine the time of supply of goods for the purpose of payment of tax.

**Solution:**

As per Section 12 of the CGST Act, 2017, time of supply of goods is the earlier of the following two dates:

- (i) Date of issue of invoice / last date on which the invoice is required to be issued
- (ii) Date of receipt of payment

Further, date of receipt of payment is earlier of date of recording the payment in books of account and date of crediting of payment in bank account.

However, as per Notification No. 66/2017 – CT, a registered person who is supplying GOODS and who did not opt for the composition levy under Section 10 shall NOT pay GST on receipt of advance payment for SUPPLY OF GOODS. In simple words, for supplier of goods, except for person opting for composition levy, time of supply shall be either date of invoice or last date on which invoice is to be raised, as the case may be.

As per Section 31, the invoice needs to be issued either before or at the time of removal of goods (where supply involves movements of goods).

In this case, the invoice is not issued before the removal of the goods and is thus, not within the time limit prescribed under Section 31. Therefore, time of supply is the last date on which the invoice is required to be issued i.e., on 23<sup>rd</sup> June.

**Question 2: Time of Supply for Goods and Time of Supply for Services**

SRK Limited, registered under GST, is engaged in sale of fabrics as well as doing job work of knitting of yarn for garment manufacturers. The company provides the following information in respect of order received for both sale of fabrics and job work:

Event	Supply of Fabrics	Job Work of Knitting
Date of confirmation of order	01-08-2020	10-09-2020
Date of receipt of advance of Rs.1,00,000 each	05-08-2020	12-09-2020
Date of removal of goods on completion of order	10-08-2020	15-09-2020
Date of issue of invoice for full amount	15-08-2020	20-09-2020
Date of receipt of balance payment of Rs.50,000 each	25-08-2020	25-09-2020

Determine the time of supply for the purpose of payment of tax under CGST Act, 2017, in respect of the above orders executed by the company.

**Solution:**

- (i) **Time of supply in case of Supply of Fabric (Supply of Goods):**

Supply of fabric is supply of goods.

As per Section 31, the invoice needs to be issued either before or at the time of removal of goods (where supply involves movements of goods).

As per Section 12 of the CGST Act, 2017, time of supply of goods is the earlier of the following two dates:

- (i) Date of issue of invoice / last date on which the invoices is required to be issued

(ii) Date of receipt of payment.

Further, date of receipt of payment is earlier of date of recording the payment in books of account and date of crediting of payment in bank account.

However, as per Notification No. 66/2017 – CT, a registered person who is supplying GOODS and who did not opt for the composition levy under Section 10 shall NOT pay GST on receipt of advance payment for SUPPLY OF GOODS. In simple words, for supplier of goods, except for person opting for composition levy, time of supply shall be either date of invoice or last date on which invoice is to be raised, as the case may be.

Thus, the time of supply for advance of Rs.1,00,000 as well as for the balance payment of Rs.50,000 received for the supply of fabric is 10.08.2020.

**(ii) Time of supply in case of Job-Work (Supply of Services):**

Job work is treated as supply of services.

As per Section 31 of the CGST Act, 2017 read with Rule 47 of CGST Rules, 2017 a tax invoice is to be issued within 30 days of supply of service.

As per Section 13 of the CGST Act, 2017, time of supply will be:

(A) if the invoice is issued within 30 days of supply of service, date of invoice or date of receipt of payment, whichever is earlier.

(B) if the invoice is issued within 30 days of supply of service, date of provision of service or date of receipt of payment, whichever is earlier.

Thus, the time of supply for advance of Rs.1,00,000 received for the supply of job work services is 12.09.2020 and for balance payment of Rs.50,000 is 20.09.2020.

## SMALL DEALERS

(ICAI – Inter [New Syllabus – 5 Marks] – Exam – May 2021)

**Question 1: Aggregate Turnover**

P Ltd, a registered person provided following information for the month of October, 2020:

Particulars	Amount (Rs.)
Intra-State outward supply	8,00,000
Inter-State exempt outward supply	4,00,000
Turnover of exported goods	20,00,000
Payment of IGST	1,20,000
Payment of CGST and SGST	45,000 each
Payment of custom duty on export	40,000
Payment made for availing GTA services	3,00,000

GST is payable on Reverse Charge for GTA services.

Explain the meaning of aggregate turnover u/s 2(6) of the CGST Act and compute the aggregate turnover of P Ltd. for the month of October, 2020. All amounts are exclusive of GST.

**Solution:**

As per Section 2(6) of CGST Act, 2017, aggregate turnover includes the aggregate value of all:

- (i) taxable supplies,
- (ii) exempt supplies,
- (iii) exports of goods and/or services and
- (iv) inter-State supplies

The above aggregate turnover is to be computed on all India basis of persons having the same PAN.

Aggregate turnover excludes:

- (i) value of inward supplies on which tax is payable by a person on reverse charge basis,
- (ii) central tax, State tax, Union territory tax, integrated tax and cess

**Computation of Aggregate Turnover**

Particulars	Amount (Rs.)
Intra-State outward supply	8,00,000
Inter-State exempt outward supply	4,00,000
Turnover of exported goods	20,00,000
Payment of IGST	Nil
Payment of CGST and SGST	Nil
Payment of custom duty on export	40,000
Payment made for availing GTA services	Nil
<b>Aggregate Turnover</b>	<b>32,40,000</b>

(ICAI – Inter [Old Syllabus – 5 Marks] – Exam – May 2021)

**Question 2: Aggregate Turnover**

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

Details of various supplies both inward and outward undertaken by them during June 2020 quarter are given in the table below:

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

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

Particulars	Amount (Rs.)
Export of goods to China from Noida	20,00,000
Goods supplied to SEZ located at Delhi from Noida	15,00,000
Supply of goods directly to customer from location of job worker at Lucknow (U.P.) after completion of job work. (Intra state)	2,00,000
Sales from Chennai Shop (Inter State)	11,00,000
Local sales at Noida (Intra State)	25,00,000
Services of transport availed from M/s. ABC Transport (Inter State)	3,00,000
Commission paid to Mr. Nagar, Sales Executive which is not part of the terms of employment. (Intra State)	50,000

Calculate the aggregate turnover of Zen Pvt. Ltd. for June 2020 quarter. Brief and suitable notes should form part of your answer.

**Solution:**

### Computation of Aggregate Turnover

Particulars	Amount (Rs.) Excluding GST
Export of goods to China from Noida (Note 1)	20,00,000
Goods supplied to SEZ located at Delhi from Noida (Note 1)	15,00,000
Supply of goods directly to customer from location of job worker at Lucknow (U.P.) after completion of job work. (Intra state) [2,00,000 * 100 / 105] (Note 2)	1,90,476
Sales from Chennai Shop (Inter State) [11,00,000 * 100 / 105] (Note 2)	10,47,619
Local sales at Noida (Intra State) [25,00,000 * 100 / 105] (Note 2)	23,80,952
Services of transport availed from M/s. ABC Transport (Inter State) (Note 3)	-
Commission paid to Mr. Nagar, Sales Executive which is not part of the terms of employment. (Intra State) (Note 3)	-
<b>Aggregate Turnover</b>	<b>71,19,047</b>

**Notes:**

- (1) It has been assumed that exports of goods and supply of goods to SEZ have been made without payment of tax.
- (2) IGST, CGST and SGST are not included in Aggregate Turnover.
- (3) Inward supplies are not included in Aggregate Turnover.

### Question 3: Aggregate Turnover

In the month of April 2020, Z started supply of goods in his proprietary firm and also set up a one-man company named Z Ltd. He needs your assistance to work out his aggregate turnover for the purpose of GST registration. The turnover details up to the month of July, 2020 are as under:

Particulars	Amount (Rs.)
Supplies of taxable goods of his firm	31,50,000
Supplies of taxable goods to a 100% EOU of his firm	1,50,000
Exports of taxable goods of his firm	2,60,000
Exempt supplies of his firm	2,40,000
Supplies of non-taxable goods of his firm	3,00,000
Supplies of taxable goods by the one-man company set up in his name	2,70,000



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Value of supplies on which Z is liable to pay tax under reverse charge mechanism (RCM)	80,000
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**Note:** All his supplies are intra-State except export.

**Solution:**

### Computation of Aggregate Turnover of Proprietary Firm of Mr. Z

Particulars	Amount (Rs.)
Supplies of taxable goods of his firm (Note 1)	31,50,000
Supplies of taxable goods to a 100% EOU of his firm (Note 2)	1,50,000
Exports of taxable goods of his firm (Note 3)	2,60,000
Exempt supplies of his firm (Note 4)	2,40,000
Supplies of non-taxable goods of his firm (Note 5)	3,00,000
Supplies of taxable goods by the one-man company set up in his name (Note 6)	-
Value of supplies on which Z is liable to pay tax under reverse charge mechanism (RCM) (Note 7)	-
<b>Aggregate Turnover</b>	<b>41,00,000</b>

**Notes:**

- (1) Taxable supplies are included in aggregate turnover.
- (2) Deemed exports being taxable supplies are included in aggregate turnover.
- (3) Exports are included in aggregate turnover.
- (4) Exempt supplies are included in aggregate turnover.
- (5) Exempt supplies are included in aggregate turnover. Exempt supplies include non-taxable supplies also.
- (6) Supplies of taxable goods by the one-man company is not included in aggregate turnover of proprietary firm of Mr. Z as one person company is a separate entity with separate PAN.
- (7) Value of inward supplies on which tax is payable on reverse charge basis are excluded from the aggregate turnover.

### Computation of Aggregate Turnover of Z Ltd. – One Man Company of Mr. Z

Particulars	Amount (Rs.)
Supplies of taxable goods by the one-man company set up in his name	2,70,000
<b>Aggregate Turnover</b>	<b>2,70,000</b>

**Note:** It has been most logically assumed that the amounts given in the question are excluding GST wherever required.

(ICAI – Inter [New Syllabus – 5 Marks] – Exam – May 2021)

#### Question 4: Exemption Scheme (Normal & Special)

Examine the following cases and explain with reasons whether the supplier of goods is liable to get registered in GST:

- (i) Krishna of Himachal Pradesh is exclusively engaged in intra-State taxable supply of readymade suits. His turnover in the current financial year from Himachal Pradesh showroom is Rs.25 lakh. He has two more showrooms one in Manipur & another in Sikkim with a turnover of Rs.15 lakh and Rs.18 lakh respectively in the current financial year.
- (ii) Ankit of Telangana is exclusively engaged in intra-State taxable supply of footwear. His aggregate turnover in the current financial year is Rs.25 lakh:

- (iii) Aakash of Uttar Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is Rs.30 lakh.

**Solution:**

As per Section 22 of the CGST Act, 2017 read with NN 10/2019-CT, a supplier is liable to be registered in the State / Union Territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.

The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:

- (i) Rs.10 lakh for the States of Tripura, Manipur, Nagaland and Mizoram.
  - (ii) Rs.20 lakh for the States of Puducherry, Telangana, Arunachal Pradesh, Meghalaya, Sikkim and Uttarakhand.
  - (iii) Rs.40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.
- (i) Since Krishna is making taxable supply from Manipur – a Special Category State, the applicable threshold limit will get reduced to Rs.10 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- (ii) Since Ankit is exclusively engaged in intra-State supply of goods in Telangana, which is not a specified State for enhanced threshold limit, the applicable threshold limit for registration is Rs.20 lakh. Thus, Ankit is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- (iii) Though the enhanced threshold limit for registration of Rs.40 lakh is available to Uttar Pradesh, the same will not be applicable if the person is engaged in supply of pan masala. In view of the same, the applicable threshold limit for Aakash is Rs.20 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.

(ICAI – Inter [Old Syllabus & New Syllabus – 3 Marks] – MTP 2 – Nov 2021)

**Question 5: Composition Scheme (Normal) – Eligibility of Scheme**

Subramanian Enterprises has two registered places of business in Delhi. Its aggregate turnover for the preceding year for both the places of business was Rs.120 lakh. It wishes to pay tax under composition levy, under section 10(1) & 10(2), for one of the places of business in the current year while under normal levy for other. You are required to advise Subramanian Enterprises whether he can do so?

**Solution:**

A registered person with an aggregate turnover in a preceding financial year up to Rs.1.5 crore is eligible for composition levy, under Section 10(1) & Section 10(2), in Delhi. Since the aggregate turnover of Subramanian Enterprises does not exceed Rs.1.5 crore, it is eligible for composition levy in the current year. However, all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme. Thus, Subramanian Enterprises either have to opt for composition levy for both the places of business or under normal levy for both the places of business.

**Author's Note:** Answer would have been same for Special Composition Scheme under Section 10(2A) of CGST Act, 2017 i.e. even under Section 10(2A) of CGST Act, 2017 one cannot opt for special composition scheme in one registered place and pay normal tax in other registered place.

**Question 6: Composition Scheme (Normal) – Computation of Composition Tax**

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Mr. Yash, doing business in the State of Kerala, commenced his business in the month of April 2020 and provides the following further information.

- (i) His intra-State turnover for the first two quarters was as follows: April, 2020 - June, 2020 - Rs.20 lakhs and July, 2020 - September, 2020 - Rs.100 lakhs
- (ii) In each of the quarters, exempt supply made by him was 25% of the total turnover for the said quarter.
- (iii) Since the product supplied by him was eligible for composition scheme, he opted for registration under composition scheme with effect from 1st July, 2020.

You are required to compute the tax payable by Mr. Yash under GST laws from the above information:

- (i) If he is a manufacturer
- (ii) If he is a trader

### Solution:

As per Section 10 of the CGST Act, 2017 read with Rule 7 of the CGST Rules, 2017, a registered person opting for composition levy for goods pays tax at the rates mentioned below during the current FY, in lieu of the tax payable by him under regular scheme:

Manufacturers, other than manufacturers of notified goods	1% (0.5% CGST + 0.5% SGST/UTGST) of the turnover in the State / Union Territory
Trader	1% (0.5% CGST + 0.5% SGST/UTGST) of turnover of taxable supplies of goods & services in the State / Union Territory

Turnover prior to getting registered will not be considered for determining the turnover in a State / Union Territory.

- (i) If Mr. Yash is a manufacturer  
CGST = Rs.100 lakh \* 0.5% = Rs.50,000 & SGST = Rs.100 lakh \* 0.5% = Rs.50,000
- (ii) If Mr. Yash is a trader  
CGST = Rs.75 lakh (as 25% of turnover is exempt) \* 0.5% = Rs.37,500 & SGST = Rs.75 lakh (as 25% of turnover is exempt) \* 0.5% = Rs.37,500

# INPUT TAX CREDIT

(ICAI – Inter [New Syllabus – 6 Marks] – Exam – May 2021)

**Question 1: Availment of ITC**

A Ltd. procured the following goods in the month of December, 2020:

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

Compute the amount of ITC available with A Ltd. for the month of December 2020 by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled.

**Solution:**

**Computation of Admissible ITC**

Particulars	GST (Rs.)
Goods used in constructing an additional floor of office building (Note 1)	-
Goods given as free sample to prospective customers (Note 2)	-
Trucks used for transportation of inputs in the factory (Note 3)	11,000
Inputs used in trial runs (Note 4)	9,850
Confectionery items for consumption of employees working in the factory (Note 5)	Nil
Cement used for making foundation and structural support to plant and machinery (Note 6)	8,050
<b>Total Admissible ITC</b>	<b>28,900</b>

**Notes:**

- (1) As per Section 17(5) of the CGST Act, 2017, ITC is blocked on goods and / or services received by a taxable person for construction of an immovable property (other than plant and machinery) on his own account even though such goods and/or services are used in the course or furtherance of business. ITC is allowed only when taxable person uses the goods and services for construction of plant and machinery OR for construction of immovable property for some other person (i.e. not on its own account). Construction includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property. Hence, ITC shall not be available in respect of goods used in construction of an additional floor of office building, which would be capitalized in books of accounts.
- (2) As per Section 17(5) of the CGST Act, 2017, ITC on goods disposed of by way of free samples is blocked.
- (3) As per Section 17(5) of the CGST Act, 2017, ITC on motor vehicles used for transportation of goods is not blocked. It has been assumed that depreciation has not been claimed on tax component.
- (4) As per Section 16 of the CGST Act, 2017, being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed.
- (5) As per Section 17(5) of the CGST Act, 2017, 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.

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- (6) As per Section 17(5) of the CGST Act, 2017, 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.

(ICAI – Inter [New Syllabus – 8 Marks] – Exam – May 2021)

### Question 2: Availment of ITC & Utilization of ITC (along with Valuation)

X Electronics is a registered manufacturer of electrical appliances. It made contract with dealers, that purchase of air conditioners of capacity 1.5 ton in the month of October, 2020 of quantity of more than 50 units will entitle them for 10% discount.

Inter-State supply made during the month of October 2020 is Rs.50,00,000. Details of Intra-State supply:

Particulars	Amount (Rs.)
Supply of Microwave Oven	15,00,000
Supply of Refrigerators with Stabilizers being a mixed supply, rate of GST on Refrigerator 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 @ Rs.50,000 per Air Conditioner	50,00,000

Intra-State inward supplies are:

Particulars	Amount (Rs.)
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:

Particulars	Amount (Rs.)
CGST	58,000
SGST	70,000
IGST	10,00,000

#### Notes:

- (i) Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.
- (ii) Both inward and outward supplies are exclusive of taxes.
- (iii) 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, 2020.

#### Solution:

#### Computation of Gross Output Tax Payable

Particulars	IGST (Rs.)	CGST (Rs.)	SGST (Rs.)
Intra-State Supply of Microwave Oven (Rs.15,00,000 * 9%)		1,35,000	1,35,000
Intra-State Supply of Refrigerators with Stabilizers (Rs.40,00,000 * 14%) (Note 1)		5,60,000	5,60,000
Intra-State Supply of 100 (Rs.50 lakh / Rs.50,000) Air Conditioners ([Rs.50,00,000 * 90%] * 9%) (Note 2) [Since 100 Air Conditioners have been supplied,		4,05,000	4,05,000

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discount @ 10% will be available]			
Inter-State Supply (Rs.50,00,000 * 18%)	9,00,000		
<b>Gross Output Tax Payable</b>	<b>9,00,000</b>	<b>11,00,000</b>	<b>11,00,000</b>

**Notes:**

- (1) Being mixed supply, the supply shall be treated as 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.
- (2) 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 2020 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 2020 itself.

### Computation of Admissible ITC

Particulars	IGST (Rs.)	CGST (Rs.)	SGST (Rs.)
Opening ITC	10,00,000	58,000	70,000
<b>Add:</b> Intra-State Inward Supplies of Raw Materials (Rs.20,00,000 * 9%)		1,80,000	1,80,000
<b>Add:</b> Intra-State Inward Supplies of Gym Membership of Employees (Note 1)		Nil	Nil
<b>Add:</b> Intra-State Inward Supplies of Truck purchased for Transportation of Goods (Rs.30,00,000 * 9%) (Note 2)		2,70,000	2,70,000
<b>Total Admissible ITC</b>	<b>10,00,000</b>	<b>5,08,000</b>	<b>5,20,000</b>

**Notes:**

- (1) As per Section 17(5) of CGST Act, 2017, ITC on membership of a health and fitness centre is blocked if there is no statutory obligation for the employer to provide the same.
- (2) As per Section 17(5) of CGST Act, 2017, ITC on motor vehicles used for transportation of goods is not blocked. It has been assumed that depreciation has not been claimed on tax component.

### Computation of Net Output Tax Payable

Particulars	IGST (Rs.)	CGST (Rs.)	SGST (Rs.)
Gross Output Tax Payable	9,00,000	11,00,000	11,00,000
<b>Less:</b> Utilization of ITC			
▪ Utilization of IGST ITC	(9,00,000)	(1,00,000)	-
▪ Utilization of CGST ITC	-	(5,08,000)	-
▪ Utilization of SGST ITC	-	-	(5,20,000)
<b>Net Output Tax Payable in Electronic Cash Ledger</b>	<b>Nil</b>	<b>4,92,000</b>	<b>5,80,000</b>

**Note:** As per Section 49, Section 49A and Section 49B read with Rule 88A, order of utilization is as follows:

**Order of Utilization of ITC of IGST**

- ITC of IGST on inward supply first is to be utilized for payment of Output IGST liability on outward supply,
- ITC of IGST on inward supply then is to be utilized for payment of Output CGST liability and Output SGST liability on outward supply IN ANY ORDER & IN ANY PROPORTION.
- ITC of IGST to be completely exhausted mandatorily before using ITC of CGST and ITC of SGST

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### Order of Utilization of ITC of CGST

- ITC of CGST on inward supply first is to be utilized for payment of Output CGST liability on outward supply,
- ITC of CGST on inward supply then is to be utilized for payment of Output IGST liability.
- ITC of CGST on inward supply CANNOT be utilized for payment of Output SGST liability.
- ITC of CGST should be fully utilized before using ITC of SGST / UTGST for Output IGST liability (if any)

### Order of Utilization of ITC of SGST

- ITC of SGST on inward supply first is to be utilized for payment of Output SGST liability on outward supply,
- ITC of SGST on inward supply then is to be utilized for payment of Output IGST liability. However, ITC of CGST should be fully utilized before using ITC of SGST / UTGST for Output IGST liability.
- ITC of SGST on inward supply CANNOT be utilized for payment of Output CGST liability.

**Author's Note:** It is important to note that after using IGST ITC against IGST Output, balance IGST ITC can be used for payment of CGST Output and SGST Output in any order and in any proportion. Thus, there can be multiple answers for the same question. However, it should be ensured that there is optimum utilization of IGST ITC i.e. there should be minimum Cash Outflow of Tax. Also, if there is any ITC carry forward, it should be ensured that there should be equal amount of CGST ITC and SGST ITC carried forwarded, wherever the same is possible.

(ICAI – Inter [Old Syllabus – 8 Marks] – Exam – May 2021)

### Question 3: Availment of ITC & Utilization of ITC (along with Valuation)

Kaira Air Ltd. located in Anand, Gujarat is engaged in manufacturing of Air Coolers and Air Purifiers. They supply goods all over India and their aggregate turnover during F.Y. 2019-20 was Rs.125 lakh. The details of various activities undertaken during the month of September 2020 are as follows:

Particulars	Amount (Rs.)
(i) Outward supplies made during the month: (a) Within Gujarat – Rs.11,00,000 (b) Outside Gujarat – Rs.3,00,000	14,00,000
(ii) On 5 <sup>th</sup> September 2020, the company had issued 10 exchange vouchers @ 1,000 each of which can be exchanged / redeemed against purchase of Air cooler worth Rs.10,000 each at any of the company's outlets in the State of Gujarat. Out of the above, 7 vouchers were encashed during the month of September 2020 & rest 3 were encashed during the month of October 2020.	
(iii) Purchase of material within Gujarat which includes material worth Rs.3,00,000 purchased from M/s. Kalpana Industries registered as a Composition dealer.	8,00,000
(iv) In respect of few invoices worth Rs.1,00,000 raised during the month of June 2020, the stipulated condition was to pay the dues within 1 month from the date of raising of invoices, otherwise interest @ 24% was payable on supplies made against such invoices. The buyers failed to pay the dues within the stipulated time and made the payment together with interest of Rs.11,200 during the month of September 2020.	
(v) Bought air tickets from Ahmedabad to Guwahati Airport, Assam for its marketing executives. The total fare of the tickets was Rs.60,000 out of which Rs.55,000 is the basic fare. Applicable GST rate is 5% on basic fare for air tickets.	
(vi) Send 10 managers for 15 days training course organized by IIM Ahmedabad, Gujarat on 5 <sup>th</sup> September 2020. The IIM provides Participation Certificates at the end	50,000

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of the course.

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

Nature of Supply	IGST	CGST	SGST
Goods	12%	6%	6%
Services other than item of S. No. (v)	18%	9%	9%
Composite Supplies	-	2.5%	2.5%

Opening balances of input tax credit as on 1<sup>st</sup> September, 2020 were as follows:

Particulars	IGST	CGST	SGST
Amount	Rs.5,000	Rs.4,000	Rs.10,000

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

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

Calculate the amount of tax payable in cash by Kaira Air Ltd. for the month of September 2020. Brief and suitable notes should form part of your answer.

**Solution:**

### Computation of Gross Output Tax Payable

Particulars	IGST (Rs.)	CGST (Rs.)	SGST (Rs.)
Outward supplies within Gujarat (Rs.11,00,000 * 6%)		66,000	66,000
Outward supplies outside Gujarat (Rs.3,00,000 * 12%)	36,000		
Supply of 10 exchange vouchers (Rs.10,000 * 6%) (Note 1)		600	600
Interest for delayed payment (Rs.11,200 * 12 / 112) (Note 2)	1,200		
<b>Gross Output Tax Payable</b>	<b>37,200</b>	<b>66,600</b>	<b>66,600</b>

**Notes:**

(1) Since supply is identifiable at the time of issue of the 10 vouchers, the time of supply is the date of their issue and are thus the same are taxable in September itself irrespective of the time of their redemption.

**Note:** It is also possible to consider the value of exchange vouchers as Rs.1,00,000 in terms of Rule 32(6) of the CGST Rules, 2017.

**Author's Note:** Though ICAI has mentioned that value of exchange vouchers MAY be taken as Rs.1,00,000 as per Rule 32(6), we are of opinion that value of exchange vouchers SHALL be only Rs.1,00,000 as per Rule 32(6).

(2) Includible in value and taxable when the same is received, i.e. in September.

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

### Computation of Admissible ITC

Particulars	IGST (Rs.)	CGST (Rs.)	SGST (Rs.)
Opening ITC	5,000	4,000	10,000
<b>Add:</b> Intra-State Inward Supplies of Raw Materials Purchase of material within Gujarat (Rs.5,00,000 * 6%) (Note 1)	-	30,000	30,000
<b>Add:</b> Air tickets from Ahmedabad to Guwahati	-	Nil	Nil



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(Author's Note)			
<b>Add:</b> Training course organized by IIM, Gujarat (Rs.50,000 * 9%) (Note 2)	-	4,500	4,500
<b>Total Admissible ITC</b>	<b>5,000</b>	<b>38,500</b>	<b>44,500</b>

**Notes:**

- (1) No credit on material purchased from composition dealer as he cannot collect any tax from the recipient on supplies made by him.
- (2) Short duration programmes offered by IIMs for which participation certificate is awarded are not 'qualification recognized by law' and thus, the same is not exempt.

**Author's Note:** ITC on Air tickets for business purposes is available as per CGST Act, 2017 and thus, the same should have been considered in admissible ITC.

### Computation of Net Output Tax Payable

Particulars	IGST (Rs.)	CGST (Rs.)	SGST (Rs.)
Gross Output Tax Payable	37,200	66,600	66,600
<b>Less:</b> Utilization of ITC			
▪ Utilization of IGST ITC	(5,000)	-	-
▪ Utilization of CGST ITC	-	(38,500)	-
▪ Utilization of SGST ITC	-	-	(44,500)
<b>Net Output Tax Payable in Electronic Cash Ledger</b>	<b>32,200</b>	<b>28,100</b>	<b>22,100</b>

**Note:** As per Section 49, Section 49A and Section 49B read with Rule 88A, order of utilization is as follows:

**Order of Utilization of ITC of IGST**

- ITC of IGST on inward supply first is to be utilized for payment of Output IGST liability on outward supply,
- ITC of IGST on inward supply then is to be utilized for payment of Output CGST liability and Output SGST liability on outward supply IN ANY ORDER & IN ANY PROPORTION.
- ITC of IGST to be completely exhausted mandatorily before using ITC of CGST and ITC of SGST

**Order of Utilization of ITC of CGST**

- ITC of CGST on inward supply first is to be utilized for payment of Output CGST liability on outward supply,
- ITC of CGST on inward supply then is to be utilized for payment of Output IGST liability.
- ITC of CGST on inward supply CANNOT be utilized for payment of Output SGST liability.
- ITC of CGST should be fully utilized before using ITC of SGST / UTGST for Output IGST liability (if any)

**Order of Utilization of ITC of SGST**

- ITC of SGST on inward supply first is to be utilized for payment of Output SGST liability on outward supply,
- ITC of SGST on inward supply then is to be utilized for payment of Output IGST liability. However, ITC of CGST should be fully utilized before using ITC of SGST / UTGST for Output IGST liability.
- ITC of SGST on inward supply CANNOT be utilized for payment of Output CGST liability.

# **DOCUMENTS**

(ICAI – Inter [Old Syllabus – 1 Mark] – Exam – May 2021)

## **Question 1: Bill of Supply**

Under what circumstances, a registered person is required to issue a "Bill of Supply"?

### **Solution:**

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

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

(ICAI – Inter [Old Syllabus – 5 Marks] – Exam – May 2021)

## **Question 2: Tax Invoice – E-Invoicing**

- (i) To whom mandatory E-invoicing is applicable?
- (ii) Which entities are exempt from mandatory requirement of E-invoicing?
- (iii) What are the advantages of E-Invoicing?

### **Solution:**

- (i) All registered businesses with an aggregate turnover (based on PAN) greater than Rs.50 crore in any preceding financial year from 2017-18 onwards are required to issue e- invoices in respect of B2B supplies (supply of goods and/or services to a registered person).
- (ii) Further, following entities are exempt from the mandatory requirement of e-invoicing:
  - (a) Special Economic Zone units
  - (b) Insurer or banking company or financial institution including NBFC
  - (c) GTA supplying services in relation to transportation of goods by road in a goods carriage
  - (d) Supplier of passenger transportation service
  - (e) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
  - (f) Government Department and Local Authority
- (iii) E-invoice has many advantages for businesses, which have been given as under:
  - (a) Auto-reporting of invoices into GST return and auto-generation of e-way bill (wherever required)
  - (b) Reduction in transcription errors (Accuracy/Reconciliation)
  - (c) Reduction of disputes among transacting parties (Early payment)
  - (d) Reduction of Cost
  - (e) Reduction of tax evasion
  - (f) Elimination of fake invoices
  - (g) Eco-Friendly as it eliminates paper

(ICAI – Inter [Old Syllabus & New Syllabus – 5 Marks] – MTP 2 – Nov 2021)

## **Question 3: Delivery Challan**

Sitaram Textiles has to send cloth for dyeing to its job-worker. It wishes to know whether it needs to issue a tax invoice at the time of sending the goods to job-worker. Please advise him with reference to the provisions of the CGST Act.

### **Solution:**

Sitaram Textiles has to issue a delivery challan and not the tax invoice at the time of sending the goods to job-worker. Rule 55, inter alia, stipulates that for the purposes of transportation of goods for job work, the consignor may issue a delivery challan, serially numbered, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following details, namely:

- (i) date and number of the delivery challan;
- (ii) name, address and Goods and Services Tax Identification Number of the consignor, if registered;
- (iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
- (iv) Harmonised System of Nomenclature code and description of goods;
- (v) quantity (provisional, where the exact quantity being supplied is not known);
- (vi) taxable value;
- (vii) tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
- (viii) place of supply, in case of inter-State movement; and
- (ix) signature.

The delivery challan shall be prepared in triplicate, in case of supply of goods, in the following manner, namely:

- (a) the original copy being marked as ORIGINAL FOR CONSIGNEE;
- (b) the duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and
- (c) the triplicate copy being marked as TRIPLICATE FOR CONSIGNER.

# **REGISTRATION**

(ICAI – Inter [Old Syllabus – 4 Marks] – Exam – May 2021)

**Question 1: Application for Registration – Turnover based Registration under Section 22 and Persons Not Liable for Registration under Section 23**

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

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

**Solution:**

- (i) A commission agent under APMC Act is not liable to be compulsorily registered as per Section 24 of CGST Act, 2017 since it provides exempt services of sale/purchase of agricultural produce on behalf of an agriculturist being a non-taxable person as he supplies produce out of cultivation of land. Moreover, such commission agents are otherwise also exempt from registration since any person engaged exclusively in the business of supplying exempt services is not liable to registration as per Section 23 of CGST Act, 2017. Therefore, Manu is not liable to get registered under GST law.
- (ii) A supplier who is supplying both goods and services is required to obtain registration in the State (other than special category States) from where he makes a taxable supply if his aggregate turnover exceeds specified threshold limit of Rs.20 lakh in a financial year as per Section 22 of CGST Act, 2017. In the given case, the aggregate turnover of goods and services supplied by Anubhav (Rs.38 lakh) exceeds the threshold limit and thus, he is required to obtain registration.

(ICAI – Inter [Old Syllabus – 4 Marks] – Exam – May 2021)

**Question 2: Revocation of Cancellation of Registration**

M/s. S Corporation has made default in furnishing returns. It has not filed returns from the month of June 2020. The proper officer cancelled its registration with effect from 1st January 2021 by an order dated 1st January 2021. It applied for revocation of cancellation of registration and the order for revocation of cancellation of registration was passed on 1st March 2021. What are the provisions regarding filing returns before making such an application of revocation of cancellation of registration for the given case?

**Solution:**

Where the registration is cancelled suo-moto by the appropriate officer, the registrant seeking revocation of the order, has to apply for the revocation of cancellation within 30 days from the date of service of the order of cancellation of registration. Further, he has to furnish all the returns due till the date of such cancellation before the application for revocation can be filed. Further, he should also pay any amount due as tax along with any amount payable towards interest, penalty, and late fee in respect of the said returns.

Thus, in the given case, before making an application for revocation of cancellation of registration, M/s S. Corporation should file all returns due for the period from June 2020 till 1st January 2021.

## PAYMENT

(ICAI – Inter [Old Syllabus – 5 Marks] – Exam – May 2021)

**Question 1: Interest on Delayed Payment**

MNI Ltd. provides following details for the month of March 2021:

- (1) While filling GST return of March 2021 on 20-04-21 (within the prescribed due date), they came to know that one bill of January 2021 consisting tax amount of Rs.50,000 was not considered while filling return for the month of January 2021 (Return was filed on 20-02-2021, within the prescribed due date).
- (2) MNI Ltd. has paid the above shortfall of Rs.50,000 of January 2021, through GSTR-3B for the month of March 2021 (payment through cash ledger was Rs.30,000 and payment through credit ledger was Rs.20,000).

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

- (i) They are liable to pay interest u/s 50 of the CGST Act.
- (ii) If they had filed return of January 2021 on 20-04-21 (Self assessed tax also paid on 20-04-2021 of Rs.50,000 (payment through cash ledger was Rs.30,000 and payment through credit ledger was Rs.20,000) then also they are liable to pay interest u/s 50 of the CGST Act.

**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 Section 50(1), 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, MNI Ltd. has defaulted in making the payment for Rs.50,000 on self-assessment basis in the return for the month of January, 2021 (though January 2021 return has been filed within due-date i.e. 20-02-2021) and the same is paid while filing return for the month of March 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 MNI Ltd. is as under:

(i) Due-date of payment	20 <sup>th</sup> Feb. 2021
(ii) Actual date of payment	20 <sup>th</sup> Apr. 2021
(iii) Period of Delay i.e. No. of days from next day after due-date of payment of January month (i.e. 21 <sup>th</sup> Feb.) till the date of payment (i.e. 20 <sup>th</sup> Apr.)	59 days
(iv) Amount of GST	Rs.50,000
(v) Rate of Interest	18% p.a.
(vi) Amount of Interest = (iii * iv * v) / 365 days	<b>Rs.1,455</b>

Alternatively, if MNI Ltd. have filed the return for the month of January 2021 on 20.04.2021, beyond the stipulated due date of 20.02.2021 and if the self-assessed tax for January 2021 has been paid on 20.04.2021, Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only.

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

(i) Due-date of payment	20 <sup>th</sup> Feb. 2021
(ii) Actual date of payment	20 <sup>th</sup> Apr. 2021

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(iii) Period of Delay i.e. No. of days from next day after due-date of payment of January month (i.e. 21 <sup>th</sup> Feb.) till the date of payment (i.e. 20 <sup>th</sup> Apr.)	59 days
(iv) Amount of GST	Rs.30,000
(v) Rate of Interest	18% p.a.
(vi) Amount of Interest = $(iii * iv * v) / 365$ days	<b>Rs.873</b>

**Author's Note:** It is assumed that the assessee has not opted for QRMP scheme and thus, due-date of payment is 20<sup>th</sup> of the succeeding month.

# **RETURNS**

**(ICAI – Inter [Old Syllabus & New Syllabus – 5 Marks] – MTP 1 – Nov 2021)**

**Question 1: Regular Taxable Person and Casual Taxable Person – Eligibility of QRMP Scheme**

Discuss the eligibility for QRMP scheme under GST?

**Solution:**

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

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

**(ICAI – Inter [Old Syllabus & New Syllabus – 5 Marks] – MTP 2 – Nov 2021)**

**Question 2: Regular Taxable Person and Casual Taxable Person – Debarring from filing GSTR-1 / IFF**

What are the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF?

**Solution:**

- (i) A registered person shall not be allowed to furnish the details of outward supplies in Form GSTR-1, if he has not furnished the return in Form GSTR-3B for preceding two months.
- (ii) A registered person, opting for QRMP scheme shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF, if he has not furnished the return in Form GSTR-3B for preceding tax period.
- (iii) A registered person, who is restricted from using the amount available in electronic credit ledger to discharge his liability towards tax in excess of 99% of such tax liability under rule 86B of the CGST Rules, shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF, if he has not furnished the return in Form GSTR-3B for preceding tax period.

**(ICAI – Inter [New Syllabus – 5 Marks] – Exam – May 2021)**

**Question 3: Final Return**

Explain who is required to furnish final return, time limit for filing of final return and late fee for delay in filing final return.

**Solution:**

Every registered person who is required to furnish a return under Section 39(1) of the CGST Act, 2017 and whose registration has been surrendered or cancelled shall file a Final Return electronically in the prescribed form (GSTR-10) through the common portal.

Final Return has to be filed within 3 months of the:

- (i) date of cancellation or
- (ii) date of order of cancellation

whichever is later.

Quantum of late fee for not filing the final return is as follows:



- (i) Rs.100 for every day during which such failure continues or
  - (ii) Rs.5,000
- whichever is lower.

An equal amount of late fee is payable under the respective SGST/UTGST Act as well.

(ICAI – Inter [Old Syllabus & New Syllabus – 3 Marks] – MTP 1 – Nov 2021)

### Question 4: Late Fees for Late Filing of Return

M/s ABC & Co., have defaulted in filing the return under Section 39 of CGST Act, 2017 i.e. GSTR-3B for the month of March, 2021 within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 2021, which have been finalised during May 2021. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of Rs.2,000 under CGST and SGST each. Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger for the late fees. Give your guidance in this regard.

#### Solution:

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

Further, Section 49 provides that the amount available in the Electronic Credit Ledger may be used for making any payment towards output tax under CGST Act, 2017 or under IGST Act, 2017.

Accordingly, as per the combined reading of the above provisions, late fees shall be paid only through Electronic Cash Ledger and not possible through Electronic Credit Ledger. Thus, contention of the accountant of M/s ABC & Co., is not correct and the above amount shown on the common portal has to be deposited in Electronic Cash Ledger under appropriate minor head, through any of the specified modes.

(ICAI – Inter [New Syllabus – 5 Marks] – Exam – May 2021)

### Question 5: GST Practitioner

Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act?

#### Solution:

Following persons can be registered as Goods and Service Tax Practitioners:

Any person who, (i) is a citizen of India; (ii) is a person of sound mind; (iii) is not adjudicated as insolvent; (iv) has not been convicted by a competent court; and satisfies any of the following conditions, namely that he:

- (i) is a retired officer of Commercial Tax Department of any State Govt./CBIC who, during service under Government had worked in a post not lower than the rank of a Group-B gazetted officer for a period  $\geq 2$  years, or
- (ii) is enrolled as a Sales Tax Practitioner or Tax Return Preparer under the erstwhile indirect tax laws for a period of not less than 5 years, or
- (iii) acquired any of the prescribed qualifications
- (iv) has passed Graduate/postgraduate degree or its equivalent examination having a degree in specified disciplines, from any Indian University or a degree examination of any Foreign University recognised by any Indian University as equivalent to degree examination
- (v) has passed any other notified examination

(vi) has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India

**Note:** Any 3 points may be mentioned.

## **E-WAY BILL**

### **Question 1: E-Way Bill – Mandatory E-Way Bill irrespective of Consignment Value**

Decide with reason whether e-way bill is required to be issued under CGST Act, 2017 in the following independent cases:

- (i) Square Ltd., registered in Andhra Pradesh, sends goods to its job worker Cube & Co. in Karnataka, which is also registered under GST. Value of the consignment was Rs.45,000 (including GST).
- (ii) Mr. Bheeshma of Telangana started doing business in notified handicraft products as a casual taxable person. He got his first order of Rs.30,000 from Tamil Nadu which he transports. He is not registered under GST since he has a threshold limit of Rs.20 lakh.

### **Solution:**

- (i) E-way bill is mandatorily required to be issued in case of inter-State transfer of goods by principal to job-worker, irrespective of the value of the consignment.  
In view of the same, e-way is mandatorily required to be issued in the given case.
- (ii) E-way bill is mandatorily required to be issued in case of inter-State transfer of handicraft goods by a person exempted from obtaining registration.  
In view of the same, e-way bill is mandatorily required to be issued in the present case.