

# M.K.G

# CA EDUCATION

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# GST

- ❖ **Central Goods and Services Tax Act, 2017.**
- ❖ **State Goods and Services Tax Act, 2017.**
- ❖ **Integrated Goods and Services Tax Act, 2017.**
- ❖ **Union Territory Goods and Services Tax Act, 2017.**
- ❖ **Goods and Services Tax (Compensation to States) Act, 2017**

*After the book has been published, some error/mistake etc may be detected/or there may be some amendments etc, all such corrections/amendments shall be uploaded on our website at the back of the book*

**8<sup>th</sup> Edition**

### **Author**

This Book is the result of combined efforts of  
Chartered Accountants/ company executives /  
other professionals / feedback of our thousands of students

**₹750**

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# GOODS AND SERVICES TAX

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- Section – 1** :Short title, extent and commencement
- Section – 2**: Definitions
- Section – 7**: Scope of supply
- Section – 8**: Tax liability on composite and mixed supplies
- Section – 9**: Levy and Collection
- Section – 10**:Composition levy
- Section – 11**:Power to grant exemption from tax
- Section – 12**:Time of supply of goods
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- Section – 18**:Availability of credit in case of new registration or opting out of composition scheme etc.
- Section – 22**:Persons liable for registration
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- Section – 46**:Notice to return defaulters (GSTR - 3A)
- Section – 47**:Levy of late fee
- Section – 48**:Goods and services tax practitioners
- Section – 49**:Payment of tax, interest, penalty and other amounts/utilization of ITC
- Section – 50**:Interest on delayed payment of tax
- Section – 68**: Inspection of goods in movement.

<b>LIST OF IMPORTANT RULES</b>
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**Rule – 1:** Short title 1 and commencement

**Rule – 2:** Definitions

**Composition scheme**

**Rule – 3 to 7:** Intimation for composition levy/Conditions / restrictions/Rate of tax

**Registration**

**Rule – 8:** Application for registration

**Rule – 9:** Verification of the application and approval

**Rule – 10:** Issue of registration certificate

**Rule – 16:** Suo motu registration

**Rule – 19:** Amendment of registration

**Rule – 20:** Application for cancellation of registration

**Rule – 21:** Registration to be cancelled in certain cases

**Rule – 22:** Cancellation of registration

**Rule – 23:** Revocation of cancellation of registration

**Rule – 24:** Migration of persons registered under the existing law

**Rule – 25:** Physical verification of business premises in certain cases

**Rule – 26:** Method of authentication

**Input Tax Credit**

**Rule – 36:** Documentary requirements and conditions for claiming input tax credit

**Rule – 37:** Reversal of input tax credit in the case of non-payment of consideration within 180 days

**Rule – 40:** Availment of ITC on registration or shifting to normal scheme etc.

**Rule – 42:** Reversal of ITC on Inputs/Input Services in case of mix use

**Rule – 43:** Reversal of ITC on Capital Goods in case of mix use

**Rule – 44:** Reversal of ITC on cancellation of registration/ shifting to composition scheme etc.

**Invoice/Credit/Debit Notes**

**Rule – 46:** Tax invoice

**Rule – 47:** Time limit for issuing tax invoice

**Rule – 48:** Manner of issuing invoice

**Rule – 49:** Bill of supply

**Rule – 50:** Receipt voucher

**Rule – 51:** Refund voucher

**Rule – 52:** Payment voucher

**Rule – 53:** Revised tax invoice and credit or debit notes

**Rule – 55:** Transportation of goods without issue of invoice

**Returns/Matching**

**Rule – 59:** Form and manner of furnishing details of outward supplies

**Rule – 60:** Form and manner of furnishing details of inward supplies

**Rule – 61:** Form and manner of submission of monthly return

**Rule – 62:** Form and manner of submission of quarterly return by the composition supplier

**Rule – 68:** Notice to non-filers of returns

**Rule – 71:** Communication and rectification of discrepancy in claim of input tax credit and reversal of claim of input tax credit

**Rule – 72:** Claim of input tax credit on the same invoice more than once

**Rule – 75:** Communication and rectification of discrepancy in reduction in output tax liability and reversal of claim of reduction

**Rule – 77:** Refund of interest paid on reversals/reclaim of ITC

**Rule – 80:** Annual return

**Rule – 81:** Final return

**Payment of GST**

**Rule – 85 to 88:** Electronic Liability Register/Electronic Credit Ledger/Electronic Cash Ledger

**E-Way Bill**

**Rule – 138:** Information to be furnished prior to commencement of movement of goods and generation of e-way bill.

**Rule – 138A:** Documents and devices to be carried by a person-in-charge of a conveyance.

**Rule – 138B:** Verification of documents and conveyances.

**Rule – 138C:** Inspection and verification of goods.

**Rule – 138D:** Facility for uploading information regarding detention of vehicle.

**Rule – 138E:** Restriction on furnishing of information in PART A of FORM GST EWB-01.

**PAPER – 4: TAXATION**

(One paper — Three hours –100 Marks)

**Objective:** To develop an understanding of the provisions of income-tax law and goods and services tax law and to acquire the ability to apply such knowledge to make computations and address basic application oriented issues.

**SECTION A: INCOME TAX LAW (60 MARKS)**

**Contents:**

**1. Basic Concepts**

- (i) Income-tax law: An introduction
- (ii) Important definitions in the Income-tax Act, 1961
- (iii) Concept of previous year and assessment year
- (iv) Basis of Charge and Rates of Tax

**2. Residential status and scope of total income**

- (i) Residential status
- (ii) Scope of total income

**3. Incomes which do not form part of total income (other than charitable trusts and institutions, political parties and electoral trusts)**

- (i) Incomes not included in total income
- (ii) Tax holiday for newly established units in Special Economic Zones

**4. Heads of income and the provisions governing computation of income under different heads**

- (i) Salaries
- (ii) Income from house property
- (iii) Profits and gains of business or profession
- (iv) Capital gains
- (v) Income from other sources

**5. Income of other persons included in assessee's total income**

- (i) Clubbing of income: An introduction
- (ii) Transfer of income without transfer of assets
- (iii) Income arising from revocable transfer of assets
- (iv) Clubbing of income of income arising to spouse, minor child and son's wife in certain cases
- (v) Conversion of self-acquired property into property of HUF

**6. Aggregation of income; Set-off, or carry forward and set-off of losses**

- (i) Aggregation of income
- (ii) Concept of set-off and carry forward and set-off of losses
- (iii) Provisions governing set-off and carry forward and set-off of losses under different heads of income
- (iv) Order of set-off of losses

**7. Deductions from gross total income**

- (i) General provisions
- (ii) Deductions in respect of certain payments
- (iii) Specific deductions in respect of certain income
- (iv) Deductions in respect of other income
- (v) Other deductions

**8. Computation of total income and tax liability of individuals**

- (i) Income to be considered while computing total income of individuals
- (ii) Procedure for computation of total income and tax liability of individuals

**9. Advance tax, tax deduction at source and introduction to tax collection at source**

- (i) Introduction
- (ii) Direct Payment
- (iii) Provisions concerning deduction of tax at source
- (iv) Advance payment of tax

- (v) Interest for defaults in payment of advance tax and deferment of advance tax
- (vi) Tax collection at source – Basic concept
- (vii) Tax deduction and collection account number

### **10. Provisions for filing return of income and self-assessment**

- (i) Return of Income
- (ii) Compulsory filing of return of income
- (iii) Fee and Interest for default in furnishing return of income
- (iv) Return of loss
- (v) Provisions relating to belated return, revised return etc.
- (vi) Permanent account number
- (vii) Persons authorized to verify return of income
- (viii) Self-assessment

## **SECTION B – INDIRECT TAXES (40 MARKS)**

### **Contents:**

#### **1. Concept of indirect taxes**

- (i) Concept and features of indirect taxes
- (ii) Principal indirect taxes

#### **2. Goods and Services Tax (GST) Laws**

- (i) GST Laws: An introduction including Constitutional aspects
- (ii) Levy and collection of CGST and IGST
  - a) Application of CGST/IGST law
  - b) Concept of supply including composite and mixed supplies
  - c) Charge of tax
  - d) Exemption from tax
  - e) Composition levy
- (iii) Basic concepts of time and value of supply
- (iv) Input tax credit
- (v) Computation of GST liability
- (vi) Registration
- (vii) Tax invoice; Credit and Debit Notes; Electronic way bill
- (viii) Returns
- (ix) Payment of tax including reverse charge

**Note** – If any new legislation(s) is enacted in place of an existing legislation(s), the syllabus will accordingly include the corresponding provisions of such new legislation(s) in place of the existing legislation(s) with effect from the date to be notified by the Institute. Similarly, if any existing legislation ceases to have effect, the syllabus will accordingly exclude such legislation with effect from the date to be notified by the Institute. Students shall not be examined with reference to any particular State GST Law.

Consequential/corresponding amendments made in the provisions of the Income-tax law and Goods and Services Tax laws covered in the syllabus of this paper which arise out of the amendments made in the provisions not covered in the syllabus will not form part of the syllabus. Further, the specific inclusions/exclusions in the various topics covered in the syllabus will be effected every year by way of Study Guidelines.



## WEIGHTAGE

### Intermediate Course Paper 4: Taxation (100 Marks)

#### Section A: Income-tax Law (60 Marks)

Sections	Weightage	Content Area
<b>I</b>	15%-20%	<p><b>1. Basic Concepts</b></p> <ul style="list-style-type: none"> <li>(i) Income-tax law: An introduction</li> <li>(ii) Important definitions in the Income-tax Act, 1961</li> <li>(iii) Concept of previous year and assessment year</li> <li>(iv) Basis of Charge and Rates of Tax</li> </ul> <p><b>2. Residential status and scope of total income</b></p> <ul style="list-style-type: none"> <li>(i) Residential status</li> <li>(ii) Scope of total income</li> </ul>
<b>II</b>	25%-35%	<p><b>3. Incomes which do not form part of total income (other than charitable trusts and institutions, political parties and electoral trusts)</b></p> <ul style="list-style-type: none"> <li>(i) Incomes not included in total income</li> <li>(ii) Tax holiday for newly established units in Special Economic Zones</li> </ul>
		<p><b>4. Heads of income and the provisions governing computation of income under different heads</b></p> <ul style="list-style-type: none"> <li>(i) Salaries</li> <li>(ii) Income from house property</li> <li>(iii) Profits and gains of business or profession</li> <li>(iv) Capital gains</li> <li>(v) Income from other sources</li> </ul>
<b>III</b>	15%-20%	<p><b>5. Income of other persons included in assessee's total income</b></p> <ul style="list-style-type: none"> <li>(i) Clubbing of income: An introduction</li> <li>(ii) Transfer of income without transfer of assets</li> <li>(iii) Income arising from revocable transfer of assets</li> <li>(iv) Clubbing of income of income arising to spouse, minor child and son's wife in certain cases</li> <li>(v) Conversion of self-acquired property into property of HUF</li> </ul>
		<p><b>6. Aggregation of income; Set-off, or carry forward and set-off of losses</b></p> <ul style="list-style-type: none"> <li>(i) Aggregation of income</li> <li>(ii) Concept of set-off and carry forward and set-off of losses</li> <li>(iii) Provisions governing set-off and carry forward and set-off of losses under different heads of income</li> <li>(iv) Order of set-off of losses</li> </ul>

		<b>7. Deductions from gross total income</b> (i) General provisions (ii) Deductions in respect of certain payments (iii) Specific deductions in respect of certain income (iv) Deductions in respect of other incomes (v) Other deductions
<b>IV</b>	15%-20%	<b>8. Computation of total income and tax liability of individuals</b> (i) Income to be considered while computing total income of individuals (ii) Procedure for computation of total income and tax liability of individuals
<b>V</b>	15%-20%	<b>9. Advance tax, tax deduction at source</b> (i) Introduction (ii) Direct Payment (iii) Provisions concerning deduction of tax at source (iv) Advance payment of tax (v) Interest for defaults in payment of advance tax and deferment of advance tax
		<b>Introduction to tax collection at source</b> (i) Tax collection at source – Basic concept (ii) Tax deduction and collection account number
		<b>10. Provisions for filing return of income and self-assessment</b> (i) Return of Income (ii) Compulsory filing of return of income (iii) Fee and Interest for default in furnishing return of income (iv) Return of loss (v) Provisions relating to belated return, revised return etc. (vi) Permanent account number (vii) Persons authorized to verify return of income (viii) Self-assessment

<b>Section B: Indirect Taxes (40 Marks)</b>		
<b>Sections</b>	<b>Weightage</b>	<b>Content Area</b>
<b>I</b>	30%-50%	<b>1. Levy and collection of CGST and IGST</b> (a) Application of CGST/IGST law (b) Concept of supply including composite and mixed supplies (c) Charge of tax (including reverse charge) (d) Exemption from tax (e) Composition levy
		<b>2. Basic concepts of time and value of supply</b>
		<b>3. Input tax credit</b>
		<b>4. Computation of GST liability</b>
<b>II</b>	20%-30%	<b>4. Computation of GST liability</b>
<b>III</b>	25%-40%	<b>5. Registration</b>

		<b>6. Tax invoice; Credit and Debit Notes; Electronic way bill</b>
		<b>7. Returns</b>
		<b>8. Payment of tax</b>
<b>IV</b>	0 - 5%	<b>9. Concept of indirect taxes - Concept and features of indirect taxes; Principal indirect taxes</b>
		<b>10. GST Laws: An introduction including Constitutional aspects</b>

# **ANNOUNCEMENT**

## **PATTERN OF ASSESSMENT FROM MAY 2019 EXAMINATION**

Students appearing in the Intermediate/IIPCE under the Old and New Scheme of Education and Training may please note that beginning from May, 2019 attempt, assessment in the following subjects would be partially based on objective type questions:

### **Intermediate (New Course)**

Corporate and Other Laws

Taxation

Auditing & Assurance

Enterprise Information System & Strategic Management

### **IIPCC (Old Course)**

Business Laws, Ethics & Communication

Taxation

Auditing & Assurance

Information Technology & Strategic Management

In each of the above papers, the weightage for objective type questions would be 30%. The remaining questions i.e., 70% of the paper would be as per the present pattern of assessment. The objective type questions will be in the nature of multiple choice questions having 1 or more marks. There will be no negative marking for wrong answers. It may be noted that objective type questions will be compulsory and there will be no internal or external choice in them.

Further details in this regard would be hosted on the Institute's website shortly.

# **ETI AGARWAL**

**ALL INDIA TOPPER OF CA-IPC (NOV-13)**

**ROLL NO. - 366539**

**MARKS IN TAXATION:89%**  
**(HIGHEST MARKS IN TAXATION ALL OVER INDIA)**  
**(AGGREGATE MARKS 79.71%)**

## **(FEEDBACK)**

A man for whom teaching is neither a business nor a profession, rather a passion for doing good, great and unique in the field of teaching is none other than MK Gupta Sir.

Sir's unmatched style of teaching coupled with his patience and calmness in dealing with students is simply excellent.

The structure of learning pattern, regular mock tests, motivational cash prizes and student friendly study material covering practical illustrations, past year questions and bare act.. all contributed to making this journey easy and building up the confidence needed for IPCC.

Moreover, the vast knowledge and experience of the faculty assisted in making the concepts crystal clear and handling each n every doubt of students.

The administration and management stands second to none.

MK GUPTA classes is a place which can change the word impossible 2 I M POSSIBLE. It made me a better person both personally n professionally.

I think 4 success 4 elements are necessary-desire, dedication, direction and discipline...and all the 4 i got from Sir..

THANK YOU so much Sir..

In the end i would just like to say MK GUPTA SIR NOT ONLY MAKES CA. HE MAKES HUMANS!!

**ETI AGARWAL**

# **AKSHAY JAIN**

**ALL INDIA TOPPER OF CA-IPC (NOV-13)**

**ROLL NO.- 368162**

**MARKS IN TAXATION : 87%**

**(SECOND HIGHEST MARKS IN TAXATION ALL OVER INDIA)**

**(AGGREGATE MARKS 79.71%)**

## **(FEEDBACK)**

Experience of those four months with M.K. GUPTA SIR was out of the world.

As a teacher, M.K. GUPTA SIR is just like a sea of knowledge & you get each and everything from very beginning to end from him.

Sir is really a nice person. He is very motivational and his words of motivation can influence anybody to work hard & make their parents proud.

M.K. GUPTA CA EDUCATION is the only place where the provisions of tax laws are combined with the practical knowledge. Study material provided is excellent and it contains numerous problems covering all aspects and such type of problems are not available anywhere. Sir is not giving any home work rather home work is done in the class itself and students are invited to solve the problem before the entire class.

Be honest towards your studies & Sir will show you the way of success. The way, Sir is making students ready for the professional world is praiseworthy. Exposure given by sir to face interview of Big four CA Firms is excellent.

The test Series conducted by the Sir in all the subjects of IPC is very nice Scheme to score such good marks and exam are conducted in the similar manner as it is conducted by ICAI.

I would like to express my gratitude to Sir because it was only his efforts that helped me reach this position.

Sir its your Success.

A Message to all : -

“COME & HAVE A TIME THAT YOU WILL CHERISH THROUGHOUT YOUR LIFE”.

**AKSHAY JAIN**

**VIJENDER AGGARWAL**  
**ALL INDIA TOPPER OF CA-IPCC (NOV-10)**  
**ROLL NO. - 174639**

**MARKS IN TAXATION:92%**  
**(HIGHEST MARKS IN TAXATION ALL OVER INDIA)**  
**(AGGREGATE MARKS 83.71%)**

**(FEEDBACK)**

A person who possesses such vast knowledge in the field of taxation, that we people can only dream of, is none other than M. K. Gupta Sir.

He possesses the rare ability to teach this procedural subject with utmost ease, enabling his students to grasp all the provisions without any confusion.

The quality of study material provided is such that a good study of it helped me score 92 marks. The variety and complexity of practical problems covered in the books are not available anywhere else.

One can find many places where taxation is being taught but it is hardly possible to find a better place where tax laws are combined with their practical applicability to ensure that all concepts are crystal clear.

Sir is extremely generous. Money-making doesn't appear to be his priority and it is clearly reflected in his classes, where the infrastructure and administration stands second to none and students are awarded handsome cash-prizes not only in classes but also in tests, which are regularly conducted.

Thanking Sir for all what he has done would be an insult since it was only his efforts that helped me reach this position. Sir, its your success. The relationship between us started in CPT only and continued in IPCC and I hope it will continue forever.

**VIJENDER AGGARWAL**

# **PRACHI JAIN**

**ALL INDIA TOPPER OF CA-PCC (MAY-10)**

**ROLL NO. - 66312**

**MARKS IN TAXATION:88%**

**(HIGHEST MARKS IN TAXATION ALL OVER INDIA)**

**(AGGREGATE MARKS 77.67%)**

## **(FEEDBACK)**

M. K. Gupta Sir is an outstanding teacher. He is not only a good teacher but a good person by heart. His way of teaching is excellent. There are many provisions in tax but Sir repeats every provision atleast two times. This helps in understanding those provisions easily.

His books are very good. Everything from theory to PRACTICAL ILLUSTRATION, EXAMINATION QUESTIONS and BARE ACT is covered in his books.

Sir's staff and management is also very good. Everything is handled in a systematic manner and on time. Overall it was a good experience.

Thanks Sir !! :-

**PRACHI JAIN**



# FEEDBACK

## (CA-Intermediate)

**NO OTHER TEACHER OF TAXATION IN INDIA HAS BETTER RESULT THAN OURS**

### OPINION OF OUR STUDENTS

#### **1. AKSHAY (Roll No. 685445) (Total Marks- 607) AIR-6 (Taxation-80)**

Firstly, I want to thank M.K. Gupta Sir for teaching me the tax in the easiest manner many students can think. Tax is a very hard subject but the way Sir teaches the Tax is excellent. I also want to say one more thing that the staff of MKG is very supporting. They listen to the students' problems very patiently and help them to solve their problems. At last, I want to say that no one in this CA field can teach so nicely that MK Gupta Sir teaches.

Thank You

#### **2. DEEPANSHU GOYAL (Roll No. 625914) (Total Marks- 570) AIR-17 (Taxation-75)**

MK Gupta Sir is a powerhouse of knowledge. I can't thank him enough for providing me with vast exposure about taxation. His mock tests are so good that I was eager to attempt them. He is proactive in solving doubts. This subject became so light & interesting that I started gaining knowledge in it. It was my best experience with MKG with rank in both foundation & intermediate. Recorded classes were very helpful for me, I used to reach at 6:30 am and continued till 11 am and studied taxation. It was a beautiful journey altogether, and with 10 views, you can view the lectures many times. It helped me revise many concepts. It became my interest rather than a burden. I was so excited to give a mock test so that I can build my confidence.

#### **3. SHIVAM MISHRA (Roll No. 624937) (Total Marks- 560) AIR-20 (Taxation-83)**

MK Gupta Sir has a very unique style of teaching. He teaches every concept very clearly and correlates every provision with practical life. Taxation is a very vast subject you cannot learn every provision rather you can understand them. Talking about study material, it covers all types of questions. You do not need to refer study material as it is incorporated in Sir's books. I would recommend every one to join MK Gupta CA Education.

#### **4. PRASHANT YADAV (Roll No.354233) 92 Marks**

M.K. Gupta Sir is an outstanding teacher. He possesses very vast knowledge of taxation. Sir repeats every concept at least three times which makes all concepts crystal clear. Study material provided is very good, it covers everything from illustration to examination problem and from theory to Bare Act. Staff and infrastructure facilities of MKG Classes are incomparable. Thank you Sir for your love and support.

#### **5. MOHIT SHARMA (Roll No.353392) 89 Marks**

A brilliant personality in my life who has motivated the student to a good path. He is very different from others. Sir concentrates not only on the marks but also on the overall development of the student.

I am truly glad that I studied from Sir. He taught me how to compete in life. Every student gets very good marks with a little effort, if he is a student of M.K. Gupta CA Education.

#### **6. MANISHA BHAMBRI (Roll No.456626) 89 Marks**

M.K. Gupta Sir is the best teacher I have ever met. His study material being the best helped me a lot in my exams. He is the most sincere teacher who never wastes a single moment and gives his best towards his profession. He teaches not only the theoretical portion but the practical approach too. He teaches us how to be a good human being and how to live life happily. Thank you Sir for your support every time I needed.

**7. ANISH SHRESTHA (Roll No.344028) 88 Marks**

M.K. Gupta Sir is a very excellent teacher. The way he is dedicated towards teaching make us to be dedicated towards our study. Every concept and every doubt of taxation whichever do I had, he has make clear. The best thing about Sir is, he use to revise the concept more than 3 times which makes student very easy for preparing their exam.

You will have all the sufficient material for study and lots of questions with answers for practice a systematically designed materials.

Thank a lot to Sir for being so much helpful and lot of love.

**8. KAPIL KHANNA (Roll No.341539) 85 Marks**

Sir 'M.K. Gupta' is the best teacher for Taxation. I feel fortunate to be his student, the amount of knowledge he imparts is fantastic and uncomparable. He is a person who burns himself up like a candle to light the path of his dearest students to the road of success. I wish Sir teaches all the subjects of IPCC, since he is simply the best. Thank you for everything Sir. It you and only you who can guide students like us to reach the zenith.

**9. JITENDRA (Roll No.337780) 85 Marks**

Before joining CA, I was so much scary about the "Taxation" but after joining M.K. Gupta CA Education for taking taxation class my scary converted into my strength now. This is just because of Sir's knowledge & teaching style with practicality. Study material provided by Sir is also awesome for study.

**10. PUNEET WASAN (Roll No.368537) 84 Marks**

M.K. Gupta Sir has a vast knowledge in the subject. The topics taken in the class are very well planned. I found the book really very good. Infact, I practiced all the previous attempts questions of each chapter and every small question was covered in the chapter. I recommend the students to be thorough with book and one will score undoubtedly high marks in tax. All the best!! Thank you so much Sir.

**11. ISHA MALIK (Roll No.339842) 84 Marks**

I do not have words to express my greatfulness for M.K. Gupta Sir. He really possesses vast knowledge and rich experience in taxation. Study material provided by Sir is also very good which covers everything for getting through the exam. There is no doubt that due to excellent coaching given by Sir, I have been able to secure good marks. I pray to God for his long, happy and prospective life. I wish him to continue give coaching to the prospective students for a longer period. I appeal to all the students who qualify CPT to take coaching from Gupta Sir for getting sure success. Thank you Sir.

**12. RUPAL GARG(Roll No.393844) 84 Marks**

M.K. Gupta Sir is, as I believe, the best teacher for Taxation. He is so knowledgeable that I was totally awe inspired by him. Every day in the class was exciting as he explains everything with real examples and full depth. The books are superb with lots of practical questions. Thank you Sir.

**13. AKANSHA GOEL (Roll No.336693) 84 Marks**

It was a great experience studying from M.K. Gupta Sir. He has a vast pool of the knowledge of the subject. The book is a comprehensive one too.

**14. PRASIT SHARMA (Roll No.344702) 84 Marks**

Taking about the coaching, the teaching style of M.K. Gupta Sir is too much excellent. He has good dealing with student in every situation. If anyone asked about the taxes coaching, I prefer M.K. Gupta Sir because he is the one & only best teacher in Taxation.

**15. MANSI BAJAJ (Roll No.354329) 83 Marks**

Sir teaches so well and clarifies all our queries. He makes us understand the whole concept very clearly. He is an amazing teacher and the best teacher in the field of Taxation.

**16. RASHI GUPTA (Roll No.337864) 83 Marks**

M.K. Gupta Sir is a very friendly and helping teacher. He always answered my queries well. His coaching classes are very knowledgeable and books are also very good.

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**17. HARSH AGARWAL (Roll No.491097) 83 Marks**

M.K. Gupta Sir is a good teacher. He teaches all aspects of Taxation whether it is practical knowledge or theoretical knowledge. He teaches every point for 2-3 times and it gets learn in class only. His practical knowledge about the subject is very good.

---

**18. RAHUL ARORA (Roll No.337403) 83 Marks**

M.K. Gupta Sir is a great mentor. Sir has excellent knowledge about the subject. He makes every concept crystal clear. Every concept is explained atleast twice in the class. He connect every topic with practical life. Study material is excellent. Bare Act is covered in the study material. Three months experience with M.K. Gupta Sir is memorable moments of my life. Thank you Sir, for your guidance and encouragement.

---

**19. SEJAL MEHTA (Roll No.353096) 83 Marks**

Coaching for Taxation was an enriching experience in terms of the conceptual clarity which I gained on each and every topic. Learning tax became so easy with the simplified notes provided.

Also, the kind of knowledge that Sir shares with the students is very commendable and useful in understanding the practical aspects of Taxation. Attending the coaching is worth the time spent.

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**20. ANU SETHI (Roll No.353491) 83 Marks**

I have never seen teacher like M.K. Gupta Sir. His way to teaching, knowledge and experience is awesome i.e. brilliant. Overall regards for such marks is only M.K. Gupta Sir.

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**21. ASHISH GUPTA (Roll No.353575) 82 Marks**

M.K. Gupta Sir is a very good teacher and he has a very vast knowledge of taxation. He gives his best to every student in a class. The atmosphere of the class when he was teaching in a class is very awesome. I am giving all my credit to M.K. Gupta Sir for securing marks in Taxation.

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**22. RAGHAV GUPTA (Roll No.491122) 82 Marks**

M.K. Gupta Sir is an outstanding teacher. He possesses a very vast knowledge about the subject. His way of teaching is fabulous. Every concept is explained with help of an example. Study material is all exhaustive that he provides. Also, queries are taken up promptly. Thank you Sir for your guidance.

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**23. SHREYA MALIK (Roll No.340228) 82 Marks**

M.K. Gupta Sir is the best teacher I have ever come across. His level of knowledge is tremendous. The way he teaches, with so much patience and willingness, keeps every student motivated. The marks I have scored in tax is all because of him. Thank you so much Sir. I am a student of video class and I have never met Sir in person. I would be grateful if I would be given a chance to meet him in person.

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**24. PRABHAW KUMAR AGARWALLA (Roll No.369428) 82 Marks**

Teaching was excellent and queries handled were excellent. Teaching methodology was really excellent and helped a lot to me.

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**25. PRABHAT RANJAN (Roll No.347926) 81 Marks**

M.K. Gupta Sir has a very deep knowledge about the subject and his practical approach towards the subject. Sir repeats every provision atleast twice. This helps in understanding those provision easily.

The books notes and all the management is done very properly and in a smooth manner. All in all the best way to study tax.

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**26. ANKIT KHEMKA (Roll No.338055) 81 Marks**

M.K. Gupta Sir is excellent teacher of Tax. He repeats the provision two to three times and doubts are also taken by the faculty. His books are also very good. Bare Act is covered in his books for more understanding about the Act. Sir also provide regular test and prize also given by him motivates the student to work hard. Environment provided by M.K. Gupta Classes is also very good to study.

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**27. ARTI SRIVASTAVA (Roll No.347859) 80 Marks**

Sir's unmatched style of teaching. Regular mock test, also help in to achieve good marks in Taxation. Sir's books contain illustration. Past year question also help to achieve to good marks. Sir's build confidence in every student to achieve success in life. Thank you, so much Sir.

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**28. SHIVANGI GUPTA (Roll No.337956) 80 Marks**

M.K. Gupta Sir is an amazing teacher. The tax subject is all about provisions so many sections but Sir makes it simpler for us out of all the subjects, I found Taxation to be the most interesting one.

Sir's study material and notes are sufficient. Study material covers all the past year exam questions, practice questions with solutions. His practical experiences help our understanding level to reach new heights. Thank you Sir for everything.

## GOODS AND SERVICES TAX

**Question 1: Explain Direct tax and Indirect Tax.**

**Answer: Direct Tax / Indirect Tax**

If any particular tax is paid by a person and also its incidence is on that person, it is called direct tax like income tax e.g. If Mr. X has paid income tax of ₹5,00,000, it will be called direct tax because it is paid by Mr. X and also its incidence is borne by Mr. X.

If any tax is paid by one person but its incidence is on some other person, it will be called indirect tax like **Central GST, State GST, Integrated GST, UT GST etc.**

Its incidence is borne by the consumers who ultimately consume the product or the service, while the immediate liability to pay the tax may fall upon another person such as a manufacturer or provider of service or seller of goods e.g. If ABC Ltd. has manufactured a product and it is sold for ₹20,00,000 and CGST plus SGST of ₹2,00,000 has been recovered, the GST so collected shall be called indirect tax because the payment was made by a company but it is ultimately borne by the buyer.

### NOV 2018 (OLD COURSE)

**Question 10 (b)(ii)**

**Marks 2**

Differentiate between direct and indirect Taxes (Give any two points)

**Answer:**

S. No	Direct Tax	Indirect Tax
01.	The person paying the tax to the Government directly bears the incidence of the tax	The person paying the tax to the Government collects the same from the ultimate consumer thus incidence of the tax is bear by another person.
02.	Progressive in nature: High rate of taxes for people having higher ability to pay	Regressive in nature: All the consumers equally bear the burden, irrespective of their ability to pay

**Question 2: Explain Features of Indirect Taxes.**

**Answer: Features of Indirect Taxes**

- An important source of revenue:** Indirect Taxes are a major source of tax revenues for Governments worldwide and continue to grow as more countries move to consumption oriented tax regimes. In India, Indirect taxes contribute more than 50% of the total tax revenues of Central and State Governments.
- Shifting of burden:** There is a clear shifting of tax burden in respect of indirect taxes. For example, GST paid by the supplier of the goods is recovered from the buyer by including the tax in the cost of the commodity.
- No perception of direct pinch:** Since, value of indirect taxes is generally inbuilt in the price of the commodity, most of the time the tax payer pays the same without actually knowing that he is paying tax to the Government. Thus, tax payer does not perceive a direct pinch while paying indirect taxes.
- Inflationary:** Tax imposed on commodities and services causes an all-round price spiral. In other words, indirect taxation directly affects the prices of commodities and services and leads to inflationary trend.
- Wider tax base:** Unlike direct taxes, the indirect taxes have a wide tax base. Majority of the products or services are subject to indirect taxes.

6. **Promotes social welfare:** High taxes are imposed on the consumption of harmful products (also known as 'sin goods') such as alcoholic products, tobacco products etc. This not only checks their consumption but also enables the State to collect substantial revenue.
7. **Regressive in nature:** Generally, the indirect taxes are regressive in nature. The rich and the poor have to pay the same rate of indirect taxes on certain commodities of mass consumption. This may further increase the income disparities between the rich and the poor.

# **COMPUTATION OF GST LIABILITY**

## **ITC/OUTPUT TAX/ NET TAX**

**Concept of GST** was introduced first of all in France in 1954.

Goods and Services Tax in fact includes the following taxes:

1. Central Goods and Services Tax (Regulated through Central Goods and Services Tax Act, 2017).
2. State Goods and Services Tax (Regulated through State Goods and Services Tax Act, 2017).
3. Integrated Goods and Services Tax (Regulated through Integrated Goods and Services Tax Act, 2017).
4. Union Territory Goods and Services Tax (Regulated through Union Territory Goods and Services Tax Act, 2017).
5. Goods and Services Tax, Compensation to States (Regulated through Goods and Services Tax (Compensation to States) Act, 2017)

**Syllabus of CA-INTER covers only Central GST and Integrated GST.**

Prior to the concept of GST, there was multiple taxation in indirect taxes and also there was cascading effect i.e. tax on tax but after GST there is no multiple taxation and also no cascading effect and it can be explained with the help of the illustration given below:

**Illustration 1:** ABC Ltd. has purchased raw material for ₹10,00,000 plus excise duty 10% plus VAT @ 10%. The company has incurred ₹5,00,000 being processing charge and sold the final product at a profit of ₹2,00,000 and charged output excise duty @ 10% plus VAT @ 10%.

Discuss tax treatment.

**Solution:**

### **BEFORE GST**

	₹
Raw Material	10,00,000
Add: Excise Duty @ 10%	1,00,000
Total	11,00,000
Add: VAT @ 10%	1,10,000
	12,10,000
Add: Processing charges	5,00,000
Cost	17,10,000
Add: Profit	2,00,000
Transaction Value	19,10,000
Add: Output Excise Duty 10%	1,91,000
Total	21,01,000
Add: VAT @ 10%	2,10,100
Amount payable by the buyer	23,11,100

The raw material has been taxed twice and also there is **cascading effect** i.e. tax on tax.

### **MODIFIED TAX STRUCTURE BEFORE GST**

Raw Material	10,00,000
Add: Excise Duty @ 10%	1,00,000
Total	11,00,000
Add: VAT @ 10%	1,10,000
Cost	12,10,000

Assessee shall be allowed input Tax credit as given below:

Excise Duty	1,00,000
VAT	1,10,000

Since tax credit has been allowed, cost of final product shall be as given below:

Cost of Raw Material	10,00,000
Add: Processing charges	5,00,000
Add: Profit	2,00,000
Transaction Value	17,00,000
Add: Excise Duty 10%	1,70,000
Total	18,70,000
Add: VAT @ 10%	1,87,000
Amount payable by the buyer	20,57,000
Payment of taxes by ABC Ltd. to Government	
(i) Excise Duty	
On output	1,70,000
Less: Input Tax Credit	(1,00,000)
Net Excise Duty	70,000
(ii) Output VAT	1,87,000
Less: Input Tax Credit	(1,10,000)
Net Payable	77,000

Excise duty/VAT paid by ABC Ltd. on raw material shall be called input tax and its tax credit is allowed. Excise duty/VAT on final product shall be called output tax. Input tax credit shall be deducted from output tax and balance shall be called net tax.

Still it has defects because there is VAT on Excise duty i.e. it has cascading effect.

### **AFTER GST**

There is no multiple taxation and also there is no cascading effect and now under GST it will work in the manner given below:

ABC Ltd. has purchased raw material for ₹10,00,000 plus CGST @ 10% and SGST 10% The company has incurred ₹5,00,000 being processing charge and sold the final product at a profit of ₹2,00,000 and charged output CGST @ 10% plus SGST @ 10%.

Discuss tax treatment.

#### **Solution:**

	₹
Raw Material	10,00,000
Add: CGST @ 10%	1,00,000
Add: SGST @ 10%	1,00,000
Total	12,00,000
Input tax credit	
CGST	1,00,000
SGST	1,00,000
Cost of Raw Material	10,00,000
Add: Processing charges	5,00,000
Cost	15,00,000
Add: Profit	2,00,000
Transaction Value	17,00,000
Add: Output CGST @ 10%	1,70,000
Add: Output SGST @ 10%	1,70,000
Total	20,40,000

#### **Computation of Net Tax**

	CGST ₹
Output tax	1,70,000
Less: ITC Raw material - CGST	(1,00,000)
Net Tax Payable	70,000



	<b>SGST ₹</b>
Output tax	1,70,000
Less: ITC Raw Material - SGST	(1,00,000)
Net Tax Payable	70,000

There is no multiple taxation and no cascading effect (Tax on Tax).

Before the concept of GST, Excise duty was charged on manufacture and Value added tax also called sales tax was charged on sale of goods. Excise duty was payable on cost plus profit and sales tax was payable on cost plus profit plus excise duty and accordingly sales tax was charged on excise duty also i.e. there is tax on tax and it is called cascading effect (as shown above) but after GST there is no cascading effect and the manufacturer shall charge CGST plus SGST instead of excise and VAT. Also CGST/SGST shall be charged on cost plus profit.

### **Payment of GST**

A supplier shall be required to pay GST **upto 20<sup>th</sup> of next month** and has to file **challan no. PMT-06** and payment is to be made online. However over the Counter payment can be made through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft:

**As per section 170**, GST shall be rounded off in the **multiple of rupee 1** and if there is 50 paisa or more, it will be rounded off to the higher multiple otherwise it will be ignored.

In case of delay in payment of tax, **as per section 50** interest shall be charged @ **18% per annum** for the period of delay.

In case of excess payment, refund shall be granted within 60 days from the date of application otherwise interest shall be allowed u/s **56 @ 6% per annum** for the period after 60 days.

**Illustration 2:** ABC Ltd is a manufacturer and is registered in GST in Delhi and has purchased raw material/spare parts etc. for ₹6,00,000 plus CGST @ 9% plus SGST @ 9% and incurred ₹ 4,00,000 on processing. Profit @ 40% on cost and entire product was sold to a wholesaler and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax.

The wholesaler has further sold it to retailer at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the wholesaler.

The retailer has further sold it to a consumer Mr. X at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the retailer.

### **Solution:**

#### **Computation of Net Tax Liability of ABC Ltd.**

	<b>₹</b>
Raw Material	6,00,000
Add: CGST @ 9%	54,000
Add: SGST @ 9%	54,000
Total	7,08,000
Input tax credit	
CGST	54,000
SGST	54,000
Cost of Raw Material	6,00,000
Add: Processing charges	4,00,000
Cost	10,00,000
Add: Profit @ 40% of ₹10,00,000	4,00,000
Transaction Value	14,00,000
Add: Output CGST @ 12%	1,68,000
Add: Output SGST @ 12%	1,68,000
Total	17,36,000

**Computation of Net Tax**

	<b>CGST ₹</b>
Output tax	1,68,000
Less: ITC Raw material - CGST	(54,000)
Net Tax	1,14,000

	<b>SGST ₹</b>
Output tax	1,68,000
Less: ITC Raw material - SGST	(54,000)
Net Tax	1,14,000

**Computation of Net Tax Liability of wholesaler**

	<b>₹</b>
Purchase price of wholesaler	17,36,000
Less: ITC Goods – CGST	(1,68,000)
Less: ITC Goods – SGST	(1,68,000)
Cost to Wholesaler	14,00,000
Add: Profit @ 30% of ₹14,00,000	4,20,000
Transaction Value	18,20,000
Add: CGST @ 12%	2,18,400
Add: SGST @ 12%	2,18,400
Total	22,56,800

**Computation of Net Tax**

	<b>CGST ₹</b>
Output tax	2,18,400
Less: ITC Goods - CGST	(1,68,000)
Net Tax payable	50,400

**Computation of Net Tax**

	<b>SGST ₹</b>
Output tax	2,18,400
Less: ITC Goods - SGST	(1,68,000)
Net Tax payable	50,400

**Computation of Net Tax of Retailer**

	<b>₹</b>
Purchase price of Retailer	22,56,800
Less: ITC Goods – CGST	(2,18,400)
Less: ITC Goods – SGST	(2,18,400)
Cost to Retailer	18,20,000
Add: Profit @ 30% of ₹18,20,000	5,46,000
Transaction Value	23,66,000
Add: CGST @ 12%	2,83,920
Add: SGST @ 12%	2,83,920
Total	29,33,840

**Computation of Net Tax**

	<b>CGST ₹</b>
Output tax	2,83,920
Less: ITC Goods – CGST	(2,18,400)
Net Tax Payable	65,520

	<b>SGST ₹</b>
Output tax	2,83,920
Less: ITC Goods – SGST	(2,18,400)

Net Tax Payable 65,520

**Illustration 3:** Mr. X is a dealer in Delhi purchased goods for ₹ 10,00,000 plus CGST 10% and SGST 10% and sold the goods at a profit of ₹ 2,00,000 and he is not a registered dealer, in this case tax treatment shall be as given below:

<b>Solution:</b>	₹
Purchase price	10,00,000
Add: CGST @ 10%	1,00,000
Add: SGST @ 10%	1,00,000
Total	12,00,000

Input tax credit of CGST & SGST is not allowed because Mr. X is not registered.

Cost	12,00,000
Add: profit	2,00,000
Sale Value	14,00,000

(b) presume he is registered.

<b>Solution:</b>	₹
Purchase price	10,00,000
Add: CGST @ 10%	1,00,000
Add: SGST @ 10%	1,00,000
Total	12,00,000

Input tax credit of CGST & SGST is allowed.

Cost	10,00,000
Add: profit	2,00,000
Sale Value	12,00,000
Add: CGST @ 10%	1,20,000
Add: SGST @ 10%	1,20,000
Total	14,40,000

### Computation of Net Tax

#### CGST

Output	1,20,000
Less: ITC	(1,00,000)
Net Tax	20,000

#### SGST

Output	1,20,000
Less: ITC	(1,00,000)
Net Tax	20,000

### Illustration 4:

ABC Ltd. purchased raw material ₹7,00,000 + CGST @ 10% + SGST @ 10% . Processing charge ₹3,00,000 profit 40% on cost entire product was sold and output CGST @ 10%/ SGST @ 10%.

Compute ITC/ Output tax/ Net Tax . Also amount for which product is sold.

(a) Registered in GST

(b) Unregistered in GST.

#### Solution (a):

#### Computation of Net Tax Liability of ABC limited

	₹
Raw Material	7,00,000
Add: CGST @ 10%	70,000

Add: SGST @ 10%	70,000
Total	8,40,000
Input tax credit	
CGST	70,000
SGST	70,000
Cost of Raw Material	7,00,000
Add: Processing cost	3,00,000
COST	10,00,000
Add: Profit @ 40% on cost	4,00,000
Transaction Value	14,00,000
Add: CGST @ 10%	1,40,000
Add: SGST @ 10%	1,40,000
Total	16,80,000

**Computation of Net Tax****CGST**

Output	1,40,000
Less: ITC	(70,000)
Net Tax	70,000

**SGST**

Output	1,40,000
Less: ITC	(70,000)
Net Tax	70,000

**(b) Computation of Net Tax Liability of ABC limited**

	₹
Raw Material	7,00,000
Add: CGST @ 10%	70,000
Add: SGST @ 10%	70,000
Total	8,40,000
Input tax credit	
CGST	Nil
SGST	Nil
Cost of Raw Material	8,40,000
Add: Processing cost	3,00,000
COST	11,40,000
Add: Profit @ 40% on cost	4,56,000
Transaction Value	15,96,000

**Illustration 5:** ABC Ltd is a manufacturer and is registered in GST in Delhi and has purchased raw material/spare parts etc. for ₹5,00,000 plus CGST @ 12% plus SGST @ 12% and incurred ₹2,00,000 on processing. Profit @ 40% on cost and entire product was sold to a wholesaler and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax.

The wholesaler has further sold it to retailer at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the wholesaler.

The retailer has further sold it to a consumer Mr. X at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the retailer.

**Solution:****Computation of Net Tax Liability of ABC Ltd.**

	₹
Raw Material	5,00,000
Add: CGST @ 12%	60,000
Add: SGST @ 12%	60,000
Total	6,20,000
Input tax credit	

CGST	60,000
SGST	60,000
Cost of Raw Material	5,00,000
Add: Processing charges	2,00,000
Cost	7,00,000
Add: Profit @ 40% of ₹7,00,000	2,80,000
Transaction Value	9,80,000
Add: Output CGST @ 12%	1,17,600
Add: Output SGST @ 12%	1,17,600
Total	12,15,200

**Computation of Net Tax**

	<b>CGST ₹</b>
Output tax	1,17,600
Less: ITC Raw material - CGST	(60,000)
Net Tax	57,600

	<b>SGST ₹</b>
Output tax	1,17,600
Less: ITC Raw material - SGST	(60,000)
Net Tax	57,600

**Computation of Net Tax Liability of wholesaler**

	<b>₹</b>
Purchase price of wholesaler	12,15,200
Less: ITC Goods – CGST	(1,17,600)
Less: ITC Goods – SGST	(1,17,600)
Cost to Wholesaler	9,80,000
Add: Profit @ 30% of ₹9,80,000	2,94,000
Transaction Value	12,74,000
Add: CGST @ 12%	1,52,880
Add: SGST @ 12%	1,52,880
Total	15,79,760

**Computation of Net Tax**

	<b>CGST ₹</b>
Output tax	1,52,880
Less: ITC Goods - CGST	(1,17,600)
Net Tax payable	35,280

**Computation of Net Tax**

	<b>SGST ₹</b>
Output tax	1,52,880
Less: ITC Goods - SGST	(1,17,600)
Net Tax payable	35,280

**Computation of Net Tax of Retailer**

	<b>₹</b>
Purchase price of Retailer	15,79,760
Less: ITC Goods – CGST	(1,52,880)
Less: ITC Goods – SGST	(1,52,880)
Cost to Retailer	12,74,000
Add: Profit @ 30% of ₹12,74,000	3,82,200
Transaction Value	16,56,200
Add: CGST @ 12%	1,98,744
Add: SGST @ 12%	1,98,744
Total	20,53,688

**Computation of Net Tax**

	<b>CGST ₹</b>
Output tax	1,98,744
Less: ITC Goods – CGST	(1,52,880)
Net Tax Payable	45,864
	<b>SGST ₹</b>
Output tax	1,98,744
Less: ITC Goods – SGST	(1,52,880)
Net Tax Payable	45,864

**Illustration 6:** ABC Ltd. purchased raw material ₹ 800,000 and paid CGST 14% + SGST 14% and incurred ₹600,000 for processing and had profit of 30% on cost and charged CGST 14% + SGST 14%. It was purchased by wholesaler XYZ ltd. and the product was sold further at a profit of 20% on cost and charged CGST 14% + SGST 14%.

**Solution:**

**Computation of Net Tax Liability of ABC Ltd.**

	<b>₹</b>
Raw Material	8,00,000
Add: CGST @ 14%	1,12,000
Add: SGST @ 14%	1,12,000
Total	10,24,000
Input tax credit	
CGST	1,12,000
SGST	1,12,000
Cost of Raw Material	8,00,000
Add: Processing charges	6,00,000
Cost	14,00,000
Add: Profit @ 30% of ₹14,00,000	4,20,000
Transaction Value	18,20,000
Add: Output CGST @ 14%	2,54,800
Add: Output SGST @ 14%	2,54,800
Total	23,29,600

**Computation of Net Tax**

	<b>CGST ₹</b>
Output tax	2,54,800
Less: ITC Raw material - CGST	(1,12,000)
Net Tax	1,42,800
	<b>SGST ₹</b>
Output tax	2,54,800
Less: ITC Raw material - SGST	(1,12,000)
Net Tax	1,42,800

**Computation of Net Tax Liability of XYZ Limited**

	<b>₹</b>
Purchase price of wholesaler	23,29,600
Less: ITC Goods – CGST	(2,54,800)
Less: ITC Goods – SGST	(2,54,800)
Cost to Wholesaler	18,20,000
Add: Profit @ 20% of ₹18,20,000	3,64,000
Transaction Value	21,84,000
Add: CGST @ 14%	3,05,760
Add: SGST @ 14%	3,05,760

Total	27,95,520
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**Computation of Net Tax**

	<b>CGST ₹</b>
Output tax	3,05,760
Less: ITC Goods - CGST	(2,54,800)
Net Tax payable	50,960

**Computation of Net Tax**

	<b>SGST ₹</b>
Output tax	3,05,760
Less: ITC Goods - SGST	(2,54,800)
Net Tax payable	50,960

**Illustration 7:** Mr. A is a manufacturer in Delhi. He purchased raw material ₹6,00,000 + CGST @ 10% + SGST @ 10% and incurred ₹4,00,000 on processing and charged profit 40% on cost and sold entire product and output CGST @ 10% and SGST @ 10%. The product was purchased by a wholesaler Mr. B and he further sold it at a profit of 20% on cost and charged output CGST @ 10% and SGST @ 10%. Compute Input Tax Credit allowed to Mr. A and Mr. B and also net tax payable by each of them.

**Solution: To be solved by the Student**

**Illustration 8:** Mr. X is a dealer registered in GST and has purchased goods for ₹7,60,000 and paid CGST @ 9% and SGST @ 9% and sold goods at a profit of 40% on cost and charged output CGST @ 9% and SGST @ 9%. Compute tax payable, Output Tax and Input Tax.

**b) Presume he is unregistered dealer.**

**Solution: To be solved by the Student**

**Illustration 9:** Mr. X is dealer registered in GST and has submitted information as given below:

Goods A purchased for ₹ 3,00,000 + CGST @ 9% and SGST @ 9% and sold the goods at a profit of 40% on cost and charged CGST @ 9% and SGST @ 9%.

Goods B purchased ₹ 5,00,000 + CGST @ 14% + SGST @ 14% and sold goods at a profit of ₹ 3,00,000 charged CGST @ 14% + SGST @ 14%.

Goods C purchased ₹7,00,000 + CGST @ 6% + SGST @ 6% and sold goods at a profit of 40% on sale and charged CGST @ 6% + SGST @ 6%.

Compute Input Tax Credit /Output Tax / Net Tax.

**Solution: To be solved by the Student**

## INTER STATE SUPPLY

### ( IGST Act)

**Illustration 10**

Mr. X is a dealer registered in GST and he has purchased goods from Haryana for ₹10,00,000 plus IGST @ 12% and goods were sold in Delhi at a profit of ₹1,00,000 and charged CGST @ 6% and SGST @ 6%. In this case sale value and tax charged shall be as given below:

**Solution:**

	₹
Purchase price	10,00,000
Add: IGST @ 12%	1,20,000
Total	11,20,000

Input tax credit of IGST is allowed of ₹ 1,20,000.

Cost	10,00,000
Add: profit	1,00,000
Sale Value	11,00,000
Add: CGST @ 6%	66,000
Add: SGST @ 6%	66,000
Sale value inclusive of tax	12,32,000

**Computation of Net Tax**

	<b>CGST ₹</b>
Output tax	66,000
Less: ITC Raw Material-IGST	(66,000)
Net Tax Payable	Nil

	<b>SGST ₹</b>
Output tax	66,000
Less: ITC Raw Material-IGST	(54,000)
Net Tax Payable	12,000

There is no multiple taxation and no cascading effect (Tax on Tax).

**Utilisation of Input Tax Credit Section 49/ Section 49A/Section 49B/ Rule 88A**

ITC shall be adjusted against output tax in the manner given below:

1. First of all ITC of IGST shall be adjusted against output IGST and after that against output CGST or output SGST/UTGST as per the option of the assessee.
2. First of all ITC of IGST shall be exhausted and only after that ITC of CGST or SGST/ UTGST shall be used.
3. Adjust ITC of CGST against output CGST and surplus if any against output IGST ( it can never be adjusted against output SGST)
4. Adjust ITC of SGST against output SGST and surplus if any against output IGST ( it can never be adjusted against output CGST)
5. If there is output IGST and also ITC of CGST and SGST/UTGST, ITC of CGST shall be used first and only after that ITC of SGST/UTGST shall be used.

The order of utilization of ITC shall be as given below:

ITC	Output IGST	Output CGST	Output SGST / UTGST
<b>Integrated tax</b>	(I)	(II) – In any order and in any proportion	
<b><i>(III) Input tax Credit on account of Integrated tax to be completely exhausted mandatorily</i></b>			
<b>Central tax</b>	(V)	(IV)	Not permitted



<b>State tax / Union Territory tax</b>	(VII)	Not permitted	(VI)
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**Illustration 11:** Mr. X is a registered dealer in GST Act in Delhi and has submitted information as given below:

- Purchased goods 'A' from Haryana ₹6,00,000 IGST @ 20% and sold the goods in Delhi at a profit of 20% on purchase price plus CGST @ 10% plus SGST @ 10%.

- Purchased goods 'B' from Delhi ₹5,00,000 and CGST @ 10% plus SGST @ 10% and sold goods at a profit of 30% of cost price + CGST @ 10% plus SGST @ 10%.

- Purchased goods 'C' from Delhi ₹7,00,000 plus CGST @ 10% plus SGST @ 10% and the goods were sold in inter-state sale in UP and charged IGST @ 20% and the dealer has taken profit of 40% on cost.

Discuss tax treatment and Compute Net Tax Payable.

**Solution:**

**Goods 'A'**

	6,00,000
Add: IGST @ 20%	1,20,000
	7,20,000
Input Tax Credit - IGST	1,20,000
	6,00,000
Add: Profit @ 20%	1,20,000
	7,20,000
Add: CGST @ 10%	72,000
Add: SGST @ 10%	72,000

**Goods 'B'**

	5,00,000
Add: CGST @ 10%	50,000
Add: SGST @ 10%	50,000
Input Tax Credit	
CGST	50,000
SGST	50,000
	5,00,000
Add: Profit @ 30%	1,50,000
	6,50,000
Add: CGST @ 10%	65,000
Add: SGST @ 10%	65,000

**Goods 'C'**

	7,00,000
Add: CGST @ 10%	70,000
Add: SGST @ 10%	70,000
Input Tax Credit	
CGST	70,000
SGST	70,000
	7,00,000
Add: Profit @ 40%	2,80,000
	9,80,000
Add: IGST @ 20%	1,96,000

**Computation of Net Tax**

Particulars	IGST ₹
Output Tax	
Goods C	1,96,000
Less: ITC Raw Material A – IGST	(1,20,000)
<b>Net Tax Payable</b>	<b>76,000</b>

**Computation of Net Tax**

Particulars	CGST ₹
Output Tax	
Goods A	72,000
Goods B	65,000
<b>Total</b>	<b>1,37,000</b>
Less: ITC Raw Material B – CGST	(50,000)
Less: ITC Raw Material C – CGST	(70,000)
<b>Net Tax Payable</b>	<b>17,000</b>

**Computation of Net Tax**

Particulars	SGST ₹
Output Tax	
Goods A	72,000
Goods B	65,000
<b>Total</b>	<b>1,37,000</b>
Less: ITC Raw Material B - SGST	(50,000)
Less: ITC Raw Material C – SGST	(70,000)
<b>Net Tax Payable</b>	<b>17,000</b>

**Illustration 12:** ABC Ltd is engaged in manufacturing and registered under GST Act and the company has submitted information as given below:

Purchased raw material 'A' from some other state ₹1,00,000 + IGST @ 15%.

Purchased raw material 'B' from Delhi ₹3,00,000 + CGST @ 10% + SGST @ 10%

Processing charges 4,00,000. Taken services of production engineer and paid ₹3,00,000 + CGST @ 7.5% + SGST @ 7.5%. Profit ₹5,00,000 and entire product was sold and charged output tax CGST @ 10% + SGST @ 10% . Compute Net Tax Payable.

**Solution: Raw Material 'A'**

Transaction Value	₹ 1,00,000.00
Add: IGST @ 15%	15,000.00
	<b>1,15,000.00</b>

**Raw Material 'B'**

Transaction Value	3,00,000.00
Add: CGST @ 10%	30,000.00
Add: SGST @ 10%	30,000.00
	<b>3,60,000.00</b>

**Services**

Add: CGST @ 7.5%	22,500.00
Add: SGST @ 7.5%	22,500.00
	<b>3,45,000.00</b>

**Cost of finished product**

Raw Material A	1,00,000.00
Raw Material B	3,00,000.00
Services	3,00,000.00
Processing	4,00,000.00
Cost	<b>11,00,000.00</b>

Add: Profit	5,00,000.00
Transaction value	16,00,000.00
Add: CGST @ 10%	1,60,000.00
Add: SGST @ 10%	1,60,000.00
	19,20,000.00

**Computation of Net Tax**

Particulars	CGST ₹
Output Tax	1,60,000
Less : ITC Raw Material A - IGST	(15,000)
Less: ITC Raw Material B – CGST	(30,000)
Less: ITC Services – CGST	(22,500)
<b>Tax Payable</b>	<b>92,500</b>

**Computation of Net Tax**

Particulars	SGST ₹
Output Tax	1,60,000
Less: ITC Raw Material B – SGST	(30,000)
Less: ITC Services – SGST	(22,500)
<b>Tax Payable</b>	<b>1,07,500</b>

**Illustration 13:** ABC Ltd. is registered under GST Act and has submitted information as given below.

- Purchased raw material ‘A’ ₹2,00,000 + CGST @ 10% + SGST @ 10%
  - Purchased raw material ‘B’ ₹3,10,000 + IGST @ 20%
  - Services of a production engineer were taken and paid ₹2,00,000 + CGST @ 10% + SGST @ 10%
  - Processing charges 4,00,000
  - Profit 20% of cost.
  - Sold entire product in UP under interstate sale and output IGST @ 20%
- Show the tax treatment and compute ITC / Output tax/ Net tax

**Solution:**

**Raw Material ‘A’**

	₹
	2,00,000
Add: CGST @ 10%	20,000
Add: SGST @ 10%	20,000
	<b>2,40,000</b>

**Input Tax Credit**

CGST	20,000
SGST	20,000
<b>Cost of Raw Material</b>	<b>2,00,000</b>

**Raw Material ‘B’**

	3,10,000
Add: IGST @ 20%	62,000
	<b>3,72,000</b>

**Input Tax Credit**

IGST	62,000
<b>Cost of Raw Material</b>	<b>3,10,000</b>

**Services**

	2,00,000
Add: CGST @ 10%	20,000
Add: SGST @ 10%	20,000
	<b>2,40,000</b>

**Input Tax Credit**

CGST	20,000
SGST	20,000
<b>Cost of Service</b>	<b>2,00,000</b>

**Cost of Finished Product**

Raw Material 'A'	2,00,000
Raw Material 'B'	3,10,000
Services	2,00,000
Processing Cost	4,00,000
	<b>11,10,000</b>
Profit (11,10,000 x 20%)	2,22,000
	<b>13,32,000</b>
Add: IGST @ 20%	2,66,400
	<b>15,98,400</b>

**Computation of Net Tax Payable**

Particulars	IGST
Output Tax	2,66,400
Less: ITC Raw Material B – IGST	(62,000)
Less: ITC Raw Material A - CGST	(20,000)
Less: ITC Services - CGST	(20,000)
Less: ITC Raw Material A – SGST	(20,000)
Less: ITC Services - SGST	(20,000)
<b>Net Tax Payable</b>	<b>1,24,400</b>

**Illustration 14:** Mr. X is registered in GST and he is a manufacturer and he has purchased raw material R1 for ₹2,50,000 and has paid CGST @ 10% plus SGST @ 10%.

He purchased raw material R2 for ₹3,20,000 and paid IGST @ 20% and raw material was purchased from other state.

He has purchased raw material R3 for ₹5,50,000 and has paid CGST @ 10% plus SGST @ 10%. Processing charges ₹4,00,000 plus profit ₹70,000.

The manufacturer has taken input services in connection with manufacturing of the product and has paid ₹5,00,000 plus CGST @ 10% plus SGST @ 10%.

Final product was sold and charged CGST @ 10% plus SGST @ 10%.

Show the working for GST and also show the working for payment of tax at the time of sale of final product.

**Solution:**

₹

**Raw material – R1**

Transaction value	2,50,000
Add: CGST @ 10%	25,000
Add: SGST @ 10%	25,000
<b>Total</b>	<b>3,00,000</b>

Input Tax Credit	
CGST	25,000
SGST	25,000
	2,50,000
<b><u>Raw material – R2</u></b>	
Transaction value	3,20,000
Add: IGST @ 20%	64,000
Total	3,84,000
Input Tax Credit	
IGST	64,000
	3,20,000
<b><u>Raw material – R3</u></b>	
Transaction value	5,50,000
Add: CGST @ 10%	55,000
Add: SGST @ 10%	55,000
Total	6,60,000
Input Tax Credit	
CGST	55,000
SGST	55,000
	5,50,000
<b><u>Service</u></b>	
	5,00,000
Add: CGST @ 10%	50,000
Add: SGST @ 10%	50,000
Total	6,00,000
Input Tax Credit	
CGST	50,000
SGST	50,000
<b><u>Cost of Final Product</u></b>	
Raw material - R1	2,50,000.00
Raw material - R2	3,20,000.00
Raw material - R3	5,50,000.00
Processing charges	4,00,000.00
Payment for services	5,00,000.00
Profit	70,000.00
Transaction value	20,90,000.00
Add: CGST @ 10%	2,09,000.00
Add: SGST @ 10%	2,09,000.00
Total	25,08,000.00

**Computation of Net Tax**

	CGST ₹
Output tax	2,09,000.00
Less:	
ITC Raw material – R2 – IGST	(64,000.00)
ITC Raw material – R1 – CGST	(25,000.00)
ITC Raw material – R3 – CGST	(55,000.00)
ITC Services – CGST	(50,000.00)
Net tax payable	15,000.00

**Computation of Net Tax**

	<b>SGST ₹</b>
Output tax	2,09,000.00
Less:	
ITC Raw material – R1 – SGST	(25,000.00)
ITC Raw material – R3 – SGST	(55,000.00)
ITC Services – SGST	(50,000.00)
Net tax payable	79,000.00

**Illustration 15:** ABC Limited is a manufacturing concern and the company has submitted the particulars as given below:-

Purchased raw material, R1: ₹2,00,000 (+) CGST @10% (+) SGST @10%

Purchased raw material, R2: ₹3,00,000 (+) IGST @ 20%

The company purchased plant and machinery for ₹10 Lakhs and paid CGST @10% plus SGST @ 10%.

Life of the plant and machinery is 5 years and depreciation is allowed @ 20% on SLM.

The company has taken certain services in connection with manufacturing of goods and has paid ₹3,00,000 plus CGST @10% plus SGST @ 10%. Other processing expenditure incurred by the company is ₹5,00,000 and profit is ₹8,00,000. Final product was sold by the company and output CGST @10% plus SGST @ 10%. Company is registered under GST ACT. Compute Net Tax Payable.

**Solution:**

₹

**Raw material –R1**

Purchase price	2,00,000.00
Add: CGST @ 10%	20,000.00
Add: SGST @ 10%	20,000.00
	2,40,000.00

**Raw material –R2**

Purchase price	3,00,000.00
Add: IGST @ 20%	60,000.00
	3,60,000.00

**Capital goods**

Purchase price	10,00,000.00
Add: CGST @10%	1,00,000.00
Add: SGST @10%	1,00,000.00
	12,00,000.00

**Services**

	3,00,000.00
Add: CGST @10%	30,000.00
Add: SGST @10%	30,000.00
	3,60,000.00

**Cost of final product**

Raw material –R1	2,00,000.00
Raw material –R2	3,00,000.00
Depreciation on Capital goods (10,00,000 @ 20%)	2,00,000.00
Services	3,00,000.00
Other processing charges	5,00,000.00
Profit	8,00,000.00
Transaction Value	23,00,000.00
Add: CGST @10%	2,30,000.00
Add: SGST @10%	2,30,000.00
	27,60,000.00

**Computation of Net Tax Payable**

	<b>CGST ₹</b>
Output Tax	2,30,000
Less:	
ITC Raw Material 2 - IGST	(60,000)
ITC Raw material – R1 – CGST	(20,000)
ITC Plant and machinery – CGST	(1,00,000)
ITC Tax on Input Services – CGST	(30,000)
Net tax payable	20,000

**Computation of Net Tax Payable**

	<b>SGST ₹</b>
Output Tax	2,30,000
Less:	
ITC Raw material – R1 – SGST	(20,000)
ITC Plant and machinery – SGST	(1,00,000)
ITC Services – SGST	(30,000)
Net tax payable	80,000

**Assessee has the option to adjust ITC of IGST either from output CGST or from output SGST**

**Illustration 16:** ABC Ltd. is registered under GST Act and has submitted information as given below:  
Purchased raw material for ₹4,00,000 plus CGST @10% and SGST @10% and company purchased plant and machinery for ₹10,00,000 plus CGST @10% and SGST @10%. Life of plant and machinery is 5 years and depreciation is allowed @ 20% on SLM basis. Processing charges ₹2,00,000 and profit ₹5,00,000. All the goods were sold and charged CGST @10% and SGST @10%.

Show the tax treatment and Compute Net Tax Payable.

**Solution:**

₹

**Raw Material**

Cost of Raw Material	4,00,000
Add: CGST @10%	40,000
Add: SGST @10%	40,000
	<b>4,80,000</b>
Input Tax Credit	
CGST	40,000
SGST	40,000
Cost of Raw Material	4,00,000

**Plant and Machinery**

Plant and Machinery	10,00,000
Add: CGST @10%	1,00,000
Add: SGST @10%	1,00,000
Total	<b>12,00,000</b>
Input Tax Credit	
CGST	1,00,000
SGST	1,00,000

**Cost of finished product**

Raw Material	4,00,000
Depreciation on capital goods (20% of 10,00,000)	2,00,000
Processing	2,00,000
Profit	5,00,000
Transaction value	<b>13,00,000</b>
Add: CGST @ 10%	1,30,000
Add: SGST @ 10%	1,30,000
	<b>15,60,000</b>

**Computation of Net Tax Payable**

	<b>CGST ₹</b>
Output Tax	1,30,000.00
Less:	
ITC Raw Material – CGST	(40,000.00)
ITC Plant & Machinery – CGST	(90,000.00)
Net Tax Payable	Nil

	<b>SGST ₹</b>
Output Tax	1,30,000.00
Less:	
ITC Raw Material – SGST	(40,000.00)
ITC Plant & Machinery – SGST	(90,000.00)
Net Tax Payable	Nil

**Excess tax credit - CGST ₹ 10,000**

**Excess tax credit - SGST ₹ 10,000**

Excess tax credit shall be carried forward or refund can be claimed as per section 54.

As per section 54, Refund shall be allowed if credit has been accumulated on account of rate of tax on inputs is higher than the rate on output supplies. Refund shall be granted within 60 days from the date of application otherwise interest shall be allowed u/s 56 @ 6% per annum for the period after 60 days.

**Illustration 17:** ABC Ltd. is registered under GST Act and has submitted particulars as given below:-

- Purchased Raw Material 'A' ₹1,00,000 + CGST @10% and SGST @10%
- Purchased Raw Material 'B' ₹2,00,000 + IGST @ 20%.
- Purchased plant and machinery ₹20,00,000 + CGST @10% and SGST @10%.
- Life of plant and machinery is 5 years. Depreciation is allowed on SLM basis.
- Service taken ₹3,00,000 + CGST @10% and SGST @10%.
- Processing charges 4,00,000
- Profit 5,00,000

All the goods were sold CGST @10% and SGST @10%

Show tax treatment and compute net tax payable.

**Solution: To be solved by the Student**

**Illustration 18:** ABC Limited is a manufacturing concern and the company has submitted the particulars as given below:-

Purchased raw material, R1: ₹2,00,000 plus CGST @10% and SGST @10%

Purchased raw material, R2: ₹3,00,000 plus IGST @ 20%

The company purchased plant and machinery for ₹10 Lakhs and paid IGST @10%.

Life of the plant and machinery is 5 years and depreciation is allowed @ 20% on SLM.

The company has taken certain services in connection with manufacturing of goods and has paid ₹3,00,000 plus CGST @ 9% and SGST @ 9%

Other processing expenditure incurred by the company is ₹5,00,000 and profit is ₹3,00,000.

Final product was sold by the company and output CGST @10% and SGST @10% .

Company is registered under GST and Compute Output tax / Net tax .

**Solution: To be solved by the Student**



**Illustration 19:**

Mr. X is a dealer registered under GST. He has submitted the information given below:

1. Purchased goods A for ₹10,00,000 + IGST @ 20% and sold these goods for ₹12,00,000 + CGST @ 10% + SGST @ 10%.
2. Purchased goods B for ₹8,00,000 + CGST @ 10% + SGST @ 10% and sold these goods for ₹6,00,000 + IGST @ 20%.
3. Purchased goods C for ₹8,00,000 + CGST @ 10% + SGST @ 10% and sold these goods for ₹9,00,000 + CGST @10% + SGST @10%.

Compute Net Tax payable by Mr. X.

**Solution: To be solved by the Student**

**Illustration 20:**

Mr. X is a dealer registered under GST. He has submitted the information given below:

1. Purchased goods A for ₹10,00,000 + IGST @ 20% and sold these goods for ₹8,00,000 + CGST @ 10% + SGST @ 10%.
2. Purchased goods B for ₹8,00,000 + CGST @ 10% + SGST @ 10% and sold these goods for ₹18,00,000 + IGST @ 20%.
3. Purchased goods C for ₹8,00,000 + CGST @ 10% + SGST @ 10% and sold these goods for ₹6,00,000 + CGST @ 10% + SGST @ 10%.

Compute Net Tax payable by Mr. X.

**Solution: To be solved by the Student**

**Illustration 21:**

Mr. X is a dealer registered under GST. He has purchased goods A for ₹10,00,000 + CGST@ 10% + SGST @10% and sold 50% of these goods for ₹6,00,000 + IGST @20%. Compute Net Tax payable by Mr. X.

**Solution: To be solved by the Student**

**Illustration 22:** Mr. X, a supplier of goods, pays GST under regular scheme. Mr. X is not eligible for any threshold exemption. He has made the following outward taxable supplies in a tax period:

Particulars	(₹)
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	(₹)
Intra-State Purchase of goods	3,00,000
Inter-State Purchase of goods	50,000

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

Particulars	(₹)
CGST	30,000
SGST	30,000
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 net GST payable by Mr. X during the tax period. Make suitable assumptions as required.

**Solution: To be solved by the Student**

**RTP NOV– 2020**

TT Pvt. Ltd., registered in Rajasthan, furnished following information for the month of June:

- (i) Inter-State sale of goods for ₹1,25,000 to JJ Enterprises registered in Haryana

(ii) Inter-State purchases of goods from XYZ company, registered in Punjab, for ₹ 40,000

(iii) Intra-State purchases of goods from RR Traders, registered in Rajasthan, for ₹ 65,000

The applicable rate of GST is 18%. All the above amounts are exclusive of taxes. GST liability payable in cash is-

(a) CGST ₹ 1,800 & SGST ₹ 1,800

(b) SGST ₹ 3,600

(c) IGST ₹ 3,600

(d) CGST ₹ 3,600

**Answer: (c)**

Hint:

Output IGST (1,25,000 x 18%)	22,500
Less: ITC-IGST (40,000 x 18%)	(7,200)
Less: ITC-CGST (65,000 x 9%)	(5,850)
Less: ITC-SGST (65,000 x 9%)	(5,850)
IGST payable in cash	3,600

### RTP NOV– 2020

Pradeep Traders, registered in Haryana, sold goods for ₹ 2,05,000 to Balram Pvt. Ltd. registered in Uttar Pradesh (GST is leviable @ 5% on said goods). As per the terms of sales contract, Pradeep Traders has to deliver the goods at the factory of Balram Pvt. Ltd. For this purpose, Pradeep Traders has charged freight of ₹2,400 from Balram Pvt. Ltd. GST is leviable @ 12% on freight. What would be the net GST liability to be paid in cash in this case assuming that the amounts given herein are exclusive of GST?

(a) IGST-₹37,332

(b) IGST-₹10,370

(c) CGST-₹18,666 and SGST-₹18,666

(d) CGST-₹5,185 and SGST-₹5,185

**Answer: (b)**

**Hint: (2,05,000 + 2,400) x 5% = 10,370**

### MTP - NOV 20 (8 Marks)

Mr. Harihar, a supplier of goods, pays GST under regular scheme. He has made the following outward taxable supplies in a tax period:

Particulars	₹
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

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

Particulars	₹
Intra-State Purchase of goods	3,00,000
Inter-State Purchase of goods	2,50,000

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

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

**Notes:**

(i) Rates of CGST, SGST and IGST are 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 Mr. Harihar for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required.

**Answer:**

**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 cash ledger**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total GST (₹)
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 IGST
	(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>

**Notes: 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.



**11. Which of the following statement is correct**

- (a) ITC of CGST can be adjusted from output SGST
- (b) ITC of SGST can be adjusted from output CGST
- (c) ITC of IGST can be adjusted from output CGST
- (d) ITC of CGST can be adjusted from output IGST
- (e) (c) & (d)
- (f) (a) & (d)
- (g) none of these

**12. Which of the following statement is correct**

- (a) In case of purchase of capital goods, ITC is not allowed
- (b) In case of purchase of capital goods, ITC is allowed
- (c) In case of purchase of capital goods, ITC is allowed but depreciation on GST portion is not allowed
- (d) In case of purchase of capital goods, ITC is allowed and also depreciation on GST portion is allowed
- (e) (a) & (b)

**13. Which of the following statement is correct**

- (a) In case of purchase of goods from other states, IGST is payable but ITC not allowed
- (b) In case of purchase of goods from other states, IGST is payable and also ITC is allowed
- (c) In case of purchase of goods from other states, CGST is payable and also ITC is allowed
- (d) In case of purchase of goods from other states, CGST is payable and ITC is not allowed
- (e) none of these

**14. Which of the following statement is correct**

- (a) GST is payable on supply of goods but not on supply of services
- (b) GST is payable on supply of services but not on supply of goods
- (c) GST is not payable on supply of goods or services
- (d) GST is payable on supply of both goods as well as services
- (e) none of these

**15. Which of the following statement is not correct**

- (a) GST is a single stage tax
- (b) GST is a multi stage tax
- (c) GST has cascading effect
- (d) (a) & (b)
- (e) (b) & (c)
- (f) (a) & (c)

**Check Detailed Solution given on our website [www.mkgeducation.com](http://www.mkgeducation.com)  
(Icon /Heading No.11: Books)**

# EXAMINATION QUESTION

## NOV 2018 (NEW COURSE)

**Question 10 (a)****Marks 4**

From the following information, compute the Net GST payable for the month of March 2022:

	Output GST	Amount in (₹) Opening ITC as per credit ledger
CGST	2,000	Nil
SGST	15,000	1,000
IGST	24,000	37,000

**Solution: Computation of Net GST payable for the month of March 2022**

	₹IGST
Output tax	24,000
Less: ITC-IGST	(24,000)
Net Tax Liability	Nil

	₹ CGST
Output tax	2,000
Less: ITC-IGST	(2,000)
Net Tax Liability	Nil

	₹SGST
Output tax	15,000
Less: ITC-IGST	(11,000)
Less: ITC-SGST	(1,000)
Net Tax Liability	3,000

**Note: Assessee has the option to adjust balance ITC of IGST either from CGST or SGST first.**

## MAY 2018 (NEW COURSE)

**Question 8 (a)****Marks 6**

Mr. Ajay, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 2021:

	Particulars	(₹)
(i) Inter-state taxable supply of goods		10,00,000
(ii) Intra state taxable supply of goods		2,00,000
(iii) Intra state purchase of taxable goods		5,00,000

He has the following Input tax credit at the beginning of August 2021:

Nature	ITC Amount in (₹)
CGST	20,000
SGST	30,000
IGST	25,000

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

Both inward and outward supplies are exclusive of taxes wherever applicable.

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

Compute the net GST payable by Mr. Ajay for the month of August 2021.

**Solution: Computation of net GST payable by Mr. Ajay for the month of August 2021**

	₹
Purchase price	5,00,000
Add: CGST @ 9%	45,000
Add: SGST @ 9%	45,000
Total	5,90,000

Input tax credit of CGST & SGST is allowed.

**Output Tax****Inter-state taxable supply of goods**

Sale Value	10,00,000
Add: IGST @ 18%	1,80,000
Total	11,80,000

**Intra-state taxable supply of goods**

Sale Value	2,00,000
Add: CGST @ 9%	18,000
Add: SGST @ 9%	18,000
Total	2,36,000

**Computation of Net Tax**

	<b>IGST ₹</b>
Output tax	1,80,000
Less: ITC b/f – IGST	(25,000)
Less: ITC – CGST	(47,000)
Less: ITC – SGST	(57,000)
Net Tax Payable	51,000

	<b>CGST ₹</b>
Output tax	18,000
Less: ITC Goods – CGST	(18,000)
Net Tax Payable	Nil

	<b>SGST ₹</b>
Output tax	18,000
Less: ITC Goods – SGST	(18,000)
Net Tax Payable	Nil

**NOV 2018 (OLD COURSE)****Question 11(a)****Marks 4**

Insight Ltd. is operating in West Bengal. The Tax liability for the month of August, 2021 is as follows:

SL. No.	Tax Liability	West Bengal (₹)
(1)	Output CGST Payable	24,000
(2)	Output SGST Payable	9,000
(3)	Output IGST Payable	3,000
(4)	Input CGST	7,000

(5)	Input SGST	14,000
(6)	Input IGST	12,000

Calculate Tax payable and carry forward for the month of August, 2021.

**Solution:**

**Computation of Net Tax**

	<b>IGST ₹</b>
Output tax	3,000
Less: ITC - IGST	(3,000)
Net Tax Payable	Nil
	<b>CGST ₹</b>
Output tax	24,000
Less: ITC - IGST	(9,000)
Less: ITC - CGST	(7,000)
Net Tax Payable	8,000
	<b>SGST ₹</b>
Output tax	9,000
Less: ITC - SGST	(9,000)
Net Tax Payable	Nil
SGST to be carried forward	5,000
IGST to be carried forward	Nil
CGST to be carried forward	Nil

**MAY 2018 (OLD COURSE)**

**Question 7 (a)**

**Marks 6**

Mr. Nimit, a supplier of goods, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies in the month of August, 2021:-

Intra state supplies of goods ₹6,00,000

Inter state supplies of goods ₹2,00,000

He has also furnished following information in respect of purchases made by him from registered dealers during August, 2021:-

Intra state purchase of goods ₹4,00,000

Inter state purchase of goods ₹50,000

Balance of ITC available at the beginning of the August 2021:-

CGST ₹15,000

SGST ₹35,000

IGST ₹20,000

**Note:**

- (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively, on both inward and outward supplies.
- (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.

Compute the net GST payable by Mr. Nimit for the month of August, 2021.

**Solution: To be solved by the Student**



# INPUT TAX CREDIT

## SECTION 16, 17, 18

### RULE 36, 37, 40, 42, 43, 44

**Question 1: Explain Eligibility and conditions for taking Tax Credit under GST.**

**Answer: Eligibility and condition for taking input tax credit. Section 16/ Rule 36 & 37**

**As per section 16(1)**, Input tax credit shall be allowed if (i) the supplier is a registered person (ii) supply of goods or services are used or intended to be used in the course of business or furtherance of business

**As per section 16(2)**, additional conditions shall be as under:

(a) **Registered person** is in possession of a **tax invoice or debit note or a bill of entry (in case of import) or other such documents**. The said document should contain all the specified details however tax credit shall be allowed if it contains at least the following details: amount of tax charged, description of goods or services, total value of supply of goods or services or both, GSTIN of the supplier and recipient and place of supply in case of inter-state supply.

**As per section 31(3)(f)**, A registered person who is liable to pay tax under reverse charge shall issue an invoice in respect of supply received by him from the supplier who is not registered. If supplier is registered, invoice should be issued by the supplier. Also ITC shall be allowed only if tax has been paid to the Government for such supply by the recipient under reverse charge.

(aa) *the details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37.*

(b) **Registered person** has **received** the goods / services.

Explanation.—For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services—

(i) where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;

f(ii) where the services are provided by the supplier to any person on the direction of and on account of such registered person.

(c) the tax charged in respect of such supply has been **actually paid to the Government** by the supplier. but in case of reverse charge, it should be paid by the recipient.

(d) **registered person** has furnished GSTR-3B.

(e) Where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment:

(f) If registered person has not made the payment to the supplier, even in that case tax credit shall be allowed but such registered person should make payment for supply plus tax **within 180 days** from the date of issue of invoice otherwise amount of ITC is to be paid along with Interest. As per section 50 interest shall be paid @ 18% per annum from the date of availing credit till the date when the amount is added to output tax liability. If payment is made subsequently he can again take tax credit. Further restriction of time limit of section 16(4), shall not be applicable. (However this procedure is not applicable in case of reverse charge because the recipient himself has to pay GST to the Government)

**Example:** ABC limited purchase goods from XYZ limited for ₹10,00,000 plus GST ₹ 2,00,000 on 18<sup>th</sup> July 2021 and received invoice on 18<sup>th</sup> July 2021 and has taken credit on 20<sup>th</sup> August 2021 at the time of payment of GST but ABC limited has not made payment to XYZ limited within 180 days from the date of invoice i.e. 18<sup>th</sup> July 2021. In this case 180 days shall expire on 13-01-2022 ( July -14, Aug - 31, Sept – 30, Oct-31, Nov- 30, Dec - 31, Jan -13) i.e. in the month of January 2022. ABC limited should report it in the month of Feb 2022 and should pay ₹ 2,00,000 on 20<sup>th</sup> March 2022 alongwith Interest on ₹ 2,00,000 @ 18% per annum for 7 months i.e. from 20<sup>th</sup> August to 20<sup>th</sup> March 2022. If payment of ₹10,00,000 + GST

₹2,00,0000 was made on 10<sup>th</sup> November 2022, tax credit can be taken again and limit of 16(4) shall not be applicable.

**As per section 16(3)**, While claiming depreciation on capital assets, such ITC shall not form part of actual cost i.e. if registered person has taken tax credit, input tax shall not be added to the cost of capital assets, e.g. ABC limited purchased one plant for ₹ 30,00,000 and paid GST of ₹ 6,00,000 and has taken ITC, in this case depreciation shall be allowed on ₹ 30,00,000.

### RTP NOV 2021

#### Question 6

PZY Ltd. is engaged in manufacturing of motor car. The company paid following amount of GST to its suppliers against the invoices raised to it. Compute the amount of ineligible input tax credit under GST law:-

S.No.	Particulars	GST Paid (₹)
1.	General insurance taken on cars manufactured by PZY Ltd.	1,00,00,000
2.	Buses purchased for transportation of employees (Seating capacity 23)	25,00,000
3.	Life and health insurance for employees under statutory obligation	6,00,000
4.	Outdoor catering in Diwali Mela organized for employees	3,50,000

- (a) ₹ 9,50,000  
 (b) ₹ 3,50,000  
 (c) ₹ 1,31,00,000  
 (d) ₹ 28,50,000

**Solution: 6. (b)**

### MTP - NOV 20 (2 Marks)

Akash Ltd. a registered person in Punjab has purchased Air Conditioner for invoice value of ₹32,000 (which includes GST at 18%) from Mukesh Ltd. registered in Punjab. Akash Ltd. had capitalized Air Conditioner in his books of accounts for full value of ₹ 32,000 and taking the benefit of depreciation on the same. Keeping in view of the above situation the input tax credit which Akash Ltd. is required to take in his books of accounts will be;

- (a) Nil  
 (b) ₹ 4,881  
 (c) ₹ 5,760  
 (d) ₹ 2,880

**Answer: (a)**

Since Depreciation has been claimed on the entire amount, as per section 16(3), ITC shall not be allowed for the input tax paid.

#### Time limit for availing ITC

**As per section 16(4)**, A registered person shall not be entitled to take input tax credit

- after the due date of furnishing of the return under section 39 (GSTR-3B) for the month of September following the end of financial year (20<sup>TH</sup> October) to which such invoice or such debit note pertains or
- furnishing of the relevant annual return (as per section 44/Rule 80, every person has to file annual return in form no. GSTR-9 upto 31<sup>st</sup> December of the subsequent year)  
whichever is earlier.

#### Example 1

ABC limited has received invoice dated 10<sup>th</sup> December, 2021, In this case last date for taking ITC shall be 20<sup>th</sup> October 2022 but if annual return has been filed on 31<sup>st</sup> July 2022, last date shall be 31<sup>st</sup> July 2022.

If any debit note has been issued in connection with any invoice, date of debit note shall be taken into consideration for the purpose of determining the time limit and not the date of invoice, e.g. Invoice is issued on 10/01/2022 and debit note is issued on 20/04/2022 in this case ITC can be taken maximum upto 20/10/2023 or the date of filing annual return whichever is earlier.

**Example 2**

A is a trader who places an order on B for a consignment of soda. A receives a buying order from C for the same quantity of soda. A instructs B to deliver the goods to C, and in turn he raises an invoice on C. Though the goods are not physically received at the premises of A, in this case it will be deemed to be a delivery to Mr. A and Mr. A is entitled to ITC on the consignment.

**Example 3**

XYZ makes an advance payment in August and orders 10 quintals of a particular chemical which is in short supply. The supplier of the chemical raises a bill for the entire amount in August and collects GST from XYZ on the advance paid. The chemical is delivered in lots over a period of three months and the supply is completed in November. XYZ can take the ITC only on receipt of last instalment of the chemical in the month of November.

**Example 4**

Due to a quality dispute, P Ltd withheld payment on a machine supplied by a vendor till it could be rectified. Over 180 days went by in this dispute. The credit taken by P on the invoice got added to the output tax liability of P and thus, it had to pay back the credit. Only after the vendor rectified the machine and P released the payment, P can take the credit again.

**Example 5**

Hercules Machinery delivered a machine to XYZ in January 2022 under Invoice no. 49 dated 28th January, 2022 for ₹ 4,15,000 plus GST, and undertook trial runs and calibration of the machine as per the requirements of XYZ. The amount chargeable for the post-delivery activities was covered in a debit note raised in April 2022 for ₹50,000 plus GST.

Though the debit note was received in the next financial year, it relates to an invoice received in the financial year ending March 2022. Therefore, the time limit for XYZ for taking ITC available on ₹ 4,15,000 is 20th October, 2022 (i.e. earlier of the date of filing the annual return for 2021-22 or the return for September 2022.) and on ₹ 50,000 is 20th October, 2023 (i.e. earlier of the date of filing the annual return for 2022-23 or the return for September 2023.)

**Bill of Entry:** if any person has imported goods, such person has to submit a document to the custom department alongwith certain other documents like invoice etc. and department shall charge basic custom duty and IGST from such person and it will be mentioned on the bill of entry

**Reverse Charge:** In general the supplier shall charge GST from the recipient and shall pay it to the Government and it is called normal charge or forward charge or direct charge but sometimes the recipient himself has to pay GST direct to the Government and it is called reverse charge e.g. if any person has taken services from outside India, in such cases reverse charge is applicable.

**Illustration 1:** XYZ Ltd., is engaged in manufacture of taxable goods. Compute the ITC available with XYZ Ltd. for the month of October, 2021 from the following particulars:-

S. No.	Inward supplies	GST (₹)	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which GST payable was ₹ 10,000, is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two instalments. First instalment has been received in October, 2021.
(iii)	Capital goods	1,20,000	XYZ Ltd. has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice dated 20.01.2021 on which GST payable was ₹50,000 has been received in October, 2021.

**Note:**

(i) All the conditions necessary for availing the ITC have been fulfilled.

- (ii) ABC Co. Ltd. is not eligible for any threshold exemption.  
 (iii) The annual return for the financial year 2020-21 was filed on 15th September, 2021.

**Answer**

Computation of ITC available with XYZ Ltd. for the month of October, 2021

S. No.	Inward supplies	GST (₹)
(i)	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC]	90,000
(ii)	Inputs 'B' [When inputs are received in instalments, ITC can be availed only on receipt of last instalment]	Nil
(iii)	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component]	Nil
(iv)	Input services [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 FY 2020-21 has been filed on 15th September, 2021 (prior to due date of filing the return for September, 2021 i.e., 20th October, 2021), ITC on the invoice pertaining to FY 2020-21 cannot be availed after 15th September, 2021.]	1,75,000
<b>Total</b>		<b>2,65,000</b>

**RTP 2021****Question 11.**

Mr. Nikunj, a supplier of goods, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies in the month of August :-

	₹
Intra State supplies of goods	6,00,000
Inter State supplies of goods	2,00,000

He has also furnished following information in respect of purchases made by him from registered dealers during August :-

Intra State purchase of goods	4,00,000
Inter State purchase of goods	50,000
Balance of ITC available at the beginning of the August:-	₹
CGST	15,000
SGST	35,000
IGST	20,000

**Note:**

- (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively, on both inward and outward supplies.  
 (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.  
 Compute the minimum GST payable by Mr. Nikunj in cash for the month of August.

**Solution:****Computation of GST liability of Mr. Nikunj for the month of August**

S. No.	Particulars	(₹)	GST (₹)
(i)	Intra-State supply of goods		
	CGST @ 9% on ₹ 6,00,000	<b>54,000</b>	
	SGST @ 9% on ₹ 6,00,000	<b>54,000</b>	<u>1,08,000</u>
(ii)	Inter-State supply of goods		
	IGST @ 18% on ₹ 2,00,000		<b>36,000</b>

**Computation of total ITC**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	15,000	35,000	20,000
Add: ITC on Intra-State purchases of goods valuing ₹ 4,00,000	<b>36,000</b>	<b>36,000</b>	
Add: ITC on Inter-State purchases of goods valuing ₹ 50,000			<b><u>9,000</u></b>
<b>Total ITC</b>	51,000	71,000	29,000

**Computation of minimum GST payable in cash**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable	54,000	54,000	36,000
Less: ITC credit of IGST to be first utilised towards payment of IGST			(29,000)
ITC of CGST to be utilised for payment of CGST and IGST in that order.	(51,000)		
ITC of SGST to be utilised for payment of SGST and IGST in that order.		(54,000)	
ITC of SGST to be utilised for payment of IGST, only after ITC of CGST has been utilised fully.			(7,000)-SGST
<b>Minimum GST payable in cash</b>	<b>3,000</b>	<b>Nil</b>	<b>Nil</b>

**NOV 2019 (OLD COURSE)****Question.10. (a)****(4 Marks)**

Documents based on which ITC is taken should contain at least certain details, What are they?

**Answer: Refer answer given in the book****RTP NOV– 2020**

Mr. Raghu avails services of Mr. Raja, a Chartered Accountant, as under-

- |   |          |
|---|----------|
| (i) Audit of financial accounts                     | ₹ 55,000 |
| (ii) Tax audit and annual filing                    | ₹ 10,000 |
| (iii) Income-tax return filing of Mr. Raghu 's wife | ₹ 5,000  |

All the above amounts are exclusive of taxes and the applicable rate of GST on these services is 18%.

The accountant of Mr. Raghu has booked the entire expenses of ₹70,000 plus GST in the books of account. Mr. Raghu is eligible to take input tax credit of -

- (a) ₹ 13,500  
 (b) ₹ 11,700  
 (c) ₹ 9,900  
 (d) ₹ 1,800

**Answer: (b)**

Hint: ITC on personal expenditure is not allowed. ITC allowed shall be 65,000 x 18% = 11,700

**IPC NOV 2017 (MODIFIED)****Question 8****(2 Marks)**

Raghavan, a service provider, has taken credit based on the invoice made available to him. He has received the invoice on 10-07-2021 and has made payment against the invoice on 01-01-2022. Explain the consequences of credit that he has taken on 10-07-2021.

**Answer:**

As per section 16(2), Payment should be made within 180 days from the date of invoice otherwise credit taken earlier shall be added to the output tax liability alongwith interest but if later he makes payment after 180 days, then again he is eligible to take tax credit and limit of section 16(4) shall not be applicable. In the given case payment has been made within 180 days of the date of invoice hence tax credit is taken correctly.

**Question 9****(2 Marks)**

Mahesh has received invoices but they have remained unaccounted for more than a year. He intends to take credit while accounting for it now. Advice him on his decision.

**Answer:**

As per section 16(4), A registered person shall not be eligible to take credit after the due date of filing return for the month of September of the subsequent year or furnishing the annual return, whichever is earlier provided the assessee has made the payment to the supplier. In the given case if the assessee has made the payment to the supplier and due date for filing return for the month of September or filing of annual return is not crossed then he is eligible to take credit

**Question 2: Availment of Tax credit in case of new registration.****Answer: Tax credit in case of new registration****Compulsory Registration**

**As per section 18(1)(a)/Rule 40,** A person who has applied for registration under this Act **within 30 days** from the date on which he becomes liable to registration and has been granted such registration shall be entitled to take credit of input tax in respect of inputs / semi-finished / finished goods on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act. **No tax credit shall be allowed for capital goods.**

If any person has applied for registration after expiry of 30 days, **tax credit shall not be allowed.**

**Example:** Mr. X becomes liable to pay tax on 01/08/2021 and has applied for registration on 16/08/2021 obtained registration on 16/09/2021. Mr. X is eligible for ITC on inputs held in stock/ semi-finished / finished goods as on 31st July. Mr. X cannot take ITC on capital goods.

**Voluntary Registration**

**As per section 18(1)(b)/Rule 40,** A person who takes **voluntary registration** shall be entitled to take credit of input tax in respect of inputs held in stock and inputs/ semi-finished / finished goods on the day immediately preceding the date of grant of registration. No tax credit shall be allowed for capital goods.

**Example:** Mr. A applies for voluntary registration on 5th June and obtains registration on 22<sup>nd</sup> June. Mr. A is eligible for ITC on inputs held in stock/ semi-finished goods / finished goods as on 21st June. Mr. A cannot take ITC on capital goods.

For this purpose the applicant has to submit form no. ITC-01 within 30 days from the date on which he becomes eligible to avail ITC. Further ITC-01 should be verified by Chartered Accountant/ Cost Accountant if the total amount of ITC is exceeding ₹ 2,00,000.

**As per section 18 (2),** Tax credit shall be allowed maximum **within one year from the date of invoice.**

**Example 1**

Mr. Z becomes liable to pay tax on 01/08/2021 and has applied for registration on 05/09/2021 and obtained registration on 10/09/2021, in this case Mr. Z is not eligible for claiming ITC because application for registration has been given after 30 days.

**Example 2**

Mr. A applies for voluntary registration on 5th June and obtains registration on 22th June. Mr. A is eligible for ITC on inputs / semi-finished goods / finished goods as on 21st June. Mr. A cannot take ITC on capital goods.

**Example 3**

Mr. X purchased goods vide invoice dated 01/07/2021 ₹10,00,000 plus GST ₹2,00,000 and he is unregistered. His turnover has crossed the Limit of ₹ 40,00,000 in the year 2022-23 on 10/08/2022, in this case as per section 18(2) tax credit for the goods lying in the stock is not allowed because one year has elapsed from the date of invoice.

**Example 4**

Mr. X purchased goods vide invoice dated 01/03/2022 ₹10,00,000 plus GST ₹2,00,000 and he is unregistered. His turnover has crossed the Limit of ₹ 40,00,000 in 2022-23 on 01/01/2023 and he applied for registration on 01/01/2023 and was granted registration on 10/01/2023, in this case as per section 16(4) tax credit for the goods lying in the stock is not allowed because time limit prescribed under 16(4) has elapsed.

**Illustration 2:** ABC Ltd. Started Business on 01/10/2021.

Purchased raw material ₹50,00,000 + CGST @ 10% + SGST @ 10% and also purchased plant machinery ₹30,00,000 + CGST @ 12% + SGST @ 12%.

Turnover of the company crossed ₹40,00,000 on 10/01/2022 and company has taken registration on 10/01/2022 and at that time 50% of the raw material has been utilised.

Company had turnover ₹30,00,000 from 10/01/2022 to 31/01/2022 and rate of CGST @ 12% and SGST @ 12%.

Compute ITC /Output tax and Net Tax for Jan 2022

**Solution:**

	₹
Purchased raw material	50,00,000
Add: CGST @10%	6,00,000
Add: SGST @10%	6,00,000
Total	62,00,000
ITC allowed	
CGST (50%)	3,00,000
SGST (50%)	3,00,000
Plant & Machinery	30,00,000
Add: CGST @12%	3,60,000
Add: SGST @12%	3,60,000
Total	37,20,000

As per Section 18 (1) (a) / Rule 40, no tax credit shall be allowed for capital goods.

**Output Tax**

Transaction Value	30,00,000
Add: CGST @12%	3,60,000
Add: SGST @12%	3,60,000
Total	37,20,000

**Computation of Net Tax Payable**

	<b>CGST</b>
Output Tax	3,60,000
Less: ITC raw material	(3,00,000)
Tax Payable	60,000
	<b>SGST</b>
Output Tax	3,60,000
Less: ITC raw material	(3,00,000)

Tax Payable 60,000

**Illustration 3:**

Mr. X started his business on 01/04/2021 and he is unregistered dealer. He purchased goods A for ₹50,00,000 + IGST 20% and 60% of the goods were sold by him upto 30/06/2021 for ₹40,00,000.

He applied for registration on 10/07/2021 and was registered on 18/07/2021.

He purchased plant and machinery X on 01/05/2021 for ₹16,00,000 + CGST @ 10% + SGST @ 10%.

He purchased goods B on 01/08/2021 for ₹30,00,000 + CGST @ 10% + SGST @ 10% and goods were sold for ₹40,00,000 + IGST @ 20%.

He purchased plant Y on 01/09/2021 for ₹13,00,000 + CGST @ 10% + SGST @ 10%.

Compute ITC /Output tax /Net Tax.

**Solution:****Computation of Net Tax Liability of Mr. X.**

₹

**Input Tax Credit**

Goods A	50,00,000
Add: IGST @ 20%	10,00,000
Total	60,00,000

No ITC is allowed in the beginning as he is an unregistered dealer.

40% credit is allowed (10,00,000 x 40%) =	4,00,000
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As per section 18(1)(a), No ITC is allowed for capital goods.

Goods B	30,00,000
Add: CGST @ 10%	3,00,000
Add: SGST @ 10%	3,00,000
Total	36,00,000

ITC	
CGST	3,00,000
SGST	3,00,000

Plant Y	13,00,000
Add: CGST @ 10%	1,30,000
Add: SGST @ 10%	1,30,000
Total	15,60,000

ITC	
CGST	1,30,000
SGST	1,30,000

**Output Tax**

Goods B	40,00,000
Add: IGST @ 20%	8,00,000
Total	48,00,000

**Computation of Net Tax**

	<b>IGST</b>
Output Tax	8,00,000.00
Less: ITC goods A – IGST	(4,00,000.00)
Less: ITC goods B – CGST	(3,00,000.00)
Less: ITC plant Y – CGST	(1,00,000.00)
Net tax payable	Nil



ITC to be carried forward	
CGST	30,000
SGST	4,30,000

**Illustration 4:** ABC limited started its business on 01-07-2021 and purchased goods ₹48,00,000 + CGST 10% + SGST 10% and purchased capital goods for conducting business for ₹ 18,00,000 + CGST 10% + SGST 10%. Company sold 50% of the goods upto 31-12-2021 for ₹ 40,00,000 and applied for registration on 1-1-2022 and registration was granted on 15-01-2022. Company sold remaining 50% of the goods upto 31/03/2022 for ₹ 39,00,000 + CGST 10% + SGST 10%

Compute ITC allowed at the time of registration and net tax payable by the company.

**Solution:**

No tax credit shall be allowed in the beginning because unregistered supplier is not eligible for ITC.

As per section 18(1) (a), ITC shall be allowed at the time of registration but only for inputs lying in the stock and amount of ITC shall be  $48,00,000 \times 50\% = 24,00,000$

(Since 50% of the goods have been sold)

CGST @ 10%	2,40,000
SGST @ 10%	2,40,000
No ITC for capital Goods.	
Sale of remaining goods	39,00,000
CGST 10%	3,90,000
SGST 10%	3,90,000

	CGST	SGST
Output tax	3,90,000	3,90,000
Less ITC	(2,40,000)	(2,40,000)
Net tax	1,50,000	1,50,000

**Illustration 5:** ABC limited started its business on 01-07-2021 and purchased goods ₹ 48,00,000 + CGST 10% + SGST 10% and purchased capital goods for conducting business for ₹ 18,00,000 + CGST 10% + SGST 10%. Company sold 50% of the goods upto 31-12-2021 for ₹ 40,00,000 and applied for registration on 10-2-2022 and registration was granted on 15-02-2022. Company purchased one Plant and machinery on 20-02-2022 ₹ 6,00,000 + CGST @ 10% + SGST @ 10% . Remaining goods were sold upto 31-03-2022 for ₹42,00,000 + CGST 10% + SGST 10%

Compute ITC allowed at the time of registration and also net tax payable by the company.

**Solution:**

No tax credit shall be allowed because company has applied after expiry of 30 days. However tax credit shall be allowed for the plant and machinery purchased after registration.

Plant and machinery purchased	6,00,000	
CGST	60,000	
SGST	60,000	
ITC		
CGST	60,000	
SGST	60,000	
	CGST	SGST
Output tax (42,00,000 X 10%)	4,20,000	4,20,000
Less ITC	(60,000)	(60,000)
Net tax	3,60,000	3,60,000

### RTP NOV– 2020

Babla & Bros. is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1st October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla & Bros. was ₹50 lakh. Examine the eligibility of Babla & Bros. for availing ITC, if any.

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

exemption is withdrawn. Assuming that Babla & Bros. applies for registration within 30 days of 1st October and 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. 30th September [Section 18(1)(a) of the CGST Act, 2017]. Input tax paid on capital goods will not be available as input tax credit in this case.

**Question 3: Explain Availment of tax credit in case of shifting from composition scheme to normal scheme.**

**Answer: Tax credit in case of shifting from composition scheme to normal scheme. Section 18 (1) (c) / Rule 40.**

If any registered person has shifted from composition scheme to normal scheme, such person shall be entitled to take credit of input tax in respect of inputs held in stock/ semi-finished / finished goods and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax.

The credit on capital goods shall be reduced by **5% per quarter of a year or part thereof** from the date of invoice.

For this purpose the applicant has to submit form no. ITC-01 within 30 days from the date on which he becomes eligible to avail ITC. Further ITC-01 should be verified by Chartered Accountant/ Cost Accountant if the total amount of ITC is exceeding ₹ 2,00,000.

**As per section 18(2)**, Tax credit shall be allowed maximum within one year from the date of invoice.

**As per section 2 (92)**, "**quarter**" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year;

**Example 1:** Mr. A, a registered taxable person, was paying tax at composition scheme upto 30th June. However, w.e.f. 1st July, Mr. A becomes liable to pay tax under regular scheme. Mr. A will be eligible for ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods as on 30th June. ITC on capital goods will be reduced by 5% per quarter from the date of the invoice.

**Example 2.**

Mr. X has opted for composition scheme at the time of registration and purchased a plant and machinery ₹ 30,00,000 and paid input tax at a rate of 18% and tax credit was not allowed but after a period of 9 month and 10 days the dealer has opted for payment u/s 9 i.e. normal scheme. Compute amount of tax credit allowed to Mr. X.

(b) Presume time period is 11 month and 20 days

**Solution:**

(a) Total Input Tax (30,00,000 x 18%)	₹ 5,40,000
Asset already used for 9 months and 10 days = 4 Quarters	
Less: Tax credit not allowed (5,40,000 x (4 x 5%))	(1,08,000)
Amount of Tax credit allowed	4,32,000

(b) Total Input Tax (30,00,000 x 18%)	5,40,000
Asset already used for 11 months and 20 days = 4 Quarters	
Less: Tax credit not allowed (5,40,000 x (4 x 5%))	(1,08,000)
Amount of Tax credit allowed	4,32,000

**Question 4: Explain Availment of tax credit in case of exempt supply becomes taxable supply.**

**Answer: Tax credit in case of exempt supply becomes taxable supply. Section 18 (1) (d) / Rule 40.**

If any exempt supply becomes taxable supply, in that case, registered person shall be entitled to take credit of input tax in respect of inputs held in stock/ semi-finished / finished goods and on capital goods on the day immediately preceding the date from which it becomes taxable.

The credit on capital goods shall be reduced by **5% per quarter of a year or part thereof** from the date of invoice.

For this purpose the applicant has to submit form no. ITC-01 within 30 days from the date on which he becomes eligible to avail ITC. Further ITC-01 should be verified by Chartered Accountant/ Cost Accountant if the total amount of ITC is exceeding ₹ 2,00,000.

**As per section 18(2)**, Tax credit shall be allowed maximum within one year from the date of invoice.

**Example 1:**

ABC Limited purchased one plant and machinery ₹20,00,000 and paid input tax ₹3,00,000 and it is being used for exempted goods but after 7 months and 10 days , it is used for taxable goods. In this case, its tax credit allowed shall be

Total input tax	₹ 3,00,000
Less: 5% per quarter or part thereof i.e. 3,00,000 x (5% x 3)	(₹ 45,000)
Amount of tax credit allowed	2,55,000

**Example 2:**

Mamta Sales trades in exempt goods and provides taxable services. It is registered under GST. On 1st 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.

**Answer:** If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) of the CGST Act, 2017 become applicable. In the 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. 30th September. Input tax credit on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

**Question 5: Explain ITC in case of Amalgamation/ Demerger etc.**

**Answer : ITC in case of Amalgamation/ Demerger etc. Section 18 (3)/Rule 41**

Where there is a change in the constitution of a registered person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provisions for transfer of liabilities, in such cases, the said registered person shall be allowed to transfer the input tax credit which remains unutilised in his electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed. For this purpose information shall be submitted in Form No. ITC-02 by the transferor and the transferee shall accept it on the common portal and ITC shall be credited to electronic credit ledger of transferee.

**Question 6: Explain Reversal of tax credit in case of shifting from normal scheme to composition scheme or where taxable supply becomes exempt supply.**

**Answer: Tax credit in case of shifting from normal scheme to composition scheme or where taxable supply becomes exempt supply section 18 (4)/ Rule 44**

Where any registered person who has availed of input tax credit **opts to pay tax under composition scheme** or, where **taxable supply becomes exempt supply**, he shall pay an amount, equivalent to the credit of input tax in respect of stock.

In case of capital goods, remaining tax credit has to be reversed taking the life to be 60 month and part of the month shall be ignored

After payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.

For this purpose the applicant has to submit form no. ITC-03

**Example 1:**

ABC Limited purchased one plant and machinery ₹20,00,000 and paid input tax ₹3,00,000 and it is being used for taxable goods but after one year and 2 months and 10 days , it is used for exempted goods. In this

tax credit to be reversed shall be

Remaining life 60 month – 14 month 10 days = 45 months 20 days

Ignore 20 days i.e. 45 months

$3,00,000 / 60 \times 45 = ₹2,25,000$

**Example 2:**

Mr. X has opted for payment under section 9 and he purchased a plant and machinery ₹ 60,00,000 and paid input tax at a rate of 20% but he has shifted to composition scheme after 38 month and 10 days. Compute amount of tax credit to be reversed by Mr. X.

(b) Presume time period is 11 month and 20 days

(c) Presume time period is 55 month and 21 days.

**Solution:**

	₹
(a) Total Input Tax (60,00,000 x 20%)	12,00,000
Remaining life of the asset = (60 month – 38 month and 10 days)	
= 21 month and 20 days i.e. 21 month (part shall be ignored)	
Amount of credit to be reversed = $12,00,000/60 \times 21 =$	4,20,000
(b) Total Input Tax (60,00,000 x 20%)	12,00,000
Remaining life of the asset = (60 month – 11 month and 20 days)	
= 48 month and 10 days i.e. 48 month (part shall be ignored)	
Amount of credit to be reversed = $12,00,000/60 \times 48 =$	9,60,000
(c) Total Input Tax (60,00,000 x 20%)	12,00,000
Remaining life of the asset = (60 month – 55 month and 21 days)	
= 4 month and 9 days i.e. 4 month (part shall be ignored)	
Amount of credit to be reversed = $12,00,000/60 \times 4 =$	80,000

**Question 7: Explain Reversal of tax credit in case of supply of capital goods on which tax credit has been taken.**

**Answer: Payment of tax in case of supply of capital goods on which tax credit has been taken Section 18 (6)/ Rule 44**

In case of **supply of capital goods**, on which input tax credit has been taken, the registered person shall pay an amount on the basis of remaining life considering total life to be 60 months however part of the month shall be ignored as per rule 44 or the tax on the transaction value of such capital goods, whichever is higher.

**Example.**

If a plant and machinery was purchased for ₹ 20,00,000 and input tax credit was ₹ 2,00,000 and supplier has sold it after using for one year and 2 months and 15 days, amount to be reversed shall be –

Remaining life shall be = 45 months 15 days i.e. 45 months

Amount to be reversed  $2,00,000/60 \times 45 = 1,50,000$

If the plant is sold for ₹ 15,00,000 and rate of GST is 12%, Amount to be reversed shall be ₹1,80,000

If the plant is sold for ₹ 12,00,000 and rate of GST is 12%, Amount to be reversed shall be ₹1,50,000 and not ₹ 1,44,000.

In case of supply of goods, registered person shall report it in GSTR-1.

**Illustration 6:** Mr. X is registered in GST and is manufacturing taxable goods. He purchased one plant and machinery ₹ 60,00,000 plus CGST @ 10% plus SGST @ 10% and has taken ITC but after 2 years 7 months and 22 days it was sold by him for ₹ 40,00,000 when rate of CGST @ 12% and SGST @ 12%. Determine the amount to be paid and also mention section and Rules.

**Solution:****Total Input Tax**

CGST (60,00,000 x 10%)	6,00,000
SGST (60,00,000 x 10%)	6,00,000
Remaining life of the asset = (60 month – 31 month and 22 days) = 28 month and 8 days i.e. 28 month (part shall be ignored)	
Amount of credit to be reversed CGST = 6,00,000/60 x 28 =	2,80,000
Amount of credit to be reversed SGST = 6,00,000/60 x 28 =	2,80,000

If Plant and Machinery is sold for ₹ 40,00,000, Amount to be reversed

CGST (40,00,000 x 12%)	4,80,000
SGST (40,00,000 x 12%)	4,80,000

Therefore amount to be paid will be higher of the two which is CGST ₹ 4,80,000 & SGST ₹ 4,80,000 as per section 18(6)/Rule 44.

**MAY 2018 (OLD COURSE)****Question 9 (c)****(4 Marks)**

Bharat Associates Pvt. Ltd. Purchased machinery worth ₹ 9,00,000 (excluding GST) on 20-07-2021 on which it paid GST @ 18%. It availed the ITC. On 05-03-2022 it sold the machinery for ₹7,00,000 (excluding GST) to Hindustan Associates Pvt. Ltd. The GST rate on sale is 18%. What will be the course of action for Bharat Associates Pvt. Ltd. to follow under CGST Act, 2017?

**Answer: As per Section 18 (6) of the CGST Act, 2017 read with CGST Rule 44**, in case of **supply of capital goods**, on which input tax credit has been taken, the registered person shall pay an amount on the basis of remaining life considering total life to be 60 months however part of the month shall be ignored or the tax on the transaction value of such capital goods, whichever is higher.

Accordingly, the amount payable on supply of machine shall be computed as follows:

In this case the machine has been used from 20<sup>th</sup> July 2021 to 05<sup>th</sup> March 2022 i.e. 7 months and 14 days

Remaining life shall be = 52 months 16 days i.e. 52 months

Amount to be reversed (A) 1,62,000/60 x 52 =	1,40,400
Duty leviable on transaction value (₹ 7,00,000 × 18%) (B)	1,26,000
Amount payable towards disposal of machine is higher of (A) and (B)	1,40,400

**Question 8: Explain tax credits in case of Inputs/Capital Goods are used for taxable as well as exempted supply.**

**Answer:** The fundamental principle of credit scheme under value added tax is that tax paid on inputs, input services and capital goods can be availed as credit only when the output is taxable. Thus, when tax is not payable on output, credit cannot be availed. Accordingly, ITC under GST can be availed and utilised for payment of tax on output supply. Consequently, ITC cannot be availed when tax is not payable on output supply, i.e. on exempt supply. The only exception to the above principle is 'zero rated supply, where ITC is available even if no tax is payable on output supply.

If a taxable person is making both taxable and exempt supply, he is entitled to full credit of ITC in respect of inputs, input services and capital goods exclusively used for taxable supply and no credit at all for inputs, input services and capital goods exclusively used for exempt supply. If common inputs, input services and capital goods are used for taxable as well as exempt supply, only proportionate ITC attributable to the taxable supply is available. The common ITC is apportioned in the ratio of value of taxable supply and exempt supply. Elaborate provisions have been made in sub-sections (1) and (2) of section 17 and rules 42 and 43 for calculation of such proportionate ITC.

**Apportionment of credit Section 17 (1)/17 (2)/ 17 (3) / Rule 42/43.**

**As per section 17(1)/ 17(2)/ 17(3)**, if any person is supplying goods or services which are taxable as well as exempt, in such cases tax credit shall be allowed only for taxable supply and zero rated supply (i.e. supply for export or supply to SEZ units or SEZ developer).

No tax credit shall be allowed for exempt supply or non-taxable supply (supply on which GST can not be levied e.g. alcoholic liquor and petroleum product) or supply for non-business purpose or supply for personal purpose.

Exempt supply shall include (i) supplies on which recipient is liable to pay tax on reverse charge eg. If goods transport agency has transported goods for a company and reverse charge is applicable, it will be considered to be exempt supply for goods transport agency. (ii) transaction in sale purchase of shares and securities (because securities transaction is paid), (iii) sale of land or building (because stamp duty is paid)

*The expression “value of exempt supply” for the purpose shall not include the value of activities or transactions specified in Schedule III, except those specified in paragraph 5 of the said Schedule.’*

**Example 1**

Out of 10 containers purchased by a registered person engaged in taxable supply of goods, 5 are used for storing non-taxable goods (exempt supply) such as petroleum (petroleum is out of GST gamut till the time the GST Council takes a decision in this regard). ITC on 5 containers used for non-taxable goods cannot be availed.

**Example 2**

A registered person (partnership firm) purchases 5 laptops but one of the laptop is being used by the son of one of the partners of the firm. ITC will not be available on such laptop as it is used for personal purposes.

**Apportionment of ITC of Inputs Section 17(1)/ 17(2)/ 17(3) / Rule 42**

**As per Rule 42**, In case of Inputs or Input services, tax credit shall be allowed but subsequently proportionate amount relating to exempt supplies shall be reversed on the basis of turnover, eg. ABC limited is manufacturing two type of shoes one low cost exempt and other high cost taxable and company purchased leather and other material to be used in both type of shoes and paid ₹ 5,00,000 plus CGST @ 10% plus SGST @ 10% and company has taken ITC, In this case, if total turnover during the month is ₹12,00,000 out of which exempt is ₹4,00,000 and taxable is ₹ 8,00,000, in this case tax credit to be reversed shall be

$$\text{CGST} = 50,000 / 12,00,000 \times 4,00,000 = ₹16,666.67 \text{ rounded off u/s 170 } ₹16,667$$

$$\text{SGST} = 50,000 / 12,00,000 \times 4,00,000 = ₹16,666.67 \text{ rounded off u/s 170 } ₹16,667$$

**Illustration 7:** A garment factory receives a Government order for making uniforms for a commando unit. This supply is exempt from tax under a special notification. The fabric is separately procured for the supply, but thread and lining material for the collars are the ones which are used for other taxable products of the factory.

The turnover of the other products of the factory and exempted uniforms in July is ₹4 crore and ₹1 crore respectively, the ITC on thread and lining material procured in July is ₹5000 and ₹15000 respectively.

Calculate the eligible ITC on thread and lining material.

**Answer:** Thread and lining material are inputs which are used for making taxable as well as exempt supplies. Therefore, credit on such items will be apportioned and credit attributable to exempt supplies will be added to the output tax liability in terms of rule 42 of the CGST Rules, 2017.

Credit attributable to exempt supplies = Common credit x (Exempt turnover/ Total turnover)

$$\text{Common credit} = ₹15,000 + ₹5,000 = ₹20,000$$

$$\text{Exempt turnover} = ₹1 \text{ crore}$$

$$\text{Total turnover} = ₹5 \text{ crore } [₹1 \text{ crore} + ₹4 \text{ crore}]$$

$$\text{Credit attributable to exempt supplies} = 20,000 / 5 \text{ crores} \times 1 \text{ crore} = ₹4,000.$$

Ineligible credit of ₹4,000 will be added to the output tax liability for the month of July.

**Illustration 8:** Eeze Footwear, manufacturer of two varieties of Hawaii slippers and five varieties of other sandals and shoes. Hawaii slippers are exempted. Dyes are used in the manufacture of all footwear. However,

bright pink is used only for one of the Hawaii varieties, and black is used only for the sandals and shoes. Blue and yellow are used for all the varieties. Brown is used for non-business purposes.

Eeze footwear has the following turnover in October

Turnover of Hawaii 1 plus Hawaii 2 is ₹ 3 crores

Turnover of all varieties of taxable shoes and sandals: ₹ 2 crore

Total turnover of all footwear during the month: ₹ 5 crores

No inputs/input services are used for non-business purposes.

Inward supplies during the month -

Input tax on brown dye (non-business):	10,000
Input tax on bright pink dye (used for Hawaii slippers):	90,000
Input tax on black dye (used only for sandals and shoes):	40,000
Input tax on blue dye (used for all i.e. mixed use):	1,00,000
Input tax on yellow dye (used for all i.e. mixed use):	15,000
Total input tax:	2,55,000

In this case no tax credit shall be allowed for brown dye, bright pink dye. Full ITC shall be allowed for black dye. ITC for blue dye and yellow dye (1,00,000 + 15,000 = 1,15,000) shall be allowed in full but proportionate amount of exempted turnover shall be recovered.

$$1,15,000 / 5 \text{ crore} \times 3 \text{ crore} = 69,000$$

### **Apportionment of ITC of Capital Goods Section 17(1) & (2) Rule 43**

**As per Rule 43,** In case of capital goods also tax credit shall be availed in the beginning but proportionate amount of ITC shall be reversed every month on the basis of turnover along with interest @ 18% per annum. Life of every capital goods shall be taken to be 60 month.

#### **Example 1**

ABC Limited purchased one plant and machinery ₹20,00,000 on 01.04.2021 and paid input tax ₹3,00,000 and tax credit has been taken and it is being used for taxable as well as exempt goods. In this case, if turnover for April 21, of taxable goods is ₹6,00,000 and turnover of exempt goods is ₹2,00,000,

In this case tax credit of 3,00,000 shall be taken on 20<sup>th</sup> May 2021 and tax credit for April 21 shall be reversed on 20<sup>th</sup> May 2021 and shall be computed in the manner given below:

$$3,00,000/60 \times 2,00,000/8,00,000 = ₹1,250$$

No interest is payable because tax credit is taken on 20<sup>th</sup> May 21 and is also reversed on 20<sup>th</sup> May 21

Turnover for the month of May 2021 taxable ₹7,00,000 , exempt ₹3,00,000, in this case tax credit shall be reversed on 20<sup>th</sup> June 2021 and interest shall be paid for one month:

$$3,00,000/60 \times 3,00,000 /10,00,000 = 1,500$$

$$\text{Interest payable} = 1500 \times 18\% \times 1/12 = 22.5 \text{ (rounded off 23)}$$

Turnover for the month of June 2021 taxable 8,00,000 , exempt 2,00,000, in this case tax credit shall be reversed on 20<sup>th</sup> July 21

and interest shall be paid for two month:

$$3,00,000/60 \times 2,00,000 /10,00,000 = 1,000$$

$$\text{Interest payable} = 1000 \times 18\% \times 2/12 = 30$$

If capital goods were used for manufacturing exempt goods but subsequently it is being used for manufacturing of exempt goods and taxable goods, in that case full tax credit shall be allowed but proportionate amount of input tax for the exempt period shall be added to the output tax liability for that month. It will be 5% per quarter or part thereof.

**Example 2**

ABC Limited purchased one plant and machinery on 01.04.2021 for ₹20,00,000 and paid input tax ₹3,00,000 and it is being used for exempted goods but after 12 months, it is used for exempted as well as taxable goods. In this case treatment of ITC shall be as given below,

Full tax credit of 3,00,000 shall be allowed for the month of April 2022 but proportionate ITC for 12 months shall be added to the output tax liability for April 2022:  $3,00,000 \times 5\% \times 4 = 60,000$

If after availing ITC turnover for April 2022 is: taxable ₹4,00,000 and exempt ₹2,00,000, Credit amount to be reversed every month shall be

$$3,00,000 / 60 \times 2,00,000 / 6,00,000 = ₹1,666.67$$

Also interest shall be payable in the subsequent month (not for the first month)

**Example 3**

ABC limited purchased one plant and machinery on 01.04.2021 for ₹30,00,000 + GST @ 12% and started manufacturing taxable goods and taken ITC of ₹3,60,000 on 20.05.2021.

Company started manufacturing taxable as well as exempt goods w.e.f. 01.10.2021 and taxable turnover for the month of October was ₹20,00,000 and exempt turnover was ₹5,00,000. In this case ITC to be reversed on 20.11.2021 shall be

$$3,60,000 / 60 \times 5,00,000 / 25,00,000 = 1,200$$

$$\text{Interest payable} = 1200 \times 18\% \times 6/12 = 108$$

If taxable turnover for the month of November was ₹22,00,000 and exempt turnover was ₹3,00,000. In this case ITC to be reversed on 20.12.2021 shall be

$$3,60,000 / 60 \times 3,00,000 / 25,00,000 = 720$$

$$\text{Interest payable} = 720 \times 18\% \times 7/12 = 75.6 \text{ or } 76$$

**Illustration 9:**

Mr. X is a dealer registered in GST and has purchased one Plant and Machinery on 01/10/2021 ₹ 60,00,000 + CGST @10% + SGST @ 10%. He purchases raw material ₹ 30,00,000 + CGST @ 12% + SGST @ 12% on first of every month. He is manufacturing two products A & B. Product A is exempt and Product B is taxable.

Turnover of product A in October 2021 is ₹22,00,000 and Turnover of product B is ₹32,00,000. Rate of CGST @ 15% and SGST @ 15%. Compute ITC/ Output tax/ Net Tax for the month of October 2021.

**Solution:****Computation of Net Tax Liability of Mr. X**

	₹
Raw Material	30,00,000
Add: CGST @ 12%	3,60,000
Add: SGST @ 12%	3,60,000
Total	37,20,000
Input tax credit	
CGST	3,60,000
SGST	3,60,000
Cost of Raw Material	30,00,000
<b>ITC on capital Goods</b>	
Plant and Machinery	60,00,000
CGST @ 10%	6,00,000
SGST @ 10%	6,00,000
ITC CGST	6,00,000
ITC SGST	6,00,000
Cost of Plant and Machinery	60,00,000



**Output Tax**

Turnover	32,00,000
CGST @ 15%	4,80,000
SGST @ 15%	4,80,000
Add: ITC to be reversed	
Raw Material - Rule 42	
CGST $3,60,000/54,00,000 \times 22,00,000$	1,46,666.67
SGST $3,60,000/54,00,000 \times 22,00,000$	1,46,666.67
Capital Goods –Rule 43	
CGST $(6,00,000/60 \times 1)/54,00,000 \times 22,00,000$	4,074.07
SGST $(6,00,000/60 \times 1)/54,00,000 \times 22,00,000$	4,074.07

**Computation of Net Tax**

	<b>CGST</b>
Output Tax	
Sale	4,80,000.00
Raw Material	1,46,666.67
Plant and Machinery	4,074.07
Total	6,30,740.79
Less: ITC	
Raw Material	(3,60,000.00)
Capital Goods	(6,00,000.00)
ITC to be carried forward	3,29,259.26
	<b>SGST</b>
Output Tax	
Sale	4,80,000.00
Raw Material	1,46,666.67
Plant and Machinery	4,074.07
Total	6,30,740.79
Less: ITC	
Raw Material	(3,60,000.00)
Capital Goods	(6,00,000.00)
ITC to be carried forward	3,29,259.26

**Illustration 10:**

ABC Ltd. is registered in GST and company has purchased raw material ₹10,00,000 + CGST @ 10% + SGST @ 10% on 01/11/2021 and also Plant and Machinery ₹ 20,00,000 + CGST @ 10% + SGST @ 10%. Company is manufacturing two products A & B. Product A is exempt and Product B is taxable.

Turnover of product A in November 2021 is ₹18,00,000 and Turnover of product B is ₹30,00,000. Rate of Output CGST @ 10% and SGST @ 10%.

Compute ITC/ Output tax/ Net Tax for the month of November 2021.

**Solution:****Computation of Net Tax Liability of ABC Ltd.**

	<b>₹</b>
Raw Material	10,00,000
Add: CGST @ 10%	1,00,000
Add: SGST @ 10%	1,00,000
Total	12,00,000
Input tax credit	
CGST	1,00,000
SGST	1,00,000
Cost of Raw Material	10,00,000
<b>ITC on capital Goods</b>	
Plant and Machinery	20,00,000
CGST @ 10%	2,00,000

SGST @ 10%	2,00,000
ITC CGST	2,00,000
ITC SGST	2,00,000
Cost of Plant and Machinery	20,00,000

**Output Tax**

Turnover	30,00,000
CGST @ 10%	3,00,000
SGST @ 10%	3,00,000

Add: ITC to be reversed

**Raw Material - Rule 42**

CGST $1,00,000/48,00,000 \times 18,00,000$	37,500.00
SGST $1,00,000/48,00,000 \times 18,00,000$	37,500.00

**Capital Goods –Rule 43**

CGST $(2,00,000/60 \times 1)/48,00,000 \times 18,00,000$	1,250.00
SGST $(2,00,000/60 \times 1)/48,00,000 \times 18,00,000$	1,250.00

**Computation of Net Tax - CGST****Output Tax**

Sale	3,00,000.00
Raw Material	37,500.00
Plant and Machinery	1,250.00
Total	3,38,750.00

Less: ITC

Raw Material	(1,00,000.00)
Capital Goods	(2,00,000.00)
Tax Payable	38,750.00

**Computation of Net Tax - SGST****Output Tax**

Sale	3,00,000.00
Raw Material	37,500.00
Plant and Machinery	1,250.00
Total	3,38,750.00

Less: ITC

Raw Material	(1,00,000.00)
Capital Goods	(2,00,000.00)
Tax Payable	38,750.00

**Question 9: Explain ITC in case of a banking Company Section****Answer: ITC in case of a banking Company Section 17 (4)/ Rule 38**

A banking company or a financial institution, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the option either to take proportionate ITC or avail every month, an amount equal to fifty per cent of the eligible input tax credit on inputs, capital goods and input services in that month and the rest shall lapse.

**Provided** that the option once exercised shall not be withdrawn during the remaining part of the financial year:

**Provided further** that the restriction of fifty per cent shall not apply to the tax paid on supplies made by one registered person to another registered person having the same Permanent Account Number.

**Question 10: Explain the goods for which tax credit is not allowed i.e. blocked credit.****Answer: Blocked Credit section 17(5)**

No tax credit shall be allowed in the following cases:

1. Tax credit is not allowed in case of **motor vehicle for transportation of persons** provided approved seating capacity is not more than 13 persons (including the driver) i.e. if seating capacity is more than 13 persons, in that case tax credit shall be allowed.

further tax credit shall be allowed where such motor vehicle is for further supply of such motor vehicles (i.e. for sale purchase or for renting, hiring or leasing) or for transportation of passengers or for imparting training on driving such motor vehicles.

Since two wheeler is covered in motor vehicle for transportation of persons, tax credit shall not be allowed.

If motor vehicle is for transportation of goods, tax credit shall be allowed. Similarly in case of motor vehicle for other purpose, tax credit shall be allowed e.g. JCB machine, Road Roller, Concrete Mixer Vehicle, Tractor etc.

**Example 1 :** ABC limited purchased one passenger vehicle (with seating capacity not more than 13 people) for transportation of the employees, tax credit is not allowed.

**Example 2 :** ABC limited purchased one two wheeler for use of the employees, tax credit is not allowed.

**Example 3 :** ABC limited purchased one truck for transportation of inputs/ final product, tax credit is allowed.

**Example 4 :** Mr. X purchased one motor car (with seating capacity more than 13 people) for going to his factory, tax credit allowed.

**Example 5 :** ABC limited purchased one truck and it was given on rent , tax credit is allowed.

**Example 6:** ABC limited purchased one bus for transportation of passenger, tax credit is allowed.

**Example 7 :** ABC limited a tent house purchased one truck for transportation of goods relating to service of tent house, tax credit is allowed.

**Example 8 :** ABC limited purchased one motor car for training of driving skills, tax credit is allowed.

**Example 9:** A car dealer is allowed ITC on cars purchased for resale.

**Example 10:** A cab service is allowed ITC on cars purchased for use as cabs.

**Example 11:** A driving school is allowed ITC on cars purchased for imparting training on driving.

**Example 12:** ITC on cars (with seating capacity upto 13 persons) purchased by a manufacturing company for official use of its employees is blocked.

**Example 13:** ITC on cars purchased by a car dealer for sale to customers is allowed.

**Example 14:** ITC on cars purchased by a company engaged in renting out cars for transportation of passengers, is allowed.

**Example 15:** ITC on cars purchased by a car driving school is allowed.

**Example 16:** ITC on buses (seating capacity for 24 persons) purchased by a company for transportation of its employees from their residence to office and back, is allowed.

**Example 17:** ITC on trucks purchased by a company for transportation of its finished goods is allowed.

**Example 18:** ITC on cars (seating capacity more than 13 persons) purchased by a manufacturing company for official use of its employees is allowed.

**Example 19:** ITC on aircraft purchased by a manufacturing company for official use of its CEO is blocked.

**Example 20:** ITC on aircraft purchased by an Aviation School providing training on non-flying aircrafts, is allowed.

**Example 21:** ITC on general insurance taken on a car used by employees of a manufacturing company for official purposes, is blocked.

**Example 22:** ITC on maintenance & repair services availed by a company for a truck used for transporting its finished goods, is allowed.

**Example 23:** ITC on general insurance services taken on cars manufactured by a car manufacturing company is allowed.

**Question.** A taxable person is in the business of information technology. He buys a motor vehicle for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such motor vehicle?

**Answer:** No. As per section 17 (5) , ITC on motor vehicles 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/flying/navigating motor vehicles or is in the business of supply of motor vehicles.

As per Section 2(28) of The Motor Vehicles Act, 1988 “motor vehicle” or “vehicle” means any mechanically propelled vehicle adapted for use upon roads whether the power of propulsion is transmitted thereto from an external or internal source and includes a chassis to which a body has not been attached and a trailer ; but does not include a vehicle running upon fixed rails or a vehicle of a special type adapted for use only in a factory or in any other enclosed premises or a vehicle having less than four wheels fitted with engine capacity of not exceeding twenty-five cubic centimeters.

2. No tax credit shall be allowed in case of **vessels and aircraft**, however tax credit shall be allowed in case of vessels and aircraft in the following cases

- (i) further supply of such vessels or aircraft
- (ii) transportation of passengers
- (iii) imparting training on navigating such vessels
- (iv) imparting training on flying such aircraft
- (v) for transportation of goods

Tax credit is also allowed in case of renting or hiring or leasing of such aircraft or vessels.

In other words, tax credit shall not be allowed when such aircraft etc. are used for personal purpose or business purpose other than mentioned above

**Example :** ITC on aircraft purchased by a manufacturing company for official use of its CEO is blocked.

**Question.** A flying school imports an aircraft for use in its training activity, and takes ITC of the IGST paid on the import. The departmental audit raises an objection that ITC is not allowed on aircraft. Offer your comments.

**Answer:** Under section 17 (5) of the CGST Act, ITC is allowed on aircraft if they are used to make the taxable supply of imparting training on flying an aircraft. Therefore, the credit is correctly taken.

3. Input tax credit for services taken in connection with **general insurance, servicing, repair and maintenance** shall be allowed if it is in connection with the motor cars or vessels or aircrafts for which tax credit is allowed. Tax credit shall also be allowed to the insurance companies doing insurance of vehicle or aircrafts etc.

**Example 1:** ITC on general insurance taken on a car used by employees of a manufacturing company for official purposes, is blocked.

**Example 2:** ITC on maintenance & repair services availed by a company for a truck used for transporting its finished goods, is allowed.

**Example 3:** ITC on general insurance services taken on cars manufactured by a car manufacturing company is allowed.

4. No tax credit shall be allowed if input tax has been paid in connection with the goods or services as mentioned below

(i) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, life insurance and health insurance. If any person has taken on hire or lease or rent any vehicle/vessel/aircraft for the purpose of transportation of passengers or for imparting training or driving, tax credit shall be allowed (however tax credit shall be allowed to the person engaged in business of supplying such goods or services).

(ii) membership of a club, health and fitness centre; and

(iii) travel benefits extended to employees on vacation such as leave or home travel concession:

However tax credit shall be allowed to the employer where it is obligatory for the employer to provide above facilities.

**Example 1:** ABC limited is engaged in providing outdoor catering services and the company has purchased inputs and input services for the purpose of providing output services, in this case tax credit is allowed.

**Example 2:** Mr. X is engaged in the business of beauty treatment, he will be allowed tax credit for the inputs goods / services.

**Example 3:** Mr. C caterer for a wedding gets the sweet dish course supplied by a specialist in desserts. He is allowed ITC of the tax paid by him to the specialist.

**Example 4:** A manufacturing company purchases food items for being served to its customers, free of cost. ITC on such goods is blocked.

**Example 5:** AB & Co., a caterer of Amritsar, has been awarded a contract for catering in a marriage to be held at Ludhiana. The firm has given the contract for supply of snacks, to be served in the marriage, to CD & Sons, a local caterer of Ludhiana. ITC on such outdoor catering services availed by AB & Co., is allowed.

**Example 6:** ITC on outdoor catering services availed by a garment exporter for a marketing event organised for its prospective customers, is blocked.

**Example 7:** Outdoor catering service is availed by a company to run a free canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory. ITC on such outdoor catering is allowed.

**Example 8:** The Managing Director of a company has taken membership of a club, the fees for which is paid by the company. ITC on such service is blocked.

**Example 9:** A company avails services of a travel agency for organizing a free vacation for its top performing employees. ITC on such services is blocked.

5. Input tax credit for **works contract services** (construction services) when supplied for construction of an immovable property (other than plant and machinery) shall not be allowed however tax credit shall be allowed to the person who is engaged in providing construction services i.e. a builder etc. If any person has given contract to any person for construction or he himself is doing construction, tax credit shall not be allowed for inputs or input services or capital goods. ABC Ltd. has constructed one factory building for its use, no tax credit shall be allowed even if it is for the purpose of business. For this purpose "**construction**" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property

Input tax credit in connection with plant and machinery shall be allowed e.g. ITC in connection with lift or escalator etc. shall be allowed. For this purpose "**plant and machinery**" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes—

- (i) land, building or any other civil structures;
- (ii) telecommunication towers; and
- (iii) pipelines laid outside the factory premises.

**Section 2(119) "Works Contract"** means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract.

**Example 1:** ABC limited has given a contract to XYZ limited for construction of an office building. ABC limited cannot take input tax credit of the GST charged by XYZ limited for work contract services.

**Example 2:** ABC limited has given a contract to XYZ limited for construction of an office building and XYZ limited sub- contracted some portion to G limited. The work contract services provided by G limited to XYZ limited is an input service for further supply of work contract by XYZ limited to ABC limited and XYZ limited is entitled for input tax credit of the tax paid on the services provided by G limited.

**Example 3:** Mr. A is a builder and he is building a house for himself. He is not entitled to input tax credit on any goods or services which are purchased or acquired for construction of the house.

**Example 4:** Z limited is a developer of commercial and residential units. It builds a corporate office for itself. Z limited cannot take credit of input supplies which are used for construction of that office, even if the office will be used for business purpose.

**Example 5:** ABC company buys material and hires a contractor to construct an office building to house the plant supervisory staff. The input tax paid on such goods and services is not allowed as credit.

**Example 6:** ITC on works contracts services availed by a software company for construction of its office, is blocked.

**Example 7:** CD & Co., a works contractor of Noida, has been awarded a contract for construction of a commercial complex in Lucknow. The firm avails services of EF & Co., a local works contractor of

Lucknow, for the construction of complex. ITC on such works contract services availed by CD & Co., is allowed.

**Example 8:** ITC on works contract services availed by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.

**Example 9:** ITC on works contract services availed by a manufacturing company for construction of pipelines to be laid outside its factory, is blocked.

**Example 10:** A consulting firm has availed services of a works contractor for repair of its office building. The company has booked such expenditure in its profit and loss account. ITC on such services is allowed.

**Example 11:** A telecommunication company has availed services of a works contractor for repair of its office building. The company has capitalized such expenditure. ITC on such services is blocked.

**Example 12:** A company buys cement, tiles etc. and avails the services of an architect for construction of its office building. ITC on such goods and services is blocked.

**Example 13:** MN & Constructions procures cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients. ITC on such goods and services is allowed to MN & Co.

**Example 14:** A company buys cement, tiles etc. and avails the services of an architect for renovation of its office building. The company has booked such expenditure in its profit and loss account. ITC on such goods and services is allowed.

**Example 15:** ITC on goods and/or services used by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.

**Example 16:** ITC on works contracts services availed by a software company for construction of its office, is blocked.

**Example 17:** CD & Co., a works contractor of Noida, has been awarded a contract for construction of a commercial complex in Lucknow. The firm avails services of EF & Co., a local works contractor of Lucknow, for the construction of complex. ITC on such works contract services availed by CD & Co., is allowed.

**Example 18:** ITC on works contract services availed by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.

**Example 19:** ITC on works contract services availed by a manufacturing company for construction of pipelines to be laid outside its factory, is blocked.

**Example 20:** A consulting firm has availed services of a works contractor for repair of its office building. The company has booked such expenditure in its profit and loss account. ITC on such services is allowed.

**Example 21:** A telecommunication company has availed services of a works contractor for repair of its office building. The company has capitalized such expenditure. ITC on such services is blocked.

#### **6. Composition scheme:** Goods or services or both on which tax has been paid under section 10

A supplier registered under composition scheme cannot collect tax from its customers. Thus, such supplier issues bill of supply and not a tax invoice. A composition supplier pays a lumpsum tax at a specified rate on its quarterly turnover. Tax paid on goods and/or services under composition scheme is not available as ITC.

Since a composition supplier cannot collect any tax on its supplies, from the recipient of its supplies, it is obvious that no ITC can be availed in respect of such supplies by the recipients. Nevertheless, section 17(5) specifically blocks the ITC on inward supplies received by a taxable person from a composition supplier.

7. goods or services or both received by a **non-resident taxable person** except on goods imported by him; Essentially, a non resident taxable person has no fixed place of business in India but he sporadically supplies goods or services in India. Tax paid on goods and/or services received by such non-resident taxable person, is not available as ITC. However, tax paid by him on **imported goods** is allowed as ITC.

8. goods or services or both used for **personal consumption**

**Example:** Mr. X owns a grocery store. He procures rice, wheat and biscuits for being sold in its store. Out of the inventory so purchased, he gives 10 kgs each of rice and wheat to his wife for household use. Being used for personal consumption, ITC on 10 kg of rice and 10 kg of wheat is blocked.

**9. goods lost, stolen, destroyed, written off or disposed off by way of gift or free samples**

ITC in respect of goods that are disposed off by way of gift or free samples is not available. Also, ITC is blocked on lost goods, stolen goods, destroyed goods and goods that are written off. This is because principally, ITC is available only for payment of tax on output supply. If no tax is payable on output supply, ITC on inputs/input services/capital goods relating to such output supply is not eligible. Hence, ITC on gifts and free samples is blocked as no tax is payable on its outward supply. In case of lost/destroyed/stolen written off goods also, ITC is not available as these goods cannot be said to have been used for making a taxable supply.

10. any tax paid in accordance with the provisions of **sections 74, 129 and 130.**

**MTP-1 NOV 2021**

**Question 1.**

**(8 Marks)**

Anant Pvt. Ltd., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

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

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

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

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

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

**Note:**

- (i) Rates of CGST, SGST and IGST are 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 Anant Pvt. Ltd. for the tax period. 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 ₹ 8,00,000	72,000	72,000		1,44,000
(ii)	Inter-State supply of goods for ₹ 3,00,000			54,000	54,000
	<b>Total GST payable</b>				<b>1,98,000</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 minimum GST payable from electronic cash ledger**

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

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

**MTP-2 NOV 2021**

**Question 1.**

**(8 Marks)**

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 purchases of goods	3,00,000
Inter-State purchases 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

**Note:**

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- Both inward and outward supplies are exclusive of taxes, wherever applicable.
- All the conditions necessary for availing 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 (₹)
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(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>
<b>Computation of total ITC</b>					
<b>Particulars</b>		<b>CGST @ 9% (₹)</b>	<b>SGST @ 9% (₹)</b>	<b>IGST @ 18% (₹)</b>	
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>	Nil	Nil	Nil	Nil
<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.

**NOV 2019 (OLD COURSE)**

**Question.7. (a)**

**(5 Marks)**

Dina Ltd., a registered supplier from Maharashtra is engaged in the manufacturing of passenger auto. The company provides the following details of purchase made/services availed by it during the month of March 2022:

Sl. No.	Particulars	GST Paid ₹
i.	Purchase of iron which is used as a raw material (Goods were received in two	2,50,000

	instalments, first on in March 2022 and the second instalment was received in April )	
ii.	Purchase of accessories which were delivered directly to the Dealers of the company. 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.	Input tax credit on general insurance taken on a car used by Executives of the company for official purposes.	5,200
v	Payment made to M/s Tasty Caterers for providing daily breakfast & lunch to the employees of the company, as voluntary staff welfare measure.	54,700

You are required to determine the eligible input Tax Credit available to M/s Dina Ltd. for the month of March 2022, by giving brief explanations for treatment of various items. Subject to the information given above, all the other conditions necessary for availing input tax credit have been fulfilled.

**Solution:**

**Computation of eligible tax credit to M/s Dina Ltd. for the month of March 2022**

(i) Purchase of iron which is used as a raw material	Nil
(ii) Purchase of accessories which were delivered directly to the Dealers of the company. Only invoice was received by Dina Ltd. (ITC is allowed)	90,000
(iii) Purchase of Bus (seating capacity 15) for the transportation of employees from their residence to company and back (ITC is allowed)	1,97,000
(iv) Input tax credit on general insurance taken on a car used by Executives of the company for official purposes.	Nil
(v) Payment made to M/s Tasty Caterers for providing daily breakfast & lunch to the employees of the company, as voluntary staff welfare measure.	Nil
<b>Total</b>	<b>2,87,000</b>

**Notes:**

(i) As per 16(2), If the goods are received in installments, tax credit shall be allowed only when last installment has been received. In the given case last installment is received in April 2022 hence credit shall be allowed in the month of April.

(ii) As per 17(5), ITC of motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver) is not allowed in the given case bus is of 15 seating capacity.

(iii) As per 17(5), ITC of food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, life insurance and health insurance is not allowed.

**RTP MAY 2020**

**Question 4**

Calculate the amount of eligible input tax credit-

S.No.	Particulars	GST paid (₹)
1.	A Mini bus having seating capacity of 15 persons (including driver) used for running on hire	15,00,000
2.	Car having seating capacity of 8 people used for business purposes	1,00,00,000
3.	Car having seating capacity of 4 persons used for imparting training on driving	50,00,000

	such car	
4.	Special purpose vehicle having seating capacity of 2 persons used for transportation of goods	60,00,000

- (a) ₹ 2,25,00,000/-  
 (b) ₹ 2,10,00,000/-  
 (c) ₹ 1,25,00,000/-  
 (d) ₹ 75,00,000/-

**Answer: (c)**

**Question 11: Explain Availment of tax credit in case of zero rated supplies.**

**Answer:**

**As per section 16 of the IGST Act,** Supply for exports or supply to a unit in SEZ or supply to a developer of SEZ shall be considered to be zero rated supply and in such cases it is exempt from output tax but still tax credit shall be allowed. Further as per section 54, refund is allowed for unutilized tax credit in case of supply of zero rated goods.

**Question 12.** 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.

**Answer:** Under section 16 of the IGST Act, credit of input tax is allowed to be taken for inward supplies used to make zero rated supplies. Under section 17 of the CGST Act also, 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 of IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

**Illustration 11:** ABC Co. Ltd. is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.

S. No.	Items	GST paid (₹)
(i)	Electrical transformers to be used in the manufacturing process	5,20,000
(ii)	Trucks used for the transport of raw material	1,00,000
(iii)	Raw material	2,00,000
(iv)	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.

Note:

- (i) All the conditions necessary for availing the ITC have been fulfilled.  
 (ii) ABC Co. Ltd. is not eligible for any threshold exemption.

**Answer: Computation of ITC available with ABC Co. Ltd. for the month of July**

S. No.	Items	ITC (₹)
(i)	Electrical transformers [Being goods used in the course or furtherance of business, ITC thereon is available]	5,20,000
(ii)	Trucks used for the transport of raw material [ITC on motor vehicles used for transportation of goods is allowed.]	1,00,000
(iii)	Raw material [Being goods used in the course or furtherance of business, ITC thereon is available]	2,00,000
(iv)	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]	Nil
Total ITC		8,20,000

## PRACTICE PROBLEMS

**Q 1.** Can a person take ITC without payment of consideration for the supply and also amount of GST, to the supplier?

**Answer:** Yes, the recipient can take ITC. However, he is required to pay the consideration and also amount of GST within 180 days from the date of issue of invoice.

**Q 2.** What is the ITC entitlement of a newly registered person?

**Answer:** A person applying for registration can take input tax credit of inputs held in stock/semi- finished / finished goods 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/semi- finished / finished goods on the day immediately preceding the date on which he became liable to pay tax can be taken.

**Q 3.** What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

**Answer:** As per section 18(6)/Rule 44, in case of supply of capital goods on which ITC has been taken, the registered person shall pay an amount computed for the remaining life ignoring part of the month or the tax on the transaction value of such capital goods, whichever is higher.

**Q 4.** Mr. A, 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, Mr. A becomes liable to pay tax under regular scheme. Is he eligible for ITC?

**Answer:** Mr. A 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.

**Q 5.** What is input tax?

**Answer:** 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 integrated goods and services tax charged on import of goods. It does not include tax paid under composition levy.

**Q 6.** What are the conditions necessary for availing ITC?

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

- (a) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
- (b) he has received the goods or services or both;
- (c) subject to section 41, the supplier has actually paid the tax charged in respect of the supply to the Government; and
- (d) he has furnished the return under section 39.

**Q 7.** Can a person take ITC without payment of consideration for the supply along with tax?

**Answer:** 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.

**Q 8.** What is the time limit for taking ITC and reasons therefore?

**Answer:** “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”.

**Q 9.** What is the ITC entitlement of a newly registered person?

**Answer:** 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.

**Q 10.** What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

**Answer:** 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.

**Q 11.** 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.

**Answer:** 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.

**Q12.** 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.

**Answer:** 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.

**Q13.** 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 the relevant legal provisions.

**Answer:** 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 the advance payment has been made have not been received in that month.

**Q14.** 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?

**Answer:** 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.

**Q15.** 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.

**Answer:** ITC is disallowed only to the extent it pertains to supplies used for nonbusiness 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.

**Q16.** 'AB', a registered person, was paying tax under composition scheme up to 30th July. However, w.e.f. 31st July, 'AB' becomes liable to pay tax under regular scheme.

Is 'AB' eligible for any ITC?

**Answer:** 'AB' is eligible for ITC on inputs held in stock and inputs contained in semifinished or finished goods held in stock and capital goods as on 30th July. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

**Q17.** Babla Enterprises is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1st October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla Enterprises was ₹ 50 lakh.

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

**Answer:** 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 1st October and 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 semifinished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30th September [Section 18(1)(a)]. Input tax paid on capital goods will not be available as ITC in this case.

**Q18.** Mamta Trade Links trades in exempt goods and provides taxable services. It is registered under GST. On 1st 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.

**Answer:** 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 semifinished 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. 30th September. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

**Q19.** 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 28th October. Invoice for service rendered was issued on 5th November.

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

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

**Answer:** 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  $\Rightarrow [(\text{₹ } 12,98,000 - \text{₹ } 4,20,000)/118] \times 18$  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 4th 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.

**Q20.** M/s. Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ ₹ 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 @ ₹ 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%.

**Answer:** 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 ₹ 2,250 (₹ 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 ₹ 2,700 (₹ 60 x 250 x 18%) on the purchase of 250 kg of plastic granules @ 60 per kg.

**Q21.** 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 purchases of goods	3,00,000
Inter-State purchases 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

**Note:**

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.

(iii) 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.

**Answer: 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	<u>90,000</u>	-	1,80,000
(ii)	<b>Inter-State supply of goods for ₹8,00,000</b>			<b>1,44,000</b>	<b>1,44,000</b>
	<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)	(3,000)	(1,44,000)	1,85,000
	(52,000)	(87,000)		1,39,000
<b>Minimum GST payable in cash</b>	Nil	Nil	Nil	Nil
<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.



## **MULTIPLE CHOICE QUESTIONS**

**1. Which of the following statement is true for a composition tax payer?**

- (a) A composition tax payer can avail only 50% of ITC on capital goods.
- (b) A composition tax payer can avail 100% ITC on inputs.
- (c) ITC is not available on inward supplies made by a composition tax payer.
- (d) Composition tax will be available as ITC to the recipient only if the tax is mentioned separately in the invoice raised by the composition tax payer.

**2. In which of the following situations, taxpayer needs to reverse the credit already taken?**

- (a) If payment is not made to the supplier within 45 days from the date of invoice
- (b) If payment is not made to the supplier within 90 days from the date of invoice
- (c) If payment is not made to the supplier within 180 days from the date of invoice
- (d) None of the above

**3. What is the time limit for taking ITC?**

- (a) 180 days
- (b) 1 year
- (c) 20th October of the next financial year or the date of filing annual return whichever is earlier
- (d) No limit

**4. If the goods are received in lots/installment, -----**

- (a) 50% ITC can be taken on receipt of 1st installment and balance 50% on receipt of last installment.
- (b) ITC can be availed upon receipt of last installment.
- (c) 100% ITC can be taken on receipt of 1st installment.
- (d) Proportionate ITC can be availed on receipt of each lot/installment.

**5. For banking companies using inputs and input services partly for taxable supplies and partly for exempt supplies, which of the statement is true?**

- (a) ITC shall be compulsorily restricted to credit attributable to taxable supplies including zero rated supplies
- (b) 50% of eligible ITC on inputs, capital goods, and input service shall be mandatorily taken in a month and the rest shall lapse.
- (c) Banking company can choose to exercise either option (a) or option (b)
- (d) None of the above

**6. A supplier takes deduction of depreciation on the GST component of the cost of capital goods as per Income- tax Act, 1961. The supplier can-**

- (a) avail only 50% of the said tax component as ITC
- (b) not avail ITC on the said tax component
- (c) avail 100% ITC of the said tax component
- (d) avail only 25% of the said tax component as ITC

**7. Which of the following inward supplies are not eligible for ITC in case of a company manufacturing shoes?**

- (a) Food and beverages
- (b) Outdoor catering
- (c) Health services
- (d) All of the above

**8. Input tax credit is not available in respect of \_\_\_\_\_.**

- (a) services on which tax has been paid under composition levy
- (b) free samples
- (c) goods used for personal consumption
- (d) all of the above

**9. Input tax credit is allowed to \_\_\_\_\_.**

- (a) registered person
- (b) registered person except composition dealer
- (c) unregistered dealer
- (d) all of the above

**10. Under section 16(2) of CGST Act how many conditions are to be fulfilled for the entitlement of credit?**

- (a) All conditions specified u/s 16(2)
- (b) Any two conditions specified u/s 16(2)
- (c) Conditions not specified
- (d) any one specified u/s 16(2)

**11. Whether credit on inputs should be availed based on receipt of documents or receipt of goods**

- (a) Receipt of goods
- (b) Receipt of Documents
- (c) Both
- (d) Either receipt of documents or Receipt of goods

**12. Input tax credit on capital goods can be availed in one installment or in multiple installments?**

- (a) In thirty-six installments (b) In twelve installments  
(c) In one installment (d) In two installments

**13. Input tax credit on Inputs can be availed in one installment or in multiple installments?**

- (a) In thirty-six installments (b) In twelve installments  
(c) In one installment (d) In two installments

**14. Tax Credit shall be allowed on the basis of**

- (a) tax invoice (b) debit note (c) bill of entry (d) all of the above

**15. ITC can be claimed by a registered person for**

- (a) Taxable supplies for business purpose (b) Taxable supplies for non-business purpose  
(c) Exempted supplies (d) Non-taxable supplies (e) All of above

**16. ABC Limited purchased one plant and machinery of ₹30,00,000 and paid GST ₹6,00,000 and has taken ITC, depreciation shall be allowed on -**

- (a) ₹6,00,000 (b) ₹30,00,000 (c) ₹36,00,000 (d) ₹33,00,000

**17. Where the goods or services or both are used by the registered person partly for the purpose of business and partly for non business purposes, the amount of credit allowed shall be on -**

- (a) input tax as is attributable for taxable supplies for business purpose  
(b) input tax as is attributable for taxable supplies for non-business purpose  
(c) input tax as is attributable for all supplies  
(d) input tax as is attributable for non-business purpose  
(e) No credit is allowed

**18. Where the goods or services or both are used by the registered person partly for effecting taxable supplies and partly for exempt supplies, the amount of credit allowed shall be on -**

- (a) input tax as is attributable for taxable supplies only. (b) input tax as is attributable for exempt supplies  
(c) input tax as is attributable for all supplies (d) No credit is allowed on all supplies

**19. Credit on Input services or capital goods held in stock can be availed in case of new Registration/Voluntary Registration?**

- (a) Yes (b) No (c) Yes, on Input services only (d) Yes, on capital goods only

**20. In case of Compulsory registration, input tax credit can be availed on**

- (a) stocks held on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act, provided application for registration is filed within 30 days from the due date  
(b) stocks held on the day immediately preceding the date of grant of registration under the provisions of this Act.  
(c) stocks held on the day immediately preceding the date of application of registration under the provisions of this Act.  
(d) None of the above

**21. In case of Voluntary registration, input tax credit can be availed by submitting form no. \_\_\_\_\_ within 30 days.**

- (a) ITC-02 (b) ITC-03 (c) ITC-01 (d) ITC-04

**22. In case of shifting from normal scheme to composition scheme, input tax credit can be reversed by submitting form no. \_\_\_\_\_.**

- (a) ITC-02 (b) ITC-03 (c) ITC-01 (d) ITC-04

**23. Input tax credit is not available in respect of \_\_\_\_\_.**

- (a) Goods lost (b) Goods stolen (c) Goods destroyed (d) all of the above

**24. ABC Limited purchased one plant and machinery of ₹20,00,000 and paid GST ₹3,00,000 and has not taken ITC of GST paid, depreciation shall be allowed on -**

- (a) ₹3,00,000 (b) ₹20,00,000 (c) ₹23,00,000 (d) ₹17,00,000

**25. Mr. Z becomes liable to pay tax on 1st August and has obtained registration on 15th August. Mr. Z is eligible for ITC on inputs held in stock / semi-finished goods / finished goods as on \_\_\_\_\_**

- (a) 01<sup>st</sup> August (b) 15<sup>th</sup> August (c) 31<sup>st</sup> July (d) None of the above

26. Mr. A, a registered taxable person, was paying tax at composition scheme upto 30th June. However, w.e.f. 1st July, Mr. A becomes liable to pay tax under regular scheme. Mr. A will be eligible for ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods as on 30th June. ITC on capital goods will be reduced by \_\_\_\_\_ % per quarter from the date of the invoice.

(a) 10%

(b) 25%

(c) 5%

(d) 15%

**Check Detailed Solution given on our website [www.mkgeducation.com](http://www.mkgeducation.com)  
(Icon /Heading No.11: Books)**

# EXAMINATION QUESTION

## JULY 2021 (NEW COURSE)

**Question 1****(8 Marks)**

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, 2021 of quantity of more than 50 units will entitle them for 10% discount.

Interstate supply made during the month of October 2021 is ₹ 50,00,000

Details of Intrastate supply:

Particulars	Amount (₹)
Supply of Microwave Oven	15,00,000
Supply of <u>Refrigerators</u> 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 @ ₹ 50,000 per Air Conditioner	50,00,000

Intrastate 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:**

- (i) Rate of CGST, 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, 2021

Answer:

**Computation of net GST payable in cash by X Electronics for October 2021**

Particulars		Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
I.	Intra-State supply				
	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 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.]	40,00,000	5,60,000	5,60,000	
	Supply of 100 (₹ 50 lakh/₹ 50,000) air conditioners [Since 100 air conditioners have been supplied, discount @ 10% will be available.]	45,00,000 [₹ 50,00,000 x 90%]	4,05,000	4,05,000	
II.	Inter-State supply @ 18%	50,00,000			9,00,000
Total outward tax liability			11,00,000	11,00,000	9,00,000
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 SGST and 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		CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC		58,000	70,000	10,00,000
Intra-State inward supplies				
Raw material	20,00,000	1,80,000	1,80,000	

Gym membership for employees [ITC on membership of a health and fitness centre is blocked if there is no statutory obligation for the employer to provide the same.]	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	
Total ITC		5,08,000	5,20,000	10,00,000

**Note:**

(i) In the above answer, 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.

(ii) 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 2021 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 2021 itself.

(iii) It has been assumed that depreciation has not been claimed on tax component.

**Question 6(a)****(6 Marks)**

A Ltd. procured the following goods in the month of December, 2021

Inward Supplies	GST (₹)
(1) Goods used in constructing and 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) Confectionary items for consumption of employees working in the factory	3,250
(6) 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 2021 by giving necessary explanations. Assume, that all the other conditions necessary for availing ITC have been fulfilled.

**Answer:****Computation of amount of ITC available for the month of December 2021**

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)	Trucks used for transportation of inputs in the factory [ITC on motor vehicles used for transportation of goods is not blocked.] (Note 1)	11,000
(4)	Inputs used in trial 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
	Total eligible ITC	28,900

**Note: (i)** It has been assumed that depreciation has not been claimed on tax component.

### MAY 2019 (NEW COURSE)

#### Question 5

**(8 Marks)**

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 months of September 2021:

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 2021:	
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 ₹ 6,72,000/- (including CGST of ₹ 36,000 & SGST of ₹ 36,000) on September 15, 2021. 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 ₹ 1,00,000 were received on October 3, 2021 due to road traffic jams.

#### **Note:**

(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 2021.

#### **Solution:**

#### **Output Tax**

#### **Intra-State supply of Goods**

	25,00,000
Add: CGST @ 9%	2,25,000
Add: SGST @ 9%	2,25,000
Total	29,50,000

**Inter-State supply of Goods**

	5,00,000
Add: IGST @ 18%	90,000
Total	5,90,000

**Input Tax Credit****Intra state purchase of goods**

	14,00,000
Add: CGST @ 9%	1,26,000
Add: SGST @ 9%	1,26,000
Total	16,52,000

ITC

CGST

1,26,000

SGST

1,26,000

**Intra State Purchase of goods from unregistered dealer**

No ITC shall be allowed

**Inter state purchase of goods**

	3,00,000
Add: IGST @ 18%	54,000
Total	3,54,000

ITC

IGST

54,000

ITC of goods received in the month of October shall be allowed in the month of October.

**Computation of Net Tax**

Particulars	IGST ₹
Output Tax	90,000
Less: opening ITC – IGST	(50,000)
Less: ITC -IGST	(40,000)
<b>Net Tax Payable</b>	<b>Nil</b>

Balance IGST credit of ₹14,000 can be adjusted either from CGST/SGST. In the given case we have adjusted from SGST.

**Computation of Net Tax**

Particulars	CGST ₹
Output Tax	2,25,000
Less: opening ITC – CGST	(95,000)
Less: ITC – CGST	(1,26,000)
<b>Net Tax Payable</b>	<b>4,000</b>

**Computation of Net Tax**

Particulars	SGST ₹
Output Tax	2,25,000
Less: ITC – IGST	(14,000)
Less: opening ITC – SGST	(60,000)
Less: ITC – SGST	(1,26,000)



<b>Net Tax Payable</b>	<b>25,000</b>
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**Note:** As per section 17, ITC of car is not allowed.

**MAY 2019 (OLD COURSE)**

**Question 7 (b)**

**(4 Marks)**

Jamku Ltd. a registered person is engaged in the business of spices. It provides following details for GST paid during October, 2021.

No.	Particulars	GST Paid (₹)
1.	Raw spices purchase	
	- Raw spices used for furtherance of spices	50,000
	- Raw spices used for personal use of Directors	20,000
2.	Electric machinery purchased to be used in the manufacturing process.	25,000
3.	Motor vehicle used for transportation of the employee	55,000
4.	Payment made for material and to contractor for construction of staff quarter.	1,25,000

Determine the amount of ITC available to Jamku Ltd. for the month of October, 2021 with all related workings and explanations.

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

**Solution: Computation of ITC Available to Jamku Ltd. for the Month of October 2021**

Particulars	GST Paid (₹)
1. Raw Spices used for furtherance of Business	50,000
2. Raw Spices for personal use (ITC not allowed)	Nil
3. Electric machinery purchased to be used in the manufacturing process.	25,000
4. Motor vehicle used for transportation of the employee (Not allowed)	Nil
5. Payment made for material and to contractor for construction of staff quarter. (Not allowed)	Nil
<b>Total ITC Allowed</b>	<b>75,000</b>

**Notes:**

- Input tax credit shall be allowed only if the same is used for business purpose if it is used for personal purpose then no ITC shall be allowed. (section 16)
- As per section 17(5), ITC of motor vehicle seating capacity upto 13 persons used for transportation of employee is not allowed.
- As per section 17(5), ITC of material and payment to contractor (works contract service) for staff quarter is not allowed.

**NOV 2018 (NEW COURSE)****Question 8 (b)****(4 Marks)**

CANWIN Ltd., a registered supplier, is engaged in the manufacture of Tanks. The company provides the following information pertaining to GST paid on purchases made/input services availed by it during the month of January 2022:

<b>Particulars</b>	<b>GST Paid ₹</b>
(i) Purchase of Machinery where debit note is issued	1,15,000
(ii) Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	50,000
(iv) Works Contract services availed for construction of Staff quarters within the company premises	4,25,000

Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January 2022 by giving brief explanations for treatment of various items. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.

**Solution: Computation of the amount of ITC available to M/s CANWIN Ltd.**

<b>Particulars</b>	<b>GST Paid ₹</b>
(i) Purchase of Machinery where debit note is issued	1,15,000
(ii) Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	Nil
(iv) Works Contract services availed for construction of Staff quarters within the company premises	Nil
<b>Total</b>	<b>1,95,000</b>

**Note:**

1. As per section 16(2), A registered shall be entitled to take credit on the basis of debit note.
2. As per section 16(2), if goods is received by other person on behalf of registered person then also credit shall be allowed.
3. As per section 16(3), if registered person has taken tax credit of input tax then it shall not be added to the cost of the asset in the given case depreciation was claimed on the tax amount hence no credit shall be allowed.
4. As per section 17(5), no tax credit shall be allowed on works contract services availed for construction of immovable property.

**NOV 2018 (OLD COURSE)****Question 7 (b)****(4 Marks)**

M/s J & Co. Chartered Accountants a partnership firm having its registered and head office in Mumbai and Registered under the GST Act in the State of Maharashtra only. It does not have any branches in other state. The Gross Receipts of the firm in the Financial Year 2020-21 was 60 Lakhs. Firm has submitted following information for the month of August, 2021:

<b>Particulars</b>	<b>Amount in (₹) (Excluding GST)</b>
Professional Services Provided and Bills Raised during the month for Providing of services of ITR Filing and Income Tax Consultancy	1,00,000
Internal Audit of X Pvt. Ltd. at their office in Mumbai (Registered in the state of Maharashtra)	50,000
Statutory Audit Services provided to M/s Tirupati Trading	70,000

Pvt Ltd. at Ahmedabad (Registered in the State of Gujarat)

Firm has also furnished following information in respect of input services availed from registered dealers for providing of output services during the month August, 2021:

Particulars	Amount in (₹) (Excluding GST)	CGST	SGST	IGST
Services availed from Courier Agency	5,000	450	450	-
Railway Travelling Expenses from Mumbai to Ahmedabad and Return Ticket for conducting of Audit of M/s Tirupati Trading Pvt. Ltd. for 3 Tier AC	12,000	Nil	Nil	600
Service Availed from Another Professional Firm at Mumbai amount is paid without TDS U/s 194J of Income Tax Act.	20,000	1,800	1,800	Nil

**Notes:**

(i) Rate of CGST, SGST and IGST to be 9%, 9% & 18% respectively, on outward supplies.

(ii) All the conditions necessary for availing the ITC have been fulfilled.

(iii) Opening Balance of available input tax credit is NIL for CGST, SGST and IGST.

Compute the Net GST Payable by M/s J & Co. for the month August, 2021 after adjusting the GST Credit. Brief reasoning should form part of your answer.

**Solution:**

Services provided by Chartered accountants are taxable under GST and no exemption is provided to Chartered accountants.

**Computation of Net GST Payable by M/s J & Co. for the month of August 2021**

₹

**Output Tax**

(1) Professional services provided and bill raised during the month.	1,00,000
Add: CGST @ 9%	9,000
Add: SGST @ 9%	9,000
(2) Internal audit of X Pvt. Ltd. at Mumbai	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
(3) Statutory audit at Ahmedabad (Inter -State supply)	70,000
Add: IGST @ 18%	12,600

**Input Tax**

Input service of courier service	5,000
Add: CGST @ 9%	450
Add: SGST @ 9%	450
Railway services for official tour	12,000
Add: IGST @ 5%	600
Input service from other firm in Mumbai	20,000

Add: CGST @ 9%	1,800
Add: SGST @ 9%	1,800

**Computation of Net Tax Liability**

	<b>CGST</b>
Output Tax	13,500
Less: ITC -CGST	(2,250)
Net Tax Liability	11,250
	<b>SGST</b>
Output Tax	13,500
Less: ITC -SGST	(2,250)
Net Tax Liability	11,250
	<b>IGST</b>
Output Tax	12,600
Less: ITC -IGST	(600)
Net Tax Liability	12,000

**NOV 2018 (OLD COURSE)****Question 9 (b)****(5 Marks)**

Harshgeet Pvt. Ltd. a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of July, 2021:

Sr. No.	Particulars	GST paid
(1)	Raw Material (To be received in September, 2021)	2,50,000
(2)	Membership of a club availed for employees working in the factory	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital Goods (out of 3 items, invoice for 2 item is missing and GST paid on that Item is 80,000)	1,50,000

Determine the amount of Tax Credit available with Harshgeet Pvt. Ltd. for the month of July, 2021 by giving the necessary explanation for treatment of various items. All the conditions necessary for availing the ITC have been fulfilled.

**Answer:**

Sr. No.	Particulars	GST paid
(1)	Raw Material (To be received in September, 2021)	Nil
(2)	Membership of a club availed for employees working in the factory	Nil
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	Nil
(4)	Trucks used for transport of raw material	40,000
(5)	Capital Goods (out of 3 items, invoice for 2 item is missing and GST paid on that Item is 80,000)	70,000
<b>Total</b>		<b>1,10,000</b>

**Notes:**

1. As per section 16(2), Tax credit shall be allowed when the goods is received in the given case raw material is received in September hence credit will be allowed in the month of September.
2. As per section 17(5), tax credit of club membership for employees is not allowed.
3. As per section 16 (2), where the goods against an invoice are received in lots the registered person shall be entitled to take credit upon receipt of last lot. In the given case third lot was received during this month hence credit shall not be allowed.
4. ITC on motor vehicles is disallowed in terms of section 17(5) of the CGST Act, 2017, except when they are used inter alia, for transportation of goods.
5. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2)]

**MAY 2018 (NEW COURSE)****Question 8 (b)****(4 Marks)**

Fun Pharma Private Limited, a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information of GST paid on the purchases made/input services availed by it during the month of September 2021:

Particulars	GST paid (₹)
(i) Purchase of cabs used for the transportation of its employees	3,30,000
(ii) Inputs consisting of three lots, out of which first lot was received during the month	1,25,000
(iii) Capital Goods	2,50,000
(out of three items, invoice for one item was missing and GST paid on that item was, ₹25,000)	
(iv) Outdoor catering service availed on Women's day	72,000

Determine the amount of Input Tax Credit available with M/s Fun Pharma Private Limited for the month of September 2021 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.

**Solution: Computation of amount of Input Tax Credit available with M/s Fun Pharma Private Limited for the month of September 2021**

Particulars	GST paid (₹)
(i) Purchase of cabs used for the transportation of its employees	Nil
(ii) Inputs consisting of three lots, out of which first lot was received during the month	Nil
(iii) Capital Goods	2,25,000
(out of three items, invoice for one item was missing and GST paid on that item was, ₹25,000)	
(iv) Outdoor catering service availed on Women's day	Nil
Input Tax Credit Available	2,25,000

**Notes:**

1. As per section 17(5), Input tax credit shall not be available for purchase of cabs.
2. As per section 16 (2), where the goods against an invoice are received in lots the registered person shall be entitled to take credit upon receipt of last lot. In the given case first lot was received during this month hence credit shall not be allowed.
3. As per section 16(2), tax credit shall be allowed if assessee is in possession of a tax invoice in the given case of capital goods invoice for one item is missing hence credit for such item is not allowed.
4. As per section 17(5), Input tax credit of outdoor catering is not allowed.

**IPC NOV 2017 (MODIFIED)****Question 2****(4 Marks)**

Rajesh Ltd. has submitted particulars of sale or purchase for the month of January 2022. Compute GST Payable if Rate of CGST @ 10% and SGST @ 10% (The amounts are exclusive of GST.)

Particulars	Amt. in (₹)
(i) Purchase from composition dealers	5,00,000
(ii) Inter-state purchases	18,00,000
(iii) Purchase of capital goods	9,00,000

(iv) Sales within the State effected during the month of January, 2022 12,00,000

**Solution:**

	₹
Sales	12,00,000
Add: CGST @ 10%	1,20,000
Add: SGST @ 10%	1,20,000
Total	14,40,000

**Capital Goods**

Transaction Value	9,00,000
Add: CGST @ 10%	90,000
Add: SGST @ 10%	90,000
Total	10,80,000

**Inter - state purchase**

Transaction Value	18,00,000
Add: IGST @ 20%	3,60,000

**Computation of Net Tax**

Particulars	CGST ₹
Output Tax Goods	1,20,000
Less: ITC Goods – IGST	(1,20,000)
<b>Net Tax Payable</b>	<b>Nil</b>

**Computation of Net Tax**

Particulars	SGST ₹
Output Tax Goods	1,20,000
Less: ITC Goods – IGST	(1,20,000)
<b>Net Tax Payable</b>	<b>Nil</b>

**Carried Forward:**

**IGST – ₹ 1,20,000**

**CGST – ₹ 90,000**

**SGST – ₹ 90,000**

**RTP MAY 2019**

Le Marc Ltd. of Nashik, Maharashtra, a registered supplier, is engaged in manufacturing taxable goods. It provides the following details of items purchased and services availed by it from Gujarat, for the month of March, 2022:

S. No.	Particulars	GST (₹)
1	Motor vehicle purchased for employees to be used for personal as well as business purposes	1,50,000
2	Motor vehicle purchased for transportation of goods within the factory	2,00,000
3	Food items for consumption of employees. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.	2,000
4	Rent-a-cab facility availed for employees to fulfill a statutory obligation in this regard. The Government has notified such service under section 17(5) of the CGST Act, 2017.	36,000

Calculate the amount of eligible input tax credit for the month of March, 2022.

**Solution**

Computation of eligible input tax credit

<b>Particulars</b>	<b>Eligible ITC (₹)</b>
Motor vehicle purchased for employees to be used for personal as well as business purposes [Note-1]	-
Motor vehicle purchased for transportation of goods within the factory [Note-1]	2,00,000
Food items for consumption of employees [Note-2]	-
Rent-a-cab facility given to employees [Note-3]	36,000
<b>Total eligible input tax credit</b>	<b>2,36,000</b>

**Notes:-**

As per section 17(5) of the CGST Act, 2017:

1. motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver), except when they are used for making the following taxable supplies, namely:—

- (A) further supply of such motor vehicles; or
- (B) transportation of passengers; or
- (C) imparting training on driving such motor vehicles;

Thus, in the given case, ITC on motor vehicle purchased for transportation of goods within the factory will be allowed

2. ITC in respect of food and beverages is blocked 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. Thus, in the given case, ITC of taxes paid on food for employees is not allowed.

3. ITC on supply of rent-a cab services is not blocked where the Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service.

# REGISTRATION

**Question 1: write a note on Registration on the basis of Threshold exemption.**

**Answer: As per section 22,** every supplier of goods or services or services plus goods shall be liable to be registered in the State / Union Territory, if his aggregate turnover in a financial year exceeds the threshold limit which is given below:

**Limit for person supplying within the State/UT.**

SL.No	Name of State/UT	Limit for person supplying only services or services plus goods	Limit for person supplying only goods
01	Manipur	10,00,000	10,00,000
02	Mizoram	10,00,000	10,00,000
03	Nagaland	10,00,000	10,00,000
04	Tripura	10,00,000	10,00,000
05	Arunachal Pradesh	20,00,000	20,00,000
06	Meghalaya	20,00,000	20,00,000
07	Puducherry	20,00,000	20,00,000
08	Sikkim	20,00,000	20,00,000
09	Telangana	20,00,000	20,00,000
10	Uttarakhand	20,00,000	20,00,000
11	Other remaining States / UT	20,00,000	40,00,000

SL. No	Name of State/UT	Limit for person supplying Specified goods i.e. ice cream and other edible ice whether or not containing cocoa, pan masala, Tobacco and manufactured tobacco substitutes.
01	Manipur	10,00,000
02	Mizoram	10,00,000
03	Nagaland	10,00,000
04	Tripura	10,00,000
05	Other remaining States / UT	20,00,000

**Examples:**

Supplier	Engaged	Aggregate turnover (in lakhs)	Applicable threshold limit for Registration (in lakhs)	Whether liable to obtain registration?
Mr. P of Assam	exclusively in supply of shoes	22	40	No
	exclusively in supply of pan masala	22	20	Yes
	exclusively in supply of taxable services	22	20	Yes
	in supply of both taxable goods and services	22	20	Yes
Mr. S of Telangana	exclusively in supply of toys	22	20	Yes
	exclusively in supply of ice cream	22	20	Yes
	exclusively in supply of taxable services	22	20	Yes



	in supply of both taxable goods and services	22	20	Yes
Mr. A of Manipur	exclusively in supply of paper	12	10	Yes
	exclusively in supply of tobacco	12	10	Yes
	exclusively in supply of taxable services	12	10	Yes
	in supply of both taxable goods and services	12	10	Yes

**As per section 2(6), "aggregate turnover"** means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

**As per section 2(47) "exempt supply"** means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply;

**As per section 2(78) "non-taxable supply"** means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act;

Aggregate turnover shall include all supplies made by the taxable person whether on his own account or on behalf of all his principals.

Explanation.— a person shall be considered to be engaged exclusively in the supply of goods even if he is engaged in exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount. However such turnover shall be included in the aggregate turnover.

**Example:** Mr X is supplying goods in Delhi has turnover of ₹32,00,000 and also he has earned interest of ₹2,00,000 on the loan or deposit given by him, in this case it will be considered that he is dealing only in goods and threshold exemption limit of ₹40,00,000 shall be applicable and turnover in this case shall be ₹34,00,000 i.e. ₹2,00,000 shall be added to the turnover. If Turnover of goods is ₹39,00,000 and interest is ₹2,00,000, turnover is ₹41,00,000 and registration is required.

### MTP-2 NOV 2021

#### Question 2

(2 Marks)

Rama Ltd. has provided following information for the month of September:

Intra-State outward supply ₹ 8,00,000

Inter-State exempt outward supply ₹ 5,00,000

Turnover of exported goods ₹ 10,00,000

Payment made for availing GTA services ₹ 80,000

Calculate the aggregate turnover of Rama Ltd.

(a) ₹ 8,00,000

(b) ₹ 23,80,000

(c) ₹ 23,00,000

(d) ₹ 18,00,000

**Answer:** (c) ₹ 23,00,000/-

**Calculation of Turnover**

Intra State Outward Supply	8,00,000
Inter State Outward Supply	5,00,000
Exports	10,00,000
Total	23,00,000

Note: Payment made for availing GTA services is an input service and shall not form part of Turnover.

**MAY 2018 (NEW COURSE)**

**Question 12****(5 Marks)**

(b) List the inclusions and exclusions for computing the "Aggregate Turnover" under CGST Act, 2017.

**Answer: Refer answer given in the book**

**Question 2: Explain Persons not liable for registration.****Answer: Persons not liable for registration. Section 23**

(1) The following persons shall not be liable to registration, namely:—

- (a) any person engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax under this Act or under the Integrated Goods and Services Tax Act;
- (b) an agriculturist, to the extent of supply of produce out of cultivation of land.

**As per section 2 (7), "agriculturist"** means an individual or a Hindu Undivided Family who undertakes cultivation of land—

- (a) by own labour, or
- (b) by the labour of family, or
- (c) by servants on wages payable in cash or kind or by hired labour under personal supervision or the personal supervision of any member of the family;

(2) The Government may, on the recommendations of the Council, by notification, specify the category of persons who may be exempted from obtaining registration under this Act.

As per notification number CT-5/2017 dated 19.06.2017, Government has exempted the persons from registration who are only engaged in making supplies of taxable goods or services or both, total tax on which is liable to be paid on reverse charge basis by the recipient of such goods or services under section 9(3). E.g. reverse charge is applicable on the services provided by an advocate hence even if turnover has exceeded the threshold exemption limit, no registration is required.

**Example:** Deshbandhu is an agriculturist engaged in cultivation of wheat in his field in the State of Punjab. He was exclusively engaged in supply of wheat cultivated in his field in the previous year. Thus, he was not liable to registration as he was exclusively engaged in supply of produce out of cultivation of land. In the current year, he decides to start trading in rice apart from supplying his wheat produce. His turnover in the current year is ₹32 lakh from supply of wheat produced and ₹9 lakh from trading of rice. Since he is engaged in trading of rice also, he is not covered under section 23 above. The threshold limit for registration applicable to a person exclusively engaged in supply of goods in the State of Punjab is ₹40 lakh. The aggregate turnover of Deshbandhu in the current year is ₹41 lakh [₹32 lakh + ₹9 lakh] which exceeds the threshold limit. Thus, he will be liable to registration.

**NOV 2020 (NEW COURSE)**

**Question 7 (a).****(4 Marks)**

BBD Pvt. Ltd. of Gujarat exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'Z' only within Gujarat and is not registered under GST laws. The turnover of the company in the previous year 20-21 was ₹50 lakh. The company expects the sales to grow by 10% in the current year 2021-22.

However, effective from 01.01.2022 exemption available on 'Z' was withdrawn by the Central Government and GST @ 5% was imposed thereon. The turnover of the company for the nine months ended on 31.12.2021 was ₹42 lakh.

BBD Pvt. Ltd. is of opinion that it does not require to get registered under GST for current financial year 2021-22.

Examine the above scenario and advise BBD Pvt. Ltd. whether it needs to get registered under GST or not?

**Answer:**

**As per section 22**, every supplier of goods shall be liable to be registered in the State of Gujarat, if his aggregate turnover in a financial year exceeds 40,00,000.

**As per section 23**, any person engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax under this Act or under the Integrated Goods and Services Tax Act shall not be liable to registration.

**As per section 2(6), "aggregate turnover"** means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

In the given case, the goods become taxable w.e.f. 01.01.2022 and the aggregate turnover exceeds 40,00,000 hence BBD Private limited is liable to registered and opinion of BBD private limited is wrong.

### MTP - NOV 20 (6 Marks)

Examine whether the supplier is liable to get registered in the following independent cases:-

- (i) Happy Ltd. of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. It's aggregate turnover in the current financial year is ₹ 24 lakh.
- (ii) Akki Ltd. of Assam is exclusively engaged in intra-State supply of taxable services. It's aggregate turnover in the current financial year is ₹ 25 lakh.
- (iii) Aaru Ltd. of Assam is engaged in intra-State supply of both taxable goods and services. It's aggregate turnover in the current financial year is ₹ 30 lakh.

**Answer:**

As per section 22 of the CGST Act, 2017, 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:-

- (a) ₹10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India. However, the higher threshold limit of ₹ 40 lakh is not available to persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masalas and Tobacco and manufactured tobacco substitutes.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the rest of India.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:-

- (i) Happy Ltd. being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of ₹40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Happy Ltd. is liable to get registered under GST
- (ii) Though Akki Ltd. is dealing in Assam, it is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods while it is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is ₹ 20 lakh and hence, Akki Ltd. is liable to get registered under GST.
- (iii) Since Aaru Ltd. is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in this case is ₹20 lakh. Thus, Aaru Ltd. is liable to get registered under GST as it's turnover is more than the threshold limit.

**Question 3: Explain Registration required irrespective of Turnover.**

**Answer: As per section 24,** The following persons must take registration irrespective of their turnover.

- (i) Persons making any inter-State taxable supply of goods (In case of Inter - State supply of services normal limit of ₹10,00,000/₹20,00,000 shall be applicable.) In case of Inter State supply of goods, registration is required irrespective of turnover but in case of Inter State supply of handicrafts goods, limit of ₹10,00,000/₹20,00,000/₹40,00,000 shall be applicable. **Handicraft goods:** means the goods made by the craftsmen predominantly by hand even though some machinery may also be used in the process.
- (ii) Casual taxable persons making taxable supply. E.g. Mr. X is a dealer in the state of U.P. and his turnover is ₹ 18,00,000 and he will be selling goods in a trade fair in Delhi, in this case registration is required in the state of Delhi as casual taxable person. If he is selling handicraft goods, registration shall be required only if aggregate turnover of ₹ 40,00,000 has crossed.
- (iii) Persons who are required to pay tax under reverse charge.
- (iv) Non-resident taxable persons making taxable supply.
- (v) Persons who make taxable supply of goods / services on behalf of other taxable persons whether as an agent or otherwise, e.g. Mr. X has one business establishment in Delhi supplying goods and turnover from business is ₹ 44,00,000 and he is a registered. He has appointed one agent in Delhi, in this case agent must take registration from the beginning itself.
- (vi) Persons who are required to pay tax under section 9 (5), e.g. UBER, OLA CABS etc.
- (vii) Every electronic commerce operator, e.g. Amazon, Flipkart etc.
- (viii) persons supplying goods through electronic commerce operator shall also be required to take registration but in case of handicrafts goods normal limit shall be applicable. Further in case of services normal limit of ₹10,00,000/₹20,00,000 shall be applicable. Also limit of ₹10,00,000/₹20,00,000 shall be applicable in case of person supplying services through ECO covered u/s 9(5).

**Example:** Prithiviraj of Assam is exclusively engaged in intra-State supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh. In view of the discussion in the above paras, the applicable threshold limit for registration for Prithiviraj in the given case is ₹ 40 lakh. Thus, he is not liable to get registered under GST.

If in above example, all other things remaining the same, Prithiviraj is exclusively engaged in supply of pan masala instead of shoes, he will not be eligible for higher threshold limit of ₹ 40 lakh and the applicable threshold limit for registration in that given case will be ₹ 20 lakh. Thus, Prithiviraj will be liable to get registered under GST.

If instead of pan masala, Prithiviraj is exclusively engaged in supply of taxable services, the applicable threshold limit for registration will still be ₹ 20 lakh. Thus, Prithiviraj will be liable to get registered under GST.

Further, if Prithiviraj is engaged in supply of both taxable goods and services, the applicable threshold limit for registration will be ₹ 20 lakh only. Thus, Prithiviraj will be liable to get registered under GST.

**Example:** Ashoka of Manipur is exclusively engaged in intra-State supply of paper. Its aggregate turnover in the current financial year is ₹ 12 lakh. Since Ashoka is making taxable supplies from Manipur which is a Special Category State, the applicable threshold limit for registration for Ashoka in the given case is ₹ 10 lakh. Thus, he is liable to get registered under GST.

If in above example, all other things remaining the same, Ashoka is exclusively engaged in supply of taxable services instead of paper, the applicable threshold limit for registration will still be ₹ 10 lakh. Thus, Ashoka will be liable to get registered under GST.

Further, if Ashoka is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in that given case will be ₹ 10 lakh only. Thus, Ashoka will be liable to get registered under GST.

**Example:** Raghav of Assam is exclusively engaged in intra-State supply of readymade garments. Its turnover in the current FY from Assam showroom is ₹ 28 lakh. It has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY. Since Raghav is engaged in supplying garments from a Special Category State as per section 22, the applicable threshold limit for him gets reduced to ₹ 10 lakh. Further, Raghav is liable to get registered under GST in both Assam and Tripura on his aggregate turnover crossing the threshold limit of ₹ 10 lakh.

**Example:** Uday Enterprises is engaged in supply of taxable goods in Maharashtra. It also supplies alcoholic liquor for human consumption from Nagaland. Its turnover in the current financial year is ₹ 34 lakh in Maharashtra and ₹ 8 lakh in Nagaland.

Since Uday Enterprises is exclusively engaged in making taxable supplies of goods from Maharashtra, the applicable threshold limit for obtaining registration is ₹ 40 lakh. However, the threshold limit will not be reduced to ₹ 10 lakh in this case, as supply of alcoholic liquor for human consumption from Nagaland (one of the Special Category States) are non-taxable supplies<sup>3</sup>.

In the given case, since the aggregate turnover of Uday Enterprises exceeds the applicable threshold limit of ₹ 40 lakh, it is liable to obtain registration. It will obtain registration in Maharashtra, but is not required to obtain registration in Nagaland as he is not making any taxable supplies from said State.

## RTP NOV 2021

### **Question 13.**

Examine whether the liability to register compulsorily under section 24 of the CGST Act, 2017 arises in each of the independent cases mentioned below:

- (1) Heera, a supplier in Haryana, is exclusively engaged in supply of potatoes produced out of cultivation of his own land, within Haryana and also outside Haryana.
- (2) Aanya of Telangana is exclusively engaged in intra-State supply of toys. Its aggregate turnover in the current financial year is ₹ 22 lakh.

### **Solution:**

(1) Section 24 of the CGST Act, 2017 provides that persons making any inter-State taxable supply of goods are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

However, as per section 23 of the CGST Act, 2017, an agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to registration.

Heera is exclusively engaged in cultivation and supply of potatoes. Thus, he is not liable to registration irrespective of the fact that he is engaged in making inter-State supply of goods. Further, Heera will not be liable to registration, in the given case, even if his turnover exceeds the threshold limit.

(2) As per section 22 of the CGST Act, 2017 read with *Notification No. 10/2019 CT dated 07.03.2019*, 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:-

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.

(b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(c) ₹ 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.

Since Aanya is making taxable supplies from Telangana, she will not be eligible for higher threshold limit available in case of exclusive supply of goods. The applicable threshold limit for registration for Aanya in the given case is ₹ 20 lakh. Thus, she is liable to get registered under GST.

### **JULY 2021 (NEW COURSE)**

**Question.8. (b)**

**(5 Marks)**

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 intrastate taxable supply of readymade suits. His turnover in the current financial year from Himachal Pradesh showroom is ₹ 25 lakh. He has two more showrooms one in Manipur & another in Sikkim with a turnover of ₹ 15 lakh and ₹ 18 lakh respectively in the current financial year.
- (ii) Ankit of Telangana is exclusively engaged in intra-state taxable supply of footwears. His aggregate turnover in the current financial year is ₹ 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 ₹ 30 lakh.

**Answer:**

Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds ₹ 20 lakh in a financial year. An enhanced threshold limit for registration of ₹ 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States.

(i) The applicable threshold limit for registration gets reduced to ₹ 10 lakh in case a person is engaged in making taxable supply from a Special Category State.

Since Krishna is making taxable supply from Manipur – a Special Category State, the applicable threshold limit will get reduced to ₹ 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 ₹ 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 ₹ 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 ₹ 20 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.

### **NOV 2019 (NEW COURSE)**

**Question.7. (a)**

**(5 Marks)**

Explain the registration requirements under GST law in the following independent cases

(i) Mr. Ahmad of Jammu engaged in the business of supplying tobacco based Pan Masala with an aggregate turnover of ₹ 24 lacs.

(ii) Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of ₹ 13 lacs.

Will your answer be different if Mr. Lepcha is located in Meghalaya?

**Answer:**

**As per section 22**, every supplier of goods shall be liable to be registered in the State / Union Territory, if his aggregate turnover in a financial year exceeds the specified limit which is given below:

**Limit for person supplying within the State/UT.**

SL.No	Name of State/UT	Limit for person supplying only goods
01	Mizoram	10,00,000
02	Meghalaya	20,00,000
03	Jammu	40,00,000

SL. No	Name of State/UT	Limit for person supplying Specified goods i.e. ice cream and other edible ice, pan masala, Tobacco etc.
01	Jammu	20,00,000

(i) As per the above limits Mr. Ahmad of Jammu is engaged in the supply of tobacco based pan masala with an aggregate turnover exceeding ₹20,00,000, hence he liable to registration.

(ii) As per the above limits Mr. Lepcha of Mizoram is engaged in the supply of paper with an aggregate turnover exceeding ₹10,00,000, hence he liable to registration.

Yes answer will change if Mr. Lepcha is located in Meghalaya limit of 20,00,000 shall be applicable and aggregate turnover is less than 20,00,000 hence he is not liable for registration.

### NOV 2019 (OLD COURSE)

**Question.8. (b)**

**(4 Marks)**

Examine, with reason, whether registration is required under CGST Act, 2017 in the following independent cases:

(i) Aadhav Computers of Gujarat is providing Computer Maintenance Service. Aggregate Turnover of Aadhav Computers is ₹ 15 Lakhs which comprises both inter-state and intra-state supply.

(ii) Soft wings of west Bengal, exclusively trading in garments. Supplies its taxable goods to various states in India. Aggregate Turnover of Wild Wings is ₹ 35 Lakhs.

**Answer:**

**(i) As per section 22**, every supplier of services shall be liable to be registered if his aggregate turnover in a financial year exceeds ₹20,00,000 and limit is applicable if person is providing inter state services. In the given case aggregate turnover is less than specified limit hence Aadhav Computers is not liable for registration though Aadhav computers providing inter state supply.

**(ii) As per section 24**, if any person making inter state supply of goods then registration is compulsory irrespective of turnover. In the given case, Soft wings of west bengal is supplying inter-state hence registration is compulsory irrespective of turnover.

### MAY 2019 (NEW COURSE)

**Question 7 (c)**

**(4 Marks)**

State with brief reason, whether following supplies of taxable goods are required to register under the GST Law:

(i) Mr. Raghav is engaged in wholesale cum retail trading of medicines in the State of Assam. His aggregate turnover during the financial year is ₹9,00,000 which consists of ₹8,00,000 as Intra-State supply and ₹ 1,00,000 as Inter-State supply.

(ii) Mr. S.N. Gupta of Rajasthan is engaged in trading of taxable goods on his own account and also acting as an agent of Mr. Rishi of Delhi. His turnover in the financial year 2021-22 is of ₹ 32 lakhs on his own account and ₹ 9 lakhs on behalf of principal. Both turnovers are Intra-State supply.

**Answer:**

**(i) As per section 24**, if any person making inter-state supply of goods then registration is compulsory irrespective of turnover. In the given case, Mr. Raghav is supplying inter-state hence registration is compulsory irrespective of turnover.

**(ii) As per section 22**, every supplier of goods shall be liable to be registered if his aggregate turnover in a financial year exceeds ₹40,00,000.

Aggregate turnover shall include all supplies made by the taxable person whether on his own or on behalf of his principals.

In the given case, aggregate turnover of Mr. S.N. Gupta is exceeding ₹40,00,000 (i.e. 32,00,000+9,00,000) hence GST registration is compulsory.

### MAY 2019 (OLD COURSE)

**Question 8 (a)**

**(2+2+1 Marks)**

Examine the liability of compulsory registration under section 24 of the CGST Act, 2017, in each independent cases mentioned below:

(1) Meenu is a supplier in Maharashtra, is engaged in supply of potatoes within Maharashtra and also outside Maharashtra, whose turnover exceeds threshold limit under GST Law.

**Answer:**

**As per section 23**, If a person is supplying exclusively exempted goods then registration under GST is not required. In the given case Meenu is supplying potatoes which is exempted under GST hence GST registration is not required.

(2) Jinu Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Total turnover of machine oil is ₹30 lakh and of petrol is ₹15 lakh.

**Answer:**

Jinu Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Supply of petrol is not leviable to GST, but supply of machine oil is taxable. In order to determine whether Jinu Oils is liable for registration, turnover of both the supplies – non-taxable as well as taxable - would be taken into account and if the same exceeds ₹40 lakh, Jinu Oils is liable for registration.

In the given case, aggregate turnover is exceeding ₹40 lakh hence Jinu Oils is liable for registration.

(3) Tilu is working as an agent, he is supplying goods as an agent of Tiku (who is registered taxable person) and its aggregate turnover does not exceed ₹40 lakh during the financial year.

**Answer:**

**As per section 24**, if a person is supplying goods on behalf of another registered person then the person shall be liable to be registered under GST irrespective of turnover. In the given case Tilu is supplying goods as agent of Tiku (who is registered taxable person) hence Tilu is liable to be registered under GST.

### NOV 2018 (NEW COURSE)

**Question 12**

**(5 Marks)**

(a) State the persons who are not liable for registration as per provisions of Section 23 of Central Goods and Service Tax Act, 2017.

**Answer: Refer answer given in the book**

### NOV 2018 (OLD COURSE)

**Question 10 (a)(i)**

**(2 Marks)**

There is a dairy farm selling milk and milk products in Delhi. The turnover of his dairy farm is as below:

Milk (Exempted): ₹39,90,000



Butter (Taxable): ₹50,000

What is the registration liability under GST for the above mentioned person assuming he has same PAN ?

**Answer:**

**As per section 22**, every supplier of goods shall be liable to be registered in the State / Union Territory if his aggregate turnover in a financial year exceeds ₹40,00,000.

As per section 23, If any person supplying only exempt supply then he is not liable for registration.

**As per section 2(6), "aggregate turnover"** means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

In the given case, as per the definition of aggregate turnover it includes value of all taxable supplies as well as exempt supplies and in the given case aggregate turnover exceeds ₹40,00,000 so dairy firm is liable for registration and as per section 25, dairy firm has to apply within 30 days from the date on which he becomes liable for registration.

**Question 11(c)**

**(2 Marks)**

The Aggregate Turnover of Vikas Enterprise of Mumbai (Maharashtra) engaged in taxable supply of services has exceeded ₹20 Lakhs on 25th January, 2022. It submits the application for Registration on 15<sup>th</sup> February, 2022. Registration certificate is granted on 20<sup>th</sup> February, 2022. Determine the effective date of Registration under CGST Act, 2017.

**Answer:**

As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds ₹20 lakh, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Vikas Enterprise applied for registration before the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 25.01.2022.

### **MAY 2018 (NEW COURSE)**

**Question 11 (a)**

**(4 Marks)**

Determine the effective date of registration in the following instances:

(i) The aggregate turnover of Madhu Ltd., engaged in taxable supply of services in the state of Punjab, exceeded ₹20 Lakhs on 25th August, 2021. It applies for registration on 19<sup>th</sup> September, 2021 and is granted registration certificate on 29<sup>th</sup> September, 2021.

**Answer:** As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds ₹20 lakh, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Madhu Ltd. applied for registration before the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 25.08.2021.

(ii) What will be your answer, if in the above scenario, Madhu Ltd. submits the application for registration on 27<sup>th</sup> September, 2021 and is granted registration on 5th October, 2021?

**Answer:** Yes Answer will be different if Madhu Ltd. applies for registration after the expiry of 30 days, effective date of registration shall be the date of grant of registration i.e. 5<sup>th</sup> October, 2021.

### **MAY 2018 (OLD COURSE)**

**Question 11 (a)**

**(4 Marks)**

Determine the effective date of registration under CGST Act, 2017 in respect of the following cases with explanation:

(i) The aggregate turnover of Varun Industries of Mumbai engaged in taxable supply of goods has exceeded ₹40 lakhs on 1st August, 2021. It submits the application for registration on 20th August, 2021. Registration certificate granted on 25th August, 2021.

**Answer:** As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods, if his aggregate turnover in a financial year exceeds ₹40 lakh, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Varun Industries applies for registration before the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 01.08.2021.

(ii) Sweta InfoTech Services are the provider of internet services in Pune. The aggregate turnover of them exceeds ₹20 lakhs on 25th September, 2021. It submits the application for registration on 27th October, 2021. Registration certificate is granted on the 5 November, 2021.

**Answer:** As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds ₹20 lakh, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Sweta InfoTech services applies for registration after the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 05.11.2021.

**Question 4: Explain procedure for registration.**

**Answer: Procedure for Registration Section 25**

(1) Every person who is liable to be registered under section 22 or section 24 shall apply for registration in every such State or Union territory from where he is making supply, within thirty days from the date on which he becomes liable to registration.

**Provided further** that a person having a unit, in a Special Economic Zone or being a Special Economic Zone developer shall have to apply for a separate registration, as distinct from his place of business located outside the Special Economic Zone in the same State or Union territory.

(2) A person seeking registration under this Act shall be granted a single registration in a State or Union territory, however a person having multiple places of business in a State or Union territory shall have the option to take a separate registration for each such place of business.

(3) A person is allowed to take voluntary registration at any time.

(4)/(5) A person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act.

(6) Every person must have Permanent Account Number issued under the Income- tax Act, 1961 in order to be eligible for grant of registration:

(6A) Every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in such form and manner and within such time as may be prescribed:

**Provided** that if an Aadhaar number is not assigned to the registered person, such person shall be offered alternate and viable means of identification in such manner as Government may, on the recommendations of the Council, prescribe:

**Provided further** that in case of failure to undergo authentication or furnish proof of possession of Aadhaar number or furnish alternate and viable means of identification, registration allotted to such person shall be deemed to be invalid and the other provisions of this Act shall apply as if such person does not have a registration.

(6B) On and from the date of notification, every individual shall, in order to be eligible for grant of registration, undergo authentication, or furnish proof of possession of Aadhaar number, in such manner as the Government may, on the recommendations of the Council, specify in the said notification:

**Provided** that if an Aadhaar number is not assigned to an individual, such individual shall be offered alternate and viable means of identification in such manner as the Government may, on the recommendations of the Council, specify in the said notification.

(6C) On and from the date of notification, every person, other than an individual, shall, in order to be eligible for grant of registration, undergo authentication, or furnish proof of possession of Aadhaar number of the Karta, Managing Director, whole time Director, such number of partners, Members of Managing Committee of Association, Board of Trustees, authorised representative, authorised signatory and such other class of persons, in such manner, as the Government may, on the recommendation of the Council, specify in the said notification:

**Provided** that where such person or class of persons have not been assigned the Aadhaar Number, such person or class of persons shall be offered alternate and viable means of identification in such manner as the Government may, on the recommendations of the Council, specify in the said notification.

(6D) The provisions of sub-section (6A) or sub-section (6B) or sub-section (6C) shall not apply to such person or class of persons or any State or Union territory or part thereof, as the Government may, on the recommendations of the Council, specify by notification.

The persons notified by the Government are as given below:

- ✓ A person who is not a citizen of India
- ✓ Department or establishment of State Government or Central Government
- ✓ Local authority
- ✓ Statutory body
- ✓ Public Sector Undertaking
- ✓ A person applying for Unique Identity Number

**[Notification No.03/2021 CT dated 23.02.2021]**

### **Deemed Registration**

**As per section 26**, If any person has taken registration in any State/UT shall be deemed to be a registration under CGST/IGST Act also. Similarly any rejection of application under SGST Act/ UTGST Act shall be deemed to be a rejection under CGST/IGST Act.

### **Application for registration Rule 8**

(1) Every person has to apply for registration in the prescribed form as given below:

Sl.No	Persons Covered	Form
01.	Registration as Input Service Distributor (Not covered in syllabus)	REG-01
02.	Registration of persons Deducting tax at Source u/s 51 (Not covered in syllabus)	REG-07
03.	Registration of persons Collecting tax at Source u/s 52 (ECO) (Not covered in syllabus)	REG-07
04.	Registration as Non-Resident Taxable Person	REG-09
05.	Registration as OIDAR (Not covered in syllabus)	REG-10
06.	Application for Grant of Unique Identity Number (UIN)	REG-13

07.	Casual Taxable Person and Other Persons	REG-01
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Every person shall, before applying for registration, declare his Permanent Account Number, mobile number, e-mail address, State or Union territory in **Part A of FORM GST REG-01** on the common portal.

(2) (a) The Permanent Account Number shall be validated online by the common portal from the database maintained by the Central Board of Direct Taxes.

(b) The mobile number declared shall be verified through a one-time password sent to the said mobile number; and

(c) The e-mail address declared shall be verified through a separate one-time password sent to the said e-mail address.

(3) On successful verification of the Permanent Account Number, mobile number and e-mail address, a **temporary reference number** shall be generated and communicated to the applicant on the said mobile number and e-mail address.

(4) Using the TRN, the applicant shall electronically submit an application in Part B of **FORM GST REG-01**, duly signed or verified through electronic verification code, along with the documents specified in the said Form at the common portal.

[(4A) Every application made under rule (4) shall be followed by—

(a) biometric-based Aadhaar authentication and taking photograph, unless exempted under sub-section (6D) of section 25, if he has opted for authentication of Aadhaar number; or

(b) taking biometric information, photograph and verification of such other KYC documents, as notified, unless the applicant is exempted under sub-section (6D) of section 25, if he has opted not to get Aadhaar authentication done,

of the applicant where the applicant is an individual or of such individuals in relation to the applicant as notified under sub-section (6C) of section 25 where the applicant is not an individual, along with the verification of the original copy of the documents uploaded with the application in **FORM GST REG-01** at one of the Facilitation Centres notified by the Commissioner for the purpose of this sub-rule and the application shall be deemed to be complete only after completion of the process laid down under this sub-rule.

(5) On receipt of an application, an acknowledgement shall be issued electronically to the applicant in **FORM GST REG-02**.

### **Verification of the application and approval Rule 9**

(1) The application shall be forwarded to the proper officer who shall examine the application and the accompanying documents and if the same are found to be in order, approve the grant of registration to the applicant within a period of seven working days from the date of submission of the application:

**[Provided that where-**

(a) a person, other than a person notified under sub-section (6D) of section 25, fails to undergo authentication of Aadhaar number as specified in sub-rule (4A) of rule 8 or does not opt for authentication of Aadhaar number; or

(b) the proper officer, with the approval of an officer authorised by the Commissioner not below the rank of Assistant Commissioner, deems it fit to carry out physical verification of places of business, the registration shall be granted within thirty days of submission of application, after physical verification of the place of business in the presence of the said person, in the manner provided under rule 25 and verification of such documents as the proper officer may deem fit.]

(2) Where the application submitted under rule 8 is found to be deficient, either in terms of any information or any document required to be furnished under the said rule, or where the proper officer requires any clarification with regard to any information provided in the application or documents furnished therewith, he may issue a notice to the applicant electronically in **FORM GST REG-03** within a period of [seven] working days from the date of submission of the application and the applicant shall furnish such clarification, information or documents electronically, in **FORM GST REG-04**, within a period of seven working days from the date of the receipt of such notice:

**[Provided that where-**

(a) a person, other than a person notified under sub-section (6D) of section 25, fails to undergo authentication of Aadhaar number as specified in sub-rule (4A) of rule 8 or does not opt for

authentication of Aadhaar number; or

(b) the proper officer, with the approval of an officer authorised by the Commissioner not below the rank of Assistant Commissioner, deems it fit to carry out physical verification of places of business, the notice in **FORM GST REG-03** may be issued not later than thirty days from the date of submission of the application.]

Explanation.—For the purposes of this sub-rule, the expression "clarification" includes modification or correction of particulars declared in the application for registration, other than Permanent Account Number, State, mobile number and e-mail address declared in Part A of **FORM GST REG-01**.

(3) Where the proper officer is satisfied with the clarification, information or documents furnished by the applicant, he may approve the grant of registration to the applicant within a period of seven working days from the date of the receipt of such clarification or information or documents.

(4) Where no reply is furnished by the applicant in response to the notice issued under sub-rule (2) or where the proper officer is not satisfied with the clarification, information or documents furnished, he [may], for reasons to be recorded in writing, reject such application and inform the applicant electronically in **FORM GST REG-05**.

**(5) The application for grant of registration shall be deemed to have been approved, if the proper officer fails to take any action, -**

- (a) within a period of seven working days from the date of submission of the application in cases where the person undergoes Aadhaar Authentication or
- (b) within a period of thirty days from the date of submission of the application in cases where a person fails to undergo Aadhaar Authentication or do not opt for Aadhaar Authentication; or
- (c) within a period of seven working days from the date of the receipt of the clarification, information or documents furnished by the applicant in REG 04

### **Issue of Registration certificate Rule 10**

Certificate of registration shall be granted in **form no. REG-06** and if supplier has more than one branch in a State or Union Territory, he will get one registration certificate and all the places of the supplier shall be mentioned in the certificate. The supplier shall be allotted goods and service tax identification number and it will consist of

- (a) two characters for the State code.
- (b) ten characters for the Permanent Account Number or the Tax Deduction and Collection Account Number.
- (c) two characters for the entity code and
- (d) one checksum character.

### **Effective Date of Registration**

If applicant has submitted application within a period of 30 days, he will be considered to be registered from the date on which he becomes liable to registration and if application is given after 30 days, effective date of registration shall be the date of granting registration.

Example:

1. In case of Mr. X supplying goods limit of ₹ 40,00,000 exceeded on 10<sup>th</sup> August 2021 and he applied for registration on 20<sup>th</sup> August 2021 and registration was granted on 30<sup>th</sup> August 2021, In this case effective date shall be 10<sup>th</sup> August 2021 but if he has applied on 15<sup>th</sup> September 2021 and registration was granted on 25<sup>th</sup> September 2021, Registration shall be effective from 25<sup>th</sup> September 2021.

2. Turnover of Mr. X supplying goods on 10<sup>th</sup> August 2021 is ₹ 35,00,000 and he applied for voluntary registration and registration was granted on 25<sup>th</sup> August 2021, In this case registration is effective from 25<sup>th</sup> August 2021 but if his Turnover has exceeded ₹40,00,000 on 20<sup>th</sup> August 2021, In this case applicant should inform the department for change of category (REG-04) and registration granted shall be applicable from 20<sup>th</sup> August 2021 or the applicant can request for amendment after receiving certificate.

**Display of registration certificate and Goods and Services Tax Identification Number on the name board Rule 18**

Every registered person shall display his certificate of registration in a prominent location at his principal place of business and at every additional place or places of business.

Every registered person shall display his Goods and Services Tax Identification Number on the name board exhibited at the entry of his principal place of business and at every additional place or places of business.

**Prohibition of unauthorized collection of tax Section 32.**

A person who is not a registered person shall not collect in respect of any supply of goods or services or both any amount by way of tax under this Act.

**NOV 2018 (OLD COURSE)****Question 10 (a)(ii)****(2 Marks)**

Amit, a taxable person, is operating in Tamilnadu, Punjab and West Bengal, with the same PAN. Can he operate with a single registration in West Bengal?

**Answer:**

**As per section 25**, if any person operating in different States and aggregate turnover exceeds specified limit then he has to apply for different registration in each State but if a person has different branches in same state then only one registration is required.

In the given case he has been operating in different States hence separate registration is required and he cannot operate with a single registration.

**Question 10 (c)****(2 Marks)**

Can a person get himself voluntarily registered though he may not be liable to pay GST?

**Answer: Yes, as per section 25(3) Any person** can take voluntary registration though he may not be liable to pay GST.

**Question 5: Explain Issue of Revised Invoice at the time of registration****Answer: Issue of Revised Invoice at the time of registration Section 31(3)(a)/ Rule 53**

A registered person is allowed to issue revised invoice for the invoice already issued from the effective date of registration till the date of issuance of registration certificate. Further revised invoice should be issued within one month from the date of issuing of registration certificate.

The registered person may issue a consolidated revised tax invoice in respect of all taxable supplies made to a recipient who is not registered.

Example: Mr. A, a registered supplier has made supplies to Mr. B, and unregistered recipient as given below: supply 1 ₹60,000, supply to ₹40,000, supply 3 ₹70,000, supply 4 ₹1,00,000, in this case consolidated revised tax invoice can be issued for all the supplies to Mr. B.

In the case of inter-State supplies, where the value of a supply does not exceed two lakh and fifty thousand rupees, a consolidated revised invoice may be issued separately in respect of all the recipients located in a State, who are not registered.

**Illustration 1**

Luv & Kush Pvt. Ltd. of Meghalaya engaged in the supply of gifts items and repair services, provides you the following details:-

S.No.	Particulars	Date
1.	Commencement of the business of supplying goods and services	01st August
2.	Turnover exceeds ₹ 10,00,000 on	15th August
3.	Turnover exceeds ₹ 20,00,000 on	05th September
4.	Application for registration made on	28th September

5. Registration certificate granted on

06th October

The company seeks your advice as to how it should raise revised tax invoices for supplies made. Is there any specific provision for issuance of revised tax invoices to unregistered customers? Explain.

**Answer:**

A supplier of both goods and services whose aggregate turnover in a financial year exceeds the prescribed limit is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit.) in terms of section 22. In case of Meghalaya threshold limit is ₹ 20 lakh.

Further, where the application is submitted within said period, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.

Every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices within 1 month from the date of issuance of registration certificate in respect of taxable supplies effected during this period i.e. from the effective date of registration till the date of issuance of registration.

Since Luv & Kush Pvt. Ltd. has made the application for registration within 30 days of becoming liable for registration, the effective date of registration becomes the date on which the company becomes liable to registration i.e. 5th September.

Thus, Luv & Kush Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (5th September) and the date of issuance of registration certificate (6th October), within 1 month from 6th October.

Further, Luv & Kush Pvt. Ltd may issue a consolidated revised tax invoice in respect of all taxable supplies made to unregistered dealers during such period. However, in case of inter-State supplies made to unregistered dealers, a consolidated revised tax invoice cannot be issued in respect of all the recipients located in a State, if the value of a supply exceeds ₹ 2,50,000.

**Question 6: Write a note on separate registration for multiple places of business within a state or union territory**

**Answer: Separate registration for multiple places of business within a State or a Union territory  
Section 25(2) Rule 11**

(1) Any person having multiple places of business within a State or a Union territory, requiring a separate registration for any such place of business shall be granted separate registration in respect of each such place of business subject to the following conditions, namely:-

(a) such person has more than one place of business as defined in clause (85) of section 2;

(b) such person shall not pay tax under section 10 (Composition Scheme) for any of his places of business if he is paying tax under section 9 (Normal Scheme) for any other place of business. Further where any place of business of a registered person that has been granted a separate registration becomes ineligible to pay tax under section 10, all other registered places of business of the said person shall become ineligible to pay tax under the said section.

(c) all separately registered places of business of such person shall pay tax under the Act on supply of goods or services or both made to another registered place of business of such person and issue a tax invoice or a bill of supply, as the case may be, for such supply.

(2) A registered person opting to obtain separate registration for a place of business shall submit a separate application in **FORM GST REG-01** in respect of such place of business.

(3) The provisions of rule 9 and rule 10 relating to the verification and the grant of registration shall, mutatis mutandis, apply to an application submitted under this rule.

**Section 2(85) "Place of business" includes—**

(a) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or

(b) a place where a taxable person maintains his books of account; or

(c) a place where a taxable person is engaged in business through an agent, by whatever name called

**Rule 41A. Transfer of credit on obtaining separate registration for multiple places of business within a State or Union territory.**

(1) A registered person who has obtained separate registration for multiple places of business and who intends to transfer, either wholly or partly, the unutilised input tax credit lying in his electronic credit ledger to any or all of the newly registered place of business, shall furnish within a period of thirty days from obtaining such separate registrations, the details in **FORM GST ITC-02A** electronically on the common portal.

Provided that the input tax credit shall be transferred to the newly registered entities in the ratio of the value of assets held by them at the time of registration.

Explanation.- For the purposes of this sub-rule, it is hereby clarified that the 'value of assets' means the value of the entire assets of the business whether or not input tax credit has been availed thereon.

(2) The newly registered person (transferee) shall, on the common portal, accept the details so furnished by the registered person (transferor) and, upon such acceptance, the unutilised input tax credit specified in **FORM GST ITC-02A** shall be credited to his electronic credit ledger.”.

**Question 7: Explain Suo motu registration.**

**Answer:**

**Suo motu registration Section 25(8) Rule 16.**

(1) Where, pursuant to any survey, enquiry, inspection, search or any other proceedings under the Act, the proper officer finds that a person liable to registration under the Act has failed to apply for such registration, such officer may register the said person on a temporary basis and issue an order in FORM GST REG-12.

(2) The registration granted under sub-rule (1) shall be effective from the date of such order granting registration.

(3) Every person to whom a temporary registration has been granted under sub-rule (1) shall, within a period of ninety days from the date of the grant of such registration, submit an application for registration in the form and manner provided in rule 8 or rule 12:

**Provided** that where the said person has filed an appeal against the grant of temporary registration, in such case, the application for registration shall be submitted within a period of thirty days from the date of the issuance of the order upholding the liability to registration by the Appellate Authority.

(4) The provisions of rule 9 and rule 10 relating to verification and the issue of the certificate of registration shall, mutatis mutandis, apply in this case also.

(5) The Goods and Services Tax Identification Number assigned, pursuant to the verification, shall be effective from the date of the order granting registration.

**Question 8: write a note on amendment in Registration Certificate.**

**Answer:**

**Amendment of registration Section 28.**

(1) Every registered person and a person to whom a Unique Identity Number has been assigned shall inform the proper officer of any changes in the information furnished at the time of registration or subsequent thereto. Any rejection or approval of amendments under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, as the case may be, shall be deemed to be a rejection or approval under this Act.

**Amendment of registration Rule 19**

(1) Where there is any change in any of the particulars furnished in the application for registration either at the time of obtaining registration or Unique Identity Number or as amended from time to time, the registered person shall, within a period of fifteen days of such change, submit an application, in FORM GST REG-14, along with the documents relating to such change at the common portal.

**Provided that—**

(a) where the change relates to,—

(i) legal name of business;

(ii) address of the principal place of business or any additional place(s) of business; or



- (iii) addition, deletion or retirement of partners or directors, Karta, Managing Committee, Board of Trustees, Chief Executive Officer or equivalent, responsible for the day to day affairs of the business,-

which does not warrant cancellation of registration under section 29, the proper officer shall, after due verification, approve the amendment within a period of fifteen working days from the date of the receipt of the application in FORM GST REG-14 and issue an order in FORM GST REG-15 electronically and such amendment shall take effect from the date of the occurrence of the event warranting such amendment;

- (b) the change relating to sub-clause (i) and sub-clause (iii) in any State or Union territory shall be applicable for all registrations of the registered person obtained on the same Permanent Account Number;
- (c) where the change relates to any particulars other than those specified in clause (a), the certificate of registration shall stand amended upon submission of the application in FORM GST REG-14 on the common portal;
- (d) where a change in the constitution of any business results in the change of the Permanent Account Number of a registered person, the said person shall apply for fresh registration in FORM GST REG-01:

**Provided further** that any change in the mobile number or e-mail address of the authorised signatory, shall be carried out only after online verification through OTP

Any particular of the application for registration shall not stand amended with effect from a date earlier than the date of submission of the application in **FORM GST REG-14** on the common portal except with the order of the Commissioner for reasons to be recorded in writing.

(2) Where the proper officer is of the opinion that the amendment sought is either not warranted or the documents furnished therewith are incomplete or incorrect, he may, within a period of fifteen working days from the date of the receipt of the application in FORM GST REG-14, serve a notice in FORM GST REG-03, requiring the registered person to show cause, within a period of seven working days of the service of the said notice, as to why the application submitted should not be rejected.

(3) The registered person shall furnish a reply to the notice to show cause, in FORM GST REG-04, within a period of seven working days from the date of the service of the said notice.

(4) Where the reply furnished is found to be not satisfactory or where no reply is furnished in response to the notice issued within the period prescribed, the proper officer shall reject the application submitted and pass an order in FORM GST REG-05.

(5) If the proper officer fails to take any action,—

- (a) within a period of fifteen working days from the date of submission of the application, or
- (b) within a period of seven working days from the date of the receipt of the reply to the notice to show cause,

the certificate of registration shall stand amended to the extent applied for and the amended certificate shall be made available to the registered person on the common portal.

### **MAY 2018 (OLD COURSE)**

**Question 11 (c)**

**(2 Marks)**

State with reason whether following statement is true or false:

"When there is change in constitution of business results in change in PAN, the business entity can apply for amendment of registration in prescribed manner within 15 days."

**Answer: False:** As per section 28, when there is change in constitution of business which results in change in PAN, certificate can be cancelled and the new business entity can apply for fresh registration

**Question 9: Explain Cancellation [or suspension] of registration .**

**Answer: As per Section 29.**

- (1) The proper officer may,
- (i) either on his own motion or
- (ii) on an application filed by the registered person or

(iii) on an application filed by his legal heirs, in case of death of such person, cancel the registration, where,—

- (a) the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of; or
- (b) there is any change in the constitution of the business; or
- (c) the taxable person is no longer liable to be registered under section 22 or section 24 or intends to optout of the registration voluntarily made under sub-section (3) of section 25:

(2) The proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,—

- (a) a registered person has contravened such provisions of the Act or the rules; or
- (b) a person paying tax under section 10 (Composition Scheme) has not furnished returns for three consecutive tax periods; or
- (c) any registered person, other than a person covered under composition scheme, has not furnished returns for a continuous period of six months; or
- (d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or
- (e) registration has been obtained by means of fraud, wilful misstatement or suppression of facts:

Registration can be cancelled in the cases given under rule 21 i.e. where:

- (a) does not conduct any business from the declared place of business; or
- (b) issues invoice or bill without supply of goods or services or both in violation of the provisions of the Act, or the rules made thereunder; or
- (c) violates the provisions of section 171 of the Act or the rules made thereunder.
- (d) violates the provision of rule 10A. As per rule 10A, after a certificate of registration in **FORM GST REG-06** has been made available on the common portal and a Goods and Services Tax Identification Number has been assigned, the registered person, shall as soon as may be, but not later than forty five days from the date of grant of registration or the date on which the return required under section 39 is due to be furnished, whichever is earlier, furnish information with respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision. Eg. if registration is granted on 01-05-2021, bank details should be given upto 14<sup>th</sup> June 2021 or 20<sup>th</sup> June 2021 whichever is earlier i.e. 14<sup>th</sup> June 2021
- (e) avails input tax credit in violation of the provisions of section 16 of the Act
- (f) furnishes the details of outward supplies in **FORM GSTR-1** under section 37 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 (GSTR 3B) for the said tax periods; or
- (g) violates the provision of rule 86B.

(3) The cancellation of registration under this section shall not affect the liability of the person to pay tax and other dues under this Act or to discharge any obligation under this Act or the rules made thereunder for any period prior to the date of cancellation whether or not such tax and other dues are determined before or after the date of cancellation.

(4) The cancellation of registration under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, as the case may be, shall be deemed to be a cancellation of registration under this Act.

(5) Every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher, calculated in such manner as may be prescribed:

**Provided** that in case of capital goods or plant and machinery, the taxable person shall pay an amount equal to the input tax credit taken on the said capital goods or plant and machinery, reduced by such percentage

points as prescribed under rule 44 or the tax on the transaction value of such capital goods or plant and machinery under section 15, whichever is higher.

#### **Application for cancellation of registration Rule 20**

A registered person, shall electronically submit an application in FORM GST REG-16, including therein the details of inputs held in stock or inputs contained in semi-finished or finished goods held in stock and of capital goods held in stock on the date from which the cancellation of registration is sought, liability thereon, the details of the payment, if any, made against such liability and may furnish, along with the application, relevant documents in support thereof, at the common portal within a period of thirty days of the occurrence of the event warranting the cancellation.

#### **Suspension of registration Rule 21A**

(1) Where a registered person has applied for cancellation of registration under rule 20, the registration shall be deemed to be suspended from the date of submission of the application or the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration under rule 22.

(2) Where the proper officer has reasons to believe that the registration of a person is liable to be cancelled under section 29 or under rule 21, he may, suspend the registration of such person with effect from a date to be determined by him, pending the completion of the proceedings for cancellation of registration under rule 22.

(2A) Where, a comparison of the returns furnished by a registered person under section 39 with

- (a) the details of outward supplies furnished in **FORM GSTR-1**; or
- (b) the details of inward supplies derived based on the details of outward supplies furnished by his suppliers in their **FORM GSTR-1**,

or such other analysis, as may be carried out on the recommendations of the Council, show that there are significant differences or anomalies indicating contravention of the provisions of the Act or the rules made thereunder, leading to cancellation of registration of the said person, his registration shall be suspended and the said person shall be intimated in **FORM GST REG-31**, electronically, on the common portal, or by sending a communication to his e-mail address provided at the time of registration or as amended from time to time, highlighting the said differences and anomalies and asking him to explain, within a period of thirty days, as to why his registration shall not be cancelled.

(3) A registered person, whose registration has been suspended under sub-rule (1) or sub-rule (2), or sub-rule (2A) shall not make any taxable supply during the period of suspension and shall not be required to furnish any return under section 39.

Explanation.-For the purposes of this sub-rule, the expression "shall not make any taxable supply" shall mean that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the period of suspension.

(3A) A registered person, whose registration has been suspended under sub-rule (2) or sub-rule (2A), shall not be granted any refund under section 54, during the period of suspension of his registration.

(4) The suspension of registration under sub-rule (1) or sub-rule (2) or sub-rule (2A) shall be deemed to be revoked upon completion of the proceedings by the proper officer under rule 22 and such revocation shall be effective from the date on which the suspension had come into effect:

**Provided** that the suspension of registration under this rule may be revoked by the proper officer, anytime during the pendency of the proceedings for cancellation, if he deems fit.

(5) Where any order having the effect of revocation of suspension of registration has been passed, the provisions of clause (a) of sub-section (3) of section 31 and section 40 in respect of the supplies made during the period of suspension and the procedure specified therein shall apply.

#### **Cancellation of registration Rule 22**

(1) Where the proper officer has reasons to believe that the registration of a person is liable to be cancelled, he shall issue a notice to such person in **FORM GST REG-17**, requiring him to show cause, within a period of seven working days from the date of the service of such notice, as to why his registration shall not be cancelled.

(2) The reply to the show cause notice issued shall be furnished in **FORM REG-18** within the period specified.

(3) Where a person who has submitted an application for cancellation of his registration is no longer liable to be registered or his registration is liable to be cancelled, the proper officer shall issue an order in **FORM GST REG-19**, within a period of thirty days from the date of application. or, as the case may be, the date of the reply to the show cause issued, cancel the registration, with effect from a date to be determined by him and notify the taxable person, directing him to pay arrears of any tax, interest or penalty including the amount liable to be paid under sub section (5) of section 29.

(4) Where the reply furnished is found to be satisfactory, the proper officer shall drop the proceedings and pass an order in **FORM GST REG -20**:

**Provided** that where the person instead of replying to the notice for contravention of the provisions furnishes all the pending returns and makes full payment of the tax dues along with applicable interest and late fee, the proper officer shall drop the proceedings and pass an order in **FORM GST-REG 20**.

(5) The provisions shall, mutatis mutandis, apply to the legal heirs of a deceased proprietor, as if the application had been submitted by the proprietor himself.

**Example:** The proper officer cancelled the registration of Naman Associates on 11th October. The tax dues of Naman Associates for July-September quarter (determined by the proper officer on 16th December) are ₹50,000. The cancellation of registration of Naman Associates shall have no effect on his liability of tax dues of ₹ 50,000 even though the tax dues are determined after the cancellation of registration.

### JAN 2021 (NEW COURSE)

#### Question 8(b)

(5 Marks)

Under the provision of section 29(1) of CGST Act, 2017 read with rule 21A of CGST Rules, 2017 related to suspension of registration if the registered person has applied for cancellation of registration, what is the period and manner of suspension of registration?

Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from:

- (a) the date of submission of the application or
- (b) the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.

Such person shall not make any taxable supply during the period of suspension and shall not be required to furnish any return.

The expression “shall not make any taxable supply” mean that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the suspension period.

### JAN 2021 (NEW COURSE)

OR

#### Question 8(b)

(5 Marks)

Explain the circumstances under which proper officer can cancel the registration on his own of a registered person under CGST Act, 2017.

#### Answer

The circumstances under which proper officer can cancel the registration on his own of a registered person under the CGST Act, 2017 are as under:-

- (a) does not conduct any business from the declared place of business; or
- (b) issues invoice or bill without supply of goods or services or both in violation of the provisions of the Act, or the rules made thereunder; or
- (c) violates the provisions of section 171 of the Act or the rules made thereunder.
- (d) violates the provision of rule 10A. As per rule 10A, after a certificate of registration in **FORM GST REG-06** has been made available on the common portal and a Goods and Services Tax Identification Number has been assigned, the registered person, shall as soon as may be, but not later than forty five days from the date of grant of registration or the date on which the return required under section 39 is due to be furnished, whichever is earlier, furnish information with

respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision.

- (e) avails input tax credit in violation of the provisions of section 16 of the Act
- (f) furnishes the details of outward supplies in **FORM GSTR-1** under section 37 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 (GSTR 3B) for the said tax periods; or

### NOV 2018 (NEW COURSE)

#### Question 11(a)

(3 Marks)

Determine with brief reasons, whether the following statements are True or False:

Registration under the CGST Act, 2017 can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within three months from the date of Registration.

**Answer:**

**False:** As per section 29/Rule 20 to 22, registration can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within 6 months from the date of registration, in the given case period mentioned is 3 months instead of 6 months hence statement is false.

### RTP MAY 2020

#### Question 12

M/s Siya Ram is a trader of decorative items in Hauz Khas, Delhi. His aggregate turnover exceeded ₹ 20 lakh in the month of October, 2021. He applied for registration on GST portal, but missed to submit the details of his bank account. His tax consultant advised him that prior submission of bank details is mandatory to obtain registration. Examine whether the advice of Mr. Siya Ram's tax consultant is correct.

**Answer:**

The advice of Mr. Siya Ram's consultant that prior submission of bank details is mandatory to obtain registration is no more valid in law.

A new rule 10A has been inserted in the CGST Rules, 2017 which allows the registered person to furnish information with respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision, soon after obtaining certificate of registration and a GSTIN, but not later than 45 days from the date of grant of registration or the date on which the return required under section 39 is due to be furnished, whichever is earlier.

This relaxation is however not available for those who have been granted registration as TDS deductor/ TCS collector under rule 12 or who have obtained suo-motu registration under rule 16.

#### **Question 10: write a note on revocation of cancellation of Registration.**

**Answer:**

##### **Revocation of cancellation of registration. Section 30**

(1) Any registered person, whose registration is cancelled by the proper officer on his own motion, may apply to such officer for revocation of cancellation of the registration in the prescribed manner within thirty days from the date of service of the cancellation order:

**[Provided** that such period may, on sufficient cause being shown, and for reasons to be recorded in writing, be extended,—

- (a) by the Additional Commissioner or the Joint Commissioner, as the case may be, for a period not exceeding thirty days;
- (b) by the Commissioner, for a further period not exceeding thirty days, beyond the period specified in clause (a).]

(2) The proper officer may, in such manner and within such period as may be prescribed, by order, either revoke cancellation of the registration or reject the application:

(3) The revocation of cancellation of registration under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, as the case may be, shall be deemed to be a revocation of cancellation of registration under this Act.

**Revocation of cancellation of registration Rule 23**

(1) A registered person, whose registration is cancelled by the proper officer on his own motion, may submit an application for revocation of cancellation of registration, in FORM GST REG-21, to such proper officer, within a period of thirty days from the date of the service of the order of cancellation of registration at the common portal.

**Provided** that no application for revocation shall be filed, if the registration has been cancelled for the failure of the registered person to furnish returns, unless such returns are furnished and any amount due as tax, in terms of such returns, has been paid along with any amount payable towards interest, penalty and late fee in respect of the said returns.

**[Provided further** that all returns due for the period from the date of the order of cancellation of registration till the date of the order of revocation of cancellation of registration shall be furnished by the said person within a period of thirty days from the date of order of revocation of cancellation of registration:

**Provided also** that where the registration has been cancelled with retrospective effect, the registered person shall furnish all returns relating to period from the effective date of cancellation of registration till the date of order of revocation of cancellation of registration within a period of thirty days from the date of order of revocation of cancellation of registration.]

(2) (a) Where the proper officer is satisfied, for reasons to be recorded in writing, that there are sufficient grounds for revocation of cancellation of registration, he shall revoke the cancellation of registration by an order in FORM GST REG-22 within a period of thirty days from the date of the receipt of the application and communicate the same to the applicant.

(b) The proper officer may, for reasons to be recorded in writing, by an order in FORM GST REG-05, reject the application for revocation of cancellation of registration and communicate the same to the applicant.

(3) The proper officer shall, before passing the above order, issue a notice in FORM GST REG-23 requiring the applicant to show cause as to why the application submitted for revocation should not be rejected and the applicant shall furnish the reply within a period of seven working days from the date of the service of the notice in FORM GST REG-24.

(4) Upon receipt of the information or clarification in FORM GST REG-24, the proper officer shall proceed to dispose of the application within a period of thirty days from the date of the receipt of such information or clarification from the applicant.

**Example:** The registration of Naman Associates was cancelled by the proper officer by an order dated 1st June for its failure to furnish returns. The registration was cancelled with effect from 1st June itself. It applied for revocation of cancellation of registration and the order for revocation of cancellation of Naman Associates is passed on 31st July. In this case, Naman Associates shall be required to furnish all the returns for the period from 1st June to 31st July within a period of 30 days from 31st July, i.e. by 30th August.

**Example:** The registration of Naman Associates was cancelled by the proper officer by an order dated 1st June for its failure to furnish returns. The registration was cancelled with effect from 1st January itself. It applied for revocation of cancellation of registration and the order for revocation of cancellation of Naman Associates is passed on 31st July. In this case, Naman Associates shall be required to furnish all the returns for the period from 1st January to 31st July within a period of 30 days from 31st July, i.e. by 30th August.

**RTP NOV– 2020**

Prem & Sons had taken GST registration on 1st January but failed to furnish GST returns for the next 6 months. Owing to this, the proper officer cancelled its registration on 25th July and served the order for cancellation of registration on 31st July. Now, Prem & Sons wants to revoke the cancellation of registration. Prem & Sons can file an application for revocation of cancellation of registration on or before.

- (a) 30th August
- (b) 29th August
- (c) 29th September
- (d) 29th October

**Answer: (a)**

**Question 11: Explain physical verification of business premises.****Answer:****Physical verification of business premises in certain cases Rule 25**

Where the proper officer is satisfied that the physical verification of the place of business of a person is required due to failure of Aadhaar authentication or due to not opting for Aadhaar authentication before the grant of registration, or due to any other reason after the grant of registration, he may get such verification of the place of business, in the presence of the said person, done and the verification report along with the other documents, including photographs, shall be uploaded in **FORM GST REG-30** on the common portal within a period of fifteen working days following the date of such verification.]

**Examples**

1. A dealer 'X' engaged in supplying of goods has two offices – one in Delhi and another in Haryana. In order to determine whether 'X' is liable for registration, turnover of both the offices would be taken into account and only if the same exceeds ₹40 lakh, X is liable for registration.

2. R Oils, Punjab, is engaged in supplying machine oil as well as petrol. Supply of petrol is not leviable to GST, but supply of machine oil is taxable. In order to determine whether R Oils is liable for registration, turnover of both the supplies – non-taxable as well as taxable - would be taken into account and if the same exceeds ₹40 lakh, R Oils is liable for registration.

3. M Enterprises has appointed M/s ABC & Associates as its agent. All the supplies of goods made by M/s ABC & Associates as agent of M Enterprises will also be included in the aggregate turnover of M/s ABC & Associates.

4. ABC Services Ltd. is engaged in taxable supply of services in Madhya Pradesh. The turnover of ABC Services Ltd. exceeded ₹20 lakh on 1st November. It is liable to apply for registration by 1st December in the State of Madhya Pradesh.

5. Mr. X, a Chartered Accountant, has a registered head office in Delhi. He has also obtained registration in the State of West Bengal in respect of his newly opened branch office. Mr. X shall be treated as distinct persons in respect of registrations in West Bengal and Delhi.

6. XYZ Services Ltd. is engaged in taxable supply of services in Madhya Pradesh. The turnover of XYZ Services Ltd. exceeded ₹20 lakh on 1st November. It is liable to apply for registration by 1st December [30 days] in the State of Madhya Pradesh. It applies for registration on 28th November and is granted registration certificate on 5th December. The effective date of registration of XYZ Services Ltd. is 1st November.

In above example, if XYZ Services Ltd. applies for registration on 3rd December and is granted registration certificate on 10th December. The effective date of registration of XYZ Services Ltd. is 10th December.

**Question 12: Explain GST provisions in case of casual taxable person.****Answer: Casual Taxable person**

**As per section 2 (20), "casual taxable person"** means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

**As per section 24, Every casual taxable person** shall also be required to take registration irrespective of the turnover and procedure shall be same. For this purpose he will apply in **REG-01**.

**As per section 25(1)**, He should apply for registration **atleast 5 days** prior to commencement of business. Registration shall be granted only after the applicant has paid estimated amount of GST in advance.

**As per section 27**, Certificate shall be valid for the specified period but **maximum 90 days** however proper officer may extend it further but for **maximum 90 days** i.e. total period can be **maximum 180 days**. Such person shall make advance deposit of GST as estimated by him.

**Extension in period of operation by casual taxable person Rule 15**

Where a registered casual taxable person intends to extend the period of registration indicated in his application of registration, an application in FORM GST REG-11 shall be submitted by such person before the end of the validity of registration granted to him.

**Every casual taxable person** shall be required to submit monthly return similarly as required to be filed by normal registered person. (GSTR-1) however such person is allowed to file GSTR-1 before the end of the current tax period in case of closure of their business.

The amount of advance tax deposited by casual taxable person shall not be refunded unless he furnished GSTR 3B.

**Question.** Rohan Toys is a registered supplier of goods in Delhi. It intends to attend a 7 days' Business Fair organised in Mumbai (next month) where it does not have a fixed place of business. Examine which of the following statements are true for Rohan Toys:

- (a) Rohan Toys is not required to obtain registration in Mumbai for attending a 7 days' Business Fair.
- (b) Rohan Toys has to obtain registration as a casual taxable person for attending the Business Fair.
- (c) Rohan Toys has to obtain a Unique Identification Number for attending the Business Fair.
- (d) None of the above

**Answer: (b)**

**MAY 2019 (NEW COURSE)**

**Question 8 (c)****(5 Marks)**

Answer the following questions with respect to casual taxable person under the CGST Act, 2017:

- (i) Who is a causal taxable person?
- (ii) Can a casual taxable person opt for the composition scheme?
- (iii) When is the causal taxable person liable to get registered?
- (iv) What is the validity period of the registration certificate issued to a casual taxable person?
- (v) Can the validity of registration certificate issued to a casual taxable person be extended? If yes, what will be the period of extension?

**Answer:**

**(i) As per section 2 (20), "casual taxable person"** means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

**(ii) As per rule 5,** a casual taxable person cannot opt for composition scheme.

**(iii) As per section 24, Every casual taxable person** shall also be required to take registration irrespective of the turnover and procedure shall be same. He should apply for registration **atleast 5 days** prior to commencement of business. Registration shall be granted only after the applicant has paid estimated amount of GST in advance.

**(iv) As per section 27,** Certificate shall be valid for the specified period but **maximum 90 days.**

**(v) Yes** it can be extended. Proper officer may extend it further but for **maximum 90 days** i.e. total period can be **maximum 180 days.** Such person shall make advance deposit of GST as estimated by him.

**Question 13: Explain GST provisions in case of Non-Resident taxable person.**

**Answer: Non – Resident Taxable Person**

**As per section 2 (77), "non-resident taxable person"** means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India.



**As per section 24**, NRTP shall also be required to take registration irrespective of the turnover and he has to apply in **REG-09**.

**As per section 25**, He should apply for registration **atleast 5 days** prior to commencement of business. Registration shall be granted only after the applicant has paid estimated amount of GST in advance.

**As per Rule 13**, A non-resident taxable person shall electronically submit an application, along with a self-attested copy of his valid passport. In the case of a business entity incorporated or established outside India, the application for registration shall be submitted along with its tax identification number or unique number on the basis of which the entity is identified by the Government of that country or its Permanent Account Number, if available.

**As per section 27**, Certificate shall be valid for the specified period but **maximum 90 days** however proper officer may extend it further but for **maximum 90 days** i.e. total period can be **maximum 180 days**.

**Extension in period of operation by non-resident taxable person Rule 15**

Where a registered non-resident taxable person intends to extend the period of registration indicated in his application of registration, an application in FORM GST REG-11 shall be submitted by such person before the end of the validity of registration granted to him.

**As per Rule 63**, Return shall be furnished in form **GSTR-5** within 20 days after the end of the month or within 7 days after the last day of validity of registration. Whichever is earlier. (NRTP is not required to file GSTR-1 or GSTR-3B)

**Question .** Which of the following persons are compulsorily required to obtain registration?

- (a) Persons making any inter-State taxable supply
- (b) Non-resident taxable persons making taxable supply
- (c) Casual taxable persons making taxable supply
- (d) All of the above

**Answer: (d)**

**NOV 2018 (NEW COURSE)**

(b) Mr. Allan, a non-resident person, wishes to provide taxable supply of goods. He has no fixed place of business or residence in India. He seeks your advise on the following aspects, relating to CGST Act, 2017:

- (i) When shall he apply for registration?
- (ii) Is PAN mandatory for his registration?
- (iii) What is the period of validity of RC granted to him ?
- (iv) Will he be able to extend the validity of his registration? If yes, what will be the period of extension ?

**Answer:**

**(i) As per section 24**, NRTP shall also be required to take registration irrespective of the turnover and he has to apply in **REG-09**.

**As per section 25**, He should apply for registration **atleast 5 days** prior to commencement of business. Registration shall be granted only after the applicant has paid estimated amount of GST in advance

**(ii)** No, PAN is not mandatory for his registration

**(iii) As per section 27**, Certificate shall be valid for the specified period but **maximum 90 days**

**(iv) As per section 27**, proper officer may extend it further but for **maximum 90 days** i.e. total period can be **maximum 180 days**.

**Question 14: Explain the manner in which GST is payable by an electronic commerce operator covered u/s 9(5).**

**Answer:** As per section 9(5), The Government may, on the recommendations of the Council, by notification, specify categories of services the tax on supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to

such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services.

If an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax:

Further if an electronic commerce operator does not have a physical presence in the taxable territory and also he does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.

Notification no. 17/2017-central tax (rate), dated 28-6-2017, in case of the following categories of services, the tax on intra-State supplies shall be paid by the electronic commerce operator—

- (i) services by way of transportation of passengers by a radio-taxi, motorcab, maxicab and motor cycle;
- (ii) services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under section 22 of the said Central Goods and Services Tax Act;
- (iii) services by way of house-keeping, such as plumbing, carpentering etc., except where the person supplying such service through electronic commerce operator is liable for registration under section 22 of the said Central Goods and Services Tax Act.

**Example:** Mr. X has taken services of UBER cabs and has paid ₹10,000 plus GST ₹1,000 in this case UBER cabs shall be responsible to pay GST of ₹ 1,000 to the Government. Further the real owner of the cab shall charge amount from UBER cabs and if such amount is ₹ 8,000, it will be paid by UBER cabs to the real owner but if real owner is also registered under GST, he will charge ₹ 8,000 plus GST 800 and UBER cabs shall take ITC of ₹ 800 and pay ₹ 200 to the Government.

**Q.** A radio taxi driver has provided his services through Electronic Commerce Operator – Kuber Cabs. The tax on such supplies shall be paid by the \_\_\_\_\_.

- (a) Electronic Commerce Operator – Kuber Cabs
- (b) Radio taxi driver
- (c) Customer receiving the services from radio taxi driver
- (d) None of the above

**Answer:** (a)

**Q.** A hotel owner provided accommodation in Haryana, through an electronic commerce operator – Cool Trips. The hotel owner is not liable to get registered as per the provisions of section 22 of the CGST Act. Who is the person liable to pay GST in this case? Would your answer be different if the Electronic Commerce Operator Cool Trips does not have a physical presence in India?

**Answer:** Services by way of providing accommodation in hotels through electronic commerce operator is a specified service for said purpose. Thus, person liable to pay GST in this case is the Electronic Commerce Operator Cool Trips. All the provisions of the GST law shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services.

Yes, answer would be different if the ECO does not have physical presence in India in that case person representing such ECO in India shall be liable to pay GST.

**Q.** Can any person other than the supplier or recipient be liable to pay tax under GST?

**Answer:** Yes, the Government can specify categories of services the tax on which shall be paid by the Electronic Commerce Operator, if such services are supplied through it and all the provisions of the GST law shall apply to such electronic commerce operator as if he is the person liable to pay tax in relation to supply of such services.

**IPC NOV 2017 (MODIFIED)****Question 7****(5 Marks)**

Sophomore of USA intends to start business as an aggregator in India. He wants to understand his obligations under GST law as an aggregator. He requires your advice of how he has to go about in discharging the tax liability as an aggregator, while he continues to reside in USA.

**Answer: As per section 9(5)**, any electronic commerce operator who is providing services under his own brand name and is also collecting payment on behalf of the supplier, in such cases such person shall be liable to pay GST and such person may be called aggregator.

**Aggregator** means a person, who owns and manages a web based software application, and by means of the application and a communication device, enables a potential customer to connect with persons providing service of a particular kind under the brand name or trade name of the aggregator” , eg. UBER cabs/ OLA cabs etc. Similarly it will include services relating to providing accommodation in hotels, inns, and guest house etc. as notified by the Government, where payment is collected by such ECO. Such ECO shall also be required to take registration u/s 9(5).

**Example:** Mr. X has taken services of UBER cabs and has paid ₹ 10,000 plus GST ₹ 1,000 in this case UBER cabs shall be responsible to pay GST of ₹ 1,000 to the Government. Further the real owner of the cab shall charge amount from UBER cabs and if such amount is ₹ 8,000, it will be paid by UBER cabs to the real owner but if real owner is also registered under GST, he will charge ₹ 8,000 plus GST 800 and UBER cabs shall take ITC of ₹ 800 and pay ₹ 200 to the Government.

Provided that aggregator shall not include such person who enables a potential customer to connect with persons providing services and where payment is collected directly by the supplier of services and not by such electronic commerce operator. In such cases GST shall be payable by the actual supplier and not by ECO. Such ECO shall get his commission from the supplier and the amount of commission shall be subject to GST, e.g. URBAN CLAP. If Mr. X an architect is registered with URBAN CLAP and they have referred a client to Mr. X and Mr. X charged ₹ 1,00,000 plus GST ₹ 18,000, Mr. X shall be liable to pay GST to the Government. If URBAN CLAP has taken commission of ₹10,000 plus GST ₹ 1,800, Mr. X shall claim ITC of ₹ 1,800 and shall pay to the Government balance amount of ₹ 16,200

**Question 15: Explain Registration in case of Special Economic Zone.**

**Answer: Registration in case of Special Economic Zone**

**Special Economic Zone**

The term SEZ is defined in SEZ Act, 2005, Section 2(za), SEZ Means a specific area with well - defined physical boundaries and which has been declared to be SEZ and a Development commissioner is appointed by the Government.

**A person having a unit(s) in a Special Economic Zone or being a Special Economic Zone developer** shall make a separate application for registration as a distinct from his other units located outside the Special Economic Zone.

**Example:** ABC limited has 2 Units in UP. One in SEZ and one Outside SEZ, In this case Company should take 2 Registration. If Company has 2 units in SEZ and one outside SEZ, Still 2 registration are required i.e. one for all Units of SEZ and One for Unit Outside SEZ.

**Question 16: Explain special provisions with regard to Notified International Agencies.**

**Answer:**

**As per section 25 (9)**, Certain agencies shall be required to obtain Unique Identity Number and are as given below:

1. Any agency of the United Nations Organisation.
2. Consulate or Embassy of foreign countries.
3. Any other person or class of persons, as may be notified by the Commissioner.

Such agencies should apply in **REG-13** for obtaining an UIN.

Persons supplying goods/services to such agencies shall collect GST and the number so given shall be mentioned in the Invoice but such agencies can claim refund subsequently. As per notification no. 16/2017 CT (R) 28-06-2017, such agencies are allowed to claim refund of the taxes paid by them.

**As per section 54,** They will be required to claim refund before expiry of 6 months from the last day of the quarter in which supply was received.

**As per rule 82,** such agencies shall be required to furnish details in **GSTR-11 on quarterly** basis to claim refund but maximum within time allowed under section 54 i.e. within 6 months.

**Question 17: Explain Provisions for Tax Collection at source under GST by ECO.**

**Answer: Collection of tax at source Section 52.**

**As per section 24,** the person collecting Tax has to take compulsory registration irrespective of the turnover. He should apply for registration in **REG-07.**

1. Every electronic commerce operator shall collect an amount calculated at such rate not exceeding **Two per cent** (1% CGST + 1% SGST), as may be notified by the Government, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator.

2. The amount collected shall be paid to the Government by the operator **within ten days** after the end of the month in which such collection is made and **as per Rule 67,** Return shall be furnished in form **GSTR-8** within 10 days after the end of the month.

3. Every operator who collects the amount shall furnish an annual statement upto **31st December** following the end of such financial year. (GSTR 9B)

4. The supplier who has supplied the goods or services or both through the operator shall claim credit, in his electronic cash ledger, of the amount collected and reflected in the statement of the operator furnished.

**Example:**

ABC limited has sold goods worth ₹20,00,000 plus GST ₹4,00,000 through Amazon and Amazon is entitled for a commission of 15%, in this case, Amazon shall collect ₹24,00,000 from the buyer and shall deduct ₹3,00,000 + GST ₹ 60,000. Also Amazon will collect TCS @ 2% (1%+1%) ₹ 40,000 and shall pay balance amount to ABC limited i.e. ₹ 24,00,000-3,60,000-40,000 =20,00,000.

ABC limited has to pay GST of ₹ 4,00,000 but ITC of ₹ 60,000 shall be deducted and balance amount shall be ₹ 3,40,000 but tax already deposited ₹ 40,000 hence balance amount payable ₹ 3,00,000.

## PRACTICE PROBLEMS

**Q 1.** Determine the effective date of registration in following cases:

(a) The aggregate turnover of Dhampur Industries of Delhi engaged in taxable supply of goods has exceeded ₹40 lakh on 1st September. It submits the application for registration on 20<sup>th</sup> September. Registration certificate is granted to it on 25<sup>th</sup> September.

**Answer:** Every supplier of goods becomes liable to registration if his turnover exceeds ₹40 lakh in a financial year. Since in the given case, the turnover of Dhampur Industries exceeded ₹40 lakh on 1st September, it becomes liable to registration on said date.

Further, since the application for registration has been submitted within 30 days from such date, the registration shall be effective from the date on which the person becomes liable to registration. Therefore, the effective date of registration is 1st September.

(b) Mehta Teleservices is an internet service provider in Lucknow. Its aggregate turnover exceeds ₹20 lakh on 25th October. It submits the application for registration on 27th November. Registration certificate is granted to it on 5th December.

**Answer:** Since in the given case, the turnover of Mehta Teleservices exceeds ₹20 lakh on 25th October, it becomes liable to registration on said date. Further, since the application for registration has been submitted after 30 days from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration. Therefore, the effective date of registration is 5th December.

**Q2.** State which of the following suppliers are liable to be registered:

(a) Agent supplying goods on behalf of some other taxable person and its aggregate turnover does not exceed ₹40 lakh during the financial year.

(b) An agriculturist who is only engaged in supply of produce out of cultivation of land.

**Answer:**

(a) Section 22 stipulates that every supplier of goods becomes liable to registration if his turnover exceeds ₹40 lakh in a State/UT in a financial year. However, as per section 24, a person supplying goods/services or both on behalf of other taxable persons whether as an agent or not is liable to be compulsorily registered even if its aggregate turnover does not exceed ₹40 lakh during the financial year.

(b) As per section 23, an agriculturist who is only engaged in supply of produce out of cultivation of land is not required to obtain registration.

**Q3.** What are the advantages of taking registration in GST?

**Answer:** Registration will confer following advantages to the business:

- Legally recognized as supplier of goods or services.
- Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
- Legally authorized to collect tax from his purchasers and pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.
- Become eligible to avail various other benefits and privileges rendered under the GST laws.

**Q4.** Can a person without GST registration collect GST and claim ITC?

**Answer:** No, a person without GST registration can neither collect GST from his customers nor can claim any input tax credit of GST paid by him.

**Q5.** If a person is operating in different States, with the same PAN number, can he operate with a single registration?

**Answer:** No. Every person who is liable to take a registration will have to get registered separately for each of the States where he has a business operation (and is liable to pay GST)

**Q6.** Is there a provision for a person to get himself voluntarily registered though he may not be liable to pay GST?

**Answer:** Yes. In terms of section 25 (3), a person, though not liable to be registered under sections 22 or 24 may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered taxable person, shall apply to such person.

**Q7.** Can the Department, through the proper officer, suo-moto proceed to register of a person?

**Answer:** Yes. In terms of section 25, where a person who is liable to be registered under GST law fails to obtain registration, the proper officer may, without prejudice to any action which may be taken under CGST Act, or under any other law for the time being in force, proceed to register such person in the manner as is prescribed in the CGST Rules, 2017.

**Q8.** Whether the registration granted to any person is permanent?

**Answer:** Yes, the registration certificate once granted is permanent unless surrendered, cancelled, suspended or revoked.

**Q9.** What happens when the registration is obtained by means of willful misstatement, fraud or suppression of facts?

**Answer:** In such cases, the registration may be cancelled with retrospective effect by the proper officer.

**Q10.** Is there an option to take centralized registration for services under GST Law?

**Answer:** No, the tax payer has to take separate registration in every State from where he makes taxable supplies.

**Q11.** What could be the liabilities (in so far as registration is concerned) on transfer of a business?

**Answer:** The transferee or the successor shall be liable to be registered with effect from such transfer or succession and he will have to obtain a fresh registration with effect from the date of such transfer or succession [Section 22(3)]

**Q12.** At the time of registration, will the assessee have to declare all his places of business?

**Answer:** Yes. The principal place of business and place of business have been separately defined under section 2(89) & 2(85) of the CGST Act respectively.

The taxpayer will have to declare the principal place of business as well as the details of additional places of business in the registration form.

2(85) "place of business" includes—

- (a) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or
- (b) a place where a taxable person maintains his books of account; or
- (c) a place where a taxable person is engaged in business through an agent, by whatever name called;

2(89) "principal place of business" means the place of business specified as the principal place of business in the certificate of registration;

**Q13.** What will be the time limit for the decision on the on-line registration application in case the person undergoes Aadhaar Authentication?

**Answer:** If the information and the uploaded documents are found in order, the proper officer has to respond to the application within 7 common working days. If he communicates any deficiency or discrepancy in the application within such time, then the applicant will have to remove the discrepancy /deficiency within 7 days of such communication. Thereafter, for either approving the application or rejecting it, the proper officer has 7 days' time from the date when the taxable person communicates removal of deficiencies. In case no response is given by the proper officer within the said time line, the portal shall automatically generate the registration.

**Q14.** What will be the time of response by the applicant if any query is raised in the online application?

**Answer:** If during the process of verification, one of the tax authorities raises some query or notices some error, the same shall be communicated to the applicant and to the other tax authority through the GST Common Portal within 7 common working days, if the applicant undergoes Aadhaar Authentication otherwise within 30 days. The applicant will reply to the query/rectify the error/ answer the query within a period of 7 days from the date of receipt of deficiency intimation.

On receipt of additional document or clarification, the relevant tax authority will respond within 7 common working days from the date of receipt of clarification.

**Q15.** Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled?

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

**Q16.** At the time of registration, will the assessee have to declare all his places of business?

**Answer:** Yes. The principal place of business and place of business have been separately defined under section 2(89) & 2(85) of the CGST Act respectively. The taxpayer will have to declare the principal place of business as well as the details of additional places of business in the registration form.

**Q17.** In order to be eligible for grant of registration, a person must have a Permanent Account Number issued under the Income- tax Act, 1961. State one exception to it.

**Answer:** A Permanent Account Number is mandatory to be eligible for grant of registration. One exception to this is a non-resident taxable person. A nonresident taxable person may be granted registration on the basis of other prescribed documents instead of PAN. He has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory who is an Indian Resident having valid PAN and application will be submitted in a different prescribed form [Section 25(6) & (7)].

**Q18.** Pure Oils, Delhi has supplied machine oil and high-speed diesel in the month of April as per the details given in table below. Pure Oils is not yet registered.

Sl.No.	Particulars	Amount (₹)*
(i)	Supply of machine oil in Delhi	15,00,000
(ii)	Supply of high speed diesel in Delhi	10,00,000
(iii)	Supply of machine oil made in Punjab by Pure Oils from its branch located in Punjab	10,00,000

\*excluding GST

Determine whether Pure Oils is liable for registration.

**Answer:** As per section 22, 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:-

(a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.

(b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(c) ₹ 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.

As per section 2(6), aggregate turnover includes the aggregate value of:

(i) all taxable supplies,

(ii) all exempt supplies,

(iii) exports of goods and/or services and

(iv) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis.

Section 9(2) provides that CGST is not leviable on five petroleum products i.e. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. As per section 2(47), exempt supply includes nontaxable supply. Thus, supply of high speed diesel in Delhi, being a nontaxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.

In the backdrop of the above-mentioned discussion, the aggregate turnover of Pure Oils for the month of April is computed as under:

S.No.	Particulars	Amount (in ₹)
(i)	Supply of machine oils in Delhi	15,00,000
(ii)	Add: Supply of high speed diesel in Delhi	10,00,000
(iii)	Add: Supply of machine oil made by Pure Oils from its branch located in Punjab	<u>10,00,000</u>
	<b>Aggregate Turnover</b>	<b>35,00,000</b>

Pure Oils is making exclusive supply of goods and hence the threshold limit for registration would be ₹40,00,000. Since the aggregate turnover does not exceed ₹ 40,00,000, Pure Oils is not liable to be registered.

**(b) Presume Pure Oils supplies the high speed diesel in Delhi in the capacity of an agent of Mixed Oils Ltd.?**

**Answer:**

In case Pure Oils makes the supply in capacity of an agent of Mixed Oils Ltd.:

Section 24 provides that an agent who is engaged in making taxable supplying of goods on behalf of other taxable persons, shall be liable to obtain registration irrespective of the threshold turnover limit. However, in the present case, if Pure Oils supply high speed diesel on behalf of Mixed Oil Ltd. in Delhi as its agent, it shall still not be liable to obtain registration in Delhi since section 24 comes into play only when agent is making taxable supply of goods on behalf of principal whereas in the given case, Pure Oils is supplying non-taxable goods on behalf of Mixed Oils Ltd.

**Q19.** Examine whether the supplier of goods is liable to get registered in the following independent cases:-

(i) Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 33 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY.

(ii) Pulkit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.

(iii) Harshit of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 24 lakh.

**Answer:**

As per section 22, 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:-

(a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.

(b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(c) ₹ 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.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:-

(i) Raghav is eligible for higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹ 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.



(ii) The applicable threshold limit for registration for Pulkit in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.

(iii) Harshit being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of ₹40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Harshit is liable to get registered under GST.

**Q20.** What are the advantage of taking registration in GST?

**Answer:** Registration will confer following advantages to the business:

- Legally recognized as supplier of goods or services.
- Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
- Legally authorized to collect tax from his purchasers and pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.
- Become eligible to avail various other benefits and privileges rendered under the GST laws.

**Q21.** Can a person without GST registration collect GST and claim ITC?

**Answer:** No, a person without GST registration can neither collect GST from his customers nor can claim any input tax credit of GST paid by him.

**Q22.** If a person is making taxable supplies from different States, with the same PAN number, can he operate with a single registration?

**Answer:** No. Every person who is liable to take a registration will have to get registered separately for each of the States where he has a business operation (and making taxable supplies) provided his aggregate turnover exceeds applicable threshold limit.

**Q23.** Can a person having multiple places of business in a State obtain separate registrations for each place of business?

**Answer:** Yes. In terms of section 25, a person having multiple places of business in a State may obtain a separate registration for each place of business, subject to such conditions as may be prescribed.

**Q24.** Is there a provision for a person to get himself voluntarily registered though he may not be liable to pay GST?

**Answer:** Yes. In terms of sub-section (3) of section 25, a person, though not liable to be registered under sections 22 or 24 may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered taxable person, shall apply to such person.

**Q25.** Can the Department, through the proper officer, suo-moto proceed to register a person under GST?

**Answer:** Yes. In terms of section 25, where a person who is liable to be registered under GST law fails to obtain registration, the proper officer may, without prejudice to any action which may be taken under CGST Act, or under any other law for the time being in force, proceed to register such person in the manner as is prescribed in the CGST Rules.

**Q26.** Whether the registration granted to any person is permanent?

**Answer:** Yes, the registration certificate once granted is permanent unless surrendered, cancelled, suspended or revoked.

**Q27.** Is it necessary for the UN bodies to get registration under GST?

**Answer:** In terms of section 25(9) of the CGST Act, all notified UN bodies, Consulate or Embassy of foreign countries and any other class of persons so notified would be required to obtain a unique identification number (UIN) from the GST portal.

The structure of the said ID would be uniform across the States in conformity with GSTIN structure and the same will be common for the Centre and the States. This UIN will be needed for claiming refund of taxes

paid on notified supplies of goods and services received by them, and for any other purpose as may be notified.

**Q28.** What is the responsibility of the taxable person making supplies to UN bodies?

**Answer:** The taxable supplier making supplies to UN bodies is expected to mention the UIN on the invoices and treat such supplies as supplies to another registered person (B2B).

**Q29.** What is the validity period of the registration certificate issued to a casual taxable person and non-resident taxable person?

**Answer:** In terms of section 27, the certificate of registration issued to a “casual taxable person” or a “non-resident taxable person” shall be valid for a period specified in the application for registration or 90 days from the effective date of registration, whichever is earlier. However, the proper officer, at the request of the said taxable person, may extend the validity of the aforesaid period of 90 days by a further period not exceeding 90 days.

**Q30.** What happens when the registration is obtained by means of willful misstatement, fraud or suppression of facts?

**Answer:** In such cases, the registration may be cancelled with retrospective effect by the proper officer.

**Q31.** Is there an option to take centralized registration for services under GST Law?

**Answer:** No, the tax payer has to take separate registration in every State from where he makes taxable supply of services.

**Q32.** What could be the liabilities (in so far as registration is concerned) on transfer of a business?

**Answer:** The transferee or the successor shall be liable to be registered with effect from such transfer or succession and he will have to obtain a fresh registration with effect from the date of such transfer or succession.

## MULTIPLE CHOICE QUESTIONS

- 1. Which of the following is not included in aggregate turnover?**
  - (a) Exempt supplies of goods or services or both
  - (b) Export of goods or services or both
  - (c) Inter-State supply of goods or services or both
  - (d) Value of inward supplies on which tax is paid under reverse charge
- 2. Within how many days an application for revocation of cancellation of registration can be made?**
  - (a) Within 7 days from the date of service of the cancellation order.
  - (b) Within 15 days from the date of issue of the cancellation order.
  - (c) Within 45 days from the date of issue of the cancellation order.
  - (d) Within 30 days from the date of service of the cancellation order.
- 3. Mr. A has started supply of goods in Delhi. He is required to obtain registration if his aggregate turnover exceeds \_\_\_\_\_ during a financial year.**
  - (a) ₹10 lakh
  - (b) ₹20 lakh
  - (c) ₹30 lakh
  - (d) ₹40 lakh
- 4. Aggregate turnover includes:**
  - (a) Taxable supplies
  - (b) Exempt supplies
  - (c) Exports
  - (d) All of the above
- 5. Which of the statements is correct?**
  - (a) Person making any inter-State taxable supply of goods is required to obtain registration compulsorily.
  - (b) A person to whom a UIN has been granted cannot apply for cancellation of registration.
  - (c) The cancellation of registration under either SGST Act/UTGST Act shall be deemed to be a cancellation of registration under CGST Act
  - (d) All of the above
- 6. Which of the following persons are not liable for registration?**
  - (a) Any person engaged exclusively in supplying services wholly exempt from tax
  - (b) Persons making any inter-State taxable supply of goods
  - (c) Both (a) and (b)
  - (d) None of the above
- 7. The persons making inter-State supplies from Madhya Pradesh is compulsorily required to get registered under GST, \_\_\_\_\_**
  - (a) if his all India based aggregate turnover exceeds ₹20 lakh in a financial year
  - (b) if his all India based aggregate turnover exceeds ₹10 lakh in a financial year
  - (c) irrespective of the amount of aggregate turnover in a financial year
  - (d) if his all India based aggregate turnover exceeds ₹40 lakh in a financial year
- 8. Which of the following statement is true for Mr. X, a casual taxable person?**
  - (a) Mr. X is not required to take registration under GST.
  - (b) Mr. X is required to get registration under GST, if the aggregate turnover in a financial year exceeds ₹20 lakh.
  - (c) Mr. X can opt for voluntary registration under GST.
  - (d) Mr. X has to compulsorily get registered under GST irrespective of the threshold limit.
- 9. The registration certificate granted to Non resident taxable person is valid for \_\_\_\_\_ days from the effective date of registration.**
  - (a) 30
  - (b) 60
  - (c) 90
  - (d) 120

**10. How the aggregate turnover is calculated for computing threshold limit of registration?**

(i) Aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, export of goods/services and interstate supplies of a person having same PAN computed on all India basis.

(ii) Aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, export of goods/services and interstate supplies of a person computed for each state separately.

(iii) Aggregate value of all taxable intrastate supplies, export of goods/services and exempt supplies of a person having same PAN computed for each state separately.

(iv) Aggregate value of all taxable supplies(excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, export of goods/services and interstate supplies of a person having same PAN computed on all India basis and excluding taxes if any charged under CGST Act, SGST Act and IGST Act.

(a) (i)

(b) (ii)

(c) (iii)

(d) (iv)

**11. Within how many days a person should apply for registration?**

(a) Within 60 days from the date he becomes liable for registration.

(b) Within 30 days from the date he becomes liable for registration.

(c) No Time Limit

(d) Within 90 days from the date he becomes liable for registration.

**12. A person having \_\_\_\_business verticals (branches) in a State \_\_\_\_obtain a separate registration for each business vertical (branch).**

(a) Single, shall

(b) Multiple, shall

(c) Multiple, may

(d) Single, May

**13. What is the validity of the registration certificate?**

(a) One year

(b) No validity

(c) Valid till it is cancelled.

(d) Five years.

**14. Mr. A has started supply of services in Mizoram. He is required to obtain registration if his aggregate turnover exceeds \_\_\_\_\_ during a financial year.**

(a) ₹10 lakh

(b) ₹20 lakh

(c) ₹30 lakh

(d) ₹50 lakh

**15. Mr. A has started supply of goods within J&K. He is required to obtain registration if his aggregate turnover exceeds \_\_\_\_\_ during a financial year.**

(a) ₹10 lakh

(b) ₹40 lakh

(c) ₹30 lakh

(d) ₹50 lakh

**16. The Aggregate turnover of ABC Industries of Delhi engaged in taxable supply of goods has exceeded ₹40 lakh on 1<sup>st</sup> September. It submits the application on 20<sup>th</sup> September. Registration certificate is granted to it on 25<sup>th</sup> September, effective date of registration shall be-**

(a) 20<sup>th</sup> September

(b) 30<sup>th</sup> September

(c) 01<sup>st</sup> September

(d) 25<sup>th</sup> September

**17. Which of the form is used for registration by normal category person?**

(a) Form GSTR -1

(b) Form GST REG-06

(c) Form GST REG-01

(d) Form GST RFD -01

**18. Which of the form is used for registration by Non-Resident Taxable person?**

- (a) Form GSTR -1                      (b) Form GST REG-09  
(c) Form GST REG-01                (d) Form GST RFD -01

**19. Where the application for grant of registration has been approved, a certificate of registration in \_\_\_\_\_ shall be made available to the applicant**

- (a) FORM GST REG-06                (b) FORM GST REG-01  
(c) FORM GST REG-04                (d) FORM GST REG-10

**20. Every registered taxable person shall display his certificate of registration in a prominent location at his principal and at every other place of business also GSTIN shall be displayed on the name board at the entry of such places.**

- (a) No, certificate of registration to be displayed only at a registered place of business and GSTIN need not be displayed on the name board.  
(b) Yes, above statement is correct.  
(c) No, GSTIN to be displayed only on the invoices.  
(d) Above statement is correct subject to certificate of registration to be displayed only at registered place of business.

**21. Every registered person shall apply online for amendment in form no. \_\_\_\_\_ within \_\_\_\_\_ working days of any change.**

- (a) REG-03, 30 days  
(b) REG-14, 15 days  
(c) REG-14, 30 days  
(d) REG-03, 15 days

**22. Every registered person shall submit an application for cancellation in form no. \_\_\_\_\_ within \_\_\_\_\_ days.**

- (a) REG-16, 30 days  
(b) REG-14, 15 days  
(c) REG-14, 30 days  
(d) REG-16, 15 days

**23. Non- resident taxable person is required to take registration in GST**

- (a) if his aggregate turnover exceeds ₹10 lakh  
(b) if his aggregate turnover exceeds ₹20 lakh  
(c) if his aggregate turnover exceeds ₹30 lakh  
(d) Irrespective of turnover

**24. If proper officer fails to take action within \_\_\_\_\_ working days from the date of submission of application (where the person undergoes Aadhar Authentication) or within 7 working days from the date of receipt of clarification, registration shall be deemed to have been approved.**

- (a) 5 days                      (b) 10 days                      (c) 7 days                      (d) 15 days

**25. Where a change in constitution of any business results in change of the PAN, old certificate shall be \_\_\_\_\_.**

- (a) amended.                      (b) cancelled.                      (c) changed                      (d) none of the above.

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## COMPOSITION SCHEME

### SECTION 10

### RULE 3 to 7

**Question: Explain in brief composition scheme.**

**Answer:** GST requires too much accounting and complicated procedure for availing ITC and making payment of output tax which may be very difficult for the small tax payers hence composition scheme has been devised which is a simplified scheme and is an optional scheme and particulars are given under **section 10/Rule 3 to 7**. There will be two types of composition schemes and are as given below:

**Composition scheme where mainly supply is of goods Section 10(1) and 10(2)**

**As per Section 10,** A registered dealer whose aggregate turnover in the preceding year is upto ₹150,00,000 may opt for composition scheme and in that case he will not be allowed to charge any output tax and also no ITC is allowed rather he himself has to pay tax.

The limit of ₹ 150,00,000 shall be taken as ₹ 75,00,000 in case of following states

1. Manipur
2. Mizoram
3. Nagaland
4. Tripura
5. Arunachal Pradesh
6. Meghalaya
7. Sikkim
8. Uttarakhand

The rate shall be as given **under Rule 7** and is as given below:

(i) **0.5% CGST + 0.5% SGST** of Turnover in the State/Turnover in the Union Territory in case of manufacturer.

(ii) If person is engaged in restaurant services rates shall be **2.5% CGST & 2.5% SGST** of Turnover in the State/Turnover in the Union Territory.

(iii) but in case of other suppliers, **0.5% CGST + 0.5% SGST** but it will be computed on **taxable supplies** (Goods and services) instead of total supplies. (now other supplier have been exempted to pay tax on exempt supplies)

However person opting under composition scheme may supply services other than restaurant services of value not exceeding 10% of turnover in the state or union territory in the preceding financial year or ₹5,00,000 whichever is higher. In other words services upto a value of ₹ 5 lakh can be supplied in any case.

If any such person has provided **exempt services** of charging of interest on loan or advance, it will not be included in the turnover computed above.

**Example 1:** Mr. X has turnover of selling goods ₹100 lakhs and turnover of restaurant services ₹11 lakh and interest charged on loan given ₹6 lakhs. He has provided computer typing and courier services of 5 lakhs, in this case his tax liability shall be as given below eligibility can be computed in the manner given below:

GST payable by him shall be

100 lakhs x 0.5% CGST + 0.5% SGST	1,00,000
11 lakhs x 2.5% CGST + 2.5% SGST	55,000
5 lakhs x 0.5% CGST + 0.5% SGST	5,000

Turnover excluding exempt services of charging interest on loan or advance ₹116 lakhs  
 In the subsequent year Mr. X is allowed to supply services of the value of ₹ 11.6 lakh i.e. 10% of 116 lakh or ₹ 5 lakh, whichever is higher

**Example 2:** Mr. X has turnover of selling goods ₹45 lakhs and turnover of restaurant services ₹4 lakh and exempt services of giving loan or advance ₹6 lakhs, in this case he can provide services other than restaurant services in the subsequent year

Total Turnover ₹49 lakhs  
 10% of ₹49 lakhs = ₹4.90 lakh or 5 lakh, higher is ₹5 lakhs

### **Composition scheme where mainly supply is of services Section 10 (2A)**

Notwithstanding anything to the contrary contained in this Act, but subject to the provisions of sub-sections (3) and (4) of section 9, a registered person, not eligible to opt to pay tax under section 10 (1) & 10(2), whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees, may opt to pay, in lieu of the tax payable by him under sub-section (1) of section 9, an amount of tax calculated **at 6% (i.e. 3%+3%) of the taxable turnover in State or turnover in Union territory.**

### **Common Conditions**

1. He is not making any **inter-state supply**.
2. He is not engaged in making supply through **electronic commerce operator** who is required to collect tax at source under section 52. (Not covered in syllabus)
3. He is not a manufacturer of such goods which are notified for this purpose i.e. **Pan masala, Tobacco and manufactured tobacco substitutes and Ice cream and other edible ice whether or not containing cocoa and Aerated water.**
4. Where more than one registered person are having same permanent account, in that case all such registered person have to opt /reject composition scheme i.e. individual choice is not available, eg. ABC limited has three branches in three different states, all the three branches should be either under composition scheme or in the normal scheme i.e. same scheme will be applicable for all registration with same PAN.

**Example:** A shoes' dealer 'Prithviraj' has offices in Maharashtra and Goa. He makes intra-State supply of goods from both these offices.

In order to determine whether 'Prithviraj' is eligible to avail benefit of the composition scheme for goods, turnover of both the offices would be taken into account and if the same does not exceed ₹ 1.5 crore, 'Prithviraj' can opt to avail the composition levy scheme (subject to fulfilment of other prescribed conditions) for goods for both the offices.

**Example:** A hair stylist 'Billoo Barber' has his salon in Delhi and Haryana, making intra-State supplies.

In order to determine whether 'Billoo' is eligible to avail benefit of the composition scheme for services, turnover of both the salons would be taken into account and if the same does not exceed ₹ 50 lakh, 'Billoo' can opt to avail the composition levy scheme (subject to fulfilment of other prescribed conditions) for both the salons.

5. **As per Rule 6** the person covered in composition scheme shall get shifted to the normal scheme if the limit of **₹1,50,00,000/₹ 75,00,000/₹ 50,00,000 exceeds at any time in a financial year and he will give an intimation in CMP-04 within 7 days of exceeding the limit.**

6. **As per Rule 3**, a person applying for registration may give option for composition scheme in **part B of REG-01.**

7. **As per Rule 4**, Option to pay tax under section 10 shall be effective from the beginning of the next financial year but such person shall also furnish statement in **ITC-03 for reversal of tax credit within a period of 60 days** from the date of commencement of composition scheme.

In case of new registration it will be applicable from the effective date of registration.

8. **As per Rule 5**, such person should be neither casual taxable person nor non - resident taxable person.
9. Such supplier shall mention the words “**composition taxable person not eligible to collect tax on supplies**” at the top of the bill of supply. (not allowed to issue tax invoice) and also mention “**composition taxable person**” on every notice or signboard displayed at the prominent place at his principal place of business and at every additional place or places of business.
10. Any person who is in the composition scheme may opt out of the scheme at any time and shall file an application in **CMP-04** and he will get shifted to normal scheme with immediate effect. He shall be required to submit ITC-01 for availing ITC **within 30 days** from the date of withdrawal. Such withdrawal shall be applicable to all the places in all the states/UTs.
11. **As per rule 62**, such person has to file quarterly statement in **CMP-08** instead of monthly return and also taxes is to be paid on **quarterly** basis within 18 days from the end of the quarter. Further composition dealer shall file an **annual return** upto 30th April following the end of the financial year in form **GSTR-4**.
12. such person can purchase either from same state or from some other state or from some other country but cannot sell to other state or to other country.
13. such person has to pay tax **out of his own** even with regard to supplies which are exempt from GST but in case of traders tax shall be payable only with regard to taxable supplies.
14. If person opting for composition scheme is taking supply of goods or services where reverse charge is applicable under section 9(3) or 9(4), shall pay tax in the normal manner.
15. For the purposes of computing **aggregate turnover** of a person for determining his eligibility to pay tax under this section, the expression "aggregate turnover" shall include the value of supplies made by such person from the 1st day of April of a financial year upto the date when he becomes liable for registration under this Act, but shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.
- Example:** Mr. X started trading in goods w.e.f. 01/04/2021 in Delhi and turnover of ₹ 40 lakh was achieved upto 30/06/2021. Turnover from 01/04/2021 to 31/01/2022 was ₹ 110 lakh. He earned interest on the loan given by him ₹ 5 lakh from 01/09/2021 to 31/12/2021, in this case he has to shift to composition scheme w.e.f. 01/02/2022 and turnover shall be 40 lakh + 110 lakh i.e. 150 lakh but it will not include interest of ₹ 5 lakh. His turnover in the state shall be considered to be 110 lakh for the purpose of charging tax under composition scheme.
16. For the purposes of determining the tax payable by a person under this section, the expression **"turnover in State or turnover in Union territory"** shall not include the value of following supplies, namely:—
- (i) supplies from the first day of April of a financial year upto the date when such person becomes liable for registration under this Act; and
  - (ii) exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount. ]
- Example:** Mr. X started trading in goods w.e.f. 01/04/2021 in Delhi and turnover of ₹ 30 lakh was achieved upto 30/06/2021 and he earned interest of ₹ 10 lakh upto 30/06/2021. Turnover from 01/04/2021 to 31/01/2022 was ₹ 110 lakh. His turnover from 01/02/2022 to 15/02/2022 was ₹ 10 lakh. In this case registration is required on 30/06/2021 because interest will also be considered for the purpose of limit of registration but he will be shifted to composition scheme after 15/02/2022 because interest shall not be taken into consideration for the purpose of aggregate turnover for composition scheme. His turnover in the state shall be considered to be 120 lakh for the purpose of charging tax under composition scheme.
17. He is not engaged in making any supply which are not leviable to tax under this Act i.e. non taxable supply.
18. If any person has wrongly opted such scheme, penalty may be imposed under section 73/74.



**As per section 2(6), "aggregate turnover"** means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

**As per section 2(47) "exempt supply"** means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply.

**As per section 2(78) "non-taxable supply"** means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act.

**As per section 2(108)"taxable supply"** means a supply of goods or services or both which is leviable to tax under this Act;

**As per 2 (112)"turnover in State" or "turnover in Union territory"** means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes central tax, State tax, Union territory tax, integrated tax and cess.

### **Illustration 1:**

Mr. X started trading in goods in Delhi w.e.f 01.04.2021 and has submitted particulars as given below:

- Sold goods upto 30.06.2021 and charged ₹40,00,000.
- His turnover crossed ₹40 lakhs on 01-07-2021 and he has taken registration and opted for composition scheme and turnover from 01-07-2021 to 31-01-2022 was ₹1,10,00,000. His turnover from 01-02-2022 to 31-03-2022 was ₹25,00,000. He has given loan and has earned interest of ₹3,00,000 from 01/10/2021 to 31/12/2021.
- GST rates on the goods is CGST @ 6% and SGST 6%.

Discuss tax treatment and compute his tax liability for the financial year 2021-22.

### **Solution:**

In this case no GST is payable upto 30<sup>th</sup> June 2021 because he is unregistered. After 31<sup>st</sup> Jan, 2022 he has to shift to the normal scheme because turnover has exceeded ₹150 lakhs (₹40,00,000 shall also be added to determine aggregate turnover but no tax payable on ₹40 lakhs.) After 31<sup>st</sup> Jan 2022 he has to pay normal tax (however ITC shall be allowed)

### **Under Composition scheme**

	110,00,000
CGST @ .5%	55,000
SGST @ .5%	55,000

### **Under Normal Scheme**

He has to pay normal tax on turnover of ₹25,00,000

	25,00,000
CGST @ 6%	1,50,000
SGST @ 6%	1,50,000

**Illustration 2:** Mr. X purchased goods for ₹ 25,00,000 and paid CGST @10% / SGST @10%. He is a registered dealer and is covered in normal scheme and sold the product at a profit of ₹ 2,00,000 and charged CGST @10% and SGST@10%. He has incurred ₹ 40,000 in connection with maintenance of books of accounts. Show Tax treatment.

### **Solution: To be solved by the Student**

**(b) Presume he is covered in composition scheme and in that case expenses incurred on maintenance of books shall not be incurred.**

**Solution: To be solved by the Student**

**Illustration 3:**

Mr. X started rendering services in Delhi w.e.f 01.04.2021 and has submitted particulars as given below:

- Rendered output services on 30.06.2021 and charged ₹ 20,00,000 and has taken input services on 30.06.2021 ₹3,00,000 + CGST @ 9% + SGST @ 9%.
- He rendered services of ₹ 15,00,000 on 30.09.2021 and purchased inputs on 30.09.2021 ₹ 7,00,000 + CGST @ 6% + SGST @ 6%.
- He rendered services ₹ 15,00,000 on 31.12.2021 and purchased capital goods on 01.10.2021 ₹10,00,000 + CGST @ 10% + SGST @ 10%.
- He opted for composition scheme under section 10(2A) from 01.07.2021.
- He is shifted to normal scheme w.e.f 01.01.2022 and by that time he has consumed 50% of inputs.
- He rendered services and issued invoice
  - 10.01.2022 ₹ 4,00,000 + CGST @ 9% + SGST @ 9%
  - 10.02.2022 ₹ 5,00,000 + CGST @ 9% + SGST @ 9%
  - 10.03.2022 ₹ 6,00,000 + CGST @ 9% + SGST @ 9%
- He purchased inputs ₹ 8,00,000 + CGST @ 5% + SGST @ 5% on 01.01.2022.

Discuss Tax Treatment and compute net tax payable/refundable and also mention the due date on which payment is to be made.

**Solution: To be solved by the Student**

**(b) Presume he has not opted for composition scheme w.e.f 01.07.2021 rather he was in the normal scheme and charged output CGST @ 9% and SGST @ 9%.**

**Solution: To be solved by the Student**

**(c) Presume he has taken registration right from the beginning i.e. w.e.f 01.04.2021 and charged output CGST @ 9% and SGST @ 9%.**

**Solution: To be solved by the Student**

**Illustration 4:** Mr. X is a registered person in GST in Delhi and he is in Composition scheme.

He Purchased goods A ₹20,00,000 + CGST @ 10% + SGST @ 10% on 01/08/2021 and also plant machinery ₹30,00,000 + CGST @ 12% + SGST @ 12%.

He shifted to the normal scheme on 10/02/2022 and upto 10/02/2022, he has sold half of goods (not P & M).

He purchased goods B ₹18,00,000 on 01/03/2022 + CGST @ 10% + SGST @ 10% and sold goods ₹30,00,000 + CGST @ 10% + SGST @ 10%.

Compute ITC /Output tax and Net Tax.

**Solution: To be solved by the Student**

**Illustration 5:** Mr. X is a registered in GST in Delhi and is in Normal scheme.

Purchased goods ₹30,00,000 + CGST @ 10% + SGST @ 10% on 01/10/2020.

Purchased Plant & Machinery ₹32,00,000 + CGST @ 12% + SGST @ 12% on 22/09/2020.

Sold half of the goods for ₹22,00,000 + CGST @ 10% + SGST @ 10% upto 01/04/2021.

He shifted to the composition scheme on 01/04/2021 and remaining goods were sold by him for ₹24,00,000 (no GST has been charged)

Purchased some more goods on 01/05/2021 ₹10,00,000 + CGST @ 10% + SGST @ 10% and sold goods up to 31/05/2021 ₹14,00,000.

Compute ITC to be reversed at the time of shifting to composition scheme and also tax payable when he was in Normal scheme/Composition Scheme.

**Solution: To be solved by the Student**

**Illustration 6:** Mr. X is a registered in GST in Delhi and is in Composition scheme.

Purchased goods A ₹30,00,000 + CGST @ 10% + SGST @ 10% on 01/04/2021.

Purchased Plant & Machinery ₹18,00,000 + CGST @ 10% + SGST @ 10% on 01/06/2021.

Sold half of the goods A for ₹22,00,000 on 01/10/2021.

He shifted to the normal scheme on 01/01/2022 and remaining goods were sold by him on 01/03/2022 for ₹22,00,000 + CGST @ 10% + SGST @ 10%

Compute ITC/Output tax/ Net tax and also composition tax

**Solution: To be solved by the Student****Illustration 7:**

Mr. X started rendering services in Delhi w.e.f 01.04.2021 and has submitted particulars as given below:

- Rendered output services on 30.06.2021 and charged ₹ 20,00,000 and purchased input on 15.06.2021 ₹ 3,00,000 + CGST @ 9% + SGST @ 9% and purchased capital goods on 01.06.2021 ₹ 1,00,000 + CGST @ 10% + SGST @ 10%.
- He rendered services of ₹ 20,00,000 on 30.09.2021 and purchased inputs on 30.09.2021 ₹10,00,000 + CGST @ 9% + SGST @ 9% and purchased capital goods on 01.09.2021 ₹ 2,00,000 + CGST @ 10% + SGST @ 10%. He has taken input service during September 2021 of ₹ 1,00,000 + CGST @ 9% + SGST @ 9%.
- He rendered services of ₹ 10,00,000 on 31.12.2021 and purchased inputs on 15.12.2021 ₹1,00,000 + CGST @ 9% + SGST @ 9% and purchased capital goods on 01.09.2021 ₹ 10,00,000 + CGST @ 10% + SGST @ 10%. He has taken input service during December 2021 of ₹ 1,00,000 + CGST @ 9% + SGST @ 9%.
- He opted for composition scheme under section 10(2A) from 01.07.2021.
- He is shifted to normal scheme w.e.f 01.01.2022 and by that time he has consumed 50% of all inputs purchased by Mr. X.
- He rendered services and issued invoice
  - 10.01.2022 ₹ 8,00,000 + CGST @ 9% + SGST @ 9%
  - 10.02.2022 ₹ 10,00,000 + CGST @ 9% + SGST @ 9%
  - 10.03.2022 ₹ 12,00,000 + CGST @ 9% + SGST @ 9%
- He purchased inputs ₹ 16,00,000 + CGST @ 5% + SGST @ 5% on 01.01.2022.

Discuss Tax Treatment and compute net tax payable/refundable and also mention the due date on which payment is to be made.

**Solution: To be solved by the Student**

**(b) Presume he has not opted for composition scheme w.e.f 01.07.2021 rather he was in the normal scheme and charged output CGST @ 9% and SGST @ 9%. Presume inputs consumed upto 30<sup>th</sup> June 2021 is 50%**

**Solution: To be solved by the Student**

**(c) Presume he has taken registration right from the beginning i.e. w.e.f 01.04.2021 and charged output CGST @ 9% and SGST @ 9%.**

**Solution: To be solved by the Student****MTP-1 NOV– 2021****Question 2(b).****(4 Marks)**

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

**Solution:**

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

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

**MTP-2 NOV– 2021****Question 2(b).****(4 Marks)**

Subramanian Enterprises has two registered places of business in Delhi. Its aggregate turnover for the preceding year for both the places of business was ₹ 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 ₹ 1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Since the aggregate turnover of Subramanian Enterprises does not exceed ₹ 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.

**RTP NOV– 2020**

C & Co., a registered supplier in Delhi, opted for composition levy under sub-sections (1) and (2) of section 10 of the CGST Act, 2017. It sold goods in the fourth quarter of a financial year for ₹ 15,00,000 (exclusive of GST). The applicable GST rate on these goods is 12%. C & Co. purchased goods from Ramesh & Co., registered in Delhi, for ₹ 9,55,000 on which Ramesh & Co. had charged CGST of ₹ 57,300 and SGST of ₹ 57,300. C & Co. had also purchased goods from E & Co., registered in Haryana, for ₹ 2,46,000 on which E & Co. had charged IGST of ₹ 29,520. GST liability of C & Co. for the fourth quarter of the financial year is-

- (a) CGST ₹ 7,500 & SGST ₹ 7,500
- (b) CGST ₹ 3,180 & SGST ₹ 32,700
- (c) CGST ₹ 32,700 & SGST ₹ 3,180
- (d) Nil

**Answer: (a)****Hint: CGST = 15,00,000 x 0.5% = 7,500, SGST = 15,00,000 x 0.5% = 7,500****RTP NOV– 2020**

The due date for payment of tax by a person paying tax under section 10 of the CGST Act, 2017, i.e. a composition supplier is aligned with the due date of return to be filed by the said person. Discuss the correctness or otherwise of the statement.

**Answer:** The statement is not correct. Every registered person paying tax under section 10, i.e. a composition supplier, is required to file a return annually in Form GSTR-4. Form GSTR-4 for a financial year should be furnished by 30th April of the succeeding financial year. However, a composition supplier is required to pay his tax on a quarterly basis. A quarterly statement for payment of self-assessed tax in GST CMP-08 is required to be furnished by 18th day of the month succeeding such quarter. Therefore, while the return is to be furnished annually, payment of tax needs to be made on a quarterly basis, by a composition supplier.

## PRACTICE PROBLEMS

**Q1.** Determine whether the supplier in the following cases are eligible for composition levy provided their turnover in preceding year does not exceed ₹150 lakh:

- Sugam Manufacturers has registered offices in Punjab and Haryana and supplies goods in neighbouring States.

**Answer:** Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

**Q2.** Mohan Enterprises has two registered business in Delhi. Its aggregate turnover for the preceding year for both the business was ₹70 lakh. It wishes to pay tax under composition levy for one of the business in the current year while under normal levy for other business. You are required to advice Mohan Enterprises whether he can do so?

**Answer:** 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, Mohan Enterprises either have to opt for composition levy for both the business or under normal levy for both the business.

**Q3.** Taxpayer 'Tolaram' is a manufacturer who has opted for composition levy for goods, having one unit – A1 in UP and another unit – A2 in MP. Total turnover of two units in last FY was ₹ 115 lakh (₹ 85 lakh + ₹30 lakh). Turnover of units A1 and A2 in the first quarter of current financial year is ₹ 5 lakh and ₹ 10 lakh respectively. Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Tolaram'.

**Answer:**

Unit	Location	Turnover in Previous FY	Turnover in 1st quarter of this FY	Total tax (@1%)
A1	U.P.	₹ 85 lakh	₹ 5 lakh	₹ 5,000
A2	M.P.	₹ 30 lakh	₹ 10 lakh	₹ 10,000
<b>Total</b>		₹ 115 lakh	₹ 15 lakh	₹ 15,000

**Q4.** Taxpayer 'Bholaram' is a trader, who has opted for composition levy for goods, of both taxable and exempted goods. It has one retail showroom – A1 in Punjab and another retail showroom – A2 in Rajasthan, both selling taxable as well as exempted goods. Total turnover (including taxable and exempted goods) of the two showrooms in last FY was ₹ 115 lakh (₹ 85 lakh + ₹ 30 lakh). Turnover of showrooms A1 and A2 in the first quarter of current financial year is ₹ 35 lakh [A1 – ₹ 15 lakh (₹ 5 lakh from sale of taxable goods and ₹ 10 lakh from sale of exempted goods) and A2 – ₹ 20 lakh (₹ 10 lakh from sale of taxable goods and ₹10 lakh from sale of exempted goods)].

Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Bholaram'.

**Answer:**

Retail Showroom	Location	Turnover in Previous FY	Taxable Turnover in 1st quarter of this FY	Total tax (@1%)
A1	Punjab	₹ 85 lakh	₹ 5 lakh	₹ 5,000
A2	Rajasthan	₹ 30 lakh	₹ 10 lakh	₹ 10,000
<b>Total</b>		₹ 115 lakh	₹ 15 lakh	₹ 15,000

Note: A supplier, other than manufacturer and restaurant service provider, eligible for composition levy under section 10(1) & 10(2) has to pay tax @ 1% (CGST+ SGST) of the turnover of only taxable supplies of goods and services in the State.

**Q5.** Taxpayer 'Padmavati' is a salon stylist, who has opted for composition levy for services, having one branch–B1 in Vasant Kunj, Delhi and another branch – B2 in Gurgaon, Haryana. Total turnover of two branches in last FY was ₹ 45 lakh (₹ 25 lakh + ₹ 20 lakh). Turnover of branches B1 and B2 in the first quarter of current financial year is ₹ 5 lakh and ₹ 10 lakh respectively. Compute the amount payable under composition levy under section 10(2A) of the CGST Act, 2017 by 'Padmavati'.

**Answer:**

Branch	Location	Turnover in Previous FY	Turnover in 1st quarter of this FY	Total tax (@6%)
B1	Delhi	₹ 25 lakh	₹ 5 lakh	₹ 30,000
B2	Haryana	₹ 20 lakh	₹ 10 lakh	₹ 60,000
<b>Total</b>		₹ 45 lakh	₹ 15 lakh	₹ 90,000

**Q6.** A photographer 'Champak' has commenced providing photography services in Delhi from April this year. His turnover for various quarters till December is as follows:

April-June	₹ 20 lakh
July-Sept	₹ 30 lakh
Oct-Dec	₹ 20 lakh

In the given case, since Champak has started the supply of services in the current financial year, his aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, he can supply services only for ₹ 5 lakh hence he is eligible for composition scheme for services. He becomes eligible for the registration when his aggregate turnover exceeds ₹ 20 lakh.

While registering under GST, he opts for composition scheme for services.

For determining his turnover of the State for payment of tax under composition scheme for services, turnover of April-June quarter [₹ 20 lakh] shall be excluded as the value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act are to be excluded for this purpose.

On next ₹ 30 lakh [turnover of July-Sept quarter], he shall pay tax @ 6% [3% CGST and 3% SGST], i.e. CGST ₹ 90,000 and SGST ₹ 90,000.

By the end of July-Sept quarter, his aggregate turnover reaches ₹ 50 lakh.

Consequently, his option to avail composition scheme for services shall lapse by the end of July-Sept quarter and thereafter, he is required to pay tax at the normal rate of 18%. Thus, the tax payable for Oct-Dec quarter is ₹ 20 lakh × 18%, i.e. ₹ 3,60,000.

Note: while computing aggregate turnover for determining Champak's eligibility to pay tax under composition scheme, value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act (i.e. turnover of April-June quarter), are included.

**Q7.** Ramsewak is engaged in supply of goods. His turnover in preceding FY is ₹ 60 lakh. Since his aggregate turnover in the preceding FY does not exceed ₹ 1.5 crore, he is eligible for composition scheme for goods in current FY. Further, in current FY, he can supply services [other than restaurant services] upto a value of not exceeding:

(a) 10% of ₹ 60 lakh, i.e. ₹ 6 lakh or

(b) ₹ 5 lakh,

whichever is higher.

Thus, he can supply services upto a value of ₹ 6 lakh in current FY. If the value of services supplied exceeds ₹ 6 lakh, he becomes ineligible for the composition scheme for goods and has to opt out of the same.

**Q8.** A person availing composition scheme during a financial year crosses the turnover of ₹ 1.5 crore on 9th of December. The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds ₹ 1.5 crore, i.e. on 9th December, in this case.

**Q9.** Sultan & Sons, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification, in the State of Maharashtra. Its aggregate turnover in the preceding financial year is ₹ 130 lakh. The firm wishes to opt for composition scheme under subsections (1) & (2) of section 10 of the CGST Act. However, its accountant is of the view that a person engaged in making supply of exempt goods is not eligible for the said scheme. Discuss.

**Answer:** The view taken by the accountant of Sultan & Sons is not valid in law. A registered person with an aggregate turnover in a preceding financial year up to ₹ 1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Further, such person must not be engaged in making any supply of goods

which are not leviable to tax under this Act and must not be engaged in making any inter-State outward supplies of goods, for being eligible to pay tax under said scheme.

In the given case, the aggregate turnover of Sultan & Sons does not exceed ₹ 1.5 crore. Further, it is engaged in making only intra-State supply of goods and Product P supplied by it is taxable and Product Q supplied by it is leviable to tax though exempted by way of notification. Therefore, it is eligible for composition levy under section 10(1) & 10(2) in the current year.

**Q10.** A person availing composition scheme, under sub-sections (1) & (2) of section 10 of the CGST Act, in Haryana during a financial year crosses the turnover of ₹ 1.5 crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March? Please advise.

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

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

**Q11.** Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, provided their turnover in preceding year does not exceed ₹ 1.5 crore:

- (i) Mohan Enterprises is engaged in trading of pan masala in Rajasthan and is registered in the same State.
- (ii) Sugam Manufacturers has registered offices in Punjab and Haryana and supplies goods in neighbouring States.

**Answer:**

(i) A supplier engaged in the manufacture of goods as notified is not eligible for composition scheme under section 10(1) and 10(2). Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes and aerated waters are notified under this category. However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed ₹ 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.

(ii) Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

**Q12.** Subramanian Enterprises has two registered places of business in Delhi. Its aggregate turnover for the preceding year for both the places of business was ₹ 120 lakh. It wishes to pay tax under composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, 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?

**Answer:** A registered person with an aggregate turnover in a preceding financial year up to ₹ 1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Since the aggregate turnover of Subramanian Enterprises does not exceed ₹ 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.

**Q13.** Mr. Ajay has a registered repair centre where electronic goods are repaired/serviced. His repair centre is located in State of Rajasthan and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is ₹ 45 lakh.

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme under section 10(1) & 10(2) of the CGST Act, 2017 in the current financial year? Or whether he is eligible to avail benefit of composition scheme under section 10(2A)? Considering the option

of payment of tax available to Mr. Ajay, compute the amount of tax payable by him assuming that his aggregate turnover in the current financial year is ₹ 35 lakh.

Will your answer be different if Mr. Ajay procures few items required for providing repair services from neighbouring State of Madhya Pradesh?

**Answer:** Section 10(1) provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, as per proviso to section 10(1), person who opts to pay tax under composition scheme may supply services other than restaurant services, of value not exceeding 10% of the turnover in a State or Union territory in the preceding financial year or ₹ 5 lakh, whichever is higher.

In the given case, since Mr. Ajay is an exclusive supplier of services other than restaurant services [viz. repair services], he is not eligible for composition scheme under section 10(1) & 10(2).

However, section 10(2A) provides an option to a registered person (subject to certain conditions) whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme under section 10(1) & 10(2), to pay tax @ 3% [Effective rate 6% (CGST+SGST/UTGST)] of the turnover of supplies of goods and services in the State or Union territory.

Thus, in view of the above-mentioned provisions, Mr. Ajay is eligible to avail the composition scheme under section 10(2A) as his aggregate turnover in the preceding FY does not exceed ₹ 50 lakh and he is not eligible to opt for the composition scheme under section 10(1) & 10(2).

Thus, the amount of tax payable by him as per the composition scheme under section 10(2A) is ₹ 2,10,000 [6% of ₹ 35 lakh].

A registered person cannot opt for composition scheme under section 10(2A), if, inter alia, he is engaged in making any inter-State outward supplies. However, there is no restriction on inter-State procurement of goods. Hence, answer will remain the same even if Mr. Ajay procures few items from neighboring State of Madhya Pradesh.

**Q14.** M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Their aggregate turnover in the preceding financial year by way of supply of appliances was ₹120 Lakh.

The firm also expects to provide repair and maintenance service of such appliances from the current financial year.

With reference to the provisions of the CGST Act, 2017, examine:

(i) Whether the firm can opt for the composition scheme, under section 10(1) and 10(2) of the CGST Act, 2017, for the current financial year, as the turnover may include supply of both goods and services?

(ii) If yes, up to what amount, the services can be supplied?

**Answer:**

(i) The registered persons, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay tax under composition levy, under section 10(1) and 10(2).

The scheme can be availed by an intra-State supplier of goods and supplier of restaurant service.

However, the composition scheme permits supply of marginal services (other than restaurant services) for a specified value along with the supply of goods and restaurant service, as the case may be.

Thus, M/s United Electronics can opt for composition scheme for the current financial year as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is not engaged in inter-State outward supplies.

(ii) The registered person opting for composition scheme, under section 10(1) and 10(2), can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher, in the current financial year.

Thus, M/s United Electronics can supply repair and maintenance services up to a value of ₹ 12 lakh [10% of ₹ 120 lakh or ₹ 5 lakh, whichever is higher] in the current financial year.



## **MULTIPLE CHOICE QUESTIONS**

- 1. What is the threshold limit of turnover in the preceding financial year to be eligible for composition levy for supply of goods in Delhi?**
  - (a) ₹50 lakh
  - (b) ₹75 lakh
  - (c) ₹100 lakh
  - (d) ₹150 lakh
- 2. Mr. X, a registered supplier of Meghalaya wants to opt for composition levy. The turnover limit for supply of goods under composition levy is-**
  - (a) ₹50 lakh
  - (b) ₹75 lakh
  - (c) ₹100 lakh
  - (d) ₹150 lakh
- 3. Mr. X, a registered supplier of Delhi opted for composition levy. He purchased goods A and paid GST of ₹50 lakh on such purchase. ITC allowed shall be**
  - (a) ₹50 lakh
  - (b) ₹25 lakh
  - (c) No tax credit is allowed
  - (d) none of the above
- 4. Can a registered person opting for composition scheme collect tax on his outward supplies?**
  - (a) Yes
  - (b) No
  - (c) Yes, if the amount of tax is prominently indicated in the invoice issued by him
  - (d) Yes, only on such goods as may be notified by the Central Government
- 5. Mr. X, a trader in Delhi has opted for composition scheme of taxation under GST. Determine the rate of total GST payable by him under composition scheme:**
  - (a) 0.5% CGST & 0.5% SGST
  - (b) 2.5% CGST & 2.5% SGST
  - (c) 5% IGST
  - (d) 5% SGST
- 6. Mr. X providing restaurant service in Delhi has opted for composition scheme of taxation under GST. Determine the rate of total GST payable by him under composition scheme:**
  - (a) 0.5% CGST & 0.5% SGST
  - (b) 2.5% CGST & 2.5% SGST
  - (c) 5% IGST
  - (d) 5% SGST
- 7. Which of the following person can opt for composition scheme**
  - (a) person engaged in inter state supply.
  - (b) A manufacturer manufacturing pan masala
  - (c) A manufacturer manufacturing ice cream
  - (d) None of the above
- 8. A person opting for composition scheme can file annual return in**
  - (a) GSTR-1
  - (b) GSTR-2
  - (c) GSTR-3
  - (d) GSTR-4
- 9. A person opting for composition scheme can pay taxes within**
  - (a) 18 days from the end of the quarter
  - (b) 20 days from the end of the quarter
  - (c) 30 days from the end of the quarter

(d) 60 days from the end of the quarter

**10. If a person is shifting from composition scheme to normal scheme and can give intimation in**

- (a) CMP-01
- (b) CMP-02
- (c) CMP-03
- (d) CMP-04

**11. If a person is opting for composition scheme in one State then it shall be applicable in \_\_\_\_\_ States for multiple registration.**

- (a) all the States
- (b) Optional for other States
- (c) not apply for other States
- (d) None of the above

**12. If a trader is opting for composition scheme then tax shall be payable on**

- (a) Turnover in a State
- (b) Turnover of taxable supplies in a State
- (c) Turnover of exempt supplies in a State
- (d) None of the above

**13. ABC Industries, a manufacturer in Mumbai, is engaged in supply of goods in Mumbai as well as Chennai (i.e. inter-State supply of goods). Here, ABC Industries \_\_\_\_\_ enter into the composition scheme.**

- (a) can
- (b) cannot
- (c) may
- (d) None of the above

**14. A dealer 'X' has two offices in Delhi. In order to determine whether 'X' is eligible to avail benefit of the composition scheme, turnover of \_\_\_\_\_ would be taken into account.**

- (a) any one of the offices
- (b) both the offices
- (c) higher of both the offices
- (d) lower of both the offices

**15. A registered service provider is allowed to opt composition scheme under section 10 (2A)**

- (a) whose aggregate turnover in the preceding financial year was sixty lakh rupees or below
- (b) whose aggregate turnover in the preceding financial year was fifty lakh rupees or below
- (c) whose aggregate turnover in the preceding financial year was forty lakh rupees or below
- (d) none of these

**16. Composition scheme under section 10(2A) is not allowed**

- (a) to a service provider
- (b) to a service provider who is supplying goods also
- (c) to a supplier of goods
- (d) none of these

**17. Manufacturer of following goods are not allowed for composition scheme.**

- (a) Pan masala
- (b) Ice cream
- (c) Tobacco product
- (d) Electrical goods
- (e) (a), (b) & (c)
- (f) (b), (c) & (d)

**Check Detailed Solution given on our website [www.mkgeducation.com](http://www.mkgeducation.com)  
(Icon /Heading No.11: Books)**

# EXAMINATION QUESTION

**NOV 2019 (NEW COURSE)**

**Question.6. (a)**

**(6 Marks)**

Mr. Zafar of Assam, provides the following information for the preceding financial year 2020-21. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not, for the F.Y. 2021-22.

Particulars	Amount (₹ in lakhs)
Value of taxable outward supplies (out of this ₹10 lakhs was in course of inter-state transactions).	50.00
Value of exempt supplies (which include ₹ 30 lakhs was received as a interest on loans & advances).	70.00
Value of inward supplies on which he is liable to pay tax under reverse charge	5.00
Value of exports	5.00
All the amounts are exclusive of GST.	

**Solution:**

**As per section 2(6), "aggregate turnover"** means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

As per the above definition aggregate turnover shall be:

Particulars	Amount (₹ in lakhs)
Value of taxable outward supplies	50.00
Value of exempt supplies (70-30)	40.00
Value of inward supplies on which he is liable to pay tax under reverse charge	Nil
Value of exports	5.00
Aggregate turnover	95.00

Since Assessee is staying in Assam hence limit of ₹1.5 crore shall be applicable and his aggregate turnover is below ₹1.5 crore hence he is eligible for composition scheme but in the given case assessee is supplying inter-state hence he is not eligible for composition scheme.

**Question.8. (a)**

**(5 Marks)**

Explain in brief the conditions to be fulfilled by a registered person under GST law for availing the option to pay concessional tax @ 3% (effective rate 6%) under GST, with effect from 1st April, 2021.

**Answer: Refer answer given in the book**

**NOV 2019 (OLD COURSE)****Question.9. (a)****(5 Marks)**

M/s United Electronics, a registered dealer, is supplying all types of Electronic Appliances in the state of Karnataka. Their aggregate Turnover in the Financial Year 2020-21 by way of supply of appliances was ₹ 120 Lakhs.

The firm also expects to provide repair and maintenance service of such Appliances from the financial year 2021-22.

With reference to the latest amendments made in CGST Act, 2017, examine:

- (i) Whether the firm can opt for the composition scheme for the financial year 2021-22, as the turnover may include supply of both goods and services?  
 (ii) If yes, up to what amount, the supply of service can be provided?

**Answer:**

**As per section 10(1) & (2)**, a registered dealer whose aggregate turnover in the preceding year is upto ₹1.5 crore may opt for composition scheme provided he is not engaged in providing taxable supply of services except restaurant services. However person opting for composition scheme may supply services other than restaurant services of value not exceeding 10% of turnover in the state in the preceding year or ₹5,00,000 whichever is higher may opt for composition scheme.

(i) Yes, Firm can opt for the composition scheme for the financial year 2021-22 as the turnover is not exceeding ₹1.5 crores even if the firm is supplying services along with goods.

(ii) Supply of services can be provided up to higher of the followings:

(a) 10% of ₹1.2 crore = ₹12,00,000

(b) ₹5,00,000

Higher = ₹12,00,000

**MAY 2019 (NEW COURSE)****Question 8 (a)****Marks 5**

Enumerate the persons who are not eligible to opt for Composition Scheme under section 10 of the CGST Act, 2017.

**Answer: Refer answer given in the book**

**MAY 2019 (OLD COURSE)****Question 9 (a)****Marks 1+2+2**

Examine in relation to composition levy scheme under the CGST Act, 2017 and the rules made thereunder in the following individual cases:

(1) Ketu is a manufacturer of Ice-cream and pan masala in State of Maharashtra. His turnover for the year does not exceed ₹1.5 Crore. He wants to register for composition levy scheme. Is he eligible for it?

(2) Jadhu of Gujarat opts for composition scheme during a financial year 2021-22. But on 10-02-2022 his turnover crosses ₹ 1.5 Crore, can he continue under composition levy scheme.

(3) X Ltd. has 2 branches K & L in Delhi, having same PAN. Branch K opts for normal scheme. X Ltd. want to continue composition levy in case of its branch L. Can X Ltd. continue Composition levy only for Branch L?

**Answer:**

(1) **As per section 10**, if a manufacturer is manufacturing Pan Masala and Ice-cream then he is not eligible for composition scheme. In the given case, Ketu is manufacturer of Ice-cream and pan masala hence he is not eligible for composition scheme

(2) **As per rule 6**, if a person crosses the threshold limit then he will be shifted to normal scheme with immediate effect. Hence Jadhu cannot continue under composition scheme.

(3) If any person has opted for composition scheme for any place of business in any state or union territory, shall be automatically covered in composition scheme for all other places of business in any other State / UT i.e. same scheme will be applicable for all registration with same PAN. Hence X Ltd. cannot opt for composition scheme for its one branch.

### NOV 2018 (OLD COURSE)

**Question 10 (b) (i)**

**Marks 2**

Mr. X is running a consulting firm and also a readymade garment showroom in Kolkata registered in same PAN. Turnover of the showroom is ₹70 lakhs and receipt of consultancy firm is ₹15 lakhs in the preceding financial year. You are required to answer the following:

- (1) Is Mr. X eligible for composition scheme?
- (2) Is it possible for Mr. X to opt for composition scheme only for showroom?

**Answer: As per section 10**, In the given case, total turnover is ₹70 lakhs + ₹15 lakhs = ₹85 lakhs and 10% is ₹8.5 lakhs, hence he is not eligible for composition scheme

No it is not possible for firm to opt for composition scheme only for showroom if firm is providing services also.

### MAY 2018 (NEW COURSE)

**Question 10 (c)**

**Marks 3**

M/s Sai Trading Company, an eligible registered dealer in goods making intra-state supplies within the state of Andhra Pradesh, has reported an aggregate turnover of ₹78 Lakhs in the preceding financial year.

(i) Determine whether Sai Trading Company will be eligible for composition levy, as on 31-10-2021.

**Answer:** A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹1.5 crore is eligible to opt for composition scheme and in the given case turnover is less than ₹1.5 crore so M/s Sai Trading Company is eligible for composition scheme.

(ii) Will your answer be different, if in the above scenario, M/s Sai Trading Company is making intra state supply within the state of Jammu and Kashmir?

**Answer:** No answer will remain same as limit for Jammu & Kashmir is also ₹1.5 crore.

### MAY 2018 (OLD COURSE)

**Question 12 (a)**

**Marks 5**

M/s. Ginny and John Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was ₹80 lakh and Receipts of the interior decorators service was ₹22 Lakh in the preceding financial year. With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?

Will your answer change, if the turnover of the showroom was ₹70 lakh and Receipts of the interior decorators service was ₹22 Lakh in the preceding financial year?

Also discuss whether it is possible for M/s. Ginny and John Company to opt for composition scheme only for Showroom?

**Answer:** As per section 10, a registered dealer whose aggregate turnover in the preceding year is upto ₹1.5 crore may opt for composition scheme.

However person opting under composition scheme may supply services other than restaurant services of value not exceeding 10% of turnover in the state or union territory in the preceding financial year or ₹5,00,000 whichever is higher.

In the given case, total turnover is ₹80 lakhs + ₹22 lakhs = ₹102 lakhs and 10% is ₹10.2 lakhs, hence he is not eligible for composition scheme

No Answer will remain same even if turnover of the showroom was ₹70 lakhs.

No it is not possible for firm to opt for composition scheme only for showroom if firm is providing services also.

### **RTP MAY 2020**

#### **Question 9**

Chanchal started providing beauty and grooming services and inaugurated “Care & Care Beauty Centre” in Janak Puri, Delhi on 01st April, 2021. She opted to pay tax under section 10(2A) in the said financial year. The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 2021 was ₹ 20 lakh. Further, for the half year ending 30th September, 2021, the turnover reached ₹ 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹ 70 lakh by the end of October, 2021. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 2021.

Note: Rate of GST applicable on such services is 18%.

#### **Answer:**

A registered person has the option to pay CGST @ 3% and SGST @ 3% on first supplies upto an aggregate turnover of ₹ 50 lakh made on/after 1st April in any financial year, subject to specified conditions. It is clarified in the section that first supplies shall, for the purposes of determining eligibility of a person to pay tax under this scheme, include the supplies from 1st April of a Financial Year to the date from which he becomes liable for registration under the said Act, but for the purpose of determination of tax payable under this scheme, shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

Thus, Care & Care Beauty Centre is eligible to pay tax under section 10(2A) upto the turnover of ₹ 50 lakh.

The total tax payable by it is as under:-

Period	Tax Rate	Turnover (₹)	Tax liability (₹)
I Quarter	Since turnover did not exceed ₹ 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	20 Lakh	Nil
II Quarter	Effective rate is 6% (CGST+ SGST/ UTGST) under section 10(2A)	30 Lakh [(50-20) lakh]	1,80,000
For the month of October, 2021	Normal rate of GST of 18% is to be applied	20 lakh [(70-50) lakh]	3,60,000
<b>Total tax payable</b>			<b>5,40,000</b>

# RETURNS

## SECTION 37,39,40,44,45,46,47

### RULE 59,62,68,80,81

**Question 1: Explain Furnishing of Return of outward supplies under section 37 / Rule 59 (GSTR-1)**

**Answer: Furnishing of Return of outward supplies under section 37 / Rule 59**

As per notification no. 83/2020 CT 10/11/2020, every registered person shall be required to file a statement of outward supply in GSTR-1 on monthly basis upto 11<sup>th</sup> of the month succeeding the relevant month but if turnover in the preceding year is upto 5 crores, such person has the option to file such statement on quarterly basis upto 13<sup>th</sup> on the month succeeding the relevant quarter. A registered person whose turnover has crossed 5 Crores during any particular quarter, such person shall be required to file the return on monthly basis from the first month of the succeeding quarter.

The registered persons required to furnish GSTR-1 on quarterly basis may furnish the details of such outward supplies of goods or services or both (invoice) to a registered person, as he may consider necessary, for the **first and second months of a quarter, up to a cumulative value of fifty lakh rupees** in each of the months, - using invoice furnishing facility electronically on the common portal, duly authenticated in the manner prescribed under rule 26, from the 1st day of the month succeeding such month till the 13th day of the said month.

The details of outward supplies furnished using the IFF, for the first and second months of a quarter, shall not be furnished in FORM GSTR-1 for the said quarter.

The details of outward supplies of goods or services or both furnished using the IFF shall include the—

- (a) invoice wise details of inter-State and intra-State supplies made to the registered persons;
- (b) debit and credit notes, if any, issued during the month for such invoices issued previously.]

Notwithstanding anything contained in this rule,—

- (a) a registered person required to file GSTR-1 on monthly basis, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in **FORM GSTR-1**, if he has not furnished the return in **FORM GSTR-3B** for preceding two months;
- (b) a registered person, required to furnish return for every quarter, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in **FORM GSTR-1** or using the invoice furnishing facility, if he has not furnished the return in **FORM GSTR-3B** for preceding tax period;
- (c) a registered person, who is restricted from using the amount available in electronic credit ledger to discharge his liability towards tax in excess of ninety-nine per cent. of such tax liability under rule 86B, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in **FORM GSTR-1** or using the invoice furnishing facility, if he has not furnished the return in **FORM GSTR-3B** for preceding tax period.]

**The return shall contain the following particulars:**

Table No. 1. GSTIN

Table No. 2. Legal name / Trade name.

Table No. 3. Aggregate Turnover in the preceding financial year

Table No. 4. Taxable outward supplies (invoice wise) made to registered persons other than zero rated supply.

Table No. 5. Taxable outward Inter-State supplies (invoice wise) to unregistered persons where the invoice value is more than ₹2.5 lakh.

Table No. 6. Zero rated supplies

Table No. 7. Consolidated details of Taxable Supplies to unregistered persons except table 5 (Rate wise and State wise)

Table No. 8. Nil rated, exempted and non GST outward supplies

Table No. 9. Amendments to table 4,5,6 including debit note, credit note etc.

Table No. 10. Amendments to table no. 7

Table No. 11. Consolidated statement of advances received/advance adjusted in the current tax Period / Amendments of information furnished in earlier tax period.

Table No. 12. HSN-wise summary of outward supplies

Table No. 13. Serial number of Documents issued during the tax period.

A taxpayer cannot file GSTR-1 before the end of the current tax period. However, following are the exceptions to this rule:

a. Casual taxpayers, after the closure of their business

b. Cancellation of GSTIN of a normal taxpayer

A taxpayer who has applied for cancellation of registration will be allowed to file GSTR-1 after confirming receipt of the application.

### **Question 2: Whether Nil GSTR-1 is to be filed**

**Answer:** Filing of GSTR-1 is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period, a Nil GSTR-1 is required to be filed.

**A Nil GSTR-1 can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-1 submitted through SMS is verified by registered mobile number-based OTP facility.**

A taxpayer can file Nil GSTR-1, anytime from 1st of the month subsequent of the tax period onwards. For example, GSTR-1 for the calendar month of April, can be filed from 1st May onwards. GSTR-1 for the quarter of April to June can be filed from 1st July onwards.

Taxpayer opting for voluntary cancellation of GSTIN has to file GSTR-1 for active period.

In cases where a taxpayer has been converted from a normal taxpayer to composition taxpayer, GSTR-1 will be available for filing only for the period during which the taxpayer was registered as normal taxpayer. The GSTR-1 for the said period, even if filed with delay would accept invoices for the period prior to conversion.

### **Question 3: How are the details of outward supply furnished in prior periods amended? [Section 37(3)]**

**Answer:**

#### **(a) Scope of amendment/ correction entries**

Tables 9, 10 and 11(II) of GSTR-1 provide for amendments in details of taxable outward supplies furnished in earlier periods. The details of original debit notes / credit notes / refund vouchers issued by the tax-payer in the current tax period as also the revision in the debit notes/ credit notes / refund vouchers issued in the earlier tax periods are required to be shown in Table 9 of the GSTR-1.

Ordinarily, in Amendment Table, the supplier is required to give details of original invoice (No and Date), the particulars of which have been wrongly entered in GSTR-1 of the earlier months and are now sought to be amended. However, it may happen that, a supplier altogether forgets to include the entire original invoice while furnishing the GSTR-1 for a particular month. In such cases also, he would be required to show the details of the said missing invoice which was issued in earlier month in the Amendment Table only.

#### **(b) Rectification of errors**

If the supplier discovers any error or omission, he shall rectify the same in the tax period during which such error or omission is noticed, and pay the tax and interest, if any, in case there is short payment, in the return to be furnished for such tax period.

**Example:** A supplier discovers a mistake in details of the invoice furnished in GSTR-1 for the month of August, in October. He can rectify the said mistake in the GSTR-1 for the month of October.

#### **(c) Time limit for rectification**

If for some reason, supplier could not make correction at the time of filing of GSTR-1 for the month of October then he can make such amendments in the subsequent periods.

However, the maximum time limit within which such amendments are permissible is earlier of the following dates:

- Date of filing of monthly return u/s 39 for the month of September following the end of the financial year to which such details pertain or
- Date of filing of the relevant annual return



**Example:** An entity has discovered an error in GSTR 1 of November 2021 in the subsequent month, in this case it can be rectified till the return (GSTR 3B) for September 2022 is filed on 20<sup>th</sup> October 2022 but if annual return has been filed on 10<sup>th</sup> August 2022, error can not be rectified after 10<sup>th</sup> August 2022.

**Question 4: Explain classification of Goods/Services under GST.**

**Answer:** There are many varieties of goods / services. Since all goods/ services do not carry the same rate of GST, therefore, it is necessary to identify the goods/services through groups and sub-groups and then to determine the rate of GST on each group or sub-groups of goods/services. The exercise of placing the various goods/services under the various groups or sub- groups is known as 'Classification' of a product/services and such classification is given in GST Tariff and it is called Harmonised system of Nomenclature. All the goods are divided into 21 broad categories which are called section and sections are further divided into 98 small categories which are called chapters. Each product given in the GST Tariff has a specific 8 digit code number first 2 digit refer to Chapter next 2 heading next 2 sub-heading and last 2 are specific for the product e.g. Code No. for Tobacco is 2401 20 50 and for mobile phone is 8517 12 10 and for Chocolate is 1806 90 10 (**Nomenclature means** a system of naming things)

All services are covered in chapter 99 and each service has a code of 6 digit which is called services accounting code.

HSN or HS (Harmonized Commodity Description and Coding System) is a standardized system of nomenclature of different goods developed by World Customs Organization, which is accepted globally. HSN uses 6-digits uniform codes to classify different goods. India uses eight-digits codes for more specific and precise classification.

**Position from 01.04.2021**

As per notification no. 12/2017, w.e.f 01.04.2021, if annual turnover in preceding year is upto 5 crore, the supplier shall be required to mention four digits of HSN in case of B2B supply but it will be optional for B2C supply. If turnover is more than 5 crores, supplier shall be required to mention six digit of HSN.

**Example:** The turnovers of Yellow Lemon Pvt. Ltd., Red Pepper Pvt. Ltd. And Blue Berry Pvt. Ltd. in the previous financial year are ₹ 1.5 crore, ₹ 4.8 crore and ₹ 6 crore respectively. While Yellow Lemon Pvt. Ltd. And Red Pepper Pvt. Ltd. will be required to upload 4 digits of HSN code of the goods sold to registered persons, uploading of 4 digits HSN code will be optional for the two companies when the goods are sold to unregistered persons. Blue Berry Pvt. Ltd. will have to upload 6 digits of HSN code of goods sold by it. This will be the position from 01.04.2021.

**MAY 2019 (OLD COURSE)**

**Question 9 (b)**

**(1+2+1 Marks)**

Please answer with reference to Section 37 of the CGST Act, 2017 and rule-59 of CGST Rules, 2017:

Mr. Kolly is registered supplier in the State of Gujarat. He is filing GSTR 1 every month. During the month of February, 2022 he was out of India and so did not do any transaction during the month. He believes that as there is no transaction there is no need to file GSTR 1 for the month of February, 2022. Is he correct?

**Answer:**

**Not Correct:** GSTR-1 needs to be filed even if there is no business transaction (Nil Return) in the tax period hence intention of Mr. Kolly is not correct and he is liable to file GSTR-1.

**NOV 2018 (NEW COURSE)**

**Question 11 (c)**

**(2 Marks)**

A taxpayer can file GSTR-1 under CGST Act, 2017, only after the end of the current tax period. State exceptions to this.

**Answer:** A taxpayer can file GSTR-1 only after the end of the current tax period however, following are the exceptions to this rule:

- (i) Casual taxpayers, after the closure of business.
- (ii) Cancellation of GSTIN of a normal taxpayer.

A taxpayer who has applied for cancellation of registration will be allowed to file GSTR-1 after confirming receipt of the application.

### NOV 2018 (OLD COURSE)

#### Question 12

(5 Marks)

(a) What kinds of invoice details of outward supplies are required to be furnished in GSTR-1 for outward supplies?

**Answer: Refer answer given in the book**

### NOV 2020 (NEW COURSE)

#### Question 7 (c).

(3 Marks)

“In form GSTR-1, submission of Invoice-wise details of outward supplies is mandatory for all kind of invoices issued during the tax period.” Comment on the validity of the above statement with reference to GST laws.

**Answer: The above statement is wrong with reference to Rule 59 of the CGST Rules 2017**

**Rule 59 of the CGST Rules, 2017**, inter alia, stipulates that the details of outward supplies of goods and/or services furnished in form GSTR-1 shall include the—

(a) invoice wise details of all –

- (i) inter-State and intra-State supplies made to the registered persons; and
- (ii) inter-State supplies with invoice value more than two and a half lakh rupees made to the unregistered persons;

(b) consolidated details of all –

- (i) intra-State supplies made to unregistered persons for each rate of tax; and
- (ii) State wise inter-State supplies with invoice value upto two and a half lakh rupees made to unregistered persons for each rate of tax;

As per above assessee have to furnish both the details i.e. invoice wise and consolidated details in the GSTR-1.

### RTP MAY 2020

#### Question 13

Mr. Gauri Shiva, a registered person in Punjab, supplies goods taxable @ 12% [CGST @ 6%, SGST @ 6% & IGST @ 12%] in the States of Punjab and Haryana. He has furnished the following details in relation to independent supplies made by him in the quarter ending June, 2021:-

Supply	Recipient	Nature of supply	Value (₹)
1	Mr. A, a registered person	Inter-State	2,20,000
2	Mr. B, a registered person	Inter-State	2,55,000
3	Mr. C, an unregistered person	Intra-State	1,80,000
4	Mr. D, an unregistered person	Intra-State	2,60,000
5	Mr. M, an unregistered person	Inter-State	3,00,000
6	Mr. N, an unregistered person	Inter-State	50,000
7	Mr. O, an unregistered person	Inter-State	2,50,000
8	Mr. P, an unregistered person	Inter-State	2,80,000

9	Mr. Q, a registered person	Intra-State	1,50,000
10	Mr. R, a registered person	Intra-State	4,10,000

The aggregate annual turnover of Mr. Gauri Shiva in the preceding financial year was ₹ 1.20 crore. With reference to rule 59 of the CGST Rules, 2017, discuss the manner in which the details of above supplies are required to be furnished in GSTR-1.

**Answer:**

Rule 59 of the CGST Rules, 2017, inter alia, stipulates that the details of outward supplies of goods and/or services furnished in form GSTR-1 shall include the–

(a) invoice wise details of all –

- (i) inter-State and intra-State supplies made to the registered persons; and
- (ii) inter-State supplies with invoice value more than two and a half lakh rupees made to the unregistered persons;

(b) consolidated details of all –

- (i) intra-State supplies made to unregistered persons for each rate of tax; and
- (ii) State wise inter-State supplies with invoice value upto two and a half lakh rupees made to unregistered persons for each rate of tax;

Thus, in view of the above-mentioned provisions, Mr. Gauri Shiva should furnish the details of outward supplies of goods made by him during the quarter ending June 2021 in the following manner: -

Supply	Recipient	Nature of supply	Value (₹)	Manner of furnishing details
1	Mr. A, a registered person	Inter-State	2,20,000	Invoice-wise details
2	Mr. B, a registered person	Inter-State	2,55,000	Invoice-wise details
3	Mr. C, an unregistered person	Intra-State	1,80,000	Consolidated details of supplies 3 and 4
4	Mr. D, an unregistered person	Intra-State	2,60,000	
5	Mr. M, an unregistered person	Inter-State	3,00,000	Invoice-wise details
6	Mr. N, an unregistered person	Inter-State	50,000	Consolidated details of supplies 6 and 7
7	Mr. O, an unregistered person	Inter-State	2,50,000	
8	Mr. P, an unregistered person	Inter-State	2,80,000	Invoice-wise details
9	Mr. Q, a registered person	Intra-State	1,50,000	Invoice-wise details
10	Mr. R, a registered person	Intra-State	4,10,000	Invoice-wise details

### **RTP MAY 2019**

M/s Cavenon Enterprises, a registered supplier of designer wedding dresses under regular scheme, has aggregate annual turnover of ₹30 lakh in the preceding financial year. It is of the view that in the current financial year, it is permitted to file its monthly statement of outward supplies – GSTR-1 - on a quarterly basis while its accountant advises it to file the same on a monthly basis. You are required to advise M/s Cavenon Enterprises on the same.

During a given tax period in the current financial year, owing to an off-season, M/s Cavenon Enterprises has not made any taxable supply. Therefore, M/s Cavenon Enterprises opines that no return under GST is required to be filed for the said period. You are required to examine the technical veracity of the opinion of M/s Cavenon Enterprises.

**Answer:**

Section 37 of the CGST Act, 2017 stipulates that GSTR-1 for a particular month is required to be filed on or before the 11th day of the immediately succeeding month, i.e. on a monthly basis.

However, presently, as a measure of easing the compliance requirement for small tax payers, GSTR-1 has been allowed to be filed quarterly by small tax payers with aggregate annual turnover up to ₹5 crore in the preceding financial year or the current financial year. Tax payers with annual aggregate turnover above ₹5 crore will however continue to file GSTR- 1 on a monthly basis.

In view of the same, M/s Cavenon Enterprises can file its GSTR-1 on quarterly basis as its aggregate turnover does not exceed ₹5 crore in the preceding financial year.

Further, GSTR-1 needs to be filed even if there is no business activity in a tax period. Thus, in the present case, even if no supply has been made by M/s Cavenon Enterprises, a nil return is required to be filed for the relevant tax period

### **Question 5: Explain Furnishing of returns u/s Section 39 GSTR 3B**

**Answer: Section 39.** As per notification no. 84/2020 CT 10/11/2020 Every registered person, shall submit a return in GSTR 3B every month or part thereof upto 20<sup>th</sup> of subsequent month but if turnover is not exceeding 5 crore, return can be file on quarterly basis and such return should be submitted upto 22<sup>nd</sup> of subsequent month or 24<sup>th</sup> of subsequent month depending upon the place where he is registered (Applicable from Jan 2021).

#### **Form and manner of furnishing of return GSTR 3B Rule 61**

(1) Registered persons whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep shall submit return upto **22<sup>nd</sup> of the month** succeeding the quarter.

(2) Registered persons whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi shall submit return upto **24<sup>th</sup> of the month** succeeding the quarter.

Every registered non-resident taxable person shall, for every calendar month or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, within twenty days after the end of a calendar month or within seven days after the last day of the period of registration specified under sub-section (1) of section 27, whichever is earlier.

Every registered person who is required to furnish a return shall furnish a return for every tax period whether or not any supplies of goods or services or both have been made during such tax period.

If any registered person after furnishing a return in GSTR 3B discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in such form and manner as may be prescribed, subject to payment of interest under this Act:

**Provided** that no such rectification of any omission or incorrect particulars shall be allowed after the due date for furnishing of return for the month of September or second quarter following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

A registered person shall not be allowed to furnish a return for a tax period if the return for any of the previous tax periods has not been furnished by him.

### **Question 6: Explain QRMP Scheme.**

**Answer:**

#### **QRMP Scheme**

As per notification no. 85/2020 CT 10/11/2020, Every registered person filing return on monthly/quarterly basis shall discharge his liability towards tax, interest, penalty, fees or any other amount payable under the Act or the provisions of this Chapter by debiting the electronic cash ledger or electronic credit ledger and include the details in the return in FORM GSTR-3B.

Every registered person required to furnish return on quarterly basis shall pay the tax due, for each of the first two months of the quarter, by depositing the said amount in FORM GST PMT-06, by the twenty fifth day of the month succeeding such month:

As per notification no. 85/2020 dated 10<sup>th</sup> November 2020, the persons who have opted to furnish GSTR 3B on quarterly basis shall pay tax, in first month or second month or both months of the quarter by way of making a deposit of an amount in the electronic cash ledger equivalent to, -

(i) thirty five per cent. of the tax liability paid by debiting the electronic cash ledger in the return for the preceding quarter where the return is furnished quarterly; or

(ii) the tax liability paid by debiting the electronic cash ledger in the return for the last month of the immediately preceding quarter where the return is furnished monthly:

Provided that no such amount may be required to be deposited-

(a) for the first month of the quarter, where the balance in the electronic cash ledger or electronic credit ledger is adequate for the tax liability for the said month or where there is nil tax liability ;

(b) for the second month of the quarter, where the balance in the electronic cash ledger or electronic credit ledger is adequate for the cumulative tax liability for the first and the second month of the quarter or where there is nil tax liability:

Provided further that registered person shall not be eligible for the said special procedure unless he has furnished the return for a complete tax period preceding such month.

Explanation- For the purpose of this notification, the expression “a complete tax period” means a tax period in which the person is registered from the first day of the tax period till the last day of the tax period.

This notification shall come into force with effect from the 1st day of January, 2021.

The amount deposited above by the registered persons, shall be debited while filing the return for the said quarter in FORM GSTR-3B, and any claim of refund of such amount lying in balance in the electronic cash ledger, if any, out of the amount so deposited shall be permitted only after the return in FORM GSTR-3B for the said quarter has been filed.

### **MTP-1 NOV 2021**

#### **Question.4.(b)**

**(5 Marks)**

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 ₹ 5 crore** in the preceding financial year, and who have opted to furnish quarterly return under QRMP scheme are eligible for QRMP scheme as the class of persons who **shall furnish a return for every quarter** from January, 2021 onwards, and **pay the tax due every month**.

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

### **MTP-2 NOV 2021**

#### **Question.4.(b)**

**(6 Marks)**

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.

**Self Assessment Method:** The said persons, in any case, can pay the tax due by considering the tax liability on inward and outward supplies and the input tax credit available, in Form GST PMT-06. In order to facilitate ascertainment of the ITC available for the month, an auto-drafted input credit statement has been made available in Form GSTR-2B, for every month.

The registered person under QRMP is free to avail either of the two tax payment methods above in any of the two months of the quarter.

At the time of filing the return for a quarter in Form GSTR-3B, the amount deposited by the registered person in the first 2 months of the quarter shall be debited. Further, any amount left after filing of that quarter's Form GSTR-3B may either be claimed as refund or may be used for any other purpose in subsequent quarters.

However, such refund claim shall be permitted only after the return in Form GSTR-3B for the said quarter has been furnished. Further, this deposit cannot be used by the taxpayer for any other purpose till the filing of return for the quarter.

**Example 1:** A registered person, who has opted for QRMP Scheme, has paid a total amount of ₹100/- in cash as tax liability in the previous quarter of October to December. He opts to pay tax under fixed sum method. He therefore pays ₹35/- each on 25<sup>th</sup> February and 25<sup>th</sup> March for discharging tax liability for the first 2 months of quarter viz. January and February.

In his return for the quarter, it is found that liability based on the outward and inward supplies, for January was ₹40/- and for February it was ₹42/-. However, no interest would be payable for the lesser amount of tax (i.e. ₹5 and ₹7 respectively) discharged in these 2 months provided that he discharges his entire liability for the quarter in the Form GSTR-3B of the quarter by the due date.

**Example 2:** A registered person, who has opted for QRMP Scheme, has paid a total amount of ₹100/- in cash as tax liability in the previous quarter of October to December. He opts to pay tax under fixed sum method. He therefore pays, ₹35/- each on 25<sup>th</sup> February and 25<sup>th</sup> March for discharging tax liability for the first 2 months of quarter viz. January and February.

In his return for the quarter, it is found that total liability for the quarter net of available credit was ₹125, but he files the return on 30<sup>th</sup> April. Interest would be payable at applicable rate on ₹55 [₹125-₹70 (deposit made in cash ledger in first and second month)] for the period between due date of quarterly GSTGR 3B and 30<sup>th</sup> April.

**FORM GSTR-3B***[See rule 61(5)]*

Year					
Month					

1.		<b>GSTIN</b>																	
2.		<b>Legal name of the registered person</b>	Auto Populated																

**3.1 Details of Outward Supplies and inward supplies liable to reverse charge**

Nature of Supplies	Total Taxable value	Integrated Tax	Central Tax	State/UT Tax	Cess
1	2	3	4	5	6
(a) Outward taxable supplies (other than zero rated, nil rated and exempted)					
(b) Outward taxable supplies (zero rated )					
(c) Other outward supplies (Nil rated, exempted)					
(d) Inward supplies (liable to reverse charge)					
(e) Non-GST outward supplies					

**3.2 Of the supplies shown in 3.1 (a) above, details of inter-State supplies made to unregistered persons, composition taxable persons and UIN holders**

	Place of Supply (State/UT)	Total Taxable value	Amount of Integrated Tax
1	2	3	4
Supplies made to Unregistered Persons			
Supplies made to Composition Taxable Persons			
Supplies made to UIN holders			

**4. Eligible ITC**

Details	Integrated Tax	Central Tax	State/UT Tax	Cess
1	2	3	4	5
<b>(A) ITC Available (whether in full or part)</b>				
(1) Import of goods				
(2) Import of services				
(3) Inward supplies liable to reverse charge (other than 1 & 2 above)				
(4) Inward supplies from ISD				
(5) All other ITC				
<b>(B) ITC Reversed</b>				
(1) As per rules 42 & 43 of CGST Rules				
(2) Others				
<b>(C) Net ITC Available (A) – (B)</b>				
<b>(D) Ineligible ITC</b>				
(1) As per section 17(5)				
(2) Others				

**5. Values of exempt, nil-rated and non-GST inward supplies**

Nature of supplies	Inter-State	Intra-State
--------------------	-------------	-------------

	1	2	3
	From a supplier under composition scheme, Exempt and Nil		
supply			
Non GST supply			

### 6.1 Payment of tax

Description	Tax payable	Paid through ITC				Tax paid TDS./TCS	Tax/Cess paid in cash	Interest	Late Fee
		Integrated Tax	Central Tax	State/UT Tax	Cess				
1	2	3	4	5	6	7	8	9	10
Integrated Tax									
Central Tax									
State/UT Tax									
Cess									

### 6.2 TDS/TCS Credit

Details	Integrated Tax	Central Tax	State/UT Tax
1	2	3	4
TDS			
TCS			

Verification (by Authorised signatory)

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.

### Instructions:

- Value of Taxable Supplies = Value of invoices + value of Debit Notes – value of credit notes + value of advances received for which invoices have not been issued in the same month – value of advances adjusted against invoices
- Details of advances as well as adjustment of same against invoices to be adjusted and not shown separately
- Amendment in any details to be adjusted and not shown separately.

### Question 7: Explain Manner of opting for furnishing quarterly return.

#### Answer: Rule 61A

(1) Every registered person intending to furnish return (GSTR 3B) on a quarterly basis shall indicate his preference for furnishing of return on a quarterly basis, electronically, on the common portal, from the 1st day of the second month of the preceding quarter till the last day of the first month of the quarter for which the option is being exercised:

**Provided** that where such option has been exercised once, the said registered person shall continue to furnish the return on a quarterly basis for future tax periods, unless the said registered person,-

- becomes ineligible for furnishing the return on a quarterly basis as per the conditions and restrictions notified in this regard; or
- opts for furnishing of return on a monthly basis, electronically, on the common portal:

**Provided further** that a registered person shall not be eligible to opt for furnishing quarterly return in case the last return due on the date of exercising such option has not been furnished.

(2) A registered person, whose aggregate turnover exceeds 5 crore rupees during the current financial year, shall opt for furnishing of return on a monthly basis, electronically, on the common portal, from the first month of the quarter, succeeding the quarter during which his aggregate turnover exceeds 5 crore rupees.



**Question 8: Discuss the provisions of Section 39(9) of the CGST Act, 2017, relating to rectification of errors/ omissions in GST returns already filed and also state its exceptions. State the time limit for making such rectification.**

**Answer: As per Section 39(9)** Subject to the provisions of sections 37 and 38, if any registered person after furnishing a return GSTR 3B discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in such form and manner as may be prescribed, subject to payment of interest under this Act (earlier in GSTR 3, there were tables for rectification of the error in the earlier return just like GSTR 1 but now there is no such table in GSTR 3B hence rules will be framed for rectification of error)

**Time limit for making rectification**

The maximum time limit within which the rectification of errors/omissions is permissible is earlier of the following dates: Due date of filing of return for the month of September following the end of the financial year [i.e., 20th October of next financial year] or Actual date of filing of the relevant annual return The last date of filing of annual return for a financial year is 31st December of next financial year. Hence, if annual return for the year 2021-22 is filed before 20th October 2022, then no rectification of errors/omissions in returns pertaining to FY 2021-22 would be permitted thereafter.

### NOV 2019 (NEW COURSE)

**Question.8. (b)**

**(5 Marks)**

Discuss the provisions of Section 39(9) of the CGST Act, 2017, relating to rectification of errors/ omissions in GST returns already field and also state its exceptions. State the time limit for making such rectification.

**Answer: Refer answer given in the book**

### NOV 2019 (NEW COURSE)

**Question.8. (c) (i)**

**(2 Marks)**

Explain the consequence, if the taxable person under GST law files the GST return under Section 39(1) of the CGST Act, 2017, but does not make payment of self-assessment tax.

**Answer: As per Rule 61(2)** Every registered person required to furnish return, shall, subject to the provisions of section 49, discharge his liability towards tax, interest, penalty, fees or any other amount payable under the Act or the provisions of this Chapter by debiting the electronic cash ledger or electronic credit ledger and include the details in the return in FORM GSTR-3B, i.e. all payments must be done before filing GSTR 3B. **Further as per section 2(117)** "valid return" means a return furnished under sub-section (1) of section 39 on which self-assessed tax has been paid in full; i.e. the return shall be considered to be invalid if tax has not been paid.

**Question 9: Explain Manner of furnishing of return or details of outward supplies by short messaging service facility.**

**Answer: As per Rule 67A.** Notwithstanding anything contained in this Chapter, for a registered person who is required to furnish a Nil return under section 39 in **FORM GSTR-3B** or a Nil details of outward supplies under section 37 in **FORM GSTR-1** or a Nil statement in **FORM GST CMP-08** for a tax period, any reference to electronic furnishing shall include furnishing of the said return or the details of outward supplies or statement through a short messaging service using the registered mobile number and the said return or the details of outward supplies or statement shall be verified by a registered mobile number based One Time Password facility.

Explanation.—For the purpose of this rule, a Nil return or Nil details of outward supplies or Nil statement shall mean a return under section 39 or details of outward supplies under section 37 or statement under rule 62, for a tax period that has nil or no entry in all the Tables in **FORM GSTR-3B** or **FORM GSTR-1** or **FORM GST CMP-08**, as the case may be.]

**Question 10: Explain Statement and return by composition dealer.****Answer: Rule 62**

(1) Every registered person paying tax under section 10 shall-

- (i) furnish a statement, every quarter or, as the case may be, part thereof, containing the details of payment of self-assessed tax in **FORM GST CMP-08**, till the 18<sup>th</sup> day of the month succeeding such quarter; and
- (ii) furnish a return for every financial year or, as the case may be, part thereof in **FORM GSTR-4**, till the thirtieth day of April following the end of such financial year,

electronically through the common portal.

(2) Every such registered person shall discharge his liability towards tax or interest by debiting the electronic cash ledger.

(4) A registered person who has opted to pay tax under section 10 from the beginning of a financial year shall, where required, furnish the details of outward and inward supplies and return under rules 59, 60 and 61 relating to the period during which the person was liable to furnish such details and returns till the due date of furnishing the return for the month of September of the succeeding financial year or furnishing of annual return of the preceding financial year, whichever is earlier.

Explanation.—For the purposes of this sub-rule, it is hereby declared that the person shall not be eligible to avail input tax credit on receipt of invoices or debit notes from the supplier for the period prior to his opting for the composition scheme.

(5) A registered person opting to withdraw from the composition scheme at his own motion or where option is withdrawn at the instance of the proper officer shall, where required, furnish [a statement in **FORM GST CMP-08** for the period for which he has paid tax under the composition scheme till the 18<sup>th</sup> day of the month succeeding the quarter in which the date of withdrawal falls and furnish a return in **FORM GSTR-4** for the said period till the thirtieth day of April following the end of the financial year during which such withdrawal falls.

**Form GST CMP - 08****Statement for payment of self-assessed tax**

													Financial					
													Year					
													Quarter					
1.	GSTIN																	
2.	(a)	Legal name	<Auto>															
	(b)	Trade name	<Auto>															
	(c)	ARN	<Auto> (After filing)															
	(d)	Date of filing	<Auto> (After filing)															

**3. Summary of self-assessed liability****(net of advances, credit and debit notes and any other adjustment due to amendments etc.)**

(Amount in ₹in all tables)

Sr. No.	Description	Value	Integrated tax	Central tax	State/ UT tax	Cess
1	2	3	4	5	6	7
1.	Outward supplies (including exempt supplies)					
2.	Inward supplies attracting reverse charge including import of services					
3.	Tax payable (1+2)					
4.	Interest payable, if any					
5.	Tax and interest paid					

**4. Verification**

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.

Signature

Place : Name of Authorised Signatory

Date: Designation/Status

**Instructions:**

1. The taxpayer paying tax under the provisions of section 10 of the Central Goods and Services Tax Act, 2017 shall make payment of tax on quarterly basis by the due date.
2. Adjustment on account of advances, credit/debit notes or rectifications shall be reported against the liability.
3. Negative value may be reported as such if such value comes after adjustment.
4. If the total tax payable becomes negative, then the same shall be carried forward to the next tax period for utilising the same in that tax period.
5. Interest shall be leviable if payment is made after the due date.
6. "Nil" Statement shall be filed if there is no tax liability due during the quarter

Composition dealer shall also be required to file an annual return in GSTR-4 upto 30<sup>th</sup> April following the end of the financial year.

**Particulars of GSTR-4 (Annually) shall be as given below:**

Table No. 1. GSTIN

Table No. 2. Legal name / Trade name.

Table No. 3. Aggregate Turnover during the preceding financial year.

Table No. 4. Inward supplies including supplies on which tax is to be paid reverse charge.

Table No. 5. Tax on outward supplies made.

Table No. 6. Consolidated statement of advances paid/advance adjustment on account of receipt of supply.

Table No. 7. TDS Credit received (Not covered in syllabus)

Table No. 8. Tax Payable and paid

Table No. 9. Interest, Late fee payable and paid

Table No. 10. Refund claimed from electronic cash ledger

Table No. 11. Debit entries in cash ledger for tax/interest payment.

Further as per section 44/Rule 80, every composition person has to file annual return in form no. 9A upto 31<sup>st</sup> December of the subsequent year.

**Question 11: Explain Form and manner of ascertaining details of inward supplies.**

**Answer: As per Rule 60.** The details of outward supplies furnished by the supplier in **FORM GSTR-1** or using the IFF shall be made available electronically to the concerned registered persons (recipients) in Part A of **FORM GSTR-2A**, in **FORM GSTR-4A** through the common portal, as the case may be.

The details of invoices furnished by a non-resident taxable person in his return in **FORM GSTR-5** under rule 63 shall be made available to the recipient of credit in Part A of **FORM GSTR 2A** electronically through the common portal.

The details of the integrated tax paid on the import of goods or goods brought in domestic Tariff Area from Special Economic Zone unit or a Special Economic Zone developer on a bill of entry shall be made available in Part D of **FORM GSTR-2A** electronically through the common portal.

An auto-drafted statement containing the details of input tax credit shall be made available to the registered person in **FORM GSTR-2B**, for every month, electronically through the common portal, and shall consist of -

- (i) the details of outward supplies furnished by his supplier, in **FORM GSTR-1**, between the day

immediately after the due date of furnishing of **FORM GSTR-1** for the previous month to the due date of furnishing of **FORM GSTR-1** for the month;

- (ii) the details of invoices furnished by a non-resident taxable person in **FORM GSTR-5** and details of outward supplies furnished by his supplier, required to furnish return for every quarter under proviso to sub-section (1) of section 39, in **FORM GSTR-1** or using the IFF, as the case may be,-
  - (a) for the first month of the quarter, between the day immediately after the due date of furnishing of **FORM GSTR-1** for the preceding quarter to the due date of furnishing details using the IFF for the first month of the quarter;
  - (b) for the second month of the quarter, between the day immediately after the due date of furnishing details using the IFF for the first month of the quarter to the due date of furnishing details using the IFF for the second month of the quarter;
  - (c) for the third month of the quarter, between the day immediately after the due date of furnishing of details using the IFF for the second month of the quarter to the due date of furnishing of **FORM GSTR-1** for the quarter;
- (iii) the details of the integrated tax paid on the import of goods or goods brought in the domestic Tariff Area from Special Economic Zone unit or a Special Economic Zone developer on a bill of entry in the month.

The Statement in **FORM GSTR-2B** for every month shall be made available to the registered person,-

- (i) for the first and second month of a quarter, a day after the due date of furnishing of details of outward supplies for the said month, in the IFF by a registered person required to furnish return for every quarter under proviso to sub-section (1) of section 39, or in **FORM GSTR-1** by a registered person, other than those required to furnish return for every quarter under proviso to sub-section (1) of section 39, whichever is later;
- (ii) in the third month of the quarter, a day after the due date of furnishing of details of outward supplies for the said month, in **FORM GSTR-1** by a registered person required to furnish return for every quarter under proviso to sub-section (1) of section 39.]

**Question 12: Write a note on GSTR-2A/2B.**

**Answer:** As per Section 38/Rule 60, every registered person shall receive a statement in GSTR-2A/2B on the common portal. It will contain details of inward supplies on which ITC is allowed. ITC shall be allowed only if details of inward supplies given in GSTR-2A/2B.

As per Rule 36(4), Input tax credit to be availed by a registered person in respect of invoices or debit notes, the details of which have not been furnished by the suppliers under sub-section (1) of section 37, in **FORM GSTR-1** or using the invoice furnishing facility shall not exceed 5 per cent of the eligible credit available in respect of invoices or debit notes the details of which have been furnished by the suppliers under sub-section (1) of section 37 in **FORM GSTR-1** or using the invoice furnishing facility.

E.g. if GSTR-2A/2B is showing tax credit 15,000 but it is not showing ITC of 5,000, in this case recipient can take ITC for  $15,000 + 750 = 15,750$  but if GSTR 2A/2B do not show ITC of invoice of 500, in that case ITC of 15,500 can be taken.

**Example:**

Mr. Vijay, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of ₹10 lakh, from various suppliers during the month of October 2021. Compute the ITC that can be claimed by Mr. Vijay in his GSTR-3B for the month of October 2021 to be filed by 20th November 2021 in the following independent cases assuming that GST of ₹10 lakh is otherwise eligible for ITC.

Case I Out of 100 invoices, 80 invoices involving GST of ₹6 lakh have been uploaded by the suppliers in their respective GSTR-1s filed on the prescribed due date therefore.

**Answer:** As per sub-rule (4) of rule 36, ITC to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers in GSTR-1, cannot exceed 5% of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers in GSTR-1.

ITC to be claimed by Mr. Vijay in his GSTR-3B for the month of October 2021 to be filed by 20th November 2021 will be computed as under

Invoices	Amount of ITC involved in the invoices (₹)	Amount of ITC that can be availed (₹)
In respect of 80 invoices uploaded in GSTR-1	6 lakh	6 lakh [Refer Note 1 below]
In respect of 20 invoices not uploaded in GSTR-1	4 lakh	₹30,000 [Refer Note 2 below]
Total	10 lakh	6,30,000

**Notes:**

- (1) In respect of invoices uploaded by the suppliers in their GSTR-1, full ITC can be availed.
- (2) The ITC in respect of invoices not uploaded has to be restricted to 5% of eligible ITC in respect of invoices uploaded in GSTR-1. Thus, in respect of 20 invoices not uploaded in GSTR-1s, the ITC has been restricted to ₹30,000 [5% of ₹6 lakh].

Case II Out of 100 invoices, 75 invoices involving GST of ₹8.5 lakh have been uploaded by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor.

**Answer:** As per sub-rule (4) of rule 36, ITC to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers in GSTR-1, cannot exceed 5% of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers in GSTR-1.

ITC to be claimed by Mr. Vijay in his GSTR-3B for the month of October 2021 to be filed by 20th November 2021 will be computed as under

Invoices	Amount of ITC involved in the invoices (Rs.)	Amount of ITC that can be availed (Rs.)
In respect of 75 invoices uploaded in GSTR-1	8.5 lakh	8.50 lakh [Refer Note 1 below]
In respect of 25 invoices not uploaded in GSTR-1	1.5 lakh	42,500 [Refer Note 2 below]
Total	10 lakh	8,92,500

**Notes:**

- (1) In respect of invoices uploaded by the suppliers in their GSTR-1, full ITC can be availed.
- (2) The ITC in respect of invoices not uploaded has to be restricted to 5% of eligible ITC.  
Hence ITC allowed shall be ₹8,50,000 + 5% of ₹8,50,000 = ₹8,92,500

**Circular No. 123/ 42/ 2019 GST dated 11.11.2019 has clarified the following issues in relation to restriction in availment of ITC in terms of rule 36(4) as under:**

- (1) The restriction shall be applied only on the invoices/ debit note, details of which are required by supplier to be uploaded under section 37(1) of the CGST Act. Therefore, taxpayer may avail full ITC in respect of IGST paid on imports, documents issued under RCM, which are outside the ambit of section 37(1).
- (2) ITC under rule 36(4) shall be calculated on total eligible ITC from all suppliers against all supplies whose details have been uploaded by the supplier. Therefore, the restriction is not on supplier basis.
- (3) The calculation would be based only on those invoices on which ITC is available and therefore, invoices on which ITC is not available [say under section 17(5) of the CGST Act] would not be considered for calculation of 5% of the eligible ITC available.

**NOV 2020 (NEW COURSE)**

**Question 5.**

**8 Marks**

KNK Ltd., a registered supplier of Mumbai is a manufacturer of heavy machines. Its outward supplies (exclusive of GST) for the month of January, 2022 are as follows:

S. No	Particulars	Amount (₹)
(i)	Inter- State	85,00,000

(ii)	Intra State	15,00,000
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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, 2022 are as follows:

S. No	Particulars	CGST paid ₹	SGST paid ₹
(i)	Raw materials A (of which 70% of inputs procured were used and 30% were in stock at the end of the January, 2022)	60,000	60,000
(ii)	Raw materials B (of which 90% material received in factory and remaining material completely damaged due to a road accident on the way to factory. There was no negligence on the part of the 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:**

(i) There is no opening balance of any Input Tax Credit and all the conditions necessary for availing the Input Tax Credit (ITC) have been fulfilled.

(ii) 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 2022, hence corresponding Input Tax Credit (ITC) is not reflecting in GSTR.2A of KNK Ltd. in January, 2022.

Compute the following:

(i) Amount of eligible Input Tax Credit (ITC) available for the month of January, 2022

(ii) Net minimum GST payable in Cash, for the month of January, 2022 after using available Input Tax Credit.

Working notes should form part of your answer.

**Solution:**

**(i) Amount of eligible Input Tax Credit (ITC) available for the month of January, 2022**

**Raw Material B**

CGST (50,000 X 90%) 45,000

SGST (50,000 X 90%) 45,000

**Insurance charges for trucks used for transportation of goods (eligible)**

CGST 55,000

SGST 55,000

Total ITC of CGST 1,00,000

Add: As per rule 36(4) 5% of 1,00,000 5,000

Total ITC of CGST Eligible 1,05,000

Total ITC of SGST 1,00,000

Add: As per rule 36(4) 5% of 1,00,000 5,000

Total ITC of SGST Eligible 1,05,000

**Output tax**

Inter State Sale 85,00,000

IGST @ 18% 15,30,000

Intra State Sale 15,00,000

CGST @ 9% 1,35,000

SGST @ 9% 1,35,000

**(ii) Calculation of Net Minimum GST payable in cash**

	IGST	CGST	SGST
Output tax	15,30,000	1,35,000	1,35,000
ITC CGST/SGST	-	(1,05,000)	(1,05,000)
Net Tax Payable in cash	15,30,000	30,000	30,000

**Notes:**

**1.** In case of Raw material A supplier has not furnished GSTR-1 and due to this amount is not shown in GSTR-2A of the purchaser in this case KNK Ltd is not eligible to take credit but as per rule 36(4), Input tax credit to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers, shall not exceed [ 5 per cent ] of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers.

**2. As per section 17(5),** ITC on goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples shall not be allowed hence only 90% tax credit shall be allowed in case of Raw Material B

**3. As per section 17(5),** ITC on construction of pipelines laid outside the factory premises shall not be allowed.

**Question 13: Explain Filing of First Return.****Answer: Filing of First Return Section 40**

Every registered person who has made outward supplies in the period between the date on which he became liable to registration till the date on which registration has been granted shall declare the same in the first return furnished by him after grant of registration.

When a person becomes liable to registration after his turnover crossing the threshold limit, he may apply for registration within 30 days of so becoming liable. Thus, there might be a time lag between a person becoming liable to registration and grant of registration certificate.

During the intervening period, such person might have made the outward supplies, i.e. after becoming liable to registration but before grant of the certificate of registration. Now, in order to enable such registered person to declare the taxable supplies made by him for the period between the date on which he became liable to registration till the date on which registration has been granted so that ITC can be availed by the recipient on such supplies. Firstly, the registered person may issue Revised Tax Invoices against the invoices already issued during said period within 1 month from the date of issuance of certificate of registration.

The registered person shall declare his outward supplies made during said period in the first return furnished by him after grant of registration.

**Question 14: Explain filing of Annual return****Answer: Filing of Annual return. Section 44/Rule 80**

Every registered person shall furnish an annual return for every financial year electronically in form no. GSTR-9 upto 31<sup>st</sup> December of the subsequent year, e.g. for financial year 21-22, Return to be submitted upto 31<sup>st</sup> December 2022. Composition dealer shall file annual return in GSTR-9A.

**Particulars of GSTR-9 shall be as given below:**

Table No. 1. GSTIN

Table No. 2. Name of Taxable Person

Table No. 3. Date of Statutory Audit.

Table No. 4. Auditors

Table No. 5. Details of Expenditure.

Table No. 6. Details of Income.

Table No. 7. Return reconciliation Statement.

Table No. 8. Other Amounts.

Table No. 9. Profit as per the Profit and Loss Statement

**Persons required to file Annual Return**

Sl. No	Persons	Form
01.	Every Registered Person	GSTR-9



02.	Composition Tax Payer	GSTR-9A
03.	Every electronic commerce operator required to collect tax at source under section 52	GSTR-9B
04.	(i) NRTP (ii) Persons providing OIDAR services (iii) Input Service Distributor, (iv) A person paying tax under section 51, (v) A casual taxable person,	Exempt from filing Annual Return

Every person whose turnover has exceeded ₹2 crore (now ₹5 crore) shall be required to submit GSTR-9C which will be a self-certified reconciliation statement, reconciling the value of supplies declare in the return furnish for the financial year, with the audited annual financial statement.

### JAN 2021 (NEW COURSE)

#### Question 7(c)

(3 Marks)

The aggregate turnover of Mr. Prithvi, a registered person for the FY 2018-19 and 2019-20 were ₹ 140 lakh and ₹ 170 lakh respectively. He has not filed the annual return (GSTR-9) under section 44(1) of CGST Act, 2017 before the due date.

Discuss the penal provisions, if any, for not filing the returns before the due date.

#### Answer

The penal provisions for not filing the annual return (GSTR-9) under section 44(1) of the CGST Act, 2017 before the due date are as under:-

(a) ₹ 100 for every day during which such failure continues,

or

(b) 0.25% of the turnover of the registered person in the State/Union Territory whichever is lower.

**Note:-** It may be noted that filing of GSTR-9 has been made voluntary in respect of financial years 2018-19 and 2019-20 for the registered persons whose turnover is less than ₹ 2 crores and who have not furnished the said annual return before due date. Here, the annual return is deemed to be furnished on the due date if it has not been furnished before the due date.

### MAY 2018 (OLD COURSE)

#### Question 12 (c)

Marks 5

Explain the provision relating to filing of Annual Return under section 44 of CGST Act, 2017 and Rules there under.

**Answer: Refer answer given in the book**

#### Question 15: Explain filing of Final Return

**Answer: Filing of Final return Section 45 / Rule 81.**

Every registered person whose registration has been cancelled shall furnish a final return in form no. GSTR-10 within three months of the date of cancellation or date of order of cancellation, whichever is later, eg. if cancellation order has been issued on 20<sup>th</sup> October 2021 but registration has been cancelled w.e.f.1<sup>st</sup> October 2021, 3 months shall be determined from 20<sup>th</sup> October 2021.

#### Particulars of GSTR-10 shall be as given below:

Table No. 1. GSTIN

Table No. 2. Legal Name

Table No. 3. Business Name

Table No. 4. Address

Table No. 5. Application Reference Number (ARN) of surrender application.

Table No. 6. Effective Date of Surrender/Cancellation.

Table No. 7. Whether cancellation order has been passed.

Table No. 8. If yes , Unique ID of cancellation order.

Table No. 9. Date of Cancellation order

Table No. 10. Particulars of closing Stock held on date of surrender / cancellation.

Table No. 11. Amount of Tax Payable on closing stock.

### MTP-1 NOV 2021

**Question.3.(b)**

**(4 Marks)**

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, 2022 within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 2022, which have been finalised during May 2022. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of ₹ 2,000 under CGST and SGST each. Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger for the late fees. Give your guidance in this regard.

**Solution :**

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

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

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

### JULY 2021 (NEW COURSE)

**Question.8.(a)**

**(5 Marks)**

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

**Answer:**

Every registered person who is required to furnish a return and whose registration has been surrendered or cancelled is required to file a final return.

The 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) ₹ 100 for every day during which such failure continues

or

(ii) ₹ 5,000

whichever is lower.

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

### RTP NOV– 2020

Kalim & Associates made an application for cancellation of GST registration in the month of March due to closure of its business. Its application for cancellation of GST registration was approved on 14th September. In the given case, Kalim & Associates is:

(a) required to file Final Return on or before 13th December

(b) not required to file Final Return

(c) required to file Final Return on or before 30th September

(d) required to file Final Return on or before 14th December

**Answer: (d)**

**NOV 2019 (OLD COURSE)****Question.9. (b)****(5 Marks)**

Discuss about the late fee levied for delay in filing:

- (i) Final Return
- (ii) Annual Return

**Answer: Refer answer given in the book**

**MAY 2018 (NEW COURSE)****Question 12****(5 Marks)**

(c) Who is required to furnish Final Return under CGST Act, 2017 and what is the time limit for the same? Discuss.

**Answer: Refer answer given in the book**

**Question 16: Explain Notice to Return defaulters**

**Answer: Notice to Return Defaulters Section 46 / Rule 68**

Where a registered person fails to furnish a return under section 39 or section 44 or section 45, a notice shall be issued requiring him to furnish such return within fifteen days in GSTR-3A.

**Question 17: Explain Penalty for late filing of Return.**

**Answer: Levy of late fee Section 47**

If any person has not filed any return, notice shall be given u/s 46/ Rule 68 in form no. GSTR-3A.

**Penalty for delay in filing GSTR-1 or GSTR-3B shall be as given below:**

- (i) If output supply is nil and also tax payable in GSTR-3B is nil, penalty shall be ₹10 per day but maximum ₹250.
- (ii) In other cases, penalty shall be charged @ ₹25 per day for every day but maximum ₹1,000 provided aggregate turnover in the preceding financial year is upto ₹1.5 crores. If turnover is more than 1.5 crores but upto 5 crores, maximum penalty shall be ₹2,500. In all other cases maximum penalty shall be ₹5,000.

**Penalty for delay in filing GSTR-4 shall be as given below:**

- (i) If tax payable in GSTR-4 is nil, penalty shall be ₹10 per day but maximum ₹250
- (ii) In all other cases, penalty shall be ₹25 per day but maximum ₹1,000

The above Late Fee is under CGST Act, and an equal amount shall be payable under SGST/UTGST Act i.e. in fact the late fee shall be double of the amount as mentioned above.

Any registered person who fails to furnish the annual return u/s 44 by the due date shall be liable to pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum of an amount calculated at a quarter per cent of his turnover.

**Example 1:**

- (i) Delay is 20 days and turnover is ₹ 60,00,000, penalty shall be ₹ 2,000 or ₹ 15,000 i.e. ₹ 2,000
- (ii) Delay is 20 days and turnover is ₹ 10,00,000, penalty shall be ₹ 2,000 or ₹ 2,500 i.e. ₹ 2,000
- (iii) Delay is 40 days and turnover is ₹ 10,00,000, penalty shall be ₹ 4,000 or ₹ 2,500 i.e. ₹ 2,500
- (iv) Delay is 100 days and turnover is ₹ 50,00,000, penalty shall be ₹ 10,000 or ₹ 12,500 i.e. ₹ 10,000

Further equal amount shall be payable under SGST/UTGST Act.

**IPC NOV 2017 (MODIFIED)****Question 6****(Marks 3)**

Bring out the salient points in respect of fee leviable on late filing of GST returns and also determine the late fee payable by PQR Ltd., where the filing of GST return has been delayed by 45 days.

**Answer:** Refer answer in the book

**Question 18: Explain Purpose of Filing of Returns**

**Answer:** In any tax law, “filing of returns” constitutes the most important compliance procedure which enables the Government/ tax administrator to estimate the tax collection for a particular period and determine the correctness of the tax compliance of the taxpayers.

**The returns serve the following purposes:**

- a) Mode for transfer of information to tax administration;
- b) Compliance verification program of tax administration;
- c) Finalization of the tax liabilities of the taxpayer within stipulated period of limitation;
- d) Providing necessary inputs for taking policy decision;
- e) Management of audit and anti-evasion programs of tax administration

The taxpayer is generally required to furnish the return in a specific statutory format. These formats are, therefore, designed to take care of all the provisions of the law that have a bearing on computation of tax liability of a taxpayer.

**Question 19: Explain filing of return by the non resident taxable person**

**Answer:** Every non resident taxable person shall be required to file monthly return in GSTR 5 within 20 days after expiry of relevant month. But it should be filed within 7 days after the last day of period of registration specified u/s 27. (NRTP is not required to file GSTR 1 or GSTR 3B or Annual return)  
Section 39(5)/Rule 63

**Question 20: Explain filing of return by persons providing online information and database access or retrieval services**

**Answer: Form and manner of submission of return by persons providing online information and database access or retrieval services**

Every registered person providing online information and database access or retrieval services from a place outside India to a person in India other than a registered person shall file return in FORM GSTR-5A on or before the 20 days of the month succeeding the calendar month or part thereof. Rule 64 (such person are not required to file GSTR 1 or GSTR 3B or Annual return)

**Question 21: Explain filing of return by the input service distributor (Not covered in syllabus)**

**Answer:** Every input service distributor shall submit a monthly return in form no. GSTR 6 within 13 days after the end of relevant month (they are not required to file GSTR 1 or GSTR 3B or Annual return)  
Section 39(4) / Rule 65

**Question 22: Explain filing of return by the person required to deduct tax at source u/s 51 (Not covered in syllabus)**

**Answer:**

As per section 51, the following person shall be required to deduct tax at source

- (a) a department or establishment of the Central Government or State Government; or
- (b) local authority; or
- (c) Governmental agencies; or
- (d) such persons or category of persons as may be notified by the Government on the recommendations of the Council,

(hereafter in this section referred to as "the deductor"), to deduct tax at the rate of one per cent from the payment made or credited to the supplier (hereafter in this section referred to as "the deductee") of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand rupees:

Such person shall file monthly return in GSTR 7 within 10 days from the end of relevant month. (they are not required to file GSTR 1 or GSTR 3B or Annual return)

Section 39(3)/Rule 66

**Question 23: Explain filing of return by the Electronic Commerce operator required to collect tax u/s 52 (Not covered in syllabus)**

**Answer:** As per section 52, every electronic commerce operator (hereafter in this section referred to as the "operator"), not being an agent, shall collect an amount calculated at such rate not exceeding one per cent, as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator.

*Explanation.*—For the purposes of this sub-section, the expression "net value of taxable supplies" shall mean the aggregate value of taxable supplies of goods or services or both, other than services notified under sub-section (5) of section 9, made during any month by all registered persons through the operator reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.

Every electronic commerce operator required to collect tax at source u/s 52 shall furnish a monthly statement in GSTR 8 within **10 days** of the succeeding month (They are not required to file GSTR 1 or GSTR 3B but Annual return has to be filed in form no. GSTR 9B)

## PRACTICE PROBLEMS

**Question 1:** Mr. X, a regular taxpayer, did not make any taxable supply during the month of July.

Is he required to file a GSTR-3B?

**Answer:** A regular taxpayer is required to furnish a return u/s 39 for every month even if no supplies have been effected during such period. In other words, filing of Nil GSTR-3B is also mandatory.

Therefore, Mr. X is required to file GSTR-3B even if he did not make any taxable supply during the month of July.

**Question 2:** Mr. Kalpesh is a registered dealer in Kerala paying tax under composition levy from 1st April. However, he opts to pay tax under regular scheme from 1st December.

Is he liable to file GSTR-4 upto the month of November? Discuss.

**Answer:** Where a taxpayer opts to withdraw from the composition scheme, he has to file GSTR-4 for the period prior to his opting for payment of tax under regular scheme. Therefore, in the given case, Mr. Kalpesh is liable to file GSTR-4 upto the month of October since he was paying tax under composition scheme during the month of October.

**Question 3:** Mrs. Zarina, a registered dealer in Rajasthan, did not file GSTR-3B for the month of June but she wants to file GSTR-3B for the month of July.

Is it possible? Answer with reference to section 39 of the CGST Act.

**Answer:** As per section 39(10), a registered person is not allowed to furnish a return for a tax period if the return for any of the previous tax periods has not been furnished by him

Therefore, in the given case, Mrs. Zarina cannot file GSTR-3B for July if she has not filed GSTR-3B for the preceding month, i.e., June.

**Question 4:** X has not made any outward supply during the month of September. However, X has procured certain input services during the month. X is of the opinion that he can file Nil GSTR-3B for the month of September through SMS.

Whether the understanding of X is correct? Explain.

**Answer:** Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case X has received certain input services, he cannot file Nil GSTR- 3B through SMS as the said input services will need to be disclosed in the Table for Eligible ITC in GSTR-3B.

**Question 5:** Quicktax, a GST return filing service provider, has asked its clients to provide the scanned copies of the tax invoices issued to B2B customers for uploading on the GST portal and filing the return.

Whether the process followed by Quicktax is correct?

**Answer:** No, the process followed by Quicktax is not correct.

The registered persons supplying goods or services to B2B customers are required to upload the invoice wise details of supplies made during the tax period. However, there is no requirement to upload the scanned copies of the invoices issued to the customers on the GST portal at the time of filing returns. Only information required as per GST returns is to be captured in the return filing utility and the same is to be uploaded on the GST portal and not the scanned copies of the actual invoices.

**Question 6:** X Ltd. is winding up its business in Rajasthan. The Tax Consultant of X Ltd. Has suggested that X Ltd. will have to file either the annual return or the final return at the time of voluntary cancellation of registration in the state of Rajasthan. Do you agree with the stand taken by Tax Consultant of X Ltd.? Offer your comments.

**Answer:** No, the stand taken by Tax Consultant of X Ltd. is not correct.

Annual return is required to be filed by every registered person paying tax as a normal taxpayer. Final return is filed by the registered persons who have applied for cancellation of registration within three months of the date of cancellation or the date of cancellation order.

In the given case, X Ltd., a registered person, is winding up its business and has thus, applied for cancellation of registration. Therefore, it is required to file both annual return and final return.

## **MULTIPLE CHOICE QUESTIONS**

**1. Who is required to furnish details of outward supplies in Form GSTR-1?**

- (a) Person paying tax under composition scheme
- (b) Non-resident taxable person
- (c) Both (a) & (b)
- (d) None of the above

**2. What does N stand for in HSN?**

- (a) Network
- (b) Nationalization
- (c) Nomenclature
- (d) Nomination

**3. Which form is furnished for submission of details of outward supplies u/s 37?**

- (a) GSTR-1
- (b) GSTR-2
- (c) GSTR-3
- (d) GSTR-5

**4. Composition tax payer is required to file annual return in Form no. \_\_\_\_\_.**

- (a) GSTR-2
- (b) GSTR-3
- (c) GSTR-4
- (d) GSTR-5

**5. Which of the following are not required to file the Annual Return?**

- (a) Input Service Distributor
- (b) Casual Taxable Person
- (c) Non-resident Taxpayer
- (d) All of the above

**6. The maximum amount of late fee payable by any registered person on failure to furnish return under section 39 by the due date is ₹ \_\_\_\_.**

- (a) 1,000
- (b) 5,000
- (c) 10,000
- (d) 25,000

**7. The due date of filing Final Return is \_\_\_\_\_.?**

- (a) 20th of the next month
- (b) 18th of the month succeeding the quarter
- (c) Within three months of the date of cancellation or date of order of cancellation, whichever is later
- (d) 31st December of next financial year

**8. What is the due date for submission of monthly GSTR-3B for the persons who are required to file the return on monthly basis?**

- (a) on or before 10th day of the immediately succeeding month
- (b) on or before 15th day of the immediately succeeding month
- (c) on or before 17th day of the immediately succeeding month
- (d) on or before 20th day of the immediately succeeding month

**9. What is the due date for submission of Quarterly CMP-08?**

- (a) on or before 10th day of the immediately succeeding quarter
- (b) on or before 15th day of the immediately succeeding quarter
- (c) on or before 18th day of the immediately succeeding quarter
- (d) on or before 20th day of the immediately succeeding quarter

**10. Which of the following person are not required to file the GSTR-1?**

- (a) Input Service Distributor
- (b) Person paying tax under composition scheme

- (c) Non-resident Taxpayer
- (d) All of the above

**11. Contents of GSTR-1 are**

- (a) GSTIN
- (b) Legal Name and Trade Name
- (c) Aggregate turnover in previous year
- (d) All of the above
- (e) None of the above

**12. If turnover of person in preceding year is upto ₹5 crore then GSTR-1 shall be filed**

- (a) Monthly
- (b) Quarterly
- (c) Half-yearly
- (d) Yearly

**13. If turnover of person in preceding year is more than ₹5 crore then GSTR-1 shall be filed**

- (a) Monthly
- (b) Quarterly
- (c) Half-yearly
- (d) Yearly

**14. Annual return is required to file in Form no. \_\_\_\_\_.**

- (a) GSTR-4
- (b) GSTR-1
- (c) GSTR-6
- (d) GSTR-9

**Check Detailed Solution given on our website [www.mkgeducation.com](http://www.mkgeducation.com)  
(Icon /Heading No.11: Books)**



# PAYMENT OF GST

## SECTION 49, 49A, 49B, 50

### RULE 85, 86, 86A, 86B, 87, 88, 88A

**Question 1: Explain Payment of GST.**

**Answer: Payment of tax, interest, penalty and other amounts. Section 49.**

- (1) Every deposit made towards tax, interest, penalty, fee or any other amount by a person by internet banking or by using credit or debit cards or National Electronic Fund Transfer or Real Time Gross Settlement or by such other mode shall be credited to the electronic cash ledger of such person.
- (2) The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger.
- (3) 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.
- (4) The amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the Integrated Goods and Services Tax Act. It can not be used for making payment of other dues i.e. interest, penalty etc.

**Utilisation of input tax credit Section 49(5)/49A/49B/Rule 88A**

The amount of input tax credit available in the electronic credit ledger of the registered person on account of—

- (a) integrated tax shall first be utilised towards payment of integrated tax and the amount remaining, if any, may be utilised towards the payment of central tax and State tax, or as the case may be, Union territory tax, in any order. Further ITC of IGST should be used first.
- (b) the central tax shall first be utilised towards payment of central tax and the amount remaining, if any, may be utilised towards the payment of integrated tax;
- (c) the State tax shall first be utilised towards payment of State tax and the amount remaining, if any, may be utilised towards payment of integrated tax:  
**Provided** that the input tax credit on account of State tax shall be utilised towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax;
- (d) the Union territory tax shall first be utilised towards payment of Union territory tax and the amount remaining, if any, may be utilised towards payment of integrated tax:  
**Provided** that the input tax credit on account of Union territory tax shall be utilised towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax;
- (e) the central tax shall not be utilised towards payment of State tax or Union territory tax; and
- (f) the State tax or Union territory tax shall not be utilised towards payment of central tax.
- (6) The balance in the electronic cash ledger or electronic credit ledger after payment of tax, interest, penalty, fee or any other amount payable under this Act or the rules made thereunder may be refunded in accordance with the provisions of section 54.
- (7) All liabilities of a taxable person under this Act shall be recorded and maintained in an electronic liability register in such manner as may be prescribed.
- (8) Every taxable person shall discharge his tax and other dues under this Act or the rules made thereunder in the following order, namely:—
  - (a) self-assessed tax, and other dues related to returns of previous tax periods;
  - (b) self-assessed tax, and other dues related to the return of the current tax period;

(c) any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74;

(9) Every person who has paid the tax on goods or services or both under this Act shall, unless the contrary is proved by him, be deemed to have passed on the full incidence of such tax to the recipient of such goods or services or both.

*Explanation.*—For the purposes of this section,—

(a) the date of credit to the account of the Government in the authorised bank shall be deemed to be the date of deposit in the electronic cash ledger;

(b) the expression,—

(i) "tax dues" means the tax payable under this Act and does not include interest, fee and penalty; and

(ii) "other dues" means interest, penalty, fee or any other amount payable under this Act or the rules made thereunder.

(10) A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under this Act, to the electronic cash ledger for integrated tax, central tax, State tax, Union territory tax or cess, in such form and manner and subject to such conditions and restrictions as may be prescribed and such transfer shall be deemed to be a refund from the electronic cash ledger under this Act.

(11) Where any amount has been transferred to the electronic cash ledger under this Act, the same shall be deemed to be deposited in the said ledger as provided in sub-section (1).

### MAY 2019 (NEW COURSE)

#### Question 7 (b)

(2 Marks)

M/s. Daksha Enterprises has made a cash deposit of ₹ 10,000 under minor head 'tax' of major head 'SGST'. It has a liability of ₹ 2,000 for minor head "Interest" under the major head "SGST".

State whether M/s. Daksha Enterprises can utilize the amount available for payment of interest.

**Answer:**

**As per Section 49 (10)/Rule 87 (13)** A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger, to the electronic cash ledger for any other major head or minor head by submitting form PMT-09.

As per the above provision M/s Daksha Enterprises can transfer fund from minor head tax to Interest by filing PMT-09 and after transfer of such fund Daksha Enterprises can utilize the amount for payment of Interest.

### NOV 2018 (NEW COURSE)

#### Question 11 (a)

(3 Marks)

(ii) Electronic cash ledger balance of ₹5,000 under the major head of IGST can be utilized for discharging the liability of major head of CGST.

**Answer:**

**True: As per Section 49 (10)/Rule 87 (13)** A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger, to the electronic cash ledger for any major or minor head by submitting form PMT-09.

As per the above provision, a registered person can transfer fund from major head (IGST) to other Major head (CGST) by submitting PMT-09 and after transfer of such fund a registered person can utilize the amount for payment of CGST.

#### Question 12 (c) (ii)

Mr. Jimmy wants to adjust input tax credit for payment of interest, penalty and payment of tax under reverse charge. Explain whether he can do so. (3 Marks)

**Answer: Payment of tax, interest, penalty and other amounts. Section 49.**

The amount available in the electronic credit ledger can be used only for making payment of tax i.e. IGST, CGST or SGST/UTGST but it cannot be used for making payment of other dues like interest or penalty or fine etc. but amount in the cash ledger can be used for tax or even for other dues like interest/penalty etc.

**Example:** ABC limited has balance of ₹ 10,00,000 in credit ledger and company has to pay interest/penalty ₹50,000, in this case it cannot be adjusted from credit ledger rather it has to be paid in cash.

If tax is payable under reverse charge or it is a payment under composition scheme, it can also be paid only from cash ledger and not from credit ledger.

**Example:** ABC Limited has taken services from XYZ limited ₹ 10,00,000 + GST ₹ 1,00,000 but tax is payable under reverse charge and ABC limited has balance in credit ledger ₹10,00,000 in this case, ABC limited has to pay ₹1,00,000 in cash (and it cannot be adjusted from balance in credit ledger because it is input tax) and ABC limited shall be allowed ITC of ₹1,00,000 and balance in credit ledger shall be ₹11,00,000. ITC can be adjusted in payment of Output tax not Input Tax.

### NOV 2020 (NEW COURSE)

**Question 8 (b).**

**5 Marks**

Explain the order of discharge of tax and other dues as per provisions of Section 49 (8) of the CGST Act, 2017.

**Answer:** Every taxable person shall discharge his tax and other dues under this Act in the following order, namely:—

- (a) self-assessed tax, and other dues related to returns of previous tax periods;
- (b) self-assessed tax, and other dues related to the return of the current tax period;
- (c) any other amount payable under this Act including the demand determined under section 73 or section 74.

### RTP MAY 2020

**Question 15**

Mr. Ram Narayan, a registered supplier under GST, wants to first discharge his self assessed tax liability for the current period before settling the dues for the previous tax period. Examine briefly whether he can do so?

**Answer**

As per section 49(8) of the CGST Act, 2017, the liability of a taxable person has to be discharged in a chronological order as under:-

- (a) self-assessed tax and other dues for the previous tax periods have to be discharged first;
- (b) the self-assessed tax and other dues for the current period have to be discharged next;
- (c) Once these two steps are exhausted, thereafter any other amount payable including demand determined under section 73 or section 74 of the CGST Act, 2017 to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last.

This sequence has to be mandatorily followed.

Thus, in view of the above-mentioned provisions, Mr. Ram Narayan cannot discharge his self-assessed tax liability for the current period before settling the dues for the previous tax period.

**Question 2: Explain Payment of Interest on delayed payment of tax**

**Answer: Interest on delayed payment of tax Section 50.**

(1) Every person who is liable to pay tax in accordance with the provisions of this Act, but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding eighteen per cent, as may be notified by the Government on the recommendations of the Council:

**Provided** that the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date in accordance with the provisions of section 39, except where such return is furnished after commencement of any proceedings under section 73 or section 74 in respect of the said period, shall be levied on that portion of the tax that is paid by debiting the electronic cash ledger.

(2) The interest shall be calculated, from the day succeeding the day on which such tax was due to be paid.

(3) A taxable person who makes an undue or excess claim of input tax credit or excess reduction in output tax liability, shall pay interest on such undue or excess claim or on such undue or excess reduction, as the case may be, at such rate not exceeding twenty-four per cent, as may be notified by the Government on the recommendations of the Council.

### **Illustration:**

M/s ABC Ltd., have filed their GSTR3B for the month of July, 2021 within the due date prescribed under Section 39 i.e. 20.08.2021. Post filing of the return, the registered person has noticed during September 2021 that tax dues for the month of July, 2021 have been short paid for ₹ 40,000. M/s ABC Ltd., has paid the above shortfall of ₹ 40,000, through GSTR3B of September 2021, filed on 20.10.2021 [payment through Cash ledger - ₹ 30,000 and Credit ledger ₹ 10,000]. Examine the Interest payable under the CGST Act, 2017.

What would be your answer if, GSTR3B for the month of July 2021 has been filed belatedly on 20.10.2021 and the self-assessed tax of ₹ 40,000/- has been paid on 20.10.2021 [payment through electronic cash ledger - ₹ 30,000 and electronic credit ledger ₹ 10,000]

### **Notes:**

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

### **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 Section 50, interest is payable on the net tax liability paid in cash, only if the return to be filed for a tax period under Section 39, has been filed after the due date to furnish such return.

In the above scenario, M/s ABC Ltd., has defaulted in making the payment for ₹40,000 on self-assessment basis in the return for the month of July, 2021. Accordingly, interest is payable on the gross liability.

Thus, the amount of interest payable by M/s ABC Ltd., is as under:-

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

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

Alternatively, if M/s ABC Ltd., have filed the return for the month of July, 2021 on 20.10.2021, beyond the stipulated due date of 20.08.2021 and if the self-assessed tax for July, 2021 has been paid on 20.10.2021, Interest shall be payable on the tax paid through Electronic Cash Ledger only.

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

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

## **NOV 2019 (OLD COURSE)**

### **Question.9. (b)**

**(4 Marks)**

Mr. Alok, a registered supplier of taxable goods, files GSTR 3B for the month of January 2022 on 15<sup>th</sup> April, 2022. The prescribed due date to file the said GSTR 3B was 20<sup>th</sup> February, 2022. The amount of net GST payable on supplies made by him for the said month worked out to ₹ 36,500 which was paid on the same date of filing the return.

Briefly explain the related provision and compute the amount of interest payable under the CGST Act, 2017 by Mr. Alok.

**Answer: Interest on delayed payment of tax Section 50.**

(1) Every person who is liable to pay tax fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest @ 18% per annum for the period of delay.

(2) A taxable person who makes an undue or excess claim of input tax credit or undue or excess reduction in output tax liability shall pay interest on such undue or excess claim etc @ 24% per annum.

In the given case, it is a case of delay in payment of GST hence 18% per annum shall be chargeable.

For January 2022 return filing due date is 20<sup>th</sup> February, 2022

Tax paid on 15<sup>th</sup> April 2022

Period of default - 20<sup>th</sup> February to 15<sup>th</sup> April 2022 = Feb-8, March-31, April-15 = 54 days

Interest = ₹36,500 x 54/365 x 18% = ₹972

### **NOV 2018 (OLD COURSE)**

**Question 11(b)**

**(4 Marks)**

M/s Software Limited reduced the amount of ₹2,00,000 from the output tax liability in contravention of provisions of the CGST Act, 2017 in the month of December 2021, which is ineligible credit. A show cause notice was issued by the Tax Department to pay Tax along with interest. M/s Software Limited paid the tax and interest on 31<sup>st</sup> March, 2022. Calculate Interest liability (Ignore Penalty).

**Answer: Interest on delayed payment of tax Section 50.**

(1) Every person who is liable to pay tax fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest @ 18% per annum for the period of delay.

(2) A taxable person who makes an undue or excess claim of input tax credit or undue or excess reduction in output tax liability shall pay interest on such undue or excess claim etc @ 24% per annum.

In the given case, it is a case of excess claim of input tax credit hence 24% per annum shall be chargeable.

For December 2021 return filing due date is 20<sup>th</sup> January, 2022

Tax paid on 31<sup>st</sup> March 2022

Period of default - 20<sup>th</sup> January to 31<sup>st</sup> March 2022 = Jan-11, Feb-28, March-31 = 70 days

Interest = ₹2,00,000 x 70/365 x 24% = ₹9,205.48

### **MAY 2018 (NEW COURSE)**

**Question 12**

**(5 Marks)**

(a) Discuss the following in terms of provisions of CGST Act, 2017:

When interest shall be payable by a registered person and what is the maximum rate of interest chargeable for the same?

**Answer: Refer answer given in the book**

### **MAY 2018 (OLD COURSE)**

**Question 10 (b)**

**(5 Marks)**

(ii) When interest is payable?

**Answer: Refer answer given in the book**

**Question 3: Explain Electronic Liability Register****Answer: Electronic Liability Register Rule 85.**

- (1) The electronic liability register shall be maintained in FORM GST PMT-01 for each person liable to pay tax, interest, penalty, late fee or any other amount on the common portal and all amounts payable by him shall be debited to the said register.
- (2) The electronic liability register of the person shall be debited by—
- the amount payable towards tax, interest, late fee or any other amount payable as per the return furnished by the said person;
  - the amount of tax, interest, penalty or any other amount payable as determined by a proper officer in pursuance of any proceedings under the Act or as ascertained by the said person;
  - any amount of interest that may accrue from time to time.
- (3) Subject to the provisions of section 49, section 49A and section 49B, payment of every liability by a registered person as per his return shall be made by debiting the electronic credit ledger or the electronic cash ledger and the electronic liability register shall be credited accordingly.
- (4) The amount payable on reverse charge basis, or the amount payable under section 10, any amount payable towards interest, penalty, fee or any other amount under the Act shall be paid by debiting the electronic cash ledger.
- Example:** ABC limited has balance of ₹ 10,00,000 in credit ledger and company has to pay interest/penalty ₹50,000, in this case it cannot be adjusted from credit ledger rather it has to be paid in cash.
- Example:** ABC Limited has taken services from XYZ limited ₹ 10,00,000 + GST ₹ 1,00,000 but tax is payable under reverse charge and ABC limited has balance in credit ledger ₹10,00,000 in this case, ABC limited has to pay ₹1,00,000 in cash (and it cannot be adjusted from balance in credit ledger because it is input tax) and ABC limited shall be allowed ITC of ₹1,00,000 and balance in credit ledger shall be ₹11,00,000. ITC can be adjusted in payment of Output tax not Input Tax.
- (7) A registered person shall, upon noticing any discrepancy in his electronic liability ledger, communicate the same to the officer exercising jurisdiction in the matter, through the common portal in FORM GST PMT-04.

**NOV 2019 (NEW COURSE)****Question.8. (c) (ii)****(3 Marks)**

State the items which are to be debited to electronic liability register of the taxable person under the CGST Act, 2017 and rules thereunder.

**Answer: Refer answer given in the book**

**MAY 2019 (OLD COURSE)****Question 10 (b)****(5 Marks)**

What are the E-ledgers? State the entries to be debited to electronic liability register under the CGST Act, 2017 and the CGST Rules, 2017.

**Answer: Refer answer given in the book**

**Question 4: Explain Electronic credit ledger.****Answer: Electronic Credit Ledger Rule 86.**

- (1) The electronic credit ledger shall be maintained in FORM GST PMT-02 for each registered person eligible for input tax credit under the Act on the common portal and every claim of input tax credit under the Act shall be credited to the said ledger.
- (2) The electronic credit ledger shall be debited to the extent of discharge of any liability in accordance with the provisions of section 49 <sup>1</sup>[or section 49A or section 49B,].
- (3) Where a registered person has claimed refund of any unutilized amount from the electronic credit ledger in accordance with the provisions of section 54, the amount to the extent of the claim shall be debited in the said ledger.

(4) If the refund so filed is rejected, either fully or partly, the amount debited under sub-rule (3), to the extent of rejection, shall be re-credited to the electronic credit ledger by the proper officer by an order made in FORM GST PMT-03.

²[(4A) Where a registered person has claimed refund of any amount paid as tax wrongly paid or paid in excess for which debit has been made from the electronic credit ledger, the said amount, if found admissible, shall be re-credited to the electronic credit ledger by the proper officer by an order made in FORM GST PMT-03.]

(5) Save as provided in the provisions of this Chapter, no entry shall be made directly in the electronic credit ledger under any circumstance.

(6) A registered person shall, upon noticing any discrepancy in his electronic credit ledger, communicate the same to the officer exercising jurisdiction in the matter, through the common portal in FORM GST PMT-04.

**Question 5: 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?**

**Answer: Conditions of use of amount available in electronic credit ledger Rule 86A**

(1) The Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, having reasons to believe that credit of input tax available in the electronic credit ledger has been fraudulently availed or is ineligible in as much as—

- (a) the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36—
  - (i) issued by a registered person who has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or
  - (ii) without receipt of goods or services or both; or
- (b) the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36 in respect of any supply, the tax charged in respect of which has not been paid to the Government; or
- (c) the registered person availing the credit of input tax has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or
- (d) the registered person availing any credit of input tax is not in possession of a tax invoice or debit note or any other document prescribed under rule 36,

may, for reasons to be recorded in writing, not allow debit of an amount equivalent to such credit in electronic credit ledger for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.

(2) The Commissioner, or the officer authorised by him may, upon being satisfied that conditions for disallowing debit of electronic credit ledger as above, no longer exist, allow such debit.

(3) Such restriction shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction.

### **NOV 2020 (NEW COURSE)**

**Question 8 (a).**

**(5 Marks)**

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?

**Answer: Refer answer given in the chapter**

**Question 6: Restrictions on use of amount available in electronic credit ledger.**

**Answer: Rule 86B**. Notwithstanding anything contained in these rules, the registered person shall not use the amount available in electronic credit ledger to discharge his liability towards output tax in excess of ninety-nine per cent. of such tax liability, in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds fifty lakh rupees:

**Provided** that the said restriction shall not apply where -

- (a) the said person or the proprietor or karta or the managing director or any of its two partners, whole-

time Directors, Members of Managing Committee of Associations or Board of Trustees, as the case may be, have paid more than one lakh rupees as income tax under the Income-tax Act, 1961(43 of 1961) in each of the last two financial years for which the time limit to file return of income under subsection (1) of section 139 of the said Act has expired; or

- (b) the registered person has received a refund amount of more than one lakh rupees in the preceding financial year on account of unutilised input tax credit under clause (i) of first proviso of subsection (3) of section 54; or
- (c) the registered person has received a refund amount of more than one lakh rupees in the preceding financial year on account of unutilised input tax credit under clause (ii) of first proviso of subsection (3) of section 54; or

54(3), A registered person may claim refund of any unutilised input tax credit at the end of any tax period:

**Provided** that no refund of unutilised input tax credit shall be allowed in cases other than—

- (i) zero-rated supplies made without payment of tax;
- (ii) where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than *nil* rated or fully exempt supplies), except supplies of goods or services or both as may be notified by the Government on the recommendations of the Council:

- (d) the registered person has discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current financial year; or
- (e) the registered person is -
  - (i) Government Department; or
  - (ii) a Public Sector Undertaking; or
  - (iii) a local authority; or
  - (iv) a statutory body:

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

### **Question 7: Explain Electronic cash ledger.**

#### **Answer: Electronic Cash Ledger Rule 87.**

(1) The electronic cash ledger shall be maintained in FORM GST PMT-05.

(2) Any person, or a person on his behalf, shall generate a challan in FORM GST PMT-06 on the common portal and enter the details of the amount to be deposited by him towards tax, interest, penalty, fees or any other amount:

**[Provided** that the challan in FORM GST PMT-06 generated at the common portal shall be valid for a period of fifteen days:

(3) The deposit shall be made through any of the following modes, namely:—

- (i) Internet Banking through authorised banks;
- (ii) Credit card or Debit card through the authorised bank;
- (iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- (iv) Over the Counter payment through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft:

**Provided** that the restriction for deposit up to ten thousand rupees per challan in case of an Over the Counter payment shall not apply to deposit to be made by -

- (a) Government Departments or any other deposit to be made by persons as may be notified by the Commissioner in this behalf;
- (b) Proper officer or any other officer authorised to recover outstanding dues from any person, whether registered or not, including recovery made through attachment or sale of movable or immovable properties;



- (c) Proper officer or any other officer authorised for the amounts collected by way of cash, cheque or demand draft during any investigation or enforcement activity or any ad hoc deposit:
- (4) Any payment required to be made by a person who is not registered under the Act, shall be made on the basis of a temporary identification number generated through the common portal.
- (5) Where the payment is made by way of National Electronic Fund Transfer or Real Time Gross Settlement mode from any bank, the mandate form shall be generated along with the challan on the common portal and the same shall be submitted to the bank from where the payment is to be made:  
**Provided** that the mandate form shall be valid for a period of fifteen days from the date of generation of challan.
- (6) On successful credit of the amount to the concerned government account maintained in the authorised bank, a Challan Identification Number shall be generated by the collecting bank and the same shall be indicated in the challan.
- (7) On receipt of the Challan Identification Number from the collecting bank, the said amount shall be credited to the electronic cash ledger of the person on whose behalf the deposit has been made and the common portal shall make available a receipt to this effect.
- (8) Where the bank account of the person concerned, or the person making the deposit on his behalf, is debited but no Challan Identification Number is generated or generated but not communicated to the common portal, the said person may represent electronically in FORM GST PMT-07 through the common portal to the bank or electronic gateway through which the deposit was initiated.
- (10) Where a person has claimed refund of any amount from the electronic cash ledger, the said amount shall be debited to the electronic cash ledger.
- (11) If the refund so claimed is rejected, either fully or partly, the amount debited under sub-rule (10), to the extent of rejection, shall be credited to the electronic cash ledger by the proper officer by an order made in FORM GST PMT-03.
- (12) A registered person shall, upon noticing any discrepancy in his electronic cash ledger, communicate the same to the officer exercising jurisdiction in the matter, through the common portal in FORM GST PMT-04.
- (13) A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the Act to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess in **FORM GST PMT-09**.

### **The term relevant for the challan**

(a) **CPIN Stands for Common Portal Identification Number** It is created for every Challan successfully generated by the taxpayer. It is a 14-digit unique number to identify the challan. CPIN remains valid for a period of 15 days.

(b) **CIN or Challan Identification Number** is generated by the banks, once payment in lieu of a generated Challan is successful. It is a 17-digit number that is 14-digit CPIN plus 3-digit Bank Code.

CIN is generated by the authorized banks/Reserve Bank of India (RBI) when payment is actually received by such authorized banks or RBI and credited in the relevant government account held with them. It is an indication that the payment has been realized and credited to the appropriate government account. CIN is communicated by the authorized bank to taxpayer as well as to GSTN.

(c) **Bank Reference Number** is the transaction number given by the bank for a payment against a Challan

(d) **E-FPB Stands for Electronic Focal Point Branch** These are branches of authorized banks which are authorized to collect payment of GST. Each authorized bank will nominate only one branch as its E-FPB for pan India transaction.

The E-FPB will have to open accounts under each major head for all governments. Any amount received by such E-FPB towards GST will be credited to the appropriate account held by such E-FPB.

**MTP-2 NOV– 2021**

**Question 3(b)**

**(4 Marks)**

**Solution:**

Provisions of Section 49(10) of CGST Act, 2017 permit a registered person for transferring the amount deposited under any of the minor head i.e. tax, interest, penalty, fees or others to any of the heads under

IGST/CGST/SGST/UTGST and make the payment of taxes there upon. Accordingly, Mr. A need not deposit the tax amount under head “ tax” and claim a refund for the remittance of amount deposited under head ”interest. Rather, using the Form GST PMT 09, such amount can be transferred suo-moto on the common portal from “interest” to “tax” head and tax liability be paid

### RTP NOV– 2020

Suhasini is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid ₹75,000 to various vendors. Total GST involved on the goods and services procured by her is ₹13,500. Out of the total bills paid by her, one bill for ₹15,000 relates to security services availed for security of her office, tax on which is payable under reverse charge.

GST involved in such bill is ₹2,700.

Suhasini is of the opinion that for the month of October, no GST is payable from electronic cash ledger as she has sufficient balance of ITC for payment of GST under reverse charge on security services.

Do you think Suhasini is right? Explain with reasons.

**Answer:** The amount available in the electronic credit ledger, i.e. input tax credit may be used for making any payment towards output tax. Output tax, in relation to a taxable person, means the tax chargeable on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis. Therefore, input tax credit cannot be used to pay the tax liability under reverse charge. The same is always required to be paid through electronic cash ledger and not electronic credit ledger. Thus, Suhasini is wrong and she should pay GST of ₹2,700 on security service through electronic cash ledger.

### MTP - NOV 20 (4 Marks)

Angira Ltd. is a supplier of taxable goods in Karnataka. It got registered under GST in the month of September, 2021 and wishes to pay its IGST liability for the month. Since it is making the GST payment for the first time, it is of the view that it needs to mandatorily has the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Angira Ltd. regarding the various modes of deposit in the electronic cash ledger. Further, advise it with regard to following issues:

- (a) Are manual challans allowed under GST?
- (b) What is the validity period of the challan?

**Answer:** As per the provisions of CGST Act, 2017 read with relevant rules, the deposit in electronic cash ledger can be made through any of the following modes, namely:-

- (i) Internet Banking through authorised banks;
- (ii) Credit card or Debit card through the authorised bank;
- (iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- (iv) Over the Counter payment through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft.

Thus, offline mode is also permitted under GST subject to specified conditions.

- (a) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.
- (b) Challan is valid for a period of 15 days.

### MAY 2018 (OLD COURSE)

#### Question 10 (b)

(5 Marks)

Answer the following with reference to GST Laws:

- (i) What is CIN?

**Answer: Refer answer given in the book**

**Discrepancy in Liability/credit/cash ledger**

The registered person should report any discrepancy through the common portal in GST PMT-04.

**Question 8: Explain Identification number for each transaction**

**Answer: Identification number for each transaction Rule 88.**

- (1) A unique identification number shall be generated at the common portal for each debit or credit to the electronic cash or credit ledger, as the case may be.
- (2) The unique identification number relating to discharge of any liability shall be indicated in the corresponding entry in the electronic liability register.

**Question 9: Are principles of unjust enrichment applicable for payment made under GST?**

**Answer:** Yes, as per Section 49 of the CGST Act, 2017 every person who has paid the tax on goods or services or both under this Act shall, unless the contrary is proved by him, be deemed to have passed on the full incidence of such tax to the recipient of such goods or services or both. In fact a supplier shall charge GST from the recipient and if GST charged is in excess, its incidence is on the recipient hence refund shall be granted to the recipient because otherwise it will be unjust enrichment.

**RTP MAY 2019**

Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 2021 and wishes to pay his IGST liability for the month. Since he's making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Sahil regarding the various modes of deposit in the electronic cash ledger. Further, advise him with regard to following issues:

- (a) Are manual challans allowed under GST?
- (b) What is the validity period of the challan?
- (c) Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?

**Answer**

Section 49(1) of CGST Act, 2017 read with rule 87 of CGST Rules, 2017 provides that the deposit in electronic cash ledger can be made through any of the following modes, namely:-

- (i) Internet Banking through authorised banks;
- (ii) Credit card or Debit card through the authorised bank;
- (iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- (iv) Over the Counter payment through authorised banks.

Thus, offline mode is also permitted under GST.

**(a)** Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.

**(b) E-challan is valid for a period of 15 days.**

**(c)** Amount entered under any Minor head (Tax, Interest, Penalty, etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be utilized and Cross-utilization among Major and Minor heads is possible.

**Form GST PMT –06**  
*[See rule 87(2)]*  
**Challan for deposit of goods and services tax**

CPIN	<<Auto Generated after submission of information>>	Date <<Current date>>	Challan Expiry Date --
------	--	-----------------------	------------------------

GSTIN	<<Filled in/Auto populated>>	Email address	<<Auto Populated>>
Name (Legal)	<<Auto Populated>>	Mobile No.	<<Auto Populated>>
Address	<<Auto Populated>>		

Government		Major Head	Minor Head					(All Amount in Rs.)
			Tax	Interest	Penalty	Fee	Others	Total
Government of India		Central Tax (----)						
		Integrated Tax (----)						
		CESS (----)						
		Sub-Total						
State (Name)		State Tax (-- --)						
UT (Name)		UT Tax (----)						
Total Challan Amount								
Total Amount in words								

Mode of Payment (relevant part will become active when the particular mode is selected)

E-Payment  
 (This will include all modes of e-payment such as CC/DC and net banking. Tax Payer will choose one of this)

<input type="checkbox"/> Over the Counter (OTC)		
Bank (Where cash or instrument is proposed to be deposited)		
Details of Instrument		
<input type="checkbox"/> Cash	<input type="checkbox"/> Cheque	<input type="checkbox"/> Demand Draft

<input type="checkbox"/> NEFT/RTGS	
Remitting bank	
Beneficiary name	GST
Beneficiary Account Number (CPIN)	<CPIN>
Name of beneficiary bank	Reserve Bank of India
Beneficiary Bank's Indian Financial System Code (IFSC)	IFSC of RBI

Amount	
<i>Note: Charges to be separately paid by the person making payment.</i>	
Particulars of depositor	
Name	
Designation/ Status (Manager, partner etc.)	
Signature	
Date	
Paid Challan Information	
GSTIN	
Taxpayer Name	
Name of Bank	
Amount	
Bank Reference No. (BRN)/UTR	
CIN	
Payment Date	
Bank Ack. No. (For Cheque / DD deposited at Bank's counter)	

Note - UTR stands for Unique Transaction Number for NEFT / RTGS payment

### FORM GST PMT -09

[See rule 87(13)]

#### Transfer of amount from one account head to another in electronic cash ledger

1.	GSTIN	
2.	(a) Legal name	<Auto>
	(b) Trade name, if any	<Auto>
3.	ARN	
4.	Date of ARN	

5. Details of the amount to be transferred from one account head to another

(Amount in Rs.)

Amount to be transferred from			Amount to be transferred to		
Major head	Minor head	Amount available	Major Head	Minor head	Amount transferred
1	2	3	4	5	6
<Central tax, State/ UT tax, Integrated tax, Cess>	Tax		<Central tax, State / UT tax Integrated tax, Cess>	Tax	
	Interest			Interest	
	Penalty			Penalty	
	Fee			Fee	
	Others			Others	
	Total			Total	

6. Verification

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.

Place

Signature  
Name of Authorised Signatory

Date

Designation /Status

**Instructions -**

1. Major head refers to - Integrated tax, Central tax, State/UT tax and Cess.
2. Minor head refers to – tax, interest, penalty, fee and others.
3. The form may be filled up if amount from one major / minor head is intended to be transferred to another major/minor head. Minor head for transfer of amount may be same or different.
4. The amount from one minor head can also be transferred to another minor head under the same major head.
5. Amount can be transferred from the head only if balance under that head is available at the time of transfer.

## PRACTICE PROBLEM

**Q1.** Can one use input tax credit for payment of interest, penalty, and payment under reverse charge?

**Answer:** No, as per Section 49 of the CGST Act, 2017 the amount available in the electronic credit ledger may be used for making any payment towards 'output tax'. As per Section 2 (82) "output tax" in relation to a taxable person, means the tax chargeable under this Act on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis;

Therefore, input tax credit cannot be used for payment of interest, penalty, and payment under reverse charge.

**Q2.** State the name of output tax under GST, where any of the input tax credit under GST can be adjusted?

**Answer:** IGST. IGST, CGST, SGST, UTGST i.e. all input tax credit can be adjusted against output tax liability known as IGST.

**Q3.** ABC limited filed the return for GST under section 39 for the month of November on 20th, December showing self assessed tax of ₹2,50,000 which was not paid. Explain what are the implications for ABC limited as per relevant provisions?

**Answer:** As per section 2(117) of CGST Act, "valid return" means a return furnished under section 39 on which self-assessed tax has been paid in full. Hence, in such a case, the return is not considered as a valid return and also input tax credit will not be allowed to the recipient of supplies.

**Q4.** Examine the authority vested under CGST Act, 2017 for preventing a registered person from utilising the input tax credit availed in a fraudulent manner?

**Answer:** Every registered person, shall avail the input tax credit through a return filed under Section 39 of CGST Act, 2017. Input Tax credit availed shall be credited to electronic credit ledger under section 41 of the CGST Act, 2017 on a provisional basis. As per provisions contained in Rule 86A, In case the Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, has reasons to believe that ITC available in the electronic credit ledger has been fraudulently availed or is ineligible, he may prohibit use of ITC for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.

**Q5.** Mr. A has deposited a sum of ₹ 30,000 under minor head of "Interest" column for the major head "IGST". At the time of filing GSTR-3B for a particular tax period, he noticed that there is no sufficient amount under the minor head 'Tax' towards payment of ₹ 30,000. When approached with the Jurisdictional Tax officer, Mr. A was guided to deposit the tax amount under proper head of account and claim a refund for the remittance of amount deposited under head "interest". Examine the relevant provisions of CGST Act, 2017 towards payment of tax and compliance with the law.

**Answer:** Provisions of Section 49(10) of CGST Act, 2017 permit a registered person for transferring the amount deposited under any of the minor head i.e. tax, interest, penalty, fees or others to any of the heads under IGST/CGST/SGST/UTGST and make the payment of taxes there upon. Accordingly, Mr. A need not deposit the tax amount under head "tax" and claim a refund for the remittance of amount deposited under head "interest". Rather, using the Form GST PMT09, such amount can be transferred suo motu on the common portal from "interest" to "tax" head and tax liability be paid

**Q6.** M/s PPC Ltd., has availed Input Tax credit for ₹ 54,000/- IGST during February 2022 on a particular purchase. Accounting records for the above purchase, indicate that IGST paid to the supplier is ₹ 45,000/- as per the bill received. GSTR1 uploaded by the supplier for the above supply indicates ₹ 45,000/- as tax paid. Examine as per GST provisions, what value shall be updated in the ledgers maintained on behalf of M/s PPC Ltd., on the common portal

**Answer:** M/s PPC Ltd., have accounted and paid ₹ 45,000/- as IGST to the supplier concerned. However, availment of input tax credit has been made for ₹ 54,000/-.

As per Section 49(2) of CGST Act, 2017 "The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41, to be maintained in such manner as may be prescribed."

Accordingly, electronic credit ledger of M/s PPC Ltd., shall be updated with a value of ₹ 54,000/- as per self- assessed return to be filed for February 2022, though the input tax credit shown by the supplier is only for ₹ 45,000/-.

**Q7.** 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, 2022 within the specified due date . Reason for such delay is attributable to delay in closure of Books for March 2022, which have been finalised during May 2022. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of ₹ 2,000 under CGST and SGST each. Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger for the late fees. Give your guidance in this regard

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

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

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

**Q8.** How many types of electronic ledger/register are there?

**Answer:**

- (a) Electronic cash ledger
- (b) Electronic credit ledger
- (c) Electronic liability register

**Q9.** What are the main features of GST payment process?

**Answer:** The main features of GST payment process are as follows:-

- (a) Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan;
- (b) Facilitation for the tax payer by providing hassle free, anytime, anywhere mode of payment of tax;
- (c) Convenience of making payment online;
- (d) Realtime data for tax collection in electronic format;
- (e) Faster remittance of tax revenue to the Government Account;
- (f) Paperless transactions;
- (g) Speedy Accounting and reporting;
- (h) Electronic reconciliation of all receipts;
- (i) Simplified procedure for banks;
- (j) Warehousing of Digital Challan.



## MULTIPLE CHOICE QUESTIONS

**1. Which of these electronic ledgers are maintained online?**

- (a) Electronic liability register (b) Electronic credit ledger  
(c) Electronic cash ledger (d) All of the above

**2. Deposits towards tax, penalty, interest, fee or any other amount are credited into the-----  
-- of a taxable person.**

- (a) Electronic liability register (b) Electronic credit ledger  
(c) Electronic cash ledger (d) All of the above

**3. Input tax credit as self-assessed in the return of the registered person shall be credited to which of the following ledger?**

- (a) Electronic liability register (b) Electronic credit ledger  
(c) Electronic cash ledger (d) All of the above

**4. Which of the following items are debited to electronic credit ledger?**

- (a) Output tax (b) Interest  
(c) Penalty (d) All of the above

**5. Balance in electronic credit ledger under SGST can be used against which liability?**

- (a) SGST Liability only (b) SGST and IGST liability  
(c) SGST, IGST and CGST liability (d) None of the above

**6. Which input tax credit cannot be claimed against which output tax liability?**

- (a) IGST, SGST (b) CGST, IGST  
(c) SGST, IGST (d) CGST, SGST

**7. Interest is payable on:-**

- (a) Belated payment of tax (b) Undue/excess claim of input tax credit  
(c) Undue/ excess reduction in output tax liability (d) All of the above

**8. Which of the following liability cannot be adjusted against input tax credit of CGST?**

- (a) IGST (b) SGST/UTGST  
(c) All of the above (d) None of the above

**9. Which of the following shall be discharged first, while discharging liability of a taxable person?**

- (a) All dues related to previous tax period (b) All dues related to current tax period  
(c) Demand raised under section 73 and 74 (d) No such condition is mandatory

**10. Interest is calculated:-**

- (a) From the day following the day on which tax becomes due to be paid  
(b) From the last day such tax was due to be paid  
(c) No period is specified  
(d) None of the above

**11. Which of the following statement is true:**

Which date is considered as date of deposit of the tax dues

- (a) Date of presentation of cheque or  
(b) Date of payment or  
(c) Date of credit of amount in the account of Government

**12. Balance in electronic credit ledger can be utilized against which liability?**

- (a) Output tax payable (b) Interest  
(c) Penalty (d) All of them

**13. What is the due date for payment of tax in case of persons required to file GSTR 3B on monthly basis?**

- (a) Last day of the month to which payment relates (b) Within 10 days of the subsequent month  
(c) Within 20 days of the subsequent month (d) Within 15 days of the subsequent month

**14. CPIN Stands for**

- (a) Common portal identification number (b) Common portal identity number  
(c) Challan portal identification number (d) Challan passbook identification number

**15. CIN Stands for**

- (a) Common identification number (b) Common identity number  
(c) Challan identification number (d) Challan identity number

**16. Validity of challan generated online is**

- (a) 1 day (b) 10 days (c) 15 days (d) 30 days

**17. Electronic Liability register shall be maintained in form**

- (a) GST PMT-01 (b) GST PMT-02 (c) GST PMT-03 (d) GST PMT-04

**18. Electronic credit register shall be maintained in form**

- (a) GST PMT-01 (b) GST PMT-02 (c) GST PMT-03 (d) GST PMT-04

**19. Electronic cash register shall be maintained in form**

- (a) GST PMT-01 (b) GST PMT-05 (c) GST PMT-03 (d) GST PMT-04

**20. CPIN is a \_\_\_\_\_ digit unique number**

- (a) 10 (b) 14 (c) 17 (d) 30

**21. CIN is a \_\_\_\_\_ digit unique number**

- (a) 10 (b) 14 (c) 17 (d) 30

**22. Interest is payable @ \_\_\_\_\_ % in case of person liable to pay tax fails to pay tax.**

- (a) 12 (b) 18 (c) 24 (d) 30

**23. Interest is payable @ \_\_\_\_\_ % in case of taxable person who makes an undue or excess claim of input tax credit.**

- (a) 12 (b) 18 (c) 24 (d) 30

**24. E-FPB Stands for**

- (a) Electronic Focal Point Branch (b) Electronic Focus Point Branch  
(c) Electrical Focal Point Branch (d) Electronic Fund Point Branch

**Check Detailed Solution given on our website [www.mkgeducation.com](http://www.mkgeducation.com)  
(Icon /Heading No.11: Books)**

# EXAMINATION QUESTION

**MAY 2018 (OLD COURSE)**

**Question 10 (b)**

**(5 Marks)**

(iii) How do the new payment system benefit the taxpayer & the Commercial Tax Department?

**Answer:** These are the benefits of the new system for the taxpayer and the Commercial Tax Department.

1. No more queues and waiting for making payments as payments can be made online 24 x 7.
2. Instant online receipts for payments made online.
3. Tax consultants can make payment on behalf of the clients.
4. Single challan form to be created online, replacing the three or four copy challan.
5. Revenue will come earlier into the Government Treasury as compared to the old system.
6. Greater Transparency.
7. Online Payments made after 8 pm will credited to the taxpayers account on the same day.

**TIME OF SUPPLY**  
**(SECTION 12 & 13, CGST ACT)**

**Question 1: Explain Time of Supply of goods under direct charge/normal charge/forward charge.**

**Answer: Time of supply of goods Section 12 (1) & 12 (2).**

(1) The liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section.

(2) The time of supply of goods shall be the earlier of the following dates, namely:—

(a) the date of issue of invoice by the supplier or the last date on which he is required, under section 31, to issue the invoice with respect to the supply.

e.g. If invoice is issued on 28<sup>th</sup> July 2021 and goods are delivered on 31<sup>st</sup> July 2021 and payment is received on 10<sup>th</sup> August 2021, TOS is 28<sup>th</sup> July 2021 but if invoice is issued on 01<sup>st</sup> August 2021, TOS is 31<sup>st</sup> July 2021.

**Illustration 1:** ABC Ltd has submitted information as given below:

Delivered goods on 31/07/2021 to Mr. A ₹ 7,00,000 + CGST @ 9% + SGST @ 9% and issued invoice on 03/08/2021 and received payment on 01/09/2021.

Delivered goods to Mr. B on 10/09/2021 and issued invoice on 31/08/2021 ₹ 6,00,000 + CGST @ 9% + SGST @ 9% and received payment on 01/09/2021.

Delivered goods to Mr. C on 10/08/2021 and issued invoice on 01/09/2021 ₹7,00,000 + CGST @ 9% + SGST @ 9% and payment has not been received so far.

Delivered goods to Mr. D on 30/09/2021 and issued invoice on 31/08/2021 ₹12,00,000 + CGST @ 14% + SGST @ 14% and received payment on 16/08/2021.

Determine TOS and tax liability for each month and last date of payment of GST and if each payment was delayed by 10 days compute Interest also.

**Solution:**

As per section 12, Liability to pay GST shall arise at the time of supply of goods which will be the date of issue of invoice or delivery of goods whichever is earlier.

As per the above,

1. For Goods to Mr. A TOS shall be 31/07/2021
2. For Goods to Mr. B TOS shall be 31/08/2021
3. For Goods to Mr. C TOS shall be 10/08/2021
4. For Goods to Mr. D TOS shall be 31/08/2021

**Tax Liability for the Month of July**

	₹
Goods to Mr. A	7,00,000.00
Add: CGST @ 9%	63,000.00
Add: SGST @ 9%	63,000.00
	8,26,000.00

Tax shall be payable upto 20<sup>th</sup> August 2021

**Tax Payable – CGST**

Tax Payable	63,000.00
	63,000.00

Interest @ 18% (₹63,000 x 18% x 10 /365)

310.68

Rounded off u/s 170

311.00

<b>Tax Payable – SGST</b>	63,000.00
Tax Payable	63,000.00
Interest @ 18% ( $\text{₹}63,000 \times 18\% \times 10 / 365$ )	310.68
Rounded off u/s 170	311.00
<b>Tax Liability for the Month of August</b>	<b>₹</b>
Goods to Mr. B	6,00,000.00
Goods to Mr. C	7,00,000.00
Total	13,00,000.00
Add: CGST @ 9%	1,17,000.00
Add: SGST @ 9%	1,17,000.00
	15,34,000.00
Goods to Mr. D	12,00,000.00
Add: CGST @ 14%	1,68,000.00
Add: SGST @ 14%	1,68,000.00
	15,36,000.00

Tax shall be payable upto 20<sup>th</sup> September 2021

<b>Tax Payable – CGST</b>	2,85,000.00
Tax Payable	2,85,000.00
Interest @ 18% ( $\text{₹}2,85,000 \times 18\% \times 10 / 365$ )	1,405.48
Rounded off u/s 170	1,405.00
<b>Tax Payable – SGST</b>	2,85,000.00
Tax Payable	2,85,000.00
Interest @ 18% ( $\text{₹}2,85,000 \times 18\% \times 10 / 365$ )	1,405.48
Rounded off u/s 170	1,405.00

**Illustration 2:** A machine has to be supplied at site. It is done by sourcing various components from vendors and assembling the machine at site. The details of the various events are:

- 17.09.2021 Purchase order with advance of ₹50,000 is received for goods worth ₹12 lakh and entry duly made in the seller's books of account
- 20.10.2021 The machine is assembled, tested at site, and accepted by buyer
- 23.10.2021 Invoice raised
- 04.11.2021 Balance payment of ₹11,50,000 received
- Determine the time of supply in the above scenario.

**Answer:** As per section 12, Liability to pay GST shall arise at the time of supply of goods which will be the date of issue of invoice or delivery of goods whichever is earlier.

In the given case, time of supply of goods is 20.10.2021 which is the date on which the goods were made available to the recipient because invoice issued after the date of delivery of goods.

## RTP NOV– 2021

### Question 8.

Ms. Pearl is a classical singer. She wants to organize a classical singing function, so she booked an auditorium on 10th August for a total amount of ₹ 20,000. She paid ₹ 5,000 as advance on that day. The

classical singing function was organized on 10th October. The auditorium owner issued invoice to Ms. Pearl on 25th November amounting to ₹ 20,000. Pearl made balance payment of ₹ 15,000/- on 30th November. Determine the time of supply in this case.

- (a) Time of supply is 25th November for ₹ 20,000.
- (b) Time of supply is 25th November for ₹ 5,000 & 30th November for ₹ 15,000.
- (c) Time of supply is 10th August for ₹ 5,000 & 10th October for ₹ 15,000.
- (d) Time of supply is 10th October for ₹ 20,000.

**Solution: 8. (c)**

### RTP NOV– 2020

Mr. Kumar started interior designing practice from the month of January. His turnover up to the month of March was ₹12,50,000. On 30th June, his turnover exceeded ₹20,00,000 & reached to ₹ 20,05,000. Mr. Kumar applied for GST registration (as regular taxpayer) on 15th July and registration was granted to him on 25th July.

On 16th July, he entered into a contract for designing the flat of Mr. Shyam. The service was completed on 22nd July and Mr. Kumar issued invoice on the same day for ₹ 6,00,000. On 5th July, Mr. Kumar purchased capital goods amounting to ₹ 4,50,000 and from 25th July to 31st July, he availed services amounting to ₹1,75,000 for the purpose of completing the service.

On 1st August, Mr. Kumar got another contract for interior designing from Mr. Ram, which he accepted on 2nd August. The service was completed on 6th August and invoice was issued on 7th August for ₹ 5,00,000. Payment was received on 29th August.

Note: All values are excluding taxes, unless specifically mentioned. Mr. Kumar makes only intra-State outward supplies and all purchases are also intra-State. Rates of tax are CGST - 9% and SGST – 9%.

In relation to the above, answer the following questions:

**(i) The effective date of registration for Mr. Kumar is-**

- (a) 30th June
- (b) 15th July
- (c) 25th July
- (d) 16th July

**Answer: (a)**

**Hint:** If applicant has submitted application within a period of 30 days, he will be considered to be registered from the date on which he becomes liable to registration and if application is given after 30 days, effective date of registration shall be the date of granting registration.

**(ii) Mr. Shyam can issue a revised tax invoice till-**

- (a) 23rd October
- (b) 8th September
- (c) 25th September
- (d) 25th August

**Answer: (d)**

**Hint:** A registered person is allowed to issue revised invoice for the invoice already issued from the effective date of registration till the date of issuance of registration certificate. Further revised invoice should be issued within one month from the date of issuing of registration certificate.

**(iii) Eligible input tax credit available with Mr. Kumar for the month of July is-**

- (a) CGST ₹ 40,500 & SGST ₹ 40,500
- (b) CGST ₹ 15,750 & SGST ₹ 15,750
- (c) CGST ₹ 56,250 & SGST ₹ 56,250
- (d) CGST ₹ 36,000 & SGST ₹ 36,000

**Answer: (c)**

Hint: CGST = (1,50,000 x 9% + 4,50,000 x 9%) = 56,250

SGST = (1,50,000 x 9% + 4,50,000 x 9%) = 56,250

**(iv) The time of supply of services provided by Mr. Kumar to Mr. Ram is-**

- (a) 7th August

- (b) 1st August
- (c) 29th August
- (d) 06th August

**Answer: (a)**

**(v) If instead of opting for regular scheme, Mr. Kumar opts to pay tax under section 10(2A) of the CGST Act, 2017, the tax liability for the month of July will be-**

- (a) Nil
- (b) CGST ₹ 54,000 & SGST ₹ 54,000
- (c) CGST ₹ 18,000 & SGST ₹ 18,000
- (d) CGST ₹ 78,150 & SGST ₹ 78,150

**Answer: (c)**

Hint: CGST = 6,00,000 x 3% = 18,000, SGST = 6,00,000 x 3% = 18,000

**Question 2: Explain TOS in case of additional consideration.**

**Answer: TOS in case of Additional consideration Section 12 (6).**

The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value, eg. Mr. X sold certain goods on credit and because of delay beyond the permitted time, interest of ₹ 10,000 was charged, such additional consideration shall also be considered to be value of supply and TOS shall be the time when such payment is received.

**Question 3: Explain TOS in case of supply of voucher of goods.**

**Answer: Supply of Voucher of Goods Section 12 (4).**

In case of supply of vouchers by a supplier, the time of supply shall be—

- (a) the date of issue of voucher, if the supply is identifiable at that point; or
- (b) the date of redemption of voucher, in all other cases.

**As per section 2 (118), "voucher"** means an instrument where there is an obligation to accept it as consideration for a supply of goods. Further the identities of their potential suppliers including the terms and conditions of use of such instrument may be indicated either on the voucher or some other documents.

**Example 1:** ABC Limited sells food coupons to a company, which gives these to its employees as part of the agreed perquisites. The coupons can be redeemed for purchase of any item of food /other goods in the outlets. As the supply against which the coupon will be redeemed is not known on the date of the sale of the coupon, the time of supply of the coupon will be the date on which the employee redeems it against food /other goods of his choice.

**Example 2:** With each purchase of a large pizza during the Christmas week from DOMINOS Pizza, one can buy a voucher for ₹20 which will be redeemable till 5 Jan for a small pizza. As the supply against which the voucher will be redeemed is known on the date of the sale, the time of supply is the date of issue of the voucher.

**Question 4: Explain Time of Supply of services under direct charge/normal charge/forward charge.**

**Answer: Time of supply of services Section 13 (1) & (2).**

The liability to pay tax on services shall arise at the time of supply. Time of supply of services shall be the date of invoice or the date of receiving payment whichever is earlier but if invoice is not issued within 30 days of supply of service, TOS shall be the date of supply of service or the date of payment whichever is earlier, eg. If services are rendered on 23<sup>rd</sup> July, 2021 and invoice issued 10<sup>th</sup> August, 2021 and payment received 20<sup>th</sup> September, 2021, TOS shall be 10<sup>th</sup> August 2021 but if invoice is issued on 27<sup>th</sup> August 2021, TOS shall be 23<sup>rd</sup> July, 2021.

**MTP - NOV 20 (4 Marks)**

Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4th and 5th September but could not raise invoice till 19th November because of some dispute about the condition of the devices on return. The payment was made in December.

What is the method to fix the time of supply of the service?

**Answer:**

The time of supply of services, if the invoice is not issued in time, is the date of payment or the date of provision of service, whichever is earlier [Section 13(2)(b)]. In this case, the service is provided on 5th September but not invoiced within the prescribed time limit. Therefore, 5th September, the date of provision of service, being earlier than the date of payment, will be the time of supply.

**Illustration 3: Mr. X is a supplier of services. Determine TOS in the following cases.**

Case	Date of completion of service	Date of invoice	Date on which payment received	Time of Supply
I	September 5, 2021	September 28, 2021	October 10, 2021	September 28, 2021
II	September 5, 2021	October 03, 2021	September 20, 2021	September 20, 2021
III	September 5, 2021	October 8, 2021	September 25, 2021	September 5, 2021
IV	September 5, 2021	October 8, 2021	Amount received partly on September 3, 2021 and remaining on September 20, 2021	September 3, 2021 and September 5, 2021 for respective amounts

**Illustration 4: Mr. X is a supplier of services. Determine TOS in the following cases.**

S. No.	Date of completion of service	Date of Invoice	Date on which payment is Received	Time of Supply
1.	16.07.2021	11.08.2021	26.08.2021	11.08.2021
2.	16.07.2021	11.08.2021	01.08.2021	01.08.2021
3.	16.07.2021	11.08.2021	Part payment on 01.08.2021 and remaining on 26.08.2021	01.08.2021 for the part payment and 11.08.2021 for the remaining amount
4.	16.07.2021	11.08.2021	Part payment on 12.07.2021 and remaining on 15.07.2021	12.07.2021 for the part payment and 15.07.2021 for the remaining amount

**Illustration 5: Mr. X is a supplier of services. Determine TOS in the following cases.**

Determine the Time of Supply.

Date of completion	Date of Invoice	Date of Payment
01.08.2021	20.08.2021	18.08.2021
01.07.2021	20.08.2021	18.08.2021
01.07.2021	20.07.2021	01.05.2021
03.08.2021	31.08.2021	01.09.2021

**Solution:**

Date of completion	Date of Invoice	Date of Payment	TOS
01.08.2021	20.08.2021	18.08.2021	18.08.2021
01.07.2021	20.08.2021	18.08.2021	01.07.2021
01.07.2021	20.07.2021	01.05.2021	01.05.2021
03.08.2021	31.08.2021	01.09.2021	31.08.2021

**Illustration 6:** Mr. X is a supplier of services registered in GST and has submitted the information as given below:

1. Rendered services on 01.05.2021 and issued bill on 10.06.2021 for ₹ 6 lakhs and payment was received on 10.12.2021



2. Rendered services on 07.06.2021 and issued bill on 30.06.2021 for ₹ 15 lakhs and payment was received on 07.03.2022.
3. Rendered services on 12.07.2021 and issued bill on 31.08.2021 for ₹ 30 lakhs and payment was received on 07.01.2022.
4. Rendered services on 22.11.2021 and issued bill on 28.12.2021 for ₹ 60 lakhs and payment was received on 18.11.2021.

All the above amounts are exclusive of GST and Rate of CGST is 9% and SGST is 9%.

Determine TOS in each case and also compute the GST Payable for each month and also last date upto which GST should be paid.

**Solution:**

1. First bill issued after 30 days of rendering of service hence TOS is 01/05/2021 and GST should be paid upto 20<sup>th</sup> June 2021.
2. Second bill issued within 30 days of rendering of service hence TOS is 30/06/2021 and GST should be paid upto 20<sup>th</sup> July 2021.
3. Third bill issued after 30 days of rendering of service hence TOS is 12/07/2021 and GST should be paid upto 20<sup>th</sup> August 2021.
4. Fourth bill issued after 30 days of rendering of service but payment has been received prior to rendering of service hence TOS is 18/11/2021 and GST should be paid upto 20<sup>th</sup> December 2021.

**Tax Liability for the Month of May**

	₹
First Bill (TOS 01/05/2021)	6,00,000.00
Add: CGST @ 9%	54,000.00
Add: SGST @ 9%	54,000.00
	7,08,000.00

GST should be paid upto 20<sup>th</sup> June 2021

**Tax Liability for the Month of June**

	₹
Second Bill (TOS 30/06/2021)	15,00,000.00
Add: CGST @ 9%	1,35,000.00
Add: SGST @ 9%	1,35,000.00
	17,70,000.00

GST should be paid upto 20<sup>th</sup> July 2021.

**Tax Liability for the Month of July**

	₹
Third Bill (TOS 12/07/2021)	30,00,000.00
Add: CGST @ 9%	2,70,000.00
Add: SGST @ 9%	2,70,000.00
	35,40,000.00

GST should be paid upto 20<sup>th</sup> August 2021

**Tax Liability for the Month of November**

	₹
Fourth Bill (TOS 18/11/2021)	60,00,000.00
Add: CGST @ 9%	5,40,000.00
Add: SGST @ 9%	5,40,000.00
	70,80,000.00

GST should be paid upto 20<sup>th</sup> December 2021

**Illustration 7:** Determine the time of supply from the following particulars:

6th May: Booking of convention hall, sum agreed ₹15000, advance of ₹3000 received

15th September:	Function held in convention hall
27th October:	Invoice issued for ₹15000, indicating balance of ₹12000 payable
3rd November:	Balance payment of ₹ 12000 received

**Answer:** As per section 31 read with rule 47 of CGST Rules, the tax invoice is to be issued within 30 days of supply of service. In the given case, the invoice is not issued within the prescribed time limit. As per section 13, in a case where the invoice is not issued within the prescribed time, the time of supply of service is the date of provision of service or receipt of payment, whichever is earlier.

Therefore, the time of supply of service to the extent of ₹3,000 is 6th May as the date of payment of ₹3000 is earlier than the date of provision of service.

The time of supply of service to the extent of the balance ₹12,000 is 15<sup>th</sup> September which is the date of provision of service.

### NOV 2018 (NEW COURSE)

#### Question 8 (b)

**Marks 5**

M/s XYZ & Co., a firm of Chartered Accountants, issued invoice for services rendered to Mr. A on 7<sup>th</sup> September, 2021. Determine the Time of Supply in the following independent cases:

- (1) The provision of service was completed on 1<sup>st</sup> August, 2021.
- (2) The provisions of service was completed on 14<sup>th</sup> August, 2021.
- (3) Mr. A made the payment on 3<sup>rd</sup> August, 2021 where provisions of service was remaining to be completed.
- (4) Mr. A made the payment on 15<sup>th</sup> September, 2021 where provision of service was remaining to be completed.

**Answer:**

**As per section 13 (1) & (2),** The liability to pay tax on services shall arise at the time of supply. Time of supply of services shall be the date of invoice or the date of receiving payment whichever is earlier but if invoice is not issued within 30 days of supply of service, TOS shall be the date of supply of service or the date of payment whichever is earlier.

As per the above provision Time of supply shall be:

- (1) Invoice is issued after 30 days, Date of completion shall be the time of supply i.e. 01<sup>st</sup> August.
- (2) Invoice is issued within 30 days, Date of invoice shall be the time of supply i.e. 7<sup>th</sup> September.
- (3) Payment received before the date of invoice hence time of supply shall be the date of receiving payment i.e. 3<sup>rd</sup> August.
- (4) Payment received after the date of invoice hence time of supply shall be the date of invoice i.e. 7<sup>th</sup> September.

### IPC NOV 2017 (MODIFIED)

#### Question 4

**(Marks 2)**

You are required to determine the Time of supply for the following service:

ABC & Co., a firm of Chartered Accountants, renders service to M/s. ST & Sons in the month of December, 2021, which gets completed on 31<sup>st</sup> December, 2021. It is billed on 5th January, 2022, while the payment for the same is received on 2<sup>nd</sup> January, 2022.

**Answer:**

**As per section 13,** Time of supply of services shall be the date of invoice or payment whichever is earlier but if the invoice is not issued within 30 days of supply of service, TOS shall be the date of supply of service or payment whichever is earlier. In the given case, Invoice is issued within 30 days but payment is received before the date of invoice hence TOS shall be the date of receiving payment i.e. 2<sup>nd</sup> January 2022.

**Question 5: Explain Payments in excess of amount of invoice.****Answer: Payments in excess of amount of invoice**

Wherever the supplier of service receives a payment up to ₹1,000 in excess of the amount indicated in the invoice, the time of supply to the extent of such excess amount, at the option of the provider of taxable service, shall be determined on the basis of invoice or completion of service, as the case may be, rather than payment.

**Example:** A telephone company receives ₹5000 against an invoice of ₹4800. The excess amount of ₹200 can be adjusted against the next invoice. The company has the option to take the date of the next invoice as the time of supply of service in relation to the amount of ₹200 received in excess against the earlier invoice

**Question 6: Explain meaning of receiving of payment.****Answer: Meaning of receiving payment**

Date of receiving payment shall be date on which the payment is entered in the books of accounts or date on which payment is credited to the bank account of the person liable to pay tax, whichever is earlier. e.g. If payment is entered in the books on 10.07.2021 and it is credited in the bank account on 16.07.2021, date of receiving payment shall be 10.07.2021 but if it was entered in the books of accounts on 20.07.2021, date of receiving payment shall be 16.07.2021.

**Question 7: Explain TOS in case of additional consideration.****Answer: TOS in case of Additional consideration Section 13 (6).**

The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value, eg. Mr. X has given certain services on credit and because of delay beyond the permitted time, interest of ₹ 10,000 was charged, such additional consideration shall also be considered to be value of supply and TOS shall be the time when such payment is received.

**Question 8: Explain TOS in case of supply of voucher of services.****Answer: Supply of Voucher Section 13 (4).**

In case of supply of vouchers by a supplier, the time of supply shall be—  
(a) the date of issue of voucher, if the supply is identifiable at that point; or  
(b) the date of redemption of voucher, in all other cases.

**As per section 2 (118), "voucher"** means an instrument where there is an obligation to accept it as consideration for a supply of services. Further the identities of their potential suppliers including the terms and conditions of use of such instrument may be indicated either on the voucher or some other documents.

**Example:** Best Hospitality Services enters into agreement with Drive Marketing Ltd by which Drive Marketing Ltd. markets Best Hospitality Services' hotel rooms and sells coupons / vouchers redeemable for a discount against stay in the hotel. As the supply against which the voucher will be redeemed is identifiable, the time of supply of the voucher will be its date of issue.

**CLARIFICATION****Time for payment of tax in case of joint development agreements in real estate sector**

E.g. Mr. X enters into a joint development agreement with SM Constructions Ltd. on 12th January whereby the development right over the plot of land owned by Mr. X is transferred to SM Constructions to build a residential complex. SM Constructions agrees to take 5 flats out of 20 flats to be built in the residential complex as a consideration for transfer of development rights.

The other details are:

Land development rights are transferred on 31st January

Construction begins on 1st April

Construction of 15 flats gets completed on 30th June

Construction of entire complex gets completed on 30th November

Right in property for 15 flats is transferred to Mr. X on 25th December

By virtue of the special procedure notified under section 148, payment of GST on transfer of development rights by Mr. X and supply of construction service by SM Constructions to Mr X is postponed to the date of allotment letter i.e., 25th December

**Illustration 8:** Mr. X has started rendering taxable services w.e.f. 01-07-2021 and has submitted information as given below:

Rendered Services on 10-07-2021 and issued bill ₹18,00,000 and received payment on 01-09-2021. He has taken registration on 18-07-2021 u/s 25(3) on voluntary basis. At the time of registration he has inputs on which input tax paid in CGST ₹10,000 SGST ₹10,000 and also had capital goods on which input tax paid is IGST ₹ 30,000.

He rendered service on 27-08-2021 and issued bill on 03-09-2021 ₹11,00,000 + CGST @ 9% +SGST @ 9% and received payment on 10-10-2021.

He rendered services on 01-01-2022 and issued invoice on 01-03-2022 ₹ 20,00,000 + CGST @ 10% +SGST @ 10% but payment was recovered in advance on 01-12-2021.

Compute his GST Liability for each month and the last date upto which GST should be paid.

**Solution: To be solved by the Student**

**Illustration 9:** Mr. X is a dealer registered in GST in Delhi and he has submitted information as given below:

- Purchased goods A on 10/07/2021 ₹4,00,000 plus CGST @ 10% and SGST @ 10% and goods were sold on 31/08/2021 ₹ 6,00,000 + CGST @ 10% and SGST @ 10% but invoice was issued on 01/09/2021 and payment was received on 01/10/2021.
- Purchased goods B on 10/09/2021 ₹5,00,000 plus CGST @ 10% and SGST @ 10% and goods were exported on 12/12/2021 and profit taken is 30% on cost.
- Purchased goods C on 10/09/2021 ₹7,00,000 plus CGST @ 10% and SGST @ 10% and goods were sold to our own branch in some other State on 31/12/2021 for ₹7,00,000 + IGST @ 20%. No Invoice has been issued and no payment has been received.

Determine TOS in each case and ITC and Net tax Payable for each month and ITC to be carried forward.

**Solution: To be solved by the Student**

## PRACTICE PROBLEMS

**Q1.** Raju Pvt Ltd. receives the order and advance payment on 5th January for carrying out an architectural design job. It delivers the designs on 23rd April. By oversight, no invoice is issued at that time, and it is issued much later, after the expiry of prescribed period for issue of invoice. When is the time of supply of service?

**Answer:** Since the invoice has not been issued within the prescribed time period, time of supply of service will be the earlier of the following two dates in terms of section 13:

- Date of provision of service
- Date of receipt of payment

The payment was received on 5th January and the service was provided on 23<sup>rd</sup> April. Therefore, the date of payment, i.e., 5th January is the time of supply of the service in this case.

**Q2.** Investigation shows that 150 cartons of ceramic capacitors were dispatched on 2<sup>nd</sup> August but no invoice was made and the cartons were not entered in the accounts. There was no evidence of receipt of payment.

What is the time of supply of the 150 cartons?

**Answer:** Time of supply of goods is the earlier of the following two dates in terms of section 12:

- Date of issue of invoice
- Date of delivery of goods

In this case since the invoice has not been issued, the time of supply will be the delivery of goods.

The invoice for supply of goods must be issued on or before the dispatch of goods i.e., on 2<sup>nd</sup> August, time of supply of the goods will be 2<sup>nd</sup> August.

**Q3.** An order is placed on Ram & Co. on 18th August for supply of a consignment of customised shoes. Ram & Co. gets the consignment ready and informs the customer and issues the invoice on 2<sup>nd</sup> December. The customer collects the consignment from the premises of Ram & Co. on 7<sup>th</sup> December and hands over the payment on the same date, which is entered in the accounts on the next day, 8<sup>th</sup> December. What is the time of supply of the shoes?

**Answer:** Time of supply of goods is the earlier of the following two dates in terms of section 12:

- Date of issue of invoice
- Date of delivery of goods

In this case,

Date of invoice: 2<sup>nd</sup> December

Date of delivery of goods 7<sup>th</sup> December

Therefore, the date of invoice will be the time of supply i.e. 2<sup>nd</sup> December.

**Q4.** Sodexo meal coupons are sold to a company on 9th August for being distributed to the employees of the said company. The coupons are valid for six months and can be used against purchase of food items. The employees use them in various stores for purchases of various edible items on different dates throughout the six months. What is the date of supply of the coupons?

**Answer:** As the coupons can be used for a variety of food items, which are taxed at different rates, the supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption in terms of section 12.

**Q5.** Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4th and 5th September but could not raise invoice till 19<sup>th</sup> November because of some dispute about the condition of the devices on return. The payment was made in December.

What is the method to fix the time of supply of the service?

**Answer:** The time of supply of services, if the invoice is not issued in time, is the date of payment or the date of provision of service, whichever is earlier [Section 13].

In this case, the service is provided on 5th September but not invoiced within the prescribed time limit. Therefore, the date of provision of service, i.e., 5th September, will be the time of supply.

**Q6.** Explain the significance of time of supply under GST law.

**Answer:** GST is payable on supply of goods or services. Time of supply indicates the point in time when the liability to pay tax arises. However, it is important to note that though the liability to pay tax arises at the time of supply, the same can be paid to the Government by the due date prescribed with reference to the said 'time of supply'. The CGST Act provides separate provisions for time of supply for goods and services vide sections 12 and 13.

**Q7.** GST is payable on advance received for supply of goods and services taxable under forward charge.

Do you agree with the statement? Support your answer with legal provisions.

**Answer:** The statement is not correct. While GST is payable on advance received for supply of services taxable under forward charge, the same is not payable in case of advance received for supply of goods taxable under forward charge.

As per section 13, the time of supply of services taxable under forward charge is –

➤ Date of issue of invoice or date of receipt of payment, whichever is earlier, if the same is issued within 30 days from the date of supply of service;

OR

➤ Date of provision of service or date of receipt of payment, whichever is earlier, if the invoice is not issued within 30 days from the date of supply of service.

Thus, in case of services, if the supplier receives any payment before the provision of service or before the issuance of invoice for such service, the time of supply gets fixed at that point in time and the liability to pay tax on such payment arises. However, the tax can be paid by the due date prescribed with reference to such time of supply.

As regards time of supply of goods taxable under forward charge is concerned, a registered person (excluding composition supplier) should pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Therefore, in case of goods, tax is not payable on receipt of advance payment.

**Q8.** Mr. X supplied goods for ₹ 50,000 to its customer Miss Diyana on 1st January on the condition that payment for the same will be made within a week. However, Miss Diyana made payment for the said goods on 2nd February and thus, paid interest amounting to ₹ 2,000.

What is the time of supply with regard to addition in the value by way of interest in lieu of delayed payment of consideration?

**Answer:** As per section 12(6), the time of supply with regard to an addition in value on account of interest, late fee or penalty or delayed payment of consideration is the date on which the supplier received such additional consideration.

Thus, time of supply in respect of interest would be the date on which the supplier has received such additional consideration, i.e. 2nd February.

## MULTIPLE CHOICE QUESTIONS

**1. Date on which the supplier receives the payment as per section 12 of CGST Act is**

- (a) Date entered in books of accounts
- (b) Date of credit in bank account
- (c) Date entered in books of accounts or date of credit in bank account, whichever is earlier
- (d) Date on which receipt voucher is issued by supplier

**2. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?**

- (a) Date of issue of voucher
- (b) Date of redemption of voucher
- (c) Date of entry in books of accounts
- (d) Earlier of (a) or (b) or (c)

**3. What is the time of supply of vouchers when the supply with respect to the voucher is not identifiable?**

- (a) Date of issue of voucher
- (b) Date of redemption of voucher
- (c) Date of entry in books of accounts
- (d) Earlier of (a) or (b) or (c)

**4. What is the time of supply of service if the invoice is issued within 30 days from the date of provision of service?**

- (a) Date of issue of invoice
- (b) Date on which the supplier receives payment
- (c) Date of provision of service
- (d) Earlier of (a) & (b)

**5. What is the time of supply of service if the invoice is not issued within 30 days from the date of provision of service?**

- (a) Date of issue of invoice
- (b) Date on which the supplier receives payment
- (c) Date of provision of service
- (d) Earlier of (b) & (c)

**6. Mr. X supplied goods on 10.08.2021 and issued invoice on 13.08.2021 and received payment on 01.08.2021, in this case time of supply shall be**

- (a) 10.08.2021
- (b) 13.08.2021
- (c) 01.08.2021
- (d) none of these

**7. Mr. X supplied goods on 10.08.2021 and issued invoice on 08.08.2021 and received payment on 01.08.2021, in this case time of supply shall be**

- (a) 10.08.2021
- (b) 08.08.2021
- (c) 01.08.2021
- (d) none of these

**8. Mr. X supplied goods on 10.08.2021 and issued invoice on 08.08.2021 but payment was received after 6 months and Mr. X has received interest of ₹ 10,000 on 10.03.2022, in this case TOS for the interest received shall be**

- (a) 10.08.2021
- (b) 08.08.2021
- (c) 10.03.2022
- (d) none of these

**9. Mr. X has rendered services on 10.09.2021 issued invoice 28.12.2021 received payment on 03.10.2021, in this case TOS shall be**

- (a) 10.09.2021
- (b) 28.12.2021
- (c) 03.10.2021
- (d) none of these

**10. Mr. X has rendered services on 10.09.2021 issued invoice 07.10.2021 received payment on 03.10.2021, in this case TOS shall be**

- (a) 10.09.2021
- (b) 07.10.2021
- (c) 03.10.2021
- (d) none of these

**11. Mr. X has rendered services on 10.09.2021 issued invoice 07.10.2021 received payment on 13.10.2021, in this case TOS shall be**

- (a) 10.09.2021
- (b) 07.10.2021
- (c) 13.10.2021
- (d) none of these

**12. Mr. X has rendered services on 10.09.2021 issued invoice 07.10.2021 received payment by cheque on 06.10.2021 and entered in the books of accounts on the same date and amount was credited in the bank account on 11.10.2021, in this case TOS shall be**

- (a) 10.09.2021
- (b) 07.10.2021

- (c) 06.10.2021 (d) 11.10.2021  
(e) none of these

**13. Mr. X rendered services on 01.09.2021 and issued invoice on 20.09.2021 for ₹3,67,300 but he received payment of ₹ 3,67,500, in this case TOS for ₹ 200 which has been received in excess shall be**

- (a) 20.09.2021 (b) 01.09.2021  
(c) It will be decided on the basis of services rendered and invoice issued for such amount  
(d) GST is not payable on excess amount (e) none of these

**14. Mr. X has taken advance of ₹ 30,000 on 01.01.2022 for rendering services and services were rendered on 10.01.2022 and issued invoice on 12.01.2022 and balance amount of ₹ 70,000 was received on 31.01.2022, in this case TOS shall be**

- (a) For ₹ 30,000, 01.01.2022 and for ₹ 70,000, 31.01.2022  
(b) For ₹ 30,000, 10.01.2022 and for ₹ 70,000, 12.01.2022  
(c) For ₹ 30,000, 01.01.2022 and for ₹ 70,000, 12.01.2022  
(d) For ₹ 30,000, 31.01.2022 and for ₹ 70,000, 12.01.2022  
(e) none of these

**15. Mr. X has taken advance of ₹ 30,000 on 01.01.2022 for rendering services and services were rendered on 10.01.2022 and issued invoice on 09.01.2022 and balance amount of ₹ 70,000 was received on 31.01.2022, in this case TOS shall be**

- (a) For ₹ 30,000, 01.01.2022 and for ₹ 70,000, 31.01.2022  
(b) For ₹ 30,000, 10.01.2022 and for ₹ 70,000, 09.01.2022  
(c) For ₹ 30,000, 01.01.2022 and for ₹ 70,000, 09.01.2022  
(d) For ₹ 30,000, 31.01.2022 and for ₹ 70,000, 09.01.2022  
(e) none of these

**16. A machine has to be supplied at site. It is done by sourcing various components from vendors and assembling the machine at site. The details of the various events are:**

- 10.09.2021 Purchase order with advance of ₹ 50,000 is received for goods worth ₹ 12 lakh and entry duly made in the seller's books of account  
20.09.2021 The machine is assembled, tested at site, and accepted by buyer  
30.09.2021 Invoice raised  
10.10.2021 Balance payment of ₹ 11,50,000 received

Time of supply shall be

- (a) 10.09.2021  
(b) 20.09.2021  
(c) 30.09.2021  
(d) 10.10.2021

**17. Determine the Time of Supply.**

	Date of completion	Date of Invoice	Date of Payment
(i)	01.08.2021	20.08.2021	18.08.2021
(ii)	01.07.2021	20.08.2021	18.08.2021
(iii)	01.07.2021	20.07.2021	01.05.2021
(iv)	03.08.2021	31.08.2021	01.09.2021

Time of supply shall be

- (a) (i) 18.08.2021, (ii) 01.07.2021, (iii) 01.05.2021, (iv) 03.08.2021  
(b) (i) 18.08.2021, (ii) 01.07.2021, (iii) 20.07.2021, (iv) 31.08.2021  
(c) (i) 20.08.2021, (ii) 01.07.2021, (iii) 01.05.2021, (iv) 31.08.2021  
(d) (i) 18.08.2021, (ii) 01.07.2021, (iii) 01.05.2021, (iv) 31.08.2021

**Check Detailed Solution given on our website [www.mkgeducation.com](http://www.mkgeducation.com)  
(Icon /Heading No.11: Books)**



## VALUE OF SUPPLY

### (SECTION 15, CGST ACT)

**Question 1: Explain Value of Supply under GST.**

**Answer: Value of taxable supply Section 15**

**As per section 15(1),** The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

**As per section 15 (2),** The value of supply shall include—

**(a) any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than GST, if charged separately by the supplier;** e.g. Mr. X imported certain goods and has paid basic custom duty and IGST, in this case IGST shall be charged on the total of value of goods plus custom duty i.e. IGST shall be charged even on the amount of custom duty.

**Example:** Mr. X imported certain goods of the value of ₹ 1,00,000 and paid basic custom duty 10% and IGST 20%, in this case tax treatment shall be as given below:

Value of goods	1,00,000
Add: Basic Custom Duty 10%	10,000
Transaction Value	1,10,000
IGST 20%	22,000

**(b) Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both.**

**Example:** Samriddhi Advertisers conceptualised and designed the advertising campaign for a new product launched by New Moon Pvt Ltd. for a consideration of ₹ 5,00,000. Samriddhi Advertisers owed ₹ 20,000 to one of its vendors in relation to the advertising service provided by it to New Moon Pvt Ltd. Such liability of Samriddhi Advertisers was discharged by New Moon Pvt Ltd. New Moon Pvt Ltd. delayed the payment of consideration and thus, paid ₹ 15,000 as interest. Assume the rate of GST to be 18%.

Determine the value of taxable supply made by Samriddhi Advertisers.

**Answer:**

#### Computation of value of taxable supply

Particulars	₹
Service charges	5,00,000
Payment made by New Moon Pvt. Ltd to vendor of Samriddhi Advertisers [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15(2)(b)]	20,000
Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d) – Refer note below] (rounded off)	12,712
<b>Value of taxable supply</b>	<b>5,32,712</b>

Note: The interest for delay in payment of consideration will be includible in the value of supply but the time of supply of such interest will be the date when such interest is received in terms of section 13(6). Such interest has been assumed to be inclusive of GST and thus, the value has been computed by making back Calculations  $15,000 / 118 \times 100 = 12,712$ . It is also possible to assume the interest to be exclusive of GST. In that case, the value of supply will work out to be  $₹ 5,00,000 + 20,000 + 15,000 = 5,35,000$ .

**(c) incidental expenses, including commission, packing or weightment charges, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services.**

**Example:** AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten or specified chemical residues. AKJ Foods Pvt. Ltd. does the testing

and charges a testing fee for the same from the customer. AKJ Foods Pvt. Ltd. argues that such testing fess should not form part of the consideration for the sale as it is a separate activity. Is his argument correct in the light of section 15?

**Answer:** Section 15 mandates the addition of certain elements to transaction value to arrive at taxable value. Section 15 specifies that amount charged for anything done by the supplier in respect of the supply at the time of or before delivery of goods or supply of services shall be included in taxable value. Since AKJ Foods Pvt. Ltd. does the testing before the delivery of goods, the charges therefor will be included in the taxable value. Therefore, AKJ Foods Pvt. Ltd.'s argument is not correct. The testing fee should be added to the price to arrive at taxable value of the consignment.

**(d) interest or late fee or penalty for delayed payment of any consideration for any supply; and**

**Example:** ABC limited sold certain goods for ₹ 10,00,000 plus GST 2,00,000 on credit and payment was received by the company after 6 months and the company has received interest ₹ 15,000, in this case ₹ 15,000 shall be considered to be additional consideration and GST is payable.

**Clarification Regarding Applicability Of GST On Additional / Penal Interest**

Various representations have been received from the trade and industry regarding applicability of GST on delayed payment charges in case of late payment of Equated Monthly Instalments (EMI). An EMI is a fixed amount paid by a borrower to a lender at a specified date every calendar month. EMIs are used to pay off both interest and principal every month, so that over a specified period, the loan is fully paid off along with interest. In cases where the EMI is not paid at the scheduled time, there is a levy of additional/penal interest on account of delay in payment of EMI.

Generally, following two transaction options involving EMI are prevalent in the trade:-

**Case - 1:** X sells a mobile phone to Y. The cost of mobile phone is ₹40,000/-. However, X gives Y an option to pay in installments, ₹11,000/- every month before 10th day of the following month, over next four months (₹11,000/- \*4 = ₹44,000/-). Further, as per the contract, if there is any delay in payment by Y beyond the scheduled date, Y would be liable to pay additional/penal interest amounting to ₹ 500/- per month for the delay.

In some instances, X is charging Y ₹ 40,000/- for the mobile and is separately issuing another invoice for providing the services of extending loans to Y, the consideration for which is the interest of 2.5% per month and an additional/penal interest amounting to ₹500/- per month for each delay in payment.

**Case - 2:** X sells a mobile phone to Y. The cost of mobile phone is ₹ 40,000/-. Y has the option to avail a loan at interest of 2.5% per month for purchasing the mobile from M/s ABC Ltd. The terms of the loan from M/s ABC Ltd. allows Y a period of four months to repay the loan and an additional/penal interest @ 1.25% per month for any delay in payment.

**Solution:**

**Case 1:** As per the provisions of section 15(2)(d) of the CGST Act, the amount of penal interest is to be included in the value of supply. The transaction between X and Y is for supply of taxable goods i.e. mobile phone. Accordingly, the interest/ penal interest would be taxable as it would be included in the value of the mobile, irrespective of the manner of invoicing.

**Case 2:** The interest / additional/ penal interest is charged for a transaction between Y and M/s ABC Ltd., and the same is getting covered under exemption notification No. 12/2017 dated 28.06.2017. Accordingly, in this case the interest/ 'penal interest' charged thereon on a transaction between Y and M/s ABC Ltd. would not be subject to GST. The value of supply of mobile by X to Y would be ₹ 40,000/- for the purpose of levy of GST.]

**(e) Any subsidy except subsidies given by the Government.**

**Example:** A philanthropic association makes a substantial donation each year to a reputed private management institution to subsidise the education of low income group students who have gained admission

there. The fee for these individuals is reduced thereby, coming to ₹3 lakh a year compared to ₹5 lakh a year for other students.

What would be the taxable value of the service of coaching and instruction provided by the institution?

**Answer:** As per section 15, the value of a supply includes subsidies directly linked to the price, excluding State Government and Central Government subsidies. In this case, the subsidy is not from the Government but is from a philanthropic association. Therefore, the subsidy is to be added back to the price to arrive at the taxable value, which comes to ₹5 lakh a year.

**Question 2: Explain Treatment of Discount while computing Transaction Value.**

**Answer: Discount while computing Transaction Value Section 15(3)**

If the supplier has given any discount before or at the time of supply, it will be allowed to be deducted, if such discount has been duly recorded in the invoice issued in respect of such supply; and

Discount allowed after supply shall also be allowed to be deducted provided such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices and further the supplier shall issue credit note for such discount and shall be allowed to reduce his tax liability but the recipient should also reverse/ reduce tax credit taken by him.

**CLARIFICATIONS**

**Discounts including 'Buy more, save more' offers:**

Sometimes, the supplier offers staggered discount to his customers (increase in discount rate with increase in purchase volume). For example - Get 10 % discount for purchases above ₹5000/-, 20% discount for purchases above ₹10,000/- and 30% discount for purchases above ₹20,000/-. Such discounts are shown on the invoice itself.

Some suppliers also offer periodic / year ending discounts to their stockists, etc. For example- Get additional discount of 1% if you purchase 10000 pieces in a year, get additional discount of 2% if you purchase 15000 pieces in a year. Such discounts are established in terms of an agreement entered into at or before the time of supply though not shown on the invoice as the actual quantum of such discounts gets determined after the supply has been effected and generally at the year end. In commercial parlance, such discounts are colloquially referred to as "volume discounts". Such discounts are passed on by the supplier through credit notes.

It is clarified that discounts offered by the suppliers to customers (including staggered discount under „ Buy more, save more“ scheme and post supply / volume discounts established before or at the time of supply) shall be allowed (deducted) to determine the value of supply provided they satisfy the parameters laid down in sub-section (3) of section 15 of the said Act, including the reversal of ITC by the recipient of the supply as is attributable to the discount on the basis of documents issued by the supplier.

**Example:** Crunch Bakery Products Ltd sells biscuits and cakes through its dealers, to whom it charges the list price minus standard discount and pays GST accordingly. When goods remain unsold with the dealers, it offers additional discounts on the stock as an incentive to push the sales.

Can this additional discount be reduced from the price at which the goods were sold and concomitant tax adjustments made?

**Answer:** The discounts were not known or agreed at the time of supply of goods to the dealers. Therefore, such discounts cannot be reduced from the price on which tax had been paid in terms of section 15(3).

(4) Where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed (such rules are not covered in syllabus Rule No. 27 to 35).

(5) The value of such supplies as may be notified by the Government on the recommendations of the Council shall be determined in such manner as may be prescribed.

Explanation.—For the purposes of this Act,—

(a) persons shall be deemed to be "related persons" if—

(i) such persons are officers or directors of one another's businesses;

- (ii) such persons are legally recognised partners in business;
  - (iii) such persons are employer and employee;
  - (iv) any person directly or indirectly owns, controls or holds twenty-five per cent or more of the outstanding voting stock or shares of both of them;
  - (v) one of them directly or indirectly controls the other;
  - (vi) both of them are directly or indirectly controlled by a third person;
  - (vii) together they directly or indirectly control a third person; or
  - (viii) they are members of the same family;
- (b) the term "person" also includes legal persons;
- (c) persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

### **Meaning of Related Person**

#### **"Related persons" means**

- (i) Such persons are partners in business.  
Example - Mr. X and Mr. Y are partners in a business, they will be considered to be related persons.
  - (ii) Any person holds twenty-five per cent or more of shares of both of them.  
Example – Mr. X has 25% shares in ABC limited and 25% shares in XYZ limited, in this case ABC & XYZ will be considered to be related persons.
  - (iii) One of them controls the other, e.g. ABC limited is holding 51% shares of XYZ limited, they are related persons.
  - (iv) together they directly or indirectly control a third person, e.g. ABC limited has 26% shares of A limited and XYZ limited has 27% shares of A limited, in this case ABC & XYZ shall be connected person
  - (v) such persons are employer and employee;
  - (vi) they are members of the same family;
- As per section 2(49) "family" means,—**
- (i) the spouse and children of the person, and
  - (ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.

### **TCS under Income-Tax Act, 1961 not includible in the taxable value for the purpose of GST:**

The CBIC vide Circular No. 76/50/2018 GST dated 31.12.2018 (amended vide corrigendum dated 7.03.2019) has clarified that for the purpose of determination of value of supply under GST, tax collected at source (TCS) under the provisions of the Income Tax Act, 1961 would not be includible as it is an interim levy not having the character of tax.

**Illustration 1:** Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colourful Pvt. Ltd.

<b>Particulars</b>	<b>₹</b>
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
Packing charges (not included in price above)	1,000
Black and White Pvt. Ltd. received ₹2000 as a subsidy from a NGO on sale of such goods. The price of ₹50,000 of the goods is after considering such subsidy. Black and White Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods.	
Determine the value of taxable supply made by Black and White Pvt. Ltd. and also amount of GST payable if Rate of CGST @ 10% and SGST @ 10%.	

**Answer:**

#### **Computation of value of taxable supply**

<b>Particulars</b>	<b>₹</b>
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000

[Includible in the value as per section 15]	
Packing charges [Includible in the value as per section 15]	1,000
Subsidy received from a non-Government body	2,000
[Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15]	
<b>Total</b>	<b>58,000</b>
Less: Discount @ 2% on ₹50,000 [Since discount is known at the time of supply, it is deductible from the value in terms of section 15]	(1,000)
<b>Value of taxable supply</b>	<b>57,000</b>
<b>CGST @ 10%</b>	<b>5,700</b>
<b>SGST @ 10%</b>	<b>5,700</b>

**Illustration 2:** Mezda Banners, an advertising firm, gives an interest-free credit period of 30 days for payment by the customer. Its customer ABC paid for the supply 32 days after the supply of service. Mezda Banners waived the interest payable for delay of two days. The Department wants to add interest for two days as per contract. Should notional interest be added to the taxable value?

**Answer:** This is a supply that is valued as per transaction value under section 15(1) as the price is the sole consideration for the supply and the supply is made to unrelated person. The concept of transaction value has been expanded to include certain elements like interest which are actually payable. Once waived, the interest is not payable and is therefore, not to be added to transaction value.

### **Meaning of "Recipient" of supply of goods or services or both section 2 (93)**

#### **"Recipient" of supply of goods or services or both, means—**

- where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
- where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
- where no consideration is payable for the supply of a service, the person to whom the service is rendered,

and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied;

### **Section 2(105)**

"supplier" in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied;

## **RTP NOV 2021**

### **Question 12.**

Namo Shankar Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Narad Traders and Nandi Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Namoshankar Ltd. has furnished the following details for the current month:

S. No.	Particulars	Narad Traders (₹)	Nandi Motors Ltd. (₹)
(i)	Price of the goods (excluding GST)	10,000	30,000
(ii)	Packing charges	500	
(iii)	Commission	500	

(iv)	Weighment charges		2,000
(v)	Discount for prompt payment (recorded in the invoice)		1,000

Items given in points (ii) to (v) have not been considered while arriving at price of the goods given in point (i) above.

Compute the GST liability [CGST & SGST or IGST, as the case may be] of Namu Shankar Ltd. for the given month. Assume the rates of taxes to be as under:

PARTICULARS	Rate of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary.

**Note:** The supply made to Narad Traders is an inter-State supply.

**Solution:**

#### Computation of GST liability

S. No.	Particulars	Narad Traders (₹)	Nandi Motors Ltd. (₹)
(i)	Price of goods	10,000	30,000
(ii)	Add: Packing charges (Note-1)	500	
(iii)	Add: Commission (Note-1)	500	
(iv)	Add: Weighment charges (Note-1)	-	2,000
(v)	Less: Discount for prompt payment (Note-2)	-	1,000
	Value of taxable supply	11,000	31,000
	<b>IGST payable @ 18% (Note-3)</b>	<b>1,980</b>	
	<b>CGST payable @ 9% (Note-4)</b>		<b>2,790</b>
	<b>SGST payable @ 9% (Note-4)</b>		<b>2,790</b>

**Notes:**

1. Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weighment charges are also incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].

2. Since discount is known at the time of supply, it is deductible from the value in terms of section 15 of the CGST Act, 2017.

3. Since supply made to Narad Traders is an inter-State supply, IGST is payable in terms of section 5 of the IGST Act, 2017.

4. Since supply made to Nandi Motors Ltd. is an intra-State supply, CGST & SGST is payable on the same.

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**Question 2.**

**(2 Marks)**

Discount given after the supply has been effected is deducted from the value of taxable supply, if –

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

(c) (ii) and (iii)

(d) (i), (ii) and (iii)

**Answer: 2.** (d) (i), (ii) and (iii)**Question 2(a).****(6 Marks)**

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

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

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

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

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

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

**MAY 2018 (NEW COURSE)/MTP NOV 2020****Question 9 (b)****(5 Marks)**

Explain the meaning of the term "Recipient of supply of goods and/or services" under the CGST Act, 2017.

**Answer:** Refer answer in the book

**CLARIFICATIONS****Buy one get one free offer**

Sometimes, companies announce offers like ‘*Buy One, Get One free*’ For example, „buy one soap and get one soap free” or „Get one tooth brush free along with the purchase of tooth paste”. It may appear at first glance that in case of offers like „Buy One, Get One Free”, one item is being „supplied free of cost” without any consideration. In fact, it is not an individual supply of free goods but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as *supplying two goods for the price of one*.

**RTP NOV– 2020**

‘XY’ of Kolkata is engaged in supply of various goods and services. It pays GST under regular scheme. The following information is provided by it for the month of July:

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 ₹800. The calculator and the diary are individually priced at ₹700 and ₹200 respectively.
- (iii) An invoice of ₹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.
- (v) 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.
- (vi) Subject to the information given above, all the necessary conditions for availing input tax credit have been fulfilled. Details of opening balances of input tax credit as on 1st July is given hereunder:

Tax	Amount (₹)
CGST	5,000
SGST	5,000
IGST	80,000

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

**Solution:****Total Tax Liability**

Particulars	Value	CGST	SGST	IGST
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%)	
Total tax liability		65,000	65,000	36,000



**Total Input tax credit**

Particulars	Value	CGST	SGST	IGST
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	
Total ITC		14,000	14,000	98,000

**Minimum net GST payable in cash**

Particulars	Value	CGST	SGST	IGST
Total tax liability		65,000	65,000	36,000
IGST credit being set off against IGST liability				(36,000)
IGST credit being used to pay CGST and SGST liability in any order and in any proportion		(11,000)	(51,000)	
CGST and SGST credit being used to pay CGST and SGST liability respectively		(14,000)	(14,000)	-
Minimum net GST payable in cash		40,000	Nil	Nil

**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 combi pack with a single price of ₹ 800 is a mixed supply. Being a mixed supply comprising of two supplies, 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 utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer 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.

**NOV 2020 (NEW COURSE)****Question 6 (a).****6 Marks**

Following are the particulars, relating to one of the machine sold by M/s SQM Ltd. to M/s. ACD Ltd. in the month of February 2022 at List price of ₹9,50,000 (Exclusive of taxes and discount) Further, following additional amounts have been charged from M/s ACD Ltd:

S. No	Particulars	Amount
(i)	Municipal taxes chargeable on the machine	45,000
(ii)	Outward freight charges (Contract was to deliver machine at ACD Ltd.'s factory i.e. F.O.R. contract)	65,000

**Additional information:**

(i) M/s SQM Ltd. normally gives an interest-free credit period of 30 days for payment, after that it charges interest @ 1% P.M. or part thereof on list price.

ACD Ltd. paid for the supply after 45 days but, M/S SQM Ltd. waived the interest payable.

(ii) M/s SQM Ltd. received ₹50,000 as subsidy, from one non-government organisation (NGO) on sale of such machine. This subsidy was not linked to the price of machine and also not considered in list price of ₹9,50,000.

(iii) M/s ACD Ltd. deducted discount of ₹15,000 at the time of final payment, which was not as per agreement.

(iv) M/s SQM Ltd. collected ₹9,500 as TCS (Tax collected at Source) under the provisions of the Income Tax Act, 1961.

Compute the Taxable Value of supply as per provision of GST laws, considering that the price is the sole consideration for the supply and both parties are unrelated to each other.

**Note: Correct legal provision should form part of your answer.**

**Solution: Computation of value of taxable supply**

<b>Particulars</b>	<b>₹</b>
List price of the goods (exclusive of taxes and discounts)	9,50,000
Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15]	45,000
Freight charges [Includible in the value as per section 15]	65,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body but same is not linked to the price of machine and also not considered in list price]	Nil
<b>Total</b>	<b>10,60,000</b>
Less: Discount [Since discount is known at the time of supply, it is deductible from the value in terms of section 15]	Nil
<b>Value of taxable supply</b>	<b>10,60,000</b>

**Note:**

1. GST shall not be levied on TCS.
2. Interest free credit has been waived by the supplier hence not included in the value of taxable supply.

### **RTP MAY 2019**

Kamal Book Depot, a wholesaler of stationery items, registered in Mumbai, has received order for supply of stationery items worth ₹ 2,00,000/- on 12th November, 2021 from another local registered dealer, Mr. Mehta, Mumbai. Kamal Book Depot charged the following additional expenses from Mr. Mehta:-

	<b>Particulars</b>	<b>Amount (₹)</b>
(i)	Packing charges	5,000
(ii)	Freight & Cartage	2,000
(iii)	Transit insurance	1,500
(iv)	Extra designing charges	6,000
(v)	Taxes by Municipal Authority	500

The goods were delivered to Mr. Mehta on 14th November, 2021. Since Mr. Mehta was satisfied with the quality of the goods, he made the payment of goods the same day and simultaneously placed another order on Kamal Book Depot of stationery items amounting to ₹10,00,000 to be delivered in the month of December, 2021\*\*. On receipt of second order, Kamal Book Depot allowed a discount of ₹ 20,000 on the first order placed by Mr. Mehta.

Compute the GST liability of Kamal Book Depot for the month of November, 2021 assuming the rates of GST on the goods supplied as under:

CGST 9%

SGST 9%

Would your answer be different if expenses (i) to (v) given in above table are already included in the price of ₹2,00,000?

Note:-

(i) All the amounts given above are exclusive of GST.

(ii) Kamal Book Depot and Mr. Mehta are not related persons and price is the sole consideration of the supply.

\*\*Payment and invoice for the second order will also be made in the month of December, 2021 only.

### Solution

#### Computation of value of taxable supply and tax liability

	Particulars	Amount (₹)
	Price of the goods [Note-1]	2,00,000
(i)	Packing charges [Note-2]	5,000
(ii)	Freight & Cartage [Note-3]	2,000
(iii)	Transit Insurance [Note-3]	1,500
(iv)	Extra Designing charges [Note-4]	6,000
(v)	Taxes by Municipal Authority [Note-5]	500
	Value of taxable supply	2,15,000
	CGST @ 9%	19,350
	SGST @ 9%	19,350

#### Notes:-

1. As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e. the price actually paid or payable for the said supply.

2. All incidental expenses including packing charged by the supplier to the recipient are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.

3. The given supply is a composite supply involving supply of goods (stationery items) and services (transit insurance and freight) where the principal supply is the supply of goods.

As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.

4. Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; is includible in the value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.

5. The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.

6. In the given case, Mr. Mehta is allowed a discount of ₹ 20,000 on the goods supplied to him in the month of November, 2021. Since the said goods have already been delivered by Kamal Book Depot, this discount will be a post-supply discount.

Further, value of supply shall not include any discount which is given after the supply has been effected, if—

(i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and

(ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017].

However, in the given case, post-supply discount given to Mr. Mehta will not be allowed as a deduction from the value of supply since the discount policy was not known before the time of such supply although the discount can be specifically linked to relevant invoice (invoice pertaining to stationery items supplied to Mr. Mehta in November, 2021).

**In case the expenses (i) to (v) given in above table are already included in the price of ₹2,00,000:** Since these expenses are includible in the value of supply by virtue of the reasons mentioned in explanatory notes above, no further addition will be required. Resultantly, the value of taxable supply will be ₹2,00,000 and CGST and SGST will be ₹18,000 and ₹18,000 respectively.

## PRACTICE PROBLEMS

**Q1.** Wholesale price for 1 MT of cement sold by X Ltd. in the ordinary course of business : ₹ 7,000. Price of 1 MT of cement sold by X Ltd. to unrelated customer Y: ₹ 6,700.

Value of supply made by X Ltd. to Y is ₹ 6,700 which is the price actually paid or payable and not the wholesale price.

**Q2.** Grand Biz contracts with ABC Co. to conduct a dealers' meet. In furtherance of this, Grand Biz contracts with vendors to deliver goods / services, like water, soft drinks, audio system, projector, catering, flowers etc. at the venue on the stipulated dates at the stipulated prices. Grand Biz is liable to make these payments as contracted.

The soft drinks supplier wants payment upon delivery; ABC Co. agrees to pay the bill raised by the soft drinks vendor on Grand Biz, on receiving the crates of soft drinks. This amount is not billed by Grand Biz to ABC Co. However, it would be added to the value of supply provided by Grand Biz to ABC Co. for payment of GST.

**Q3. Commission:** This may be paid to an agent and recovered from the buyer of the goods / services; this is part of the value of the supply.

**Q4. Packing,** if charged by the supplier to the recipient, is similarly part of the value of the supply.

**Q5. Inspection or certification charges** is another element that will be added to the value, if incurred before/at the time of supply and billed to the recipient of supply.

**Q6. Installation and testing charges** at the recipient's site will also be added, being an amount charged for something done by the supplier in respect of the supply, at the time of making the supply.

**Q7. Weighment charges, loading charges, designing charges etc. incurred before/at the time of supply** will be added to the value, if billed to the recipient of supply.

**Q8.** A supply priced at ₹ 2,000 is made, with a credit period of 1 month for payment. Thereafter, interest @ 12% p.a. is chargeable. The payment is received after the lapse of two months from the date of supply. The amount of interest @ 12% p.a. (i.e. 1% per month) on ₹ 2,000 for one month after the free credit period of one month, is ₹ 20. Such interest will be added to the value and thus, the value of supply will work out to be ₹ 2,020, assuming the interest to be exclusive of GST.

**Q9.** The selling price of a notebook is ₹ 50. For notebooks sold to students in Government schools, a company uses its CSR funds to pay the seller ₹ 30, so that the students pay only ₹ 20 per notebook. The value of the notebook will be ₹ 50, as this is a nongovernment subsidy. If the same subsidy is paid by the Central Government or State Government, the value of the notebook would be ₹ 20.

**Q10.** Royal Biscuit Co. gives a discount of 30% on the list price to its distributors. Thus, for a carton of Spice bisk, in the invoice the list price is mentioned as ₹ 200, on which a discount of 30% is given to arrive at the final price of ₹ 140. The value is ₹ 140, as the discount is allowed at the time of supply and shown in the invoice.

### Post supply discounts

**Q11.** The agreement of Raju Electrical Appliances with its dealers is that purchase of rice cookers over 1000 pieces in the Diwali month will entitle them to discount of 5% per cooker. Therefore, the quantum of discount can be determined only at the end of Diwali month. However, since the agreement relating to discount was in existence at the time of supply, and the discount can be worked out for each invoice, such post supply discount will be allowed as a deduction from the value of supply of rice cookers. Raju Electrical

Appliances can issue credit note for 5% of the value of goods along with GST and claim adjustment of excess tax paid. The dealer must reverse the proportionate input tax credit on the relevant stock to bring it in line with the reduced tax.

**Q12.** Pink and Blue Pvt. Ltd. (PBPL) sold goods to Orange Pvt. Ltd. (OPL) on 15th January at ₹ 50,000 (exclusive of taxes and discounts) and charged ₹ 9,000 as IGST @ 18%. The terms of supply stipulated that discount @ 2% will be given to OPL if it makes the payment within one month of the supply. OPL avails the input tax credit of ₹ 9,000 in the month of January and makes the payment for the goods on 10th February. PBPL issues credit note for ₹ 1180 [₹ 1,000 for value of discount and ₹ 180 for proportionate IGST leviable thereon] to OPL on 11th February. After receiving credit note, OPL reverses the input tax credit of ₹ 180 attributable to the discount given by the PBPL. PBPL can reduce its GST liability of the month of February by ₹ 180. OPL would have paid ₹ 57,820 (₹ 50,000 + ₹ 9,000 - ₹ 1,000 - ₹ 180) to PBPL on 10th February.

**Q13.** In the above example, if the terms of supply did not provide for discount @ 2% for payment within one month but PBPL offers such discount to OPL at the time of payment after negotiation, the discount will not be allowed as a deduction from the value. PBPL will issue a commercial credit note for only the value of discount, i.e. for ₹ 1,000. OPL will not reverse any input tax credit and PBPL will also not be able to reduce its GST liability for the month of February. In this case, OPL would pay ₹ 58,000 (₹ 50,000 + ₹ 9,000 - ₹ 1,000) to PBPL on 10th February.

**Q14.** A company announces turnover discounts after reviewing dealer performance during the year. The discounts are based on performance slabs and are given as cash-back. As these discounts were not known at the time of supply of the goods, they will not be deducted from value of those goods. Hence, the company will not be able to adjust excess tax paid from its tax liability.

**Q15.** Are post-supply discounts eligible for deduction from the value of supplies in all situations? Explain.

**Answer:** No, the post-supply discounts are not eligible for deduction from the value of supplies in all situations. Such discounts are allowed as a deduction from the value of supply only in the situations where the following two conditions are satisfied:

- (i) The discount is in terms of an agreement that existed at the time of supply and can be worked out invoice-wise; and
- (ii) Proportionate input tax credit (ITC) is reversed by the recipient – The buyer would have availed ITC of GST payable on the gross value specified in the invoice. Thus, when a credit note is issued to him by the supplier for the discount, the buyer will reverse the proportionate credit; consequent to which, the supplier's output tax liability will be reduced by the same amount.

If any of the above conditions are not satisfied, post-supply discount is not allowed as a deduction from the value of supply and consequently, GST liability of the supplier does not get reduced.

**Q16.** 'Consideration under GST law includes both monetary and non-monetary considerations.'

Discuss the correctness or otherwise of the statement with reference to the definition of term 'consideration' provided under the CGST Act.

**Answer:** The statement is correct. As per the definition of the term 'consideration' provided under the CGST Act, consideration under the GST law includes both payment in money or otherwise made by the recipient or any other person and also takes within its sweep the monetary value of any act or forbearance for the supply by the recipient or any other person. Further, it includes within its ambit any deposit which is applied as a consideration for the supply but excludes the subsidies provided by the State or Central Government.

The term money has also been defined under the CGST Act and it not only includes cash (Indian as well as foreign currency) but also cheque, promissory note, bill of exchange, letter of credit, draft, pay order,

traveler's cheque, money order, postal/electronic remittance or any such similar instrument recognized by RBI. Non-monetary consideration essentially means consideration in kind.

**Q17.** Sharp Minds Institute provides coaching for engineering entrance examinations. Monthly fee charged by the Institute from a student is ₹ 10,000. The Institute is known for its commitment to provide education to underprivileged children. It trains 10 students every year for entrance examinations free of cost.

The Institute has received ₹ 3,00,000 as coaching fees during a month. Nav Jeevan, an NGO working in the area of education for underprivileged children, has given a subsidy of ₹ 10,000 (in lumpsum) during the month to the Institute as it is serving the cause of underprivileged children.

Determine the value of supply of education services made by Sharp Minds Institute during the month.

**Answer:** As per section 15(2)(e), the value of a supply includes subsidies directly linked to the price, excluding subsidies provided by the State Governments and the Central Government.

In the given case, though the subsidy is given by a non-Government body, the same is not includible in the value as it is given in lumpsum and not directly linked to the price of the supply being valued. Therefore, the value of supply made by Sharp Minds during the month is ₹ 3,00,000.

**Q18.** Furniture Wala is a chain of retail showrooms selling both modern and classic furniture. In order to build strong customer association, the showroom provides free delivery of the furniture at the premises of the customers if the distance between the showroom and the customer's premises is upto 20 kms. Where the distance is more than 20 kms, the showroom charges a concessional freight of ₹ 10 for every additional km.

Ms. Leena Kapoor purchases a double bed, a dressing table and a centre table for ₹ 2,00,000 from Furniture Wala. Ms. Leena gets free delivery of the furniture as her residence is located at a distance of 18 km from the showroom. The showroom incurs an expenditure of ₹ 1000 for delivering the furniture at Ms. Leena's residence.

Determine the value of taxable supply made by Furniture Wala. Will your answer change if residence of Ms. Leena is 50 km away from the showroom?

**Answer:** In the given case, the showroom is not charging any amount towards freight from Ms. Leena but incurring the same out of its own pocket. Therefore, the same should not be added to the value. Hence, the value of supply will be ₹ 2,00,000.

However, the answer will change in the second case when the showroom will charge ₹ 300 for freight [(50km – 20 km) x ₹ 10] from Ms. Leena. In this case, the supply will be a composite supply (principle supply being the supply of furniture) and value thereof will be ₹ 2,00,300.

**Q19.** Red Pepper Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March.

S. No.	Particulars	Amount (₹)
(i)	List price of taxable goods supplied inter-state (exclusive of taxes)	15,00,000
(ii)	Subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	2,10,000
(iii)	Subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv)	Tax levied by Municipal Authority	20,000
(v)	Packing charges	15,000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay ₹ 6,000 in lump sum and no additional amount is payable by him)	6,000

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

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

**Answer: Computation of total value of taxable supplies made by Red Pepper Ltd. during the month of March**

<b>Particulars</b>	<b>Amount (₹)</b>
List price of the goods	15,00,000
Subsidy amounting to ₹ 2,10,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e)]	NIL
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e)]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a)]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c)]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15(2)(d) - As the amount of interest received is a lump sum amount, the same has to be taken as inclusive of GST] [₹ 6,000 x 100/118] rounded off	5,085
<b>Total value of taxable supplies</b>	<b>15,90,085</b>

**Q20.** M/s. Flow Pro, a registered supplier, sold a machine to BP Ltd. It provides the following information in this regard: -

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

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

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

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

<b>Particulars</b>	<b>Amount (₹)</b>
Price of the machine [Since the subsidy is received from the State Government, the same is not includible in the value of supply in terms of section 15(2)(e)]	25,000
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	5,000
Freight charges for delivery of the machine value	2,000

[Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]

**Total** **32,000**

Less: Discount @ 2% on ₹ 25,000 being price charged to BP Ltd.

(500)

[Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply in terms of section 15(3)(a)]

**Value of taxable supply** **31,500**





**13. ABC Ltd. sold certain goods for ₹ 3,00,000 and received subsidy from a private organisation ₹1,00,000 hence charged from customer ₹ 2,00,000, in this case value of supply shall be**

- (a) 3,00,000                      (b) 2,00,000                      (c) 4,00,000                      (d) 5,00,000                      (e) none of these

**14. While computing transaction value, discount allowed shall be deducted provided such discount was given**

- (a) at or before the time of supply  
(b) after making the supply  
(c) after making supply but it has been established in term of agreement entered into at or before the time of supply  
(d) option (a) or (c)  
(e) none of these

**15. As per section 15 value of supply means**

(a) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are related and the price is the sole consideration for the supply.

(b) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is not the sole consideration for the supply.

(c) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

(d) The value of a supply of goods or services or both shall be the market value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

**Check Detailed Solution given on our website [www.mkgeducation.com](http://www.mkgeducation.com)  
(Icon /Heading No.11: Books)**

# EXAMINATION QUESTION

## JAN 2021 (NEW COURSE)

**Question 5****(8 Marks)**

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

	Particulars	Amount in (₹)
(1)	List price of machine supplied [exclusive of items given below from (2) to (4)]	80,000
(2)	Tax levied by Local Authority on sale of such machine	6,000
(3)	Discount of 2% on the list price of machine was provided (recorded in the invoice of machine)	
(4)	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, 2021, 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, 2021 was:

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

Note:

- (i) Rate of CGST, SGST and IGST to be 9%,9% and 18% respectively for both inward and outward supplies.
- (ii) All the amounts given above are exclusive of GST.
- (iii) 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, 2021.

**Answer**

### 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, if charged separately, are includible in the value in terms of section 15 of the CGST Act, 2017.]	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 15 of the CGST Act, 2017.]	5,000

Total	95,000
Less: Discount @ 2% on ₹ 80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15 of the CGST Act, 2017.]	(1,600)
<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 × 3 machines = ₹ 2,80,200 Inter-State sales = ₹ 93,400 × 1 machine = ₹ 93,400]	25,218 [2,80,200 × 9%]	25,218 [2,80,200 × 9%]	16,812 [93,400 × 18%]
Total output tax	25,218	25,218	16,812
Less: Set off of 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 of CGST against CGST and SGST against SGST [CGST credit cannot be utilized towards payment of SGST and vice versa.]	(25,218)	(14,800)	
Minimum net GST payable in cash	Nil	1,230	

**Working Note:**

**Computation of total ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC	18,000	4,000	26,000
<b>Add: Inputs purchased during the month</b>	<b>10,800</b> [₹ 1,20,000 × 9%]	<b>10,800</b> [₹ 1,20,000 × 9%]	
Total ITC available	28,800	14,800	26,000

**NOV 2018 (NEW COURSE)**

**Question 9 (a)**

**(5 Marks)**

Mr. X a registered supplier in Kochi (Kerala State) has provided the following detail in respect of her supplies made within Intra-State for the month of March 2022:

Particulars	Amount in (₹)
(i) List price of goods supplied intra-state <b>(Exclusive of item given below from ii to v)</b>	3,30,000
(ii) Swachh Bharat cess levied on sale of goods	12,500
(iii) Packing expense charged separately in the invoice	10,800
(iv) Discount of 1% on the list price of the goods was provided (recorded in the invoice of goods)	
(v) Subsidy received from State Government for encouraging women entrepreneurs.	5,000

Compute the value of taxable supply and the gross GST liability of Mr. X for the month of March 2022 assuming rate of CGST to be 9% and SGST to be 9%. All the amounts given above are exclusive GST.

**Solution: Computation of Value of taxable supply**

Particulars	Amount in (₹)
(i) List price of goods supplied intra-state	3,30,000

(ii) Swachh Bharat cess levied on sale of goods (other tax paid shall be included as per section 15)	12,500
(iii) Packing expense charged separately in the invoice (includible as per section 15)	10,800
(iv) Discount of 1% on the list price of the goods was provided (recorded in the invoice of goods)	(3,300)
(since discount is known at the time of supply, it is deductible from the value in terms of section 15)	
(v) Subsidy received from State Government for encouraging women entrepreneurs.	Nil
(Subsidy received from Govt. shall not be includible in the value as per section 15)	
<b>Value of Supply</b>	<b>3,50,000</b>
<b>CGST @ 9%</b>	<b>31,500</b>
<b>SGST @ 9%</b>	<b>31,500</b>

**Alternative solution: In the above solution it is assumed that subsidy received from State Government is already adjusted in list price hence no treatment has been done. Alternatively, it is assumed that subsidy is not excluded from list price then subsidy amount shall be deducted hence computation will be**

**Solution: Computation of Value of taxable supply**

Particulars	Amount in (₹)
(i) List price of goods supplied intra-state	3,30,000
(ii) Swachh Bharat cess levied on sale of goods (other tax paid shall be included as per section 15)	12,500
(iii) Packing expense charged separately in the invoice (includible as per section 15)	10,800
(iv) Discount of 1% on the list price of the goods was provided (recorded in the invoice of goods)	(3,300)
(since discount is known at the time of supply, it is deductible from the value in terms of section 15)	
(v) Subsidy received from State Government for encouraging women entrepreneurs.	(5,000)
(Subsidy received from Govt. shall not be includible in the value as per section 15)	
<b>Value of Supply</b>	<b>3,45,000</b>
<b>CGST @ 9%</b>	<b>31,050</b>
<b>SGST @ 9%</b>	<b>31,050</b>

### MAY 2018 (NEW COURSE)

**Question 9 (a)**

**(5 Marks)**

Candy Blue Ltd., Mumbai, a registered supplier, is manufacturing Chocolates and Biscuits. It provides the following details of taxable inter-state supply made by it for the month of October 2021:

Particulars	GST paid (₹)
(i) List price of goods supplied inter-state	12,40,000
<b>Item already adjusted in the price given in (i) above:</b>	
(1) Subsidy from Central Government for supply of Biscuits to Government School.	1,20,000
(2) Subsidy from Trade Association for supply of quality Biscuits.	30,000
<b>Items not adjusted in the price given in (i) above:</b>	
(3) Tax levied by Municipal Authority	24,000
(4) Packing Charges	12,000
(5) Late fee paid by the recipient of supply for delayed Payment of invoice	5,000

Calculate the Value of taxable supply made by M/s Candy Blue Ltd. for the month of October 2021.

**Solution:**

**Computation of value of taxable supply**

Particulars	₹
List price of the goods	12,40,000
Tax levied by Municipal Authority	24,000
[Includible in the value as per section 15]	
Packing charges [Includible in the value as per section 15]	12,000
Subsidy received from a non-Government body	30,000
[Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15]	
Late fee paid by the recipient of supply for delayed Payment of invoice	5,000
[Includible in the value as per section 15]	

**Total** **13,11,000**

**Note:** Subsidy received from Government is not includible in value of supply as per section 15.

**MAY 2018 (OLD COURSE)**

**Question 7 (b)**

**Marks 4**

Shri Krishna Pvt. Ltd., a registered dealer, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd. in the course of Intra State.

S. No	Particulars	Amount (₹)
(i)	Price of the goods	1,00,000
(ii)	Municipal Tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidies received from Shri Ram Trust (As the products is going to be used by blind association)	50,000
(v)	Late fees for delayed payment. (Though Shri Balram Pvt. Ltd, made late payment but these charges are waived by Shri Krishna Pvt. Ltd.)	1,000
(vi)	Shri Balram Pvt. Ltd. paid to Radhe Pvt. Ltd. (on behalf of Shri Krishna Pvt. Ltd.) weightment charges.	2,000

According to GST Law, determine the value of taxable supply made by Shri Krishna Pvt. Ltd .. Items given in Point (ii) to (vi) are not considered while arriving at the price of the goods given in point no. (i).

**Solution:**

**Computation of value of taxable supply**

<b>Particulars</b>	<b>₹</b>
List price of the goods	1,00,000
Tax levied by Municipal Authority [Includible in the value as per section 15]	2,000
Inspection charges [Includible in the value as per section 15]	15,000
Subsidy received from a non-Government body (already not considered)	Nil
Late fee for delayed Payment but waived by the seller.	Nil
Weightment charges [Includible in the value as per section 15] [Includible in the value as per section 15]	2,000
<b>Total</b>	<b>1,19,000</b>

**MEANING OF SUPPLY**  
**SECTION 7 & SECTION 8, CGST ACT**  
**SCHEDULE I, II & III**

**Question 1: Explain Supply under GST.**

**Answer: Scope of supply Section 7.**

(1) For the purposes of this Act, the expression "supply" includes—

- (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
- (b) import of services for a consideration whether or not in the course or furtherance of business and;
- (c) the activities specified in Schedule I, made or agreed to be made without a consideration

(1A) Where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.

(2) Notwithstanding anything contained in sub-section (1),—

- (a) activities or transactions specified in Schedule III; or
- (b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council,

**shall neither be a supply of goods nor a supply of services.**

**As per notification no. CT(R) - 14/17 dated 28.06.2017, Services notified by the Government is:**

- ❖ Services by way of any activity in relation to a function entrusted to a Panchayat or municipality under article 243G/243W of the Constitution. Such functions are given in eleventh/twelfth schedule of Constitution, eg. Khadi, village and cottage industries, Drinking water, Roads, culverts, bridges, ferries, waterways and other means of communication, Libraries, Cultural activities, Markets and fairs.
- ❖ Service by way of grant of alcoholic liquor licence, against consideration in the form of licence fee or application fee or by whatever name it is called.

(3) Subject to the provisions of sub-sections (1), (1A) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as—

- (a) a supply of goods and not as a supply of services; or
- (b) a supply of services and not as a supply of goods.

**Example :**

(i) ABC limited has sold certain goods for a consideration of ₹ 10,00,000, in this case it will be considered to be supply and company shall charge GST from the buyer and pay it to the Government.

(ii) A Chartered Accountant has supplied services to a client for a consideration of ₹ 10,00,000, in this case it will be considered to be supply and CA will charge GST from the client and pay it to the Government.

(iii) A dealer of laptop has taken one LCD from a dealer of LCD as a barter, in this case GST shall be payable on the transaction value as per section 15 i.e. value applicable in general and if such value is ₹ 50,000, each of the dealer shall pay GST.

(iv) If a dealer of Maruti car has given one motor for ₹ 8,00,000 and has also taken used motor car of the customer, in this GST is payable on the transaction value and if such value is ₹ 10,00,000, GST is payable on ₹ 10,00,000 but no GST by the customer because it is not in the course of business.

The term **goods shall not include money, security, Land and Building**, hence it is not a supply and no GST is payable.

The term actionable claim is covered in the definition of Goods but only three actionable claims shall be considered to be supply and are: **lottery, gambling and betting** (but other actionable claims are not taxable as per schedule III.)

### **Question 2: Explain Deemed supply under schedule I**

#### **Answer: Schedule I: Deemed supply i.e. supply without consideration**

In order to constitute supply there must be consideration but infact even the supply without consideration is taxable but only in situation given in schedule I and is as given below:

#### **1. Permanent Transfer or disposal of assets of business where input tax credit has been availed**

If any person has taken ITC with regard to assets of business and subsequently such assets have been disposed off by him without consideration, it will be considered to be supply and GST shall be payable.

##### **Example**

(i) A dealer of air-conditioners purchased AC and has taken ITC but after that permanently transfers an air conditioner from his stock in trade, for personal use at his residence. The transaction will constitute a supply as it is a permanent transfer/ disposal of business assets. The only condition is that input tax credit should have been availed on such assets.

(ii) A Chartered Accountant has purchased one laptop for use in his office for ₹ 50,000 and paid Input tax ₹ 10,000 and tax credit of ₹10,000 was taken but after 3 years it was given by him to one of his friend without consideration, in this case it will be considered to be supply and output GST shall be payable on the transaction value. If transaction value is ₹20,000 and rate of GST is 15%, output GST shall be ₹3,000 (also provisions of section 18(6) shall be applicable: in this case remaining life is 24 month and tax credit to be reversed shall be  $10,000 / 60 \times 24 = 4,000$ . Hence GST Payable shall be ₹ 4,000).

(iii) Mr. X purchased one motor car for the purpose of his business on which no ITC was allowed u/s 17(5) and subsequently it was gifted by him to one of his friends, in this case it will not be considered to be supply because no ITC was taken on it but if it is sold for a consideration, it will be considered to be a supply and GST shall be payable.(as per section 7)

(iv) A Chartered Accountant has rendered services to one of its client without consideration, in this case it is not a supply because services have not been covered under this clause.

(v) ABC limited purchased 10 laptops and has taken ITC but after 2 years it was given free of cost to some students, it will be considered to be supply (also provisions of section 18(6) shall be applicable).

#### **2. Supply of goods or services without consideration between Distinct persons or Related persons in the course of business or in the furtherance of business**

If any person has supplied goods/services to the person who is considered to be Distinct or Related, it will be considered to be supply even if there is no consideration.

##### **Example**

(i) Mr. X has rendered free services to one of the related persons, in this case it will be considered to be supply but if free services were given to a person who is neither a related a person nor a Distinct person, in that case it will not be considered to be supply.

(ii) Mr. Y has sold certain goods on which no ITC has been taken, to one of the related persons, in this case it will be considered to be supply but if goods were given to a person who is neither a related a person nor a Distinct person, in that case it will not be considered to be supply.

(iii) ABC limited has transferred certain goods on which no ITC was taken, to its own branch in some other State without consideration, it will be considered to be supply.

(iv) Raghubir Fabrics transfers 1000 shirts from his factory (whether ITC taken or not) located in Lucknow to his retail showroom in Delhi so that the same can be sold from there. The factory and retail showroom of Raghubir Fabrics are registered in the States where they are located. Although no consideration is charged, supply of goods from factory to retail showroom constitutes supply.



**Meaning of Distinct person**

The term Distinct person is defined under section 25 of CGST Act and also under section 8 of IGST Act. In the following cases the persons shall be considered to be Distinct persons:

If any person has branches in different states/ UT and aggregate turnover is exceeding the threshold exemption limit, in that case registration of all the branches is required, however permanent account number shall be same, such branches or head office etc shall be considered to be **Distinct person** i.e. they will be considered to be different persons for the purpose of charging GST, eg. ABC limited has its head office in Delhi and branch office in Lucknow, separate registration is required and they will be called Distinct persons. If any person has branches in same State/UT, in that case such person shall have the option to take single registration or more than one registration. If he has taken more than one registration, they will also be called distinct persons for each such registrations.

**Eg.** Mohan, a Chartered Accountant, has a registered head office in Delhi and also one branch in Delhi. He has obtained separate registration for each of the branch, in this case they will be called distinct person.

**Meaning of Related Person**

**"Related persons"** means

(i) Such persons are partners in business.

Example - Mr. X and Mr. Y are partners in a business, they will be considered to be related persons.

(ii) Any person holds twenty-five per cent or more of shares of both of them.

Example – Mr. X has 25% shares in ABC limited and 25% shares in XYZ limited, in this case ABC & XYZ will be considered to be related persons.

(iii) One of them controls the other, eg. ABC limited is holding 51% shares of XYZ limited, they are related persons.

(iv) together they directly or indirectly control a third person, eg. ABC limited has 26% shares of A limited and XYZ limited has 27% shares of A limited, in this case ABC & XYZ shall be connected person

(v) such persons are employer and employee;

(vi) they are members of the same family;

**As per section 2(49) "family" means,—**

(i) the spouse and children of the person, and

(ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.

**If goods or services have been given by employer to the employee,** they will be considered to be related person and GST shall be payable even if there is no consideration but if value of such goods or services is upto ₹50,000 during a particular financial year, it will not be considered to be supply, however as per section 17(5), any ITC taken with regard to such goods has to be reversed.

**Example**

(i) ABC limited has gifted certain items valued ₹ 45,000 to its employee Mr. X, it will not be considered to be supply.

(ii) ABC limited has gifted certain items valued ₹ 2,00,000 to its employee Mr. X, it will be considered to be supply. (whether ₹1,50,000 or ₹2,00,000 is not clear.) but if it is because of contractual agreement, it will not be considered to be supply. E.g. ABC Ltd. has employed Mr. X and as per agreement salary of ₹1,00,000 p.m. shall be given to Mr. X. Also goods of value of ₹ 2,00,000 shall be given free of cost on Diwali in this case no GST is payable on supply of goods valued ₹ 2,00,000.

**3. Supply of goods by principal to agent**

Any supply of goods **by a principal to his agent** where the agent undertakes to supply such goods on behalf of the principal shall be considered to be supply. Similarly any supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal shall be considered to be supply.

**Scenario 1**

Mr. A, an artist, appoints M/s B (auctioneer) to auction his painting. M/s B arranges for the auction and identifies the potential bidders. The highest bid is accepted and the painting is sold to the highest bidder. The invoice for the supply of the painting is issued by M/s B on the behalf of Mr. A but in his own name and the painting is delivered to the successful bidder. In this scenario, M/s B is not merely providing auctioneering services, but is also supplying the painting on behalf of Mr. A to the bidder, and has the authority to transfer the title of the painting on behalf of Mr. A. This scenario is covered under Schedule I.

A similar situation can exist in case of supply of goods as well where the C&F agent or commission agent takes possession of the goods from the principal and issues the invoice in his own name. In such cases, the C&F/commission agent is an agent of the principal for the supply of goods in terms of Schedule I. The disclosure or non-disclosure of the name of the principal is immaterial in such situations. Further Mr. B shall be liable for registration u/s 24 if Mr. A is registered in GST.

**Scenario 2**

M/s XYZ, a banking company, appoints Mr. B (auctioneer) to auction certain goods. The auctioneer arranges for the auction and identifies the potential bidders. The highest bid is accepted and the goods are sold to the highest bidder by M/s XYZ. The invoice for the supply of the goods is issued by M/s XYZ to the successful bidder. In this scenario, the auctioneer is merely providing the auctioneering services with no role played in the supply of the goods. Even in this scenario, Mr. B is not an agent of M/s XYZ for the supply of goods in terms of Schedule I, but if Mr. B has sold the goods in his name, Mr. B shall be considered to be an agent and if principal is registered, agent shall also be required registration as per section 24. If M/s XYZ claims that they have supplied the goods free of cost to Mr. B, it will be covered under schedule I and shall be considered to be supply.

**Scenario 3**

Mr. A appoints Mr. B to procure certain goods from the market. Mr. B identifies various suppliers who can provide the goods as desired by Mr. A, and asks the supplier (Mr. C) to send the goods and issue the invoice directly to Mr. A. In this scenario, Mr. B is only acting as the procurement agent, and has in no way involved himself in the supply or receipt of the goods. Hence, in accordance with the provisions of this Act, Mr. B is not an agent of Mr. A for supply of goods in terms of Schedule I, but if Mr. B has purchased goods in his own name and subsequently to Mr. A, in this case he is an agent and if goods are supplied to Mr. A free of cost, it will be covered in schedule I i.e. supply of goods by an agent to the principal.

**Scenario 4**

Mr. A sells agricultural produce by utilizing the services of Mr B who is a commission agent as per the Agricultural Produce Marketing Committee Act (APMC Act) of the State. Mr B identifies the buyers and sells the agricultural produce on behalf of Mr. A for which he charges a commission from Mr. A. As per the APMC Act, the commission agent is a person who buys or sells the agricultural produce on behalf of his principal, or facilitates buying and selling of agricultural produce on behalf of his principal and receives, by way of remuneration, a commission or percentage upon the amount involved in such transaction.

In cases where the invoice is issued by Mr. B to the buyer, the former is an agent covered under Schedule I. However, in cases where the invoice is issued directly by Mr. A to the buyer, the commission agent (Mr. B) doesn't fall under the category of agent covered under Schedule I. (Services of commission agent for agricultural produce is exempt from GST, hence registration is not required)

**Q: Examine whether the following activities would amount to supply under section 7 of the CGST Act.**

- (a) Damodar Charitable Trust, a trust who gets the eye treatment of needy people done free of cost, donates clothes and toys to children living in slum area.
- (b) Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.

**Answer:**

(a) Section 7 of the CGST Act, inter alia, provides that supply must be made for a consideration except the activities specified in Schedule I and in course or furtherance of business. Since, both these elements are

missing, donation of clothes and toys to children living in slum area would not amount to supply under section 7 of the CGST Act.

(b) Schedule I of CGST Act, inter alia, stipulates that supply of goods or services or both between related persons or between distinct persons, is supply even without consideration provided it is made in the course or furtherance of business. Further, where a person who has obtained or is required to obtain registration in a State in respect of an establishment, has an establishment in another State, then such establishments shall be treated as establishments of distinct persons. In view of the same, factory and depot of Sulekha Manufacturers are establishments of two distinct persons. Therefore, supply of goods from Delhi factory of Sulekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under section 7 of the CGST Act.

### **CLARIFICATION**

#### **Free samples and gifts:**

It is a common practice among certain sections of trade and industry, such as, pharmaceutical companies which often provide drug samples to their stockists, dealers, medical practitioners, etc. without charging any consideration. In such cases, the supplier should not take ITC as per section 17(5) and also it will not be considered to be supply as per schedule-I or the supplier should take ITC and it will be considered to be supply as per schedule-I.

(Circular no. 92/2019)

#### **Question 2 (RTP MAY 20)**

ABC Ltd. is a registered pharmaceutical company. The company invented one drug for instant cure of cancer. They supplied free samples of this medicine to various doctors. What will be the tax treatment of these free samples under GST?

**Answer:** in this case the company has two options

- (a) ABC Ltd. is liable to pay tax on supply of free samples and is eligible to claim input tax credit. or
- (b) ABC Ltd. is neither liable to pay tax on supply of free samples nor eligible to claim input tax credit.

#### **Question 3: Explain taxability if GST in case of Import of Services**

**Answer: As per section 7 (1) (b),** Import of services for a consideration for business purpose or for personal purpose shall be considered to be supply, however as per notification no. 9/2017 IT(R), Services imported by an individual for personal purpose shall be exempt from GST but no such exemption shall be allowed in case of OIDAR services i.e. online information and data base access and retrieval services. If individual is not registered, GST shall be collected by OIDAR and tax shall be paid by OIDAR and if individual is registered, GST shall be paid by individual under reverse charge.

**As per schedule I,** Import of services without consideration by a person from a related person or from any of his establishment outside India in the course or furtherance of business shall be taxable i.e. no GST in any other case without consideration.

#### **Example**

(i) Mr. X imported services from outside India for a consideration for business purpose, it is taxable and Mr. X will pay tax under reverse charge.

(ii) Mr. X imported services from outside India for a consideration for personal purpose, it is supply as per section 7(1)(b) but it is exempt as per notification no. 9/2017.

(iii) Mr. X imported services from outside India without consideration for business purpose, it is exempt as per schedule I.

(iv) Mr. X imported services from outside India without consideration and it is OIDAR service, it is exempt in the hands of Mr. X and also in the hands of supplier as per schedule I.

(v) Mr. X imported services from outside India for a consideration and it is OIDAR service, it is exempt in the hands of Mr. X if he is unregistered and tax shall be paid by provider of OIDAR service but if Mr. X is registered, he will be required to pay tax under reverse charge.

(vi) ABC limited has taken services from outside India for business without consideration, it is exempt but if services are taken from a related person or from its establishment outside India, it will be taxable and GST is to be paid by ABC limited under reverse charge.

(vii) Sumedha, a proprietor registered in Delhi, has sought architect services from his brother without consideration, located in US, with respect to his newly constructed house in Delhi. In this case it will not be considered to be supply as per schedule I but if there is a consideration it will be supply as per section 7(1)(b) however it will be exempt as per notification no. 9/2017.

(viii) ABC Associates received legal consultancy services from its head office located in Malaysia. The head office has rendered such services free of cost to its branch office. Since ABC Associates and the branch office are related persons, services received by ABC Associates will qualify as supply even though the head office has not charged anything from it.

**Conclusion:**

1. Import of services without consideration is always exempt except when imported by a person from a related person in the course of business.
2. Import of service for consideration is always taxable except when taken by Individual for personal purpose other than OIDAR services.

**RTP NOV 2021**

**Question 5.**

Determine which of the following independent cases will be deemed as supply even if made without consideration in terms of Schedule I of the CGST Act, 2017?

- (i) AB & Associates transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot.
  - (ii) Mr. Raghuveer, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle is blocked.
  - (iii) Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth ₹ 21,000.
- (a) (i)  
 (b) (ii)  
 (c) (iii)  
 (d) Both (i) and (ii)

**Solution :** 5. (a)

**NOV 2020 (NEW COURSE)**

**Question 8 (c).**

**5 Marks**

With reference to provisions of CGST Act, 2017 discuss in brief, when “Importation of services” to be considered as supply and when it is not to be considered as supply.

**Answer: As per section 7 (1) (b),** Import of services for a consideration for business purpose or for personal purpose shall be considered to be supply, however as per notification no. 9/2017 IT(R), Services imported by an individual for personal purpose shall be exempt from GST but no such exemption shall be allowed in case of OIDAR services i.e. online information and data base access and retrieval services. If individual is not registered, GST shall be collected by OIDAR and tax shall be paid by OIDAR and if individual is registered, GST shall be paid by individual under reverse charge. Further as per schedule I Import of services without consideration by a person from a related person or from any of his establishment outside India in the course or furtherance of business shall be taxable i.e. no GST in any other case without consideration.

**Question 4: Write a note on Composite and Mixed supplies.**

**Answer: Tax liability on composite and mixed supplies. Section 8.**

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely:—

- (a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be

treated as a supply of such principal supply; and

- (b) a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

**As per section 2(30), "composite supply"** means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

**As per section 2(74), "mixed supply"** means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply:

**Example**

1. Charger supplied alongwith mobile phone is a composite supply.
2. A gift pack comprising of chocolates and sweets is a mixed supply.
3. Suvarna Manufacturers entered into a contract with XYZ Ltd. for supply of readymade shirts packed in designer boxes at XYZ Ltd.'s outlet. Further, Suvarna Manufacturers would also get them insured during transit. In this case, supply of goods, packing materials, transport & insurance is a composite supply wherein supply of goods is principal supply.
4. When a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance services are ancillary.
5. A travel ticket from Mumbai to Delhi may include service of food being served on board, free insurance, and the use of airport lounge. In this case, the transport of passenger, constitutes the pre-dominant element of the composite supply, and is treated as the principal supply and all other supplies are ancillary.
6. A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.
7. A shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold independently and are not naturally bundled. So, such supplies are mixed supplies.

**Question 5: Determine whether the following supplies amount to composite supplies.**

- (a) A hotel provides 4 days-3 nights package wherein the facility of breakfast and dinner is provided alongwith the room accommodation.
- (b) A toothpaste company has offered the scheme of free toothbrush alongwith the toothpaste.

**Answer:** Under composite supply, 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.

In view of the same,

- (a) since, supply of breakfast and dinner with the accommodation in the hotel are naturally bundled, said supplies qualify as 'composite supply'.
- (b) since supply of toothbrush alongwith the toothpaste are not naturally bundled, said supplies do not qualify as 'composite supply'.

**CLARIFICATIONS**

**1. Art works sent by artists to galleries for exhibition is not a supply**

Artists give their work of art to galleries where it is exhibited for supply. However, no consideration flows from the gallery to the artist when the art works are sent to the gallery for exhibition and therefore, the same is not a supply. It is only when a buyer selects a particular art work displayed at the gallery, that the actual supply takes place and applicable GST would be payable at the time of such supply.

[Circular No. 22/22/2017 GST dated 21.12.2017].

**RTP MAY 2020****Question 5**

Mr. Avishkar is a painter registered under GST in Delhi. He sends his artwork for exhibition in Mumbai. At what point of time, supply is considered to have been made under GST?

- (a) When painting is completed.
- (b) When painting is sent for exhibition in Mumbai.
- (c) When painting is displayed at the exhibition in Mumbai.
- (d) When painting is purchased by one of the visitors in the exhibition.

**Answer: (d)**

**2. CBIC has clarified Taxability of 'tenancy rights'/pagadi under GST as under:**

Pagadi system, i.e. transfer of tenancy rights against tenancy premium, is prevalent in some States. The activity of transfer of tenancy right against consideration [i.e. tenancy premium] is squarely covered under supply of service liable to GST. It is a form of lease or renting of property and such activity is specifically declared to be a service in of Schedule II i.e. any lease, tenancy, easement, licence to occupy land is a supply of services.

Although stamp duty and registration charges have been levied on such transfer of tenancy rights, it shall be still subject to GST since merely because a transaction/supply involves execution of documents which may require registration and payment of registration fee and stamp duty, would not preclude them from the 'scope of supply' and from payment of GST.

The transfer of tenancy rights cannot be treated as sale of land/ building. Thus, it is not a negative list activity and consequently, a consideration for the said activity shall attract levy of GST.

To sum up, transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable. Further, services provided by outgoing tenant by way of surrendering the tenancy rights against consideration in the form of tenancy premium is liable to GST [Circular No.44/18/2018 CGST dated 02.05.2018].

**3. Inter-State movement of various modes of conveyance**

Inter-State movement of various modes of conveyance, between distinct persons as specified in section 25(4) of the CGST Act, including-

- Trains,
- Buses,
- Trucks,
- Tankers,
- Trailers,
- Vessels,
- Containers,
- Aircrafts,

(a) carrying goods or passengers or both; or

(b) for repairs and maintenance,

[except in cases where such movement is for further supply of the same conveyance] was discussed in GST Council's meeting held on 11th June, 2017 and the Council recommended that such inter-State movement shall be treated 'neither as a supply of goods or supply of service' and therefore not be leviable to IGST.

Thus, above activity may not be treated as supply and consequently IGST will not be payable on such supply. However, applicable CGST/SGST/IGST, as the case may be, shall be leviable on repairs and maintenance done for such conveyance [Circular No. 1/1/2017 IGST dated 07.07.2017].

**Meaning of Business 2(17)**

**"business" includes—**

- (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;

- (b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a);
- (c) any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;
- (d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
- (e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;

**Example :** A Resident Welfare Association provides the service of depositing the electricity bills of the residents in lieu of some nominal charges. Provision of service by a club or association or society to its members is treated as business as this is included in the definition of 'business'.

- (f) admission, for a consideration, of persons to any premises;

**Example :** Services by way of admission to circus, cinema halls, amusement parks including theme parks, water parks, etc. are considered as business as these are services by way of admission of persons to any premises for a consideration.

- (g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;

- (h) activities of a race club including by way of totalisator or a license to book maker or activities of a licensed book maker in such club; and

**Example :** Royal Turf Race Club is engaged in facilitating the wagering (betting) transactions on horses placed through totalisator. For providing the service of facilitating wagering transactions, Royal Turf Race Club gets commission which is deducted and retained by the club from the total bet value. Said services amount to supply as the activities of a race club are included in business.

- (i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities;

Government may act in two different capacities

1. Sovereign authority: Activities like dispensing justice, maintaining armed forces, conducting audit by CAG, Elections to Parliament etc. shall be considered to be activities as Sovereign Authority and it is not covered in business and no GST is payable.

2. Public authority: All other activities except above are activities as public authority and is business and is subject to GST.( some of these activities have been specifically exempted.

**Totalisator** is a computerised device that pools the wagers/bets (after deduction of charges and statutory taxes) of various persons placing the bet and also divides the total wager amount to be distributed to the winning persons.

### **Meaning of Consideration 2(31)**

**"consideration"** in relation to the supply of goods / services includes—

- (a) any payment made whether in money or otherwise in respect of the supply of goods / services, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

#### **Example**

(i) Mr. X purchased goods from Mr. Y and payment was made to Mr. Y by Mr. Z on behalf of Mr. X, it will be considered to be consideration.

(ii) ABC limited is selling a product for ₹1,000 but Govt. has given subsidy of ₹200, In this case consideration shall be ₹800 and GST shall be payable on ₹800 but if subsidy is given by any other person instead of Govt., consideration shall be ₹1,000.

- (b) the monetary value of any act or forbearance in respect of the supply of goods / services whether by the recipient or by any other person.

**Provided** that a deposit given in respect of the supply of goods / services shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply.

**Example:**

Mr. X has taken a property on rent ₹ 20,000 p.m. and has given security deposit of ₹ 60,000, In this case GST shall be payable on ₹ 20,000. Mr. X has not paid rent for 2 months and the owner has adjusted ₹ 40,000 out of security towards rent, In this case GST shall be payable on ₹ 40,000.

### **Meaning of Goods Section 2(52)**

**"Goods"** means every kind of movable property other than **money and securities** but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply. (As per schedule 3 actionable claim shall not be considered to be supply except lottery, betting and gambling.)

### **Meaning of Services Section 2(102)**

**"services"** means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Explanation.—For the removal of doubts, it is hereby clarified that the expression "services" includes facilitating or arranging transactions in securities.

### **Meaning of Money 2(75)**

**"money"** means the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any other instrument recognised by the Reserve Bank of India when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination but shall not include any currency that is held for its numismatic value;

**Illustration:** ABC limited has purchased the goods/ services as given below:

1. Purchased one motor car for use of employees (with seating capacity more than 13) on 01-07-2021 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2021 and delivery was taken on 3<sup>rd</sup> August 2021.
2. Purchased one truck for transportation of goods on 01-07-2021 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2021 and delivery was taken on 3<sup>rd</sup> August 2021.
3. Purchased food items for employees and customers on 01-07-2021 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2021 and delivery was taken on 3<sup>rd</sup> August 2021.
4. Purchased certain items on 01-07-2021 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2021 and delivery was taken on 3<sup>rd</sup> August 2021. Subsequently these items were gifted to employees
5. Purchased house hold items for employees to be given as per contractual obligation for employment on 01-07-2021 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2021 and delivery was taken on 3<sup>rd</sup> August 2021.
6. Construction of one building through a builder for office purpose on 01-07-2021 and paid ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2021.
7. Incurred ₹ 5,00,000 plus GST ₹ 1,00,000 on repairs and renovation of one office building. Payment was made on 01-08-2021 and invoice is dated 31-07-2021.

Discuss whether ITC is allowed and also the month in which it will be allowed.

### **Solution:**

1. ITC of a motor car is allowed as seating capacity is exceeding 13 person.
2. ITC shall be allowed in the month of August 2021.
3. As per section 17(5), ITC of a food items is not allowed.
4. ITC is allowed in the month of August 2021, but ITC shall be reversed subsequently as per section 17(5).
5. ITC shall be allowed and when given to the employees it will not be considered to be supply as per schedule I however at that time tax credit shall be reversed.
6. As per section 17(5), ITC of building is not allowed.
7. As per section 17(5), ITC of renovation /repairs of building is not allowed.



**Question 6: Explain activities to be considered as supply of goods or services under schedule II.****Answer: Activities or transactions to be treated as supply of goods or supply of services: Schedule II****1. Transfer**

- (a) any transfer of the title in goods is a supply of goods;
- (b) any transfer of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of services;
- (c) any transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed, is a supply of goods.

**2. Land and Building**

- (a) any lease, tenancy, easement, licence to occupy land is a supply of services;
- (b) any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a supply of services.

**3. Treatment or process**

Any treatment or process which is applied to another person's goods is a supply of services.

**4. Transfer of business assets**

- (a) where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, such transfer or disposal is a supply of goods by the person;
- (b) where, by or under the direction of a person carrying on a business, goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, the usage or making available of such goods is a supply of services;
- (c) where any person ceases to be a taxable person, any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless—
  - (i) the business is transferred as a going concern to another person; or
  - (ii) the business is carried on by a personal representative who is deemed to be a taxable person.

**5. Supply of services**

The following shall be treated as supply of services, namely:—

- (a) renting of immovable property;
- (b) construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier.

*Explanation.*—For the purposes of this clause—

- (1) the expression "competent authority" means the Government or any authority authorised to issue completion certificate under any law for the time being in force and in case of non-requirement of such certificate from such authority, from any of the following, namely:—
  - (i) an architect registered with the Council of Architecture constituted under the Architects Act, 1972 (20 of 1972) ; or
  - (ii) a chartered engineer registered with the Institution of Engineers (India); or
  - (iii) a licensed surveyor of the respective local body of the city or town or village or development or planning authority;
- (2) the expression "construction" includes additions, alterations, replacements or remodelling of any existing civil structure;
- (c) temporary transfer or permitting the use or enjoyment of any intellectual property right;
- (d) development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software;
- (e) agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act;

and

- (f) transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration.

### **6. Composite supply**

The following composite supplies shall be treated as a supply of services, namely:—

- (a) works contract as defined in clause (119) of section 2; and  
 (b) supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.

### **1. Donations from individual donors, without quid pro quo** [Circular No. 116/35/2019 GST dated 11.10.2019]

An important feature of consideration is quid pro quo [something for something]. Donations received by a person is treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything (supply a service).

Generally, institutions such as religious institutions, charitable organisations, schools, hospitals, orphanages, old age homes etc. receive financial help or any other support in the form of donation or gift from the individual donors.

In order to express the gratitude towards such help/support, the recipient institutions place a name plate or similar such acknowledgement in their premises.

When the name of the donor is displayed in recipient institution's premises, in such a manner, which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation).

In other words, there is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service). Therefore, there is no GST liability on such consideration.

Some examples of cases where there would be no taxable supply are as follows:-

(1) Bhushan donated a blackboard to Yoganisht Sansthan – a charitable yoga institution. Yoganisht Sansthan printed underneath the blackboard so donated - “Good wishes from Mr. Bhushan”.

(2) Smt. Durga Devi donated some money to a temple in the memory of her late father. The Temple Trust constructed a room in the temple complex from such donation and wrote “Donated by Smt. Durga Devi in the memory of her father” on the door floor of the room.

In above examples, it may be noticed that there is no reference or mention of any business activity of the donor which otherwise would have got advertised.

Thus, GST is not leviable where all the following three conditions are satisfied namely:

Gift or donation is made to a person / charitable organization

Payment has the character of gift or donation

Purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement

### **Clarification of issues pertaining to Del-credere agent (DCA)**

A question was posed by the industry - whether supply between a principal and a Del-credere agent would also get covered under Schedule I.

The Government clarified the doubt of the industry by way of following clarification:

In commercial trade parlance, a DCA is a selling agent who is engaged by a principal to assist in supply of goods or services by contacting potential buyers on behalf of the principal. The factor that differentiates a DCA from other agents is that the DCA guarantees the payment to the supplier.

In such scenarios where the buyer fails to make payment to the principal by the due date, DCA makes the payment to the principal on behalf of the buyer (effectively providing an insurance against default by the buyer), and for this reason the commission paid to the DCA may be relatively higher than that paid to a normal agent.

In order to guarantee timely payment to the supplier, the DCA can resort to various methods including extending short-term transaction-based loans to the buyer or paying the supplier himself and recovering the amount from the buyer with some interest at a later date. This loan is to be repaid by the buyer along with an interest to the DCA at a rate mutually agreed between DCA and buyer.

**Circular No. 73/47/2018 GST dated 05.11.2018** has clarified the following issues in this regard:

**1. Whether a DCA falls under the ambit of agent under 3 of Schedule I of the CGST Act?**

Whether or not the DCA will fall under the ambit of agent under Schedule I of the CGST Act depends on the following possible scenarios:

- In case where the **invoice** for supply of goods is issued **by the supplier to the customer**, either himself or through DCA, the DCA **does not fall** under the ambit of agent.
- In case where the **invoice** for supply of goods is issued **by the DCA in his own name**, the DCA **would fall** under the ambit of agent.

**2. Whether the temporary short term transaction based loan extended by the DCA to the recipient (buyer), for which interest is charged by the DCA, is to be included in the value of goods being supplied by the supplier (principal) where DCA is not an agent under Para 3 of Schedule I of the CGST Act?**

In such a scenario, following activities are taking place:

1. Supply of goods from supplier (principal) to recipient;
2. Supply of agency services from DCA to the supplier or the recipient or both;
3. Supply of extension of loan services by the DCA to the recipient.

It is clarified that in cases where the DCA is not an agent, the temporary short-term transaction based 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.

Therefore, the interest being charged by the DCA would not form part of the value of supply of goods supplied (to the buyer) by the supplier.

**3. Where DCA is an agent under Para 3 of Schedule I of the CGST Act and makes payment to the principal on behalf of the buyer and charges interest to the buyer for delayed payment along with the value of goods being supplied, whether the interest will form a part of the value of supply of goods also or not?**

In such a scenario following activities are taking place:

1. Supply of goods by the supplier (principal) to the DCA;
2. Further supply of goods by the DCA to the recipient;
3. Supply of agency services by the DCA to the supplier or the recipient or both;
4. Extension of credit by the DCA to the recipient.

It is clarified that in cases where the DCA is an agent under Para 3 of Schedule I of the CGST Act, the temporary short-term transaction based 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. It is emphasised that the activity of extension of credit by the DCA to the recipient would not be considered as a separate supply as it is in the context of the supply of goods made by the DCA to the recipient.

It is further clarified that the value of the interest charged for such credit would be required to be included in the value of supply of goods by DCA to the recipient as per section 15(2)(d) of the CGST Act 15.

**SCHEDULE I**

[See section 7]

**ACTIVITIES TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION**

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
2. Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business:  
**Provided** that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.
3. Supply of goods—
  - (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
  - (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
4. Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

**SCHEDULE III**

[See section 7]

**ACTIVITIES OR TRANSACTIONS WHICH SHALL BE TREATED NEITHER AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES**

1. Services by an employee to the employer in the course of or in relation to his employment.
2. Services by any court or Tribunal established under any law for the time being in force.
3. (a) The functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;  
(b) The duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or  
(c) The duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee.
4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
5. Sale of land and sale of building.
6. Actionable claims, other than lottery, betting and gambling.
7. Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.
8. (a) Supply of warehoused goods to any person before clearance for home consumption;  
(b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.

**RTP MAY 2020****Question 6**

Which of the following is not covered under Schedule III of CGST Act, 2017?

- (a) Director's monthly salary under employment agreement
- (b) Sitting fees to independent directors for attending AGMs
- (c) Payment to employee for providing broking services to the employer for purchase of commercial property. Such services do not form part of the employment contract entered into by the employer with the employee.

(d) Both (b) and (c)

**Answer: (d)**

**Examples of supply from ICAI Module**

**Example 1:** A shopkeeper sells a pen for ₹ 100 to the buyer. After the sale, the pen belongs to the buyer and shopkeeper does not have any right on the pen. This is a transaction of sale and is supply u/s 7(1)(a).

**Example 2:** A company transfers goods from its factory to the depot for sale purposes. This is 'transfer' of goods where the sale has not taken place and is a supply.

**Example 3:** When a new car worth ₹ 5,00,000 is purchased in exchange of an old car alongwith the monetary consideration of ₹ 4,00,000 paid for the said purchase. There is a supply for the seller of car.

**Example 4:** A doctor got his hair cut from a barber and provides him medical consultancy in return. In this transaction, the doctor provided the medical consultancy services to the barber for which consideration was in the form of hair cutting services provided by the barber. Similarly, the barber provided hair cutting services to the doctor for which consideration was in the form of medical consultancy services provided by the doctor. There is a supply by each one of them.

**Example 5:** Rishabh buys a car for his personal use and after a year sells it to a car dealer. Sale of car by Rishabh to car dealer is not a supply under CGST Act because said supply is not made by Rishabh in the course or furtherance of business.

**Example 6:** Manikarnika sold her old gold bangles and earrings to 'Aabhushan Jewellers'. Sale of old gold jewellery by an individual to a jeweller will not constitute supply as the same cannot be said to be in the course or furtherance of business of the individual.

**Example 7:** Sundaram Acharya, a famous actor, paints some paintings and sells them. The consideration from such sale is to be donated to a Charitable Trust – 'Kind Human'. The sale of paintings by the actor qualifies as supply.

**Example 8:** Ramaiyaa, a proprietor, has received the architect services for his house from an architect located in New York at an agreed consideration of \$ 5,000. The import of services by Ramaiyaa is supply under section 7(1)(b) though it is not in course or furtherance of business, however it is exempt as per notification no. 9/2017

**Example 9:** Dhruv gives old laptops being used in his business to his friend free of cost. This will qualify as supply provided input tax credit has been availed by Dhruv on such laptops.

**Example 10:** A dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle is blocked. The transaction will not constitute a supply as the condition of availment of ITC on the business asset transferred is not fulfilled.

**Example 11:** Ms. Priya holds 30% shares of ABC Ltd. and 35% shares of XYZ Ltd., in this case ABC Ltd. and XYZ Ltd. are related.

**Example 12:** Q Ltd. has a deciding role in corporate policy, operations management and quality control of R Ltd. It can be said that Q Ltd. Controls R Ltd. Thus, Q Ltd. and R Ltd. are related.

**Example 13:** Mohan, a Chartered Accountant, has a registered head office in Delhi. He has also obtained registration in the State of West Bengal in respect of his newly opened branch office. Mohan shall be treated as distinct persons in respect of registrations in West Bengal and Delhi.

**Example 14:** Rishabh Enterprises, a registered supplier, owns an airconditioned restaurant in Virar, Maharashtra. It has opened a liquor shop in Raipur, Uttarakhand for trading of alcoholic liquor for human consumption. Since supply of alcoholic liquor for human consumption in Uttarakhand is a non-taxable supply, Rishabh Enterprises is not required to obtain registration with respect to the same in Uttarakhand. In this case, airconditioned restaurant in Maharashtra and liquor shop [though unregistered] in Uttarakhand shall be treated as establishments of distinct persons. Supply by Maharashtra restaurant to Uttarakhand shop, in course or furtherance of business, even without consideration will qualify as supply.

**Example 15:** Raghbir Fabrics transfers 1000 shirts from his factory located in Lucknow to his retail showroom in Delhi so that the same can be sold from there. The factory and retail showroom of Raghbir Fabrics are registered in the States where they are located. Although no consideration is charged, supply of goods from factory to retail showroom constitutes supply.

**Example 16:** Raghbir Fabrics transfers 1000 shirts from his factory located in Lucknow to his retail showroom in Kanpur so that the same can be sold from there. It has taken one registration in the State of Uttar Pradesh declaring Lucknow factory as its principal place of business and Kanpur showroom as its additional place of business. Since no consideration is charged, supply of goods from factory to retail showroom in same State under single registration does not constitute supply.

**Example 17:** Anmol appoints Bholu to procure certain goods from the market. Bholu identifies various suppliers who can provide the goods as desired by Anmol and asks the supplier (Golu) to send the goods and to issue the invoice directly to Anmol.

In this scenario, Bholu is only acting as the procurement agent, and has in no way involved himself in the supply or receipt of the goods. Hence, in accordance with the provisions of this Act, Bholu is not an agent of Anmol for supply of goods in terms of Para 3. of Schedule I.

**Example 18:** M/s Tintin, a banking company, appoints Mandaar (auctioneer) to auction certain goods. The auctioneer arranges for the auction and identifies the potential bidders.

The highest bid is accepted and the goods are sold to the highest bidder by M/s Tintin. The invoice for the supply of the goods is issued by M/s Tintin to the successful bidder.

In this scenario, the auctioneer is merely providing the auctioneering services with no role played in the supply of the goods. Even in this scenario, Mandaar is not an agent of M/s Tintin for the supply of goods in terms of Para 3. of Schedule I.

**Example 19:** Gautam, an artist, appoints Gambhir (auctioneer) to auction his painting. Gambhir arranges for the auction and identifies the potential bidders. The highest bid is accepted and the painting is sold to the highest bidder.

The invoice for the supply of the painting is issued by Gambhir on the behalf of Gautam but in his own name and the painting is delivered to the successful bidder.

In this scenario, Gambhir is not merely providing auctioneering services, but is also supplying the painting on behalf of Gautam to the bidder, and has the authority to transfer the title of the painting on behalf of Gautam. This scenario is covered under Para 3. of Schedule I.

**Example 20:** A C&F agent or commission agent takes possession of the goods from the principal and issues the invoice in his own name. In such cases, the C&F commission agent is an agent of the principal for the supply of goods in terms of Para 3. of Schedule I. The disclosure or non-disclosure of the name of the principal is immaterial in such situations.

**Example 21:** Ravi sells agricultural produce by utilizing the services of Kavi who is a commission agent as per the Agricultural Produce Marketing Committee Act (APMC Act) of the State. Kavi identifies the buyers and sells the agricultural produce on behalf of Ravi for which he charges a commission from Ravi.

As per the APMC Act, the commission agent is a person who buys or sells the agricultural produce on behalf of his principal, or facilitates buying and selling of agricultural produce on behalf of his principal and receives, by way of remuneration, a commission or percentage upon the amount involved in such transaction.

In cases where the invoice is issued by Kavi to the buyer, the former is an agent covered under Para 3. of Schedule I. However, in cases where the invoice is issued directly by Ravi to the buyer, the commission agent (Kavi) doesn't fall under the category of agent under schedule I.

**Example 22:** Jhumroo Associates received legal consultancy services from its head office located in Malaysia. The head office has rendered such services free of cost to its branch office. Since Jhumroo Associates and the head office are related persons, services received by Jhumroo Associates will qualify as supply even though the head office has not charged anything from it.

**Example 23:** Chakmak, a proprietor registered in Delhi, has sought architect services from his son located in US, with respect to his newly constructed house in Delhi. Although services have been received by Chakmak without consideration from his son - a related person, yet it will not qualify as supply since the same has not been received in course or furtherance of business.

**Example 24:** Under earlier tax regime, the restaurants used to charge both service tax and VAT on the value of food served. This so because both sale of goods and provision of service were involved and therefore taxable event under both the Statutes i.e. respective VAT law and service tax law got triggered. Under GST, the supply by a restaurant is treated as composite supply since food and service is naturally bundled in ordinary course of business. Further, Entry 6(b) of Schedule II specifically provides that such composite supply shall be treated as supply of service. Hence, the entire value of invoice shall be treated as value of service and leviable to GST accordingly.

**As per schedule II, in the following cases it will be supply of goods / services**

**Example 1:** Shivaji sells readymade garments to its customers: shall be considered to be **supply of goods.**

**Example 2:** Genius Equipments Ltd. gives a machinery on rent to Suhaasi Manufacturers: shall be considered to be **supply of services.**

**Example 3:** Dhruva Capitals supplied goods on hire purchase basis to customers: shall be considered to be **supply of goods.**

**Example 4:** Optima Manufacturers supplies toys to retailers on 'sale or return basis': shall be considered to be **supply of goods.**

**Example 5:** Lease agreement for land: shall be considered to be **supply of services.**

**Example 6:** A shop let out in a busy market area: shall be considered to be **supply of services.**

**Example 7:** Damani Dying House dyes the clothes given by Shubham Textiles Ltd. on job work basis: shall be considered to be **supply of services.**

**Example 8:** Arun, a trader, is winding up his business. Any goods left in stock shall be deemed to be supplied by him: shall be considered to be **supply of goods.**

**Exceptions:**

- Business is transferred as a going concern to another person.
- Business is carried on by a personal representative who is deemed to be a taxable person.

**Example 9:** Renting of a commercial complex: shall be considered to be **supply of services.**

**Example 10:** Renting of precincts of a religious place: shall be considered to be **supply of services.**

**Example 11:** Renting of property to an educational institution: shall be considered to be **supply of services.**

**Example 12:** Permitting use of immovable property for placing vending/dispensing machines: shall be considered to be **supply of services.**

**Example 13:** Rathi Builders has constructed individual residential units for agreed consideration of ₹ 1.2 crore per unit. ₹ 90 lakh per unit were received before issuance of completion certificate by the competent authority and balance after completion: shall be considered to be **supply of services.**

**Example 14:** Temporary transfer of patent: shall be considered to be **supply of services.**

**Example 15:** Suvidha Solutions develops an accounting software for a business: shall be considered to be **supply of services.**

**Example 16:** Cable operator - Sakharam has entered into an agreement with Cable operator - Aatmaram that Sakharam will not provide cable connections in the specified areas where Aatmaram is providing the connections. Non-compete agreements constitute supply of service: shall be considered to be **supply of services.**

**Example 17:** Late delivery charges recovered from supplier for non-fulfilment of contract within stipulated time: shall be considered to be **supply of services**.

**Example 18:** Notice pay recovered from employee for leaving the job before agreed period of notice for leaving a job: shall be considered to be **supply of services**.

**Example 19:** Machinery given on hire: shall be considered to be **supply of services**.

**Example 20:** Resident Welfare Association (RWA) of Sanskriti Society supplies air-conditioners to its members at a concessional price: shall be considered to be **supply of goods**.

**As per schedule III, the following shall neither be supply of goods nor supply of services.**

**Example 1:** Amounts received by an employee from the employer on premature termination of contract of employment are treatable as amounts paid in relation to services provided by the employee to the employer in the course of employment.

**Example 2:** Services provided by casual worker to employer who gives wages on daily basis to the worker are services provided by the worker in the course of employment.

**Example 3:** Casual workers employed by a construction contractor for execution of a building contract for him are services in the course of employment. Similarly, casual workers employed by a security services agency for provision of security services to a client are also services in the course of employment.

**Example 4:** Services provided on contract basis by a person to another i.e. principal-to-principal basis are not services provided in the course of employment<sup>19</sup>.

**Example 5:** Any amount paid by employer to employee for not joining a competing business is paid for providing the service of forbearance to act and cannot be considered for providing services in the course of employment.

**Example 6:** Duties performed by President of India, Vice President of India, Prime Minister of India, Chief Justice of India, Speaker of the Lok Sabha, Chief Election Commissioner, Comptroller and Auditor General of India, Chairman of Union Public Service Commission, Attorney General of India, in that capacity.

**Actionable claims, other than lottery, betting and gambling.**

**'Actionable claims'** are specifically included in the definition of goods under section 2(52) of the CGST Act

However, Schedule III specifically excludes actionable claims, other than lottery, betting and gambling from the ambit of definition of supply. Co-joint reading of said provisions implies that **only lottery, betting and gambling are treated as supply. All other actionable claims are outside the ambit of definition of supply.**

**Some of the other examples of actionable claims are:** Right to recover insurance money, claim for arrears of rent, unsecured loans, unsecured debentures, bills of exchange, promissory notes, bank guarantee, Fixed Deposit Receipt, right to the benefit of a contract, etc.

**Examples of Composite supply**

**Example 1:** Works contract and restaurant services are classic examples of composite supplies.

**Example 2:** Mobile phone is always sold with battery.

**Example 3:** Bundle of catering on board and transport by air is a bundle offered by a majority of airlines.

**Example 4:** Service of stay in a hotel is often combined with provision of breakfast and dinner provided free of cost during the stay. Such service is an ancillary service to the provision of hotel accommodation and the resultant package would be treated as services naturally bundled in the ordinary course of business.

**Example 5:** Poshak Manufacturers entered into a contract with Cheeku Ltd. for supply of readymade shirts packed in designer boxes at Cheeku Ltd.'s outlet. Further, Poshak Manufacturers would also get them



insured during transit. In this case, supply of goods, packing materials, transport & insurance is a composite supply wherein supply of goods is principal supply.

**Example 6:** When a consumer buys a television set and he also gets mandatory warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance services are ancillary.

**Example 7:** A travel ticket from Mumbai to Delhi may include service of food being served on board, free insurance, and the use of airport lounge. In this case, the transportation of passenger, constitutes the pre-dominant element of the composite supply, and is treated as the principal supply and all other supplies are ancillary.

**Example 8:** Rati Computers supplies laptop (worth ₹ 52,000) alongwith laptop bag (worth ₹ 3,000) to a customer for ₹ 55,000. Being naturally bundled, supply of laptop bag along with the laptop is composite supply which is treated as the supply of the principal supply [viz. laptop]. Assuming that the rate of tax applicable on laptop is 18% and on laptop bag is 28%, in the given case, rate of principal supply, i.e. laptop @ 18% will be charged on the entire value of ₹ 55,000.

### Examples of Mixed Supply

**Example 1:** A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

**Example 2:** A shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold independently and are not naturally bundled. So, such supplies are mixed supplies.

**Example 3:** A house is given on rent through a single rent deed - one floor of which is to be used as residence and the other for housing a printing press, at a lump sum rent amount. Such renting for two different purposes is not naturally bundled in the ordinary course of business. Said supplies are mixed supply.

**Example 4:** Sringaar Enterprises supplies 10,000 kits (at ₹ 50 each) amounting to ₹ 5,00,000 to Raghav General Store. Each kit consists of 1 shampoo, 1 face wash and 1 kajal pencil. It is a mixed supply and is treated as supply of that particular supply which attracts highest tax rate. Assuming that the rate of tax applicable on shampoo is 18%, on face wash is 28% and on kajal pencil is 12%, in the given case, highest tax rate [viz. face wash] @ 28% will be charged on the entire value of ₹ 5,00,000.

### More than one supply made together and taxed at the individual rates

There can be a case where an activity/transaction involves more than one supply of goods or services or both, but neither they are composite supplies nor can be categorised as mixed supplies, that is, all supplies carry independent significance. In such a case, if separate consideration is indicated against each supply, each such supply shall be charged at the respective rate applicable to that particular supply.

In case of servicing of cars involving supply of both goods (spare parts) and services (labour) where the value of goods and services are shown separately, the goods and services would be liable to tax at the rates as applicable to such goods and services separately [Circular No. 47/21/2018 GST dated 08.06.2018].

## JULY 2021 (NEW COURSE)

### **Question 6(b)**

**(4 Marks)**

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

**Answer:**

Composite supply comprises of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

Mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

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.

## PRACTICE PROBLEMS

**Q1.** What is the taxable event under GST?

**Answer:** Taxable event under GST is supply of goods or services or both. CGST and SGST/ UTGST will be levied on intra-State supplies. IGST will be levied on inter- State supplies.

**Q2.** What is the tax treatment of composite supply and mixed supply under GST?

**Answer:** Composite supply shall be treated as supply of the principal supply. Mixed supply would be treated as supply of that particular goods or services which attracts the highest rate of tax.

**Q3.** Supply of all goods and/or services is taxable under GST. Discuss the validity of the statement.

**Answer:** The statement is incorrect. Supplies of all goods and services are taxable except alcoholic liquor for human consumption. Supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be taxable with effect from a future date. This date would be notified by the Government on the recommendations of the GST Council.

**Q4.** Whether transfer of title and/or possession is necessary for a transaction to constitute supply of goods?

**Answer:** Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II of the CGST Act. In some cases, possession may be transferred immediately but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods.

**Q5.** State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of the CGST Act:

(a) Renting of immovable property

(b) Goods forming part of business assets are transferred or disposed of by/under directions of person carrying on the business, whether or not for consideration.

(c) Transfer of right in goods without transfer of title in goods.

(d) Possession of goods under an agreement which stipulates that title in property shall pass at a future date.

**Answer:**

(a) Supply of services

(b) Supply of goods

(c) Supply of services

(d) Supply of goods

**Q6.** Whether goods supplied on hire purchase basis will be treated as supply of goods or supply of services? Give reason.

**Answer:** Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.

**Q7.** Meghraj & Co. wishes to commence the business of supplying ready-made garments within Punjab and in the neighbouring States of Delhi and Haryana. Kindly state as to what is the taxable event under GST and leviability of CGST, SGST/UTGST and IGST on the same?

**Answer:** Taxable event under GST is supply of goods or services or both. CGST and SGST/ UTGST will be levied on intra-State supplies. IGST will be levied on inter-State supplies.

**Q8.** Damodar Private Ltd., registered in Delhi, has transferred some goods to its branch, registered in West Bengal, so that the goods can be sold from the branch. The goods have been transferred without any consideration. The company believes that the transaction undertaken by it does not qualify as supply as no consideration is involved. Ascertain whether the transfer of goods by Damodar Private Ltd. to its branch office qualifies as supply.

**Answer:** As per Schedule I of the CGST Act, supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business, is deemed as supply even if made without consideration. In the given case, since the Damodar Private Ltd. and its branch located in another State are distinct persons, supply of goods between them qualifies as supply.

**Q9.** Prithvi Associates is engaged in supply of taxable goods. It enquires from its tax advisor as to whether any activity can be treated as supply even if made without consideration in accordance with the provisions of the CGST Act. Enumerate such activities, if any.

**Answer:** Section 7 stipulates that the supply should be for a consideration and should be in the course or furtherance of business. However, Schedule I of the CGST Act enumerates the cases where an activity is treated as supply, even if the same is without consideration. These are as follows:

(i) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.  
 (ii) Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business.

However, gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

(iii) Supply of goods —

(a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or

(b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

(iv) Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

**Q10.** Composite supply is treated as supply of that particular goods or services which attracts the highest rate of tax. Examine the validity of the statement.

**Answer:** The statement is not correct. Composite supply is treated as supply of the principal supply. It is the mixed supply that is treated as supply of that particular goods or services which attracts the highest rate of tax.

**Q11.** Transfer of title and/or possession is necessary for a transaction to constitute supply of goods. Examine.

**Answer:** Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II(1)(b) of the CGST Act. In some cases, possession may be transferred immediately, but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods.

**Q12.** Examine whether the following activities would amount to supply under section 7 read with Schedule I of the CGST Act:

(a) Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.

(b) Raman is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.

(c) Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?

**Answer:**

(a) Schedule I of CGST Act, inter alia, stipulates that supply of goods or services or both between related persons or between distinct persons as specified in section 25, is supply even without consideration provided it is made in the course or furtherance of business. Further, a person who has obtained more than one

registration, whether in one State/Union territory or more than one State/Union territory shall, in respect of each such registration, be treated as distinct persons [Section 25(4) of the CGST Act].

In view of the same, factory and depot of Sulekha Manufacturers are distinct persons. Therefore, supply of goods from Delhi factory of Sulekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under section 7 read with Schedule I of the CGST Act.

(b) Schedule I of CGST Act, inter alia, stipulates that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. Explanation to section 15, inter alia, provides that persons shall be deemed to be “related persons” if they are members of the same family. Further, as per section 2(49) of the CGST Act, 2017, family means, —

(i) the spouse and children of the person, and

(ii) the parents, grand-parents, brothers and sisters of the person **if they are wholly or mainly dependent on the said person.**

In the given case, Raman has received free of cost legal services from his brother. However, in view of section 2(49)(ii) above, Raman and his brother cannot be considered to be related as Raman’s brother is a wellknown lawyer and is not wholly/mainly dependent on Raman. Further, Raman has taken legal advice from him in personal matter and not in course or furtherance of business. Consequently, services provided by Raman’s brother to him would not be treated as supply under section 7 read with Schedule I of the CGST Act.

(c) In the above case, if Raman has taken advice with regard to his business unit, services provided by Raman’s brother to him would still not be treated as supply under section 7 of the CGST Act read with Schedule I as although the same are provided in course or furtherance of business, such services have not been received from a related person.

**Q13.** Determine whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of the CGST Act:

- (a) Temporary transfer or permitting use or enjoyment of any intellectual property right.
- (b) Any treatment or process which is applied to another person’s goods.
- (c) Transfer of title in goods.

**Answer:**

- (a) Supply of services
- (b) Supply of services
- (c) Supply of goods

**Q14.** The goods supplied on hire purchase basis will be treated as supply of services. Examine the validity of the statement.

**Answer:** The statement is not correct. Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.

**Q15.** Examine whether the activity of import of service in the following independent cases would amount to supply under section 7 of the CGST Act, 2017:

- (i) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from Mr. Racheal of Sydney (Australia). The amount paid for the said service is 5,000 Australian dollar.
- (ii) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia) [wholly dependent on Miss Shriniti]. Further, Miss Shriniti did not pay any consideration for the said service.
- (iii) Will your answer change if in the above case, if Miss Shriniti has taken interior decoration services with regard to her business premises and not her residence?

Note: Any specific exemption by way of notification needs to be ignored.

**Answer:**

- (i) Supply, under section 7 of the CGST Act, 2017, inter alia,
  - includes import of services for a consideration

- even if it is not in the course or furtherance of business.

Thus, although the import of service for consideration by Miss. Shriniti Kaushik is not in course or furtherance of business [as the interior decoration services have been availed in respect of residence], it would amount to supply.

(ii) Schedule I of CGST Act, inter alia, stipulates that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. Explanation to section 15, inter alia, provides that persons shall be deemed to be “related persons” if they are members of the same family. Further, as per section 2(49) of the CGST Act, 2017, family means, —

(i) the spouse and children of the person, and

(ii) the parents, grand-parents, brothers and sisters of the person **if they are wholly or mainly dependent on the said person.**

In the given case, Miss Shriniti Kaushik has received interior decoration services from her brother. In view of section 2(49)(ii) above, Miss Shriniti and her brother shall be considered to be related as Miss Shriniti’s brother is wholly dependent on her.

However, Miss Shrinti has taken interior decoration services for her residence and not in course or furtherance of business. Consequently, services provided by Miss Shrinti’s brother to her would not be treated as supply under section 7 read with Schedule I of the CGST Act.

(iii) In the above case, if Miss Shriniti has taken interior decoration services with regard to her business premises, services provided by Miss Shriniti’s brother to her would be treated as supply under section 7 of the CGST Act read with Schedule I of the CGST Act, 2017.

**Q16.** Determine whether the following supplies amount to composite supplies:

(a) A hotel provides 4 days-3 nights package wherein the facility of breakfast and dinner is provided alongwith the room accommodation.

(b) A toothpaste company has offered the scheme of free soap alongwith the toothpaste.

**Answer:** Under composite supply, 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 [Section 2(30) of the CGST Act]. In view of the same,

(a) since, supply of breakfast and dinner with the accommodation in the hotel are naturally bundled, said supplies qualify as ‘composite supply’.

(b) since supply of soap alongwith the toothpaste are not naturally bundled, said supplies do not qualify as ‘composite supply’.

**Q17.** Dumdum Electronics has sold the following electronic items to Akbar Retail Store.

(i) Refrigerator (500 litres) taxable @ 18%

(ii) Stabilizer for refrigerator taxable @ 12%

(iii) LED television (42 inches) taxable @ 12%

(iv) Split air conditioner (2 Tons) taxable @ 28%

(v) Stabilizer for air conditioner taxable @12%

Dumdum Electronics has issued a single invoice, indicating price of each of the above items separately in the same. Akbar Retail Store has given a single cheque of ₹ 1,00,000/- for all the items as a composite discounted price. State the type of supply and the tax rate applicable in this case.

**Answer:** In the given case, the items supplied by Dumdum Electronics are not naturally bundled in the ordinary course of business. Therefore, such supply is not a composite supply. Further, although Akbar Retail Store has paid a composite discounted price for these goods, Dumdum Electronics has not charged a single price for the said supply. Therefore, said supply is also not a mixed supply.

Supply of these goods is, therefore, supply of individual items which are taxable at the respective rates applicable to them.

**Q18.** Manikaran, a registered supplier of Delhi, has supplied 20,000 packages at ₹ 30 each to Mukhija Gift Shop in Punjab. Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons. Determine the rate(s) of GST applicable in the given case assuming the rates of GST to be as under:

Goods/services supplied	GST rate
Chocolates	18%
Fruit juice bottles	12%
Toy balloons	5%

**Answer:** As per section 2(74) of the CGST Act, 2017, mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

Supply of a package containing chocolates, fruit juice bottles and a packet of toy balloons is a mixed supply as each of these items can be supplied separately and is not dependent on any other. Further, as per section 8(b) of the CGST Act, 2017, the mixed supply is treated as a supply of that particular supply which attracts the highest rate of tax. Thus, in the given case, supply of packages is treated as supply of chocolates [since it attracts the highest rate of tax] and the rate of GST applicable on the package of ₹ 6,00,000 (20,000 × ₹ 30) is 18%.

**Q19.** Gagan Engineering Pvt. Ltd., registered in Haryana, is engaged in providing maintenance and repair services for heavy steel machinery. For carrying out the repair work, Gagan Engineering Pvt. Ltd. sends its container trucks equipped with items like repair equipments, consumables, tools, parts etc. from Haryana workshop to its own repairing centres (registered under GST law) located in other States across India where the clients' machinery are being brought and are being repaired.

Discuss the levability of GST on the inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. in Haryana to its own repairing centres located in other States across India.

**Answer:** As per section 25(4), a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons'.

Schedule I to the CGST Act specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25, when made in the course or furtherance of business is one such activity included in Schedule I under para 2. However, in view of the GST Council's recommendation, it has been clarified that the inter-State movement of various modes of conveyance between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST [Circular No. 1/1/2017 IGST dated 07.07.2017].

Thus, in the given case, inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. located in Haryana to its repair centres located in other States is 'neither a supply of goods nor supply of service'.

**Q20.** PTL Pvt. Ltd. is a retail store of merchandise located in 25 States/UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched scheme of "Buy One Get One Free" for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. Determine how the taxability of the goods supplied under "Buy One Get One Free" scheme is determined.

**Answer:** As per section 7(1)(a), the goods or services which are supplied free of cost (without any consideration) are not treated as "supply" except in case of activities mentioned in Schedule I of the CGST Act. Under "Buy One Get One Free" scheme, it may appear at first glance that in case of offers like "Buy One, Get One Free", one item is being "supplied free of cost" without any consideration. However, it is not an individual supply of free goods, but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one.

Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined accordingly.

**Q21.** Sarvanna & Sons wishes to start supplying liquor in the State of Tamil Nadu. Therefore, it applies for license for selling liquor to the Tamil Nadu Government for it has charged specified fee from it. Examine whether the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons qualifies as supply.

**Answer:** Services by way of grant of alcoholic liquor license by the State Governments have been notified to be treated neither as a supply of goods nor as a supply of service. Such licence is granted against consideration in the form of licence fee or application fee or by whatever name it is called. This special dispensation is applicable only to supply of service by way of grant of liquor licenses by the State Governments as an agreement between the Centre and States and is not applicable/has no precedence value in relation to grant of other licenses and privileges for a fee in other situations, where GST is payable.

Thus, in the given case, the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons is neither a supply of goods nor a supply of service.



## **MULTIPLE CHOICE QUESTIONS**

**1. Which of the following is not a supply as per section 7 of the CGST Act?**

- (a) Management consultancy services not in course or furtherance of business
- (b) Import of service for consideration not in course or furtherance of business
- (c) Both (a) and (b)
- (d) None of the above

**2. \_\_\_\_\_ specifies the activities to be treated as supply even if made without consideration.**

- (a) Schedule I of CGST Act
- (b) Schedule II of CGST Act
- (c) Schedule III of CGST Act
- (d) All of the above

**3. Which of the following activity is outside the scope of supply and not taxable under GST?**

- (a) Services by an employee to the employer in the course of or in relation to his employment
- (b) Services of funeral
- (c) Actionable claims, other than lottery, betting and gambling.
- (d) All of the above

**4. Which of the following supplies are naturally bundled?**

- (a) Rent deed executed for renting of two different floors of a building-one for residential and another for commercial purpose to same person.
- (b) Pack of watch, tie and belt
- (c) Package of canned food such as burger, chocolates, sweets, cake etc.
- (d) None of the above

**5. A \_\_\_\_\_ supply comprising of two or more supplies shall be treated as the supply of that particular supply that attracts highest rate of tax.**

- (a) Composite
- (b) Mixed
- (c) Both (a) and (b)
- (d) None of the above

**6. Which of the following activities is a supply of services?**

- (a) Transfer of right in goods/ undivided share in goods without transfer of title in goods
- (b) Transfer of title in goods
- (c) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.
- (d) All of the above

**7. Which of the following activity shall be treated neither as a supply of goods nor a supply of services?**

- (i) Permanent transfer of business assets where input tax credit has been availed on such assets
- (ii) temporary transfer of intellectual property right
- (iii) transportation of deceased
- (iv) services by an employee to the employer in the course of employment

- (a) (i) & (iii)
- (b) (ii) & (iv)
- (c) (i) & (ii)
- (d) (iii) & (iv)

**8. As per section 7(1)(a) supply includes**

- (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made with or without consideration by a person in the course or furtherance of business
- (b) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person whether or not in the course or furtherance of business
- (c) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business

(d) none of these

**9. As per section 7(1)(b) Supply includes**

- (a) import of services with or without consideration whether or not in the course or furtherance of business
- (b) import of services for a consideration in the course or furtherance of business
- (c) import of services for a consideration whether or not in the course or furtherance of business
- (d) none of these

**10. As per section 7(1)(c) supply includes**

- (a) the activities specified in Schedule II, made or agreed to be made without a consideration
- (b) the activities specified in Schedule I, made or agreed to be made with a consideration
- (c) the activities specified in Schedule I, made or agreed to be made without a consideration
- (d) none of these

**11. As per schedule I, activity to be treated as supply even if made without consideration shall include**

- (a) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets
- (b) Permanent transfer or disposal of business assets where input tax credit has not been availed on such assets
- (c) Temporary transfer or disposal of business assets where input tax credit has been availed on such assets
- (d) none of these

**12. As per schedule I, activity to be treated as supply even if made without consideration shall include**

- (a) Supply of goods or services or both between related persons or between distinct persons as specified in section 25, whether or not made in the course or furtherance of business
- (b) Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business
- (c) Supply of goods or services or both between unrelated persons as specified in section 25, when made in the course or furtherance of business
- (d) none of these

**13. As per schedule I, activity to be treated as supply even if made without consideration shall include**

Supply of goods—

- (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
- (b) by a principal to his agent where the agent undertakes to supply such goods on his own behalf or by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
- (c) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or by an agent to his principal where the agent undertakes to receive such goods on his own behalf.
- (d) none of these

**14. Which of the following transactions is not covered in schedule III**

- (a) Services by an employee to the employer in the course of or in relation to his employment.
- (b) Services by any court or Tribunal established under any law for the time being in force.
- (c) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- (d) Pre school education or education upto higher secondary school or equivalent
- (e) none of these

**15. Which of the following transactions is not covered in schedule III**

- (a) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- (b) Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.
- (c) agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing;
- (d) Actionable claims, other than lottery, betting and gambling.
- (e) none of these

**Check Detailed Solution given on our website [www.mkgeducation.com](http://www.mkgeducation.com)  
(Icon /Heading No.11: Books)**

# EXAMINATION QUESTION

**NOV 2019 (NEW COURSE)**

**Question.5.****(8 Marks)**

M/s Grey, a registered taxable person under scheme provides following information in respect of supplies made by it during the month of April 2021:

	(All amount in rupees)
(i) Inter- state supply of goods	1,00,000
(ii) Intra- state supply of 500 packets of detergent @ ₹ 400 each alongwith a plastic bucket worth ₹ 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	
(iii) Supply of online educational journals to M/s Pinnacle, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply.	50,000

M/s Grey has also received the following inward supplies:

(iv) Inter-state supply of goods (out of which invoice for goods worth ₹ 20,000 is missing and no other tax paying document is available)	70,000
(v) Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply,	50,000

Details of opening balances of ITC as on 1-4-2021 are as Follows:

(₹)

CGST	5,000
SGST	5,000
IGST	40,000

Following additional information is provided:

(a) Rate of GST in respect of all inward and outward supplies except item (ii) above is 18% i.e. CGST and SGST @ 9% and IGST @ 18%.

(b) All figures mentioned above are exclusive of taxes.

(c) All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.

Compute the maximum net GST payable in cash by M/s. Grey for the month of April 2021.

**Solution: Computation of Net GST Payable in cash for the month of Apr 2021**

₹

**Output Tax**

(i) Inter state supply of goods	1,00,000
Add: IGST @ 18%	18,000
 (ii) Intra State Sale of Taxable goods	
Detergent (500 x 500)	2,50,000
Add: CGST @ 14%	35,000
Add: SGST @ 14%	35,000

(iii) Intra State Sale of educational journal

	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500

**Input Tax**

Input inter state purchase	50,000
Add: IGST @ 18%	9,000
Repairing of bus	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500

**Computation of Net Tax Liability**

**CGST**

Output Tax (35,000+4,500)	39,500
Less: ITC -IGST	(30,000)
Less: ITC -CGST	(9,500)
Net Tax Liability	Nil

**SGST**

Output Tax (35,000+4,500)	39,500
Less: ITC -IGST	(1,000)
Less: ITC -SGST	(9,500)
Net Tax Liability	29,000

**IGST**

Output Tax	18,000
Less: ITC -IGST	(18,000)
Net Tax Liability	Nil

Note:

In case of mixed supply highest rate of tax shall be considered.

**MAY 2019 (OLD COURSE)**

**Question 7 (a)**

**(5 Marks)**

Koli Ltd. Supplies machinery to G Ltd. (Dealer in same State), provides following particulars regarding the same. Determine the value of taxable supply of machinery.

No.	Particulars	Amount(₹)
(i)	Price of Machinery (exclusive of taxes and discounts)	5,50,000
(ii)	One part is directly fitted in machinery at place of G Ltd. (Amount paid by G Ltd. Directly to supplier, as per contract this amount should be paid by Koli Ltd. and not included in price)	20,000

(iii)	Installation and testing charges for machinery, not included in price.	25,000
(iv)	Discount 2% on machinery price (Recorded in the invoice)	
(v)	Koli Ltd. Provides additional 1% discount at year end, based on additional purchase of other machinery.	

**Solution:**

**Computation of taxable value of supply of machinery**

Particulars	Amount (₹)
(i) Price of Machinery (exclusive of taxes and discounts)	5,50,000
(ii) One part is directly fitted in machinery at place of G Ltd.	20,000
(iii) Installation and testing charges for machinery	25,000
(iv) Less: Discount 2% on machinery price (2% of 5,50,000)	(11,000)
Taxable value of supply	5,84,000

**Notes:**

1. If the supplier has given any discount before or at the time of supply, it will be allowed to be deducted and additional discount allowed at year end shall not be allowed to be deducted.
2. As per section 15, any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of supply and not included in price then such amount shall be included.
3. Amount charged for anything done at the time of or before the delivery of goods or supply of services shall be included in the transaction value.

**MAY 2019 (OLD COURSE)**

**Question 10 (a)**

**(4 Marks)**

Explain the services provided by way of tolerating non-performance of a contract and its chargeability under the provisions of the CGST Act, 2017

**Answer:**

**As per schedule II**, agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act shall be treated as supply of services

**As per section 2(102) "services"** means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Services provided by way of tolerating non-performance of a contract shall be treated as supply of services because agreeing to obligation to refrain from an act, or to tolerate an act or situation shall be treated as supply of service. (section 7(1A), schedule II)

Example: A Ltd given a contract to B Ltd. to complete a work in 4 years and B Ltd. did not completed the work within 4 years, in this case it a non - performance of a contract and shall be treated as supply of

services and any consideration received for non-performance shall be treated as supply of service and GST shall be chargeable.

**NOV 2018 (NEW COURSE)**

**Question 9 (b)**

**(5 Marks)**

Explain the meaning of supply as per provisions of Section 7(1) of Central Goods and Service Tax Act, 2017.

**Answer: Refer answer given in the book**

**NOV 2018 (OLD COURSE)**

**Question 12**

**(5 Marks)**

(c) State whether the following supplies would be treated as supply of goods or supply of services as per Schedule-II of CGST Act:

- (i) Renting of Immovable Property
- (ii) Transfer of right in goods without transfer of title in goods.
- (iii) Works Contract Services
- (iv) Temporary transfer of permitting use or enjoyment of any intellectual property right.
- (v) Sale of personal car to dealer.

**Answer:**

**As per Schedule -II of CGST Act:**

- (i) Renting of Immovable property shall be treated as Supply of services.
- (ii) Transfer of right in goods without transfer of title in goods shall be treated as Supply of services.
- (iii) Works contract services shall be treated as Supply of services.
- (iv) Temporary transfer of permitting use or enjoyment of any intellectual property right shall be treated as Supply of services.
- (v) As per section 7(1)(a), it cannot be considered to be a supply.

**MAY 2018 (OLD COURSE)**

**Question 8 (b)**

**(5 Marks)**

List the activities to be treated as supply under CGST Act, 2017 even if made without consideration.

**Answer: Refer answer given in the book**

**MAY 2018 (OLD COURSE)**

**Question 12 (b)**

**(5 Marks)**

Mrs. Pragati received legal advice for her personal problems & paid 1,000 pound as a legal fees to Mrs. Unnati of U.K. (London).

Explain whether the above activity of import of service would amount to supply u/s. 7 of the CGST Act, 2017?

If in above case both of them are real sisters, & no consideration is paid then will it change your answer?

Further in the above case both of them are real sisters & Mrs. Pragati receives legal advice for her business & she didn't paid any consideration then what will be your answer?

**Answer:** As per section 7, import of services for a consideration whether or not in the course or furtherance of business shall be treated as supply.

In the given case, import of service is for consideration hence it is treated as supply however it is exempt as per exemption notification.

In the second case, if import of service without consideration for personal purpose shall not be treated as supply.

In the third case, as per schedule 1 if import of service without consideration for business purpose, shall be treated as supply.

**IPC NOV 2017 (MODIFIED)**

**Question 5**

**(Marks 3)**

Discuss with reference to the provisions of GST, whether the under mentioned transactions constitute consideration for service.

- (i) Fines and penalties imposed against violation of law.
- (ii) X provides services to Y. However, Y's debtor makes payment to X on the instructions of Y.
- (iii) Grant given to a researcher to carry out research of his/her choice.

**Answer:**

As per section 2 (31), "**consideration**" in relation to the supply of goods / services includes-

(a) any payment made whether in money or otherwise in respect of the supply of goods / services, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

(b) the monetary value of any act or forbearance in respect of the supply of goods / services whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

**Provided** that a deposit given in respect of the supply of goods / services shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply.

- (i) Fines and penalties imposed against violation of law shall not be considered as consideration of service as there is no supply of service in case of violation of law.
- (ii) As per the above definition payment made by any other person on behalf of other shall constitute consideration for service.
- (iii) Grant given to a researcher to carry out research of his/her choice shall not be treated as consideration for service.

## **TAX INVOICE, CREDIT AND DEBIT NOTES**

### **(SECTION 31/32/33/34 CGST ACT)**

**Question 1: Explain provisions regarding issue of tax invoice in case of supply of goods.**

**Answer: Tax invoice. Section 31(1)**

(1) A registered person supplying taxable goods shall, before or at the time of,—

- (a) removal of goods for supply to the recipient, where the supply involves movement of goods; or
- (b) delivery of goods or making available thereof to the recipient, in any other case,

issue a tax invoice.

**Provided** that the Government may, on the recommendations of the Council, by notification, specify the categories of goods or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed.

**Example**

If goods are delivered on 10<sup>th</sup> July 2021, invoice should be issued maximum upto 10<sup>th</sup> July 2021. If the goods are to be delivered at some other place and goods were removed from place of business on 10<sup>th</sup> August 2021 and delivered at destination on 28<sup>th</sup> August 2021, invoice should be issued maximum upto 10<sup>th</sup> August 2021.

**Question 2: Explain Time Limit for issuing tax invoice in case of supply of services.**

**Answer: Time limit for issuing tax invoice Section 31(2)**

The invoice shall be issued within the time given under rule 47.

**Provided that the Government may, on the recommendations of the Council, by notification,—**

- (a) specify the categories of services or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed;
- (b) subject to the condition mentioned therein, specify the categories of services in respect of which—
  - (i) any other document issued in relation to the supply shall be deemed to be a tax invoice; or
  - (ii) tax invoice may not be issued.”.

**Time limit for issuing tax invoice Rule 47**

The invoice in the case of the taxable supply of services, shall be issued within a period of **30 days** from the date of the supply of service:

**Provided** that where the supplier of services is an **insurer** or a **banking company** or a **financial institution**, including a **non-banking financial company**, the period within which the invoice or any document in lieu thereof is to be issued shall be **45 days** from the date of the supply of service:

**Provided further** that an insurer or a banking company or a financial institution, including a non-banking financial company, or a telecom operator, or any other class of supplier of services as may be notified by the Government on the recommendations of the Council, making taxable supplies of services between distinct persons as specified in section 25, may issue the invoice before or at the time such supplier records the same in his books of account or before the expiry of the quarter during which the supply was made.

**Question 3: Explain Tax Invoice in special cases.**

**Answer: Tax Invoice in special cases Rule 54.**

(1) Tax invoice in case of An Input Service Distributor invoice. (Not covered in Syllabus)

(2) Where the supplier of taxable service is an insurer or a banking company or a financial institution, including a non-banking financial company, the said supplier may issue a consolidated tax invoice or any other document in lieu thereof, by whatever name called for the supply of services made during a month at the end of the month], whether issued or made available, physically or electronically whether or not serially numbered, and whether or not containing the address of the recipient of taxable service but containing other information as mentioned under rule 46.



**Provided** that the signature or digital signature of the supplier or his authorised representative shall not be required in the case of issuance of a consolidated tax invoice or any other document in lieu thereof in accordance with the provisions of the Information Technology Act, 2000 (21 of 2000).

(3) Where the supplier of taxable service is a goods transport agency supplying services in relation to transportation of goods by road in a goods carriage, the said supplier shall issue a tax invoice or any other document in lieu thereof, by whatever name called, containing the gross weight of the consignment, name of the consigner and the consignee, registration number of goods carriage in which the goods are transported, details of goods transported, details of place of origin and destination, Goods and Services Tax Identification Number of the person liable for paying tax whether as consigner, consignee or goods transport agency, and also containing other information as mentioned under rule 46.

(4) Where the supplier of taxable service is supplying passenger transportation service, a tax invoice shall include ticket in any form, by whatever name called, whether or not serially numbered, and whether or not containing the address of the recipient of service but containing other information as mentioned under rule 46:

**Provided** that the signature or digital signature of the supplier or his authorised representative shall not be required in the case of issuance of ticket in accordance with the provisions of the Information Technology Act, 2000.

(4A) A registered person supplying services by way of admission to exhibition of cinematograph films in multiplex screens shall be required to issue an electronic ticket and the said electronic ticket shall be deemed to be a tax invoice for all purposes of the Act, even if such ticket does not contain the details of the recipient of service but contains the other information as mentioned under rule 46:

**Provided** that the supplier of such service in a screen other than multiplex screens may, at his option, follow the above procedure.

(5) The provisions of sub-rule (2) or sub-rule (4) shall apply, mutatis mutandis, to the documents issued under rule 49 or rule 50 or rule 51 or rule 52 or rule 53.

### **MAY 2018 (NEW COURSE)**

#### **Question 11 (b)**

**Marks 3**

(ii) A Non-banking financial company can issue a consolidated tax invoice at the end of every month for the supply made during that month.

**Answer:**

**True: As per Rule 54,** Where the supplier of taxable service is an insurer or a banking company or a financial institution, the said supplier shall issue a consolidated tax invoice or any other document in lieu thereof, by whatever name called for the supply of services made during a month at the end of the month, whether issued or made available, physically or electronically whether or not serially numbered, and whether or not containing the address of the recipient of taxable service.

#### **Question 4: Explain provisions regarding issue of tax invoice in case of continuous supply of goods.**

**Answer: Invoice in case of Continuous Supply of Goods**

**As per section 31 (4),** in case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.

**As per section 2(32), "continuous supply of goods"** means a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract and for which the supplier invoices the recipient on a regular or periodic basis and includes supply of such goods as the Government may specify.

#### **Invoice in case of Continuous supply of Services**

**As per section 31 (5),** in case of continuous supply of services,—

- (i) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.

- (ii) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.
- (iii) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.

**As per section 31 (6)**, in a case where the supply of services ceases under a contract before the completion of the supply, the invoice shall be issued at the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation.

**As per section 2(33), "continuous supply of services"** means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may notify.

**Example:** ABC Cinemas entered into an annual maintenance contract with XYZ Services Ltd. for one year [April-March] for the Air conditioners fitted in their theaters. As per the contract, payment for said services had to be made on 7th April. However, ABC cinemas made the payment on 15th April. Since services provided by XYZ Services Ltd. to ABC Cinemas is a continuous supply of services and due date of payment is ascertainable from the contract, XYZ Services Ltd. had to issue a tax invoice on or before such due date, viz. 7th April.

**Example:** ABC Caretakers, a registered person, provides the services of repair and maintenance of electrical appliances. On April 1, it has entered into an annual maintenance contract with Mr. X for its Air Conditioner and Washing Machine. As per the terms of contract, maintenance services will be provided on the first day of each quarter of the relevant financial year and payment for the same will also be due on the date on which service is rendered. During the year, it provided the services on April 1, July 1, October 1, and January 1 in accordance with the terms of contract. When should ABC Caretakers issue the invoice for the services rendered?

**Answer:** Continuous supply of service means supply of any service which is provided, or agreed to be provided continuously or on recurrent basis, under a contract, for a period exceeding 3 months with the periodic payment obligations. Therefore, the given situation is a case of continuous supply of service as repair and maintenance services have been provided by ABC Caretakers on a quarterly basis, under a contract, for a period of one year with the obligation for quarterly payment. In terms of section 31, in case of continuous supply of service, where due date of payment is ascertainable from the contract (as in the given case), invoice shall be issued on or before the due date of payment. Therefore, in the given case, ABC Caretakers should issue quarterly invoices on or before April 1, July 1, October 1, and January 1.

## MAY 2019 (OLD COURSE)

### Question 8 (b)

(4 Marks)

Jolla provides continuous supply of services regarding Annual Maintenance Contract (AMC) of Air conditioner and all electronic items in Khotu Ltd. He provides following details regarding same:

They made contract for the AMC. As mentioned in contract AMC will be starts from 01-10-2021 and AMC is valid for a year. AMC ends on 30-09-2021. Jolla receives payment for the AMC on 31-10-2021.

Explain time of issue of invoice in Continuous Supply of Service (CSS) as per provisions of CGST Act, 2017 and accordingly determine time of issue of Invoice in following different circumstances:

- (1) As mentioned in contract Khotu Ltd. have to make payment on 05-11-2021.
- (2) If terms of payment is not mentioned in AMC and also not agreed by both the parties.

**Answer:**

### **Invoice in case of Continuous supply of Services**

As per section 31 (5) Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services—

- (i) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or

before the due date of payment.

- (ii) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.
- (iii) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.

**In the given case**

- (1) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment i.e. 05-11-2021.
- (2) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment i.e. 31-10-2021.

**NOV 2018 (NEW COURSE)**

**Question 11 (b)**

**(5 Marks)**

Mr. Lakhan provides Continuous Supply of Services (CSS) to M/s. TNB Limited. He furnishes the following further information:

- |  |              |
|--|--------------|
| (i) Date of commencement of Providing CSS      | - 01-10-2021 |
| (ii) Date of completion of Providing CSS       | - 31-01-2022 |
| (iii) Date of receipt of payment by Mr. Lakhan | - 30-03-2022 |

Determine the time of issue of invoice as per provisions of CGST Act, 2017, in the following circumstances:

- (i) If no due date for payment is agreed upon by both under the contract of CSS.
- (ii) If payment is linked to the completion of service.
- (iii) If M/s. TNB Limited has to make payment on 25-03-2022 as per the contract between them.

**Answer:**

**Invoice in case of Continuous supply of Services**

As per section 31 (5) Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services—

- (i) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.
- (ii) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.
- (iii) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.

**In the given case**

- (i) Since the date of payment is not ascertainable from the contract, invoice shall be issued before or at the time when the supplier of service receives the payment i.e. on or before 30-03-2022.
- (ii) Since the date of payment is linked to the completion of service, invoice shall be issued on or before the date of completion of service i.e. on or before 31-01-2022.
- (iii) Since the date of payment is ascertainable from the contract, invoice shall be issued on or before the due date of payment. i.e. on or before 25-03-2022.

**Question 5: Explain provisions regarding issue of invoice in case of goods sent on approval basis.**

**Answer: Goods sent on approval for Sale or Return**

**As per section 31 (7)**, where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued before or at the time of supply or six months from the date of removal, whichever is earlier.

**Prohibition of unauthorized collection of tax. Section 32**

- (1) A person who is not a registered person shall not collect in respect of any supply of goods or services or both any amount by way of tax under this Act.
- (2) No registered person shall collect tax except in accordance with the provisions of this Act or the rules made thereunder.

**Amount of tax to be indicated in tax invoice and other documents Section 33**

Where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

**Question 6: Explain Credit Note.**

**Answer: Credit Note/Debit Note Section 34**

**Credit Note**

(1) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed.

(2) Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than September following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed:

**Example:** ABC Ltd. issued an invoice on 10.01.2022 ₹ 10,00,000 + GST 2,00,000 and paid GST to the government on 20.02.2022. The recipient informed the goods supplied were of ₹ 8,00,000 and GST should be 1,60,000, in this case ABC Ltd. will issue a credit note for ₹ 2,00,000 + GST 40,000. ABC Ltd. shall be allowed to reduce its tax liability in the subsequent month by ₹ 40,000 and the recipient shall increase tax liability by ₹ 40,000 because he might have taken ITC of ₹ 2,00,000. If this error is detected on 01.11.2022, no adjustment allowed after 20.10.2022.

**Debit Note**

(3) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply, the registered person, who has supplied such goods or services or both, shall issue to the recipient one or more debit notes for supplies made in a financial year containing such particulars as may be prescribed.

(4) Any registered person who issues a debit note in relation to a supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued and the tax liability shall be adjusted in such manner as may be prescribed.

Explanation.— For the purposes of this Act, the expression "debit note" shall include a supplementary invoice.

**Example:** ABC Ltd. issued an invoice on 10.01.2022 ₹ 10,00,000 + GST 2,00,000 and paid GST to the government on 20.02.2022. The recipient informed the goods supplied were of ₹ 12,00,000 and GST should be 2,40,000, in this ABC Ltd. shall issue a debit note for ₹ 2,00,000 + GST 40,000 and shall pay GST of ₹ 40,000 to Government in the next month and recipient shall take tax credit of ₹ 40,000 in the subsequent month.

**RTP NOV 2021**

**Question 7.**

Which of the following statements is/are incorrect under GST law:-

- (i) If the supplier has erroneously declared a value which is more than the actual value of goods or services provided, then he can issue credit note for the same.

- (ii) If the supplier declared some special discount which is offered after the supply is over, then he cannot issue credit note under GST law for the discount offer.
- (iii) If quantity received by the recipient is more than what has been declared in the tax invoice, then supplier can issue debit note for the same.
- (iv) There is no time limit to declare the details of debit note in the return.
- (a) (i),(ii) and (iv)  
 (b) (i) and (iv)  
 (c) (iv)  
 (d) (i) and (iii)
- Solution: 7. (c)**

**MTP - 1 NOV 2021**
**Question 3(a).****(6 Marks)**

Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March:

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

Kartik & Co. asks you to answer the following:

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

**Solution:**

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

**MTP - 2 NOV 2021**
**Question 1.****(5 x 2 = 10 Marks)**

Mr. Kumar started interior designing practice from the month of January. His turnover up to the month of March was ₹ 12,50,000. On 30th June, his turnover exceeded ₹ 20,00,000 & reached to ₹ 20,05,000. Mr. Kumar applied for GST registration (as regular taxpayer) on 15th July and registration was granted to him on 25th July.

On 16th July, he entered into a contract for designing the flat of Mr. Shyam. The service was completed on 22nd July and Mr. Kumar issued invoice on the same day for ₹ 6,00,000. On 5th July, Mr. Kumar purchased capital goods amounting to ₹ 4,50,000 and from 25th July to 31st July, he availed services amounting to ₹1,75,000 for the purpose of completing the service.

On 1st August, Mr. Kumar got another contract for interior designing from Mr. Ram, which he accepted on 2nd August. The service was completed on 6th August and invoice was issued on 7th August for ₹ 5,00,000. Payment was received on 29th August.

All values are excluding taxes, unless specifically mentioned. Mr. Kumar makes only intra-State outward supplies and all purchases are also intra-State. Rates of tax are CGST - 9% and SGST – 9%.

In relation to the above, answer the following questions:

1 The effective date of registration for Mr. Kumar is-

- (a) 30th June
- (b) 15th July
- (c) 25th July
- (d) 16th July

2 Mr. Kumar can issue a revised tax invoice till-

- (a) 23rd October
- (b) 8th September
- (c) 25th September
- (d) 25th August

3 Eligible input tax credit available with Mr. Kumar for the month of July is-

- (a) CGST ₹ 40,500 & SGST ₹ 40,500
- (b) CGST ₹ 15,750 & SGST ₹ 15,750
- (c) CGST ₹ 56,250 & SGST ₹ 56,250
- (d) CGST ₹ 36,000 & SGST ₹ 36,000

4 The time of supply of services provided by Mr. Kumar to Mr. Ram is-

- (a) 7th August
- (b) 1st August
- (c) 29th August
- (d) 6th August

5 If instead of opting for regular scheme, Mr. Kumar opts to pay tax under section 10(2A) of the CGST Act, 2017, the tax liability for the month of July will be-

- (a) CGST Nil and SGST Nil
- (b) CGST ₹ 54,000 & SGST ₹ 54,000
- (c) CGST ₹ 18,000 & SGST ₹ 18,000
- (d) CGST ₹ 78,150 & SGST ₹ 78,150

**Answer: 1.** (a) 30th June; **2.** (d) 25th August;

**3.** (c) CGST ₹ 56,250 & SGST ₹ 56,250

Hint: Input tax credit allowed

Capital Goods	4,50,000
Input services	1,75,000
Total	6,25,000
CGST @ 9%	56,250
SGST @ 9%	56,250

**4.** (a) 7th August;

**5.** (c) CGST ₹ 18,000 & SGST ₹ 18,000

Hint: As per section 10(2A), Tax shall be payable @ 3% CGST and 3% SGST

Turnover	6,00,000
CGST @ 3%	18,000
SGST @ 3%	18,000

### RTP NOV– 2020

During the month of May, Z Ltd. sold goods to Y Ltd. for ₹ 2,55,000 and charged GST @ 18%. However, owing to some defect in the goods, Y Ltd. returned the goods by issuing debit note of ₹40,000 in the same month. Z Ltd. records the return of goods by issuing a credit note of ₹ 40,000 plus GST in the same month. In this situation, GST liability of Z Ltd. for the month of May will be-

(a) ₹ 45,900

- (b) ₹ 38,700  
 (c) ₹ 53,100  
 (d) ₹ 40,000

**Answer: (b)**

Hint:  $(2,55,000 - 40,000) \times 18\% = 38,700$

### **NOV 2019 (OLD COURSE)**

**Question.8. (a)**

**(5 Marks)**

Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March 2022:

- (i) Value of supply charged in an invoice was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000  
 (ii) Tax Charged in an Invoice was ₹ 32,000 against the actual tax liability of ₹ 68,000 due to wrong HSN code being chosen while issuing invoice  
 (iii) Value charged in an Invoice was ₹ 3,20,000 as against the actual value of ₹ 4,20,000 due to wrong quantity considered while billing.

Kartik & Co. asks you to answer the following:

- (1) Who shall issue a Debit/Credit Note under CGST Act, 2017?
- (2) Whether Debit Note or Credit Note has to be issued in each of the above circumstances and, if so, quantify the amount for which it is to be issued.
- (3) What is the maximum time-limit available for declaring the credit note in the GST Return?

**Answer:**

(1) A supplier of goods / services is mandatorily required to issue a tax invoice. However, during the course of trade or commerce, after the invoice has been issued there could be situations like:

- The supplier has erroneously declared a value which is more than the actual value of the goods / services provided.
- The supplier has erroneously declared a higher tax rate than what is applicable for the kind of the goods / services supplied.
- The quantity received by the recipient is less than what has been declared in the tax invoice.
- The quality of the goods / services supplied is not to the satisfaction of the recipient thereby necessitating a partial or total reimbursement on the invoice value.
- Any other similar reasons.

(2)

(i) Credit note can be issued as the supplier has erroneously declared a value which is more than the actual value of goods.

(ii) Debit Note can be issued by the supplier as tax charged is lesser than the actual tax.

(iii) Debit Note can be issued by the supplier as the supplier has erroneously declared a value which is less than the actual value of goods.

(3) Maximum time limit available for declaring credit note in the GST Return is 20<sup>th</sup> October of the subsequent year (Due date for filing return of Sept)

### **MAY 2019 (NEW COURSE) / MTP NOV 2020**

**Question 8 (b)**

**(5 Marks)**

List out the situation in which a Credit note / Debit note may be issued under the CGST Act, 2017

**Answer:**

**Answer:** Credit note is required to be issued by the Supplier:-

- (i) If taxable value charged in the tax invoice is found to exceed the taxable value in respect of supply of goods and/or services, or

- (ii) If tax charged in the tax invoice is found to exceed the tax payable in respect of supply of goods and/or services, or
- (iii) if goods supplied are returned by the recipient, or
- (iv) if goods and/or services supplied are found to be deficient.

Debit note is required to be issued by the Supplier:-

- (i) if taxable value charged in the tax invoice is found to be less than the taxable value in respect of supply of goods and/or services or
- (ii) if tax charged in the tax invoice is found to be less than the tax payable in respect of supply of goods and/or services.

### **MAY 2018 (OLD COURSE)**

**Question 10 (a)**

**(5 Marks)**

Under what circumstances needs of issuance of debit note and credit note arise under section 34 of CGST Act, 2017?

**Answer: Refer answer given in the book**

**Question 7: Write a note on Revised Tax Invoice and credit or debit notes under Rule 53.**

**See section 31(3)(a) Rule 53**

### **MAY 2018 (OLD COURSE)**

**Question 11 (b)**

**(4 Marks)**

Chidanand Products Pvt. Ltd. started its business of supply of goods on 1st August, 2021. Its turnover exceeds ₹40,00,000 on 5<sup>th</sup> September, 2021. It applied for registration on 28th September, 2021 & granted registration certificate on 6th October, 2021. Guide the company regarding invoices to be issued between 5<sup>th</sup> September, 2021 to 6<sup>th</sup> October, 2021 to registered dealers. Further it had also made supplies to unregistered dealers in that period. How it can raise invoices?

**Answer: Refer Answer Given in the book**

**Question 8: Write a note on issue of tax invoice under section 31/ Rule 46.**

**Answer: Issue of tax invoice under section 31/ Rule 46**

Subject to rule 54, a tax invoice referred to in section 31 shall be issued by the registered person containing the following particulars, namely,—

- (a) name, address and Goods and Services Tax Identification Number of the supplier;
- (b) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters-hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
- (c) date of its issue;
- (d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
- (e) name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is fifty thousand rupees or more;
- (f) name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is less than fifty thousand rupees and the recipient requests that such details be recorded in the tax invoice;
- (g) Harmonised System of Nomenclature code for goods or services;
- (h) description of goods or services;



- (i) quantity in case of goods and unit or Unique Quantity Code thereof;
- (j) total value of supply of goods or services or both;
- (k) taxable value of the supply of goods or services or both taking into account discount or abatement, if any;
- (l) rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- (m) amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
- (n) place of supply along with the name of the State, in the case of a supply in the course of inter-State trade or commerce;
- (o) address of delivery where the same is different from the place of supply;
- (p) whether the tax is payable on reverse charge basis; and
- (q) signature or digital signature of the supplier or his authorised representative;
- [(r) [Quick Response code], having embedded Invoice Reference Number (IRN) in it, in case invoice has been issued in the manner prescribed under sub-rule (4) of rule 48]

**Provided further** that where an invoice is required to be issued under clause (f) of sub-section (3) of section 31, a registered person may issue a consolidated invoice at the end of a month for supplies covered under sub-section (4) of section 9, the aggregate value of such supplies exceeds rupees five thousand in a day from any or all the suppliers:

**[Provided also** that in the case of the export of goods or services, the invoice shall carry an endorsement "SUPPLY MEANT FOR EXPORT/SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS ON PAYMENT OF INTEGRATED TAX" or "SUPPLY MEANT FOR EXPORT/SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX", as the case may be, and shall, in lieu of the details specified in clause (e), contain the following details, namely,—

- (i) name and address of the recipient;
- (ii) address of delivery; and
- (iii) name of the country of destination:]

**[Provided also** that the signature or digital signature of the supplier or his authorised representative shall not be required in the case of issuance of an electronic invoice in accordance with the provisions of the Information Technology Act, 2000 (21 of 2000).]

#### **HSN applicable from 01.04.2021**

It may be noted that Notification No. 12/2017 CT 28.06.2017 has been amended to provide that effective 01.04.2021, the HSN would be disclosed as under:

#### **Annual turnover in the preceding financial year**

Upto ₹ 5 crore

More than ₹ 5 crore

#### **Number of Digits of HSN Code**

For B2B supply – 4 (compulsory)

For B2C supply – 4 (optional)

6 (compulsory)

### **JAN 2021 (NEW COURSE)**

#### **Question 7(a)**

**(4 Marks)**

ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens was issuing consolidated tax invoice for supplies at the close of each day in terms of section 31(3)(b) of CGST Act, 2017 read with fourth proviso to rule 46 of CGST Rules, 2017.

During the month of October, 2021, the Department raised objection for this practice and asked to issue separate tax invoices for each ticket.

Advise ABC Cinemas for the procedure to be followed in the light of recent notification.

**Answer**

The procedure to be followed by ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens, is as under:-

The option to issue consolidated tax invoice is not available to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens. Thus, ABC Cinemas cannot issue consolidated tax invoice for supplies made by it at the close of each day.

ABC Cinemas is required to issue an electronic ticket.

The said electronic ticket shall be deemed to be a tax invoice, even if such ticket does not contain the details of the recipient of service but contains the other information as prescribed to be mentioned.

**MAY 2019 (NEW COURSE)**
**Question 7 (a)****(4 Marks)**

Examine the following independent cases of supply of goods and services and determine the time of issue of invoice under each of the cases as per the provisions of CGST Act, 2017:

- (i) Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods on 3<sup>rd</sup> October, 2021. The goods were removed from the factory at Kolkata on 11<sup>th</sup> October, 2021. As per the agreement, the goods were to be delivered by 31<sup>st</sup> October, 2021. Suraj Enterprises has received the goods on 14<sup>th</sup> October, 2021.
- (ii) Trust and Fun Ltd, an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5<sup>th</sup> June, 2021. Payment for the event was made on 19<sup>th</sup> June, 2021.

**Answer:**

**(i) As per section 31(1)**, a registered person supplying taxable goods shall issue a tax invoice, before or at the time of delivery of goods or making available thereof to the recipient. If the supply involves movement of goods, invoice should be issued before removal of goods.

In the given case, supply involves movement of goods, invoice should be issued before removal of goods i.e. before 11<sup>th</sup> October 2021.

**(ii) As per Rule 47**, the invoice referred to in rule 46, in the case of the taxable supply of services, shall be issued within a period of thirty days from the date of the supply of service.

In the given case, invoice shall be issued within 30 days from the date of supply of service i.e. 30 days from 5<sup>th</sup> June 2021.

**Question 9: Explain provisions of issue of invoice where amount is less than ₹200****Answer : Issue of Tax Invoice where amount is less than ₹200 Section 31(3)(b) / Rule 46**

A registered person may not issue a tax invoice subject to the following conditions, namely,—

- (a) the recipient is not a registered person; and
- (b) the recipient does not require such invoice, and

shall issue a consolidated tax invoice for such supplies at the close of each day in respect of all such supplies.

**Example:** ABC limited has supplied goods worth ₹150 to an unregistered dealer/ consumer, in this case there is no requirement to issue invoice but if it is demanded by the recipient, invoice is to be issued.

But it will not be applicable in case of a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens.

**Issue of Bill of Supply where amount is less than ₹200 Section 31(3)(c) / Rule 49**

Similar provision shall be applicable in case of bill of supply, eg. A composition dealer has sold goods of ₹ 150 to a consumer, he is exempt from issuing bill of supply but at the end of the day, a consolidated bill of supply has to be issued. (purpose is to make accounting of total sales for the purpose of paying composition tax.)

**Illustration 1:** ABC is a trader dealing in stationery items. It is registered under GST and has undertaken following sales during the day:

S. No.	Recipient of supply	Amount (₹)
1.	R Traders - a registered retail dealer (Composition Dealer)	190
2.	D Enterprises – an unregistered trader	358
3.	G – a Painter [unregistered]	500
4.	O Orphanage – an unregistered entity	188
5.	A – a Student [unregistered]	158

None of the recipients require a tax invoice.

Determine in respect of which of the above supplies, ABC may issue a Consolidated Tax Invoice instead of Tax Invoice at the end of the day?

**Solution:**

In the given illustration, ABC can issue a Consolidated Tax Invoice only with respect to supplies made to O Orphanage [worth ₹188] and A [worth ₹158] as the value of goods supplied to these recipients is less than ₹200 as also these recipients are unregistered and don't require a tax invoice.

As regards the supply made to R Traders, although the value of goods supplied to it is less than ₹200, R Traders is registered under GST. So, Consolidated Tax Invoice cannot be issued.

Consolidated Tax Invoice can also not be issued for supplies of goods made to D Enterprises and G although both of them are unregistered, because the value of goods supplied is not less than ₹200.

**Question 10: Explain Invoice-cum-bill of supply.**

**Answer: Invoice-cum-bill of supply Rule 46A**

Notwithstanding anything contained in rule 46 or rule 49 or rule 54, where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies.]

**MAY 2018 (NEW COURSE)**

**Question 11 (b)**

**(1.5 Marks)**

Determine with reason whether the following statements are true or false:

(i) A registered person shall issue a separate invoice for supplying both taxable as well as exempted goods to an unregistered person.

**Answer:**

**False:** As per rule 46A, a registered person shall issue a single "invoice-cum-bill of supply" for supplying taxable as well as exempted goods or services or both to an unregistered person.

**Question 11: Write a note on manner of issue of invoice (i.e. no. of copies) under Rule 48.**

**Answer: manner of issue of invoice (i.e. no. of copies) under Rule 48**

(1) The invoice shall be prepared in triplicate, in the case of supply of goods, in the following manner, namely,—

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

(2) The invoice shall be prepared in duplicate, in the case of the supply of services, in the following manner, namely,—

- (a) the original copy being marked as ORIGINAL FOR RECIPIENT; and
- (b) the duplicate copy being marked as DUPLICATE FOR SUPPLIER.

(3) The serial number of invoices issued during a tax period shall be furnished electronically through the common portal in FORM GSTR-1.

(4) The invoice shall be prepared by such class of registered persons as may be notified by the Government, on the recommendations of the Council, by including such particulars contained in **FORM GST INV-01** after obtaining an Invoice Reference Number by uploading information contained therein on the

Common Goods and Services Tax Electronic Portal in such manner and subject to such conditions and restrictions as may be specified in the notification:

**Provided** that the Commissioner may, on the recommendations of the Council, by notification, exempt a person or a class of registered persons from issuance of invoice under this sub-rule for a specified period, subject to such conditions and restrictions as may be specified in the said notification.

(5) Every invoice issued by a person to whom sub-rule (4) applies in any manner other than the manner specified in the said sub-rule shall not be treated as an invoice.

(6) The provisions of sub-rules (1) and (2) shall not apply to an invoice prepared in the manner specified in sub-rule (4).

**Question 12: Write a note on bill of supply under Rule 49.**

**Answer: Bill of supply under Rule 49**

A bill of supply referred to in clause (c) of sub-section (3) of section 31 shall be issued by the supplier containing the following details, namely,—

- (a) name, address and Goods and Services Tax Identification Number of the supplier;
- (b) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters -hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
- (c) date of its issue;
- (d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
- (e) Harmonised System of Nomenclature Code for goods or services;
- (f) description of goods or services or both;
- (g) value of supply of goods or services or both taking into account discount or abatement, if any; and
- (h) signature or digital signature of the supplier or his authorised representative:

**Provided** that the provisos to rule 46 shall, mutatis mutandis, apply to the bill of supply issued under this rule:

**Provided further** that any tax invoice or any other similar document issued under any other Act for the time being in force in respect of any non-taxable supply shall be treated as a bill of supply for the purposes of the Act.

**Provided also** that the signature or digital signature of the supplier or his authorised representative shall not be required in the case of issuance of an electronic bill of supply in accordance with the provisions of the Information Technology Act, 2000 (21 of 2000).

**Provided also** that the Government may, by notification, on the recommendations of the Council, and subject to such conditions and restrictions as mentioned therein, specify that the bill of supply shall have Quick Response (QR) code.

**Question 13: Write a note on Receipt Voucher under Rule 50.**

**Answer: Receipt voucher Section 31(3)(d) Rule 50.**

A registered person shall, on receipt of advance payment with respect to any supply of goods / services, issue a receipt voucher or any other document, containing such particulars as may be prescribed, evidencing receipt of such payment. Further in case of advance payment for services, time of supply shall be the date of receipt of payment and GST has to be paid.

A receipt voucher shall contain the following particulars, namely,—

- (a) name, address and Goods and Services Tax Identification Number of the supplier;
- (b) a consecutive serial number not exceeding sixteen characters.
- (c) date of its issue;
- (d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;

- (e) description of goods or services;
- (f) amount of advance taken;
- (g) rate of tax/amount of tax.
- (h) place of supply along with the name of State and its code, in case of a supply in the course of inter-State trade or commerce;
- (i) whether the tax is payable on reverse charge basis; and
- (j) signature or digital signature of the supplier or his authorised representative:

**Question 14: Write a note on Refund Voucher under Rule 51.**

**Answer: Refund voucher Section 31(3)(e) Rule 51**

Where, on receipt of advance payment with respect to any supply of goods / services the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person shall refund the amount and shall take refund voucher from the person making payment. The supplier shall not be allowed to decrease his tax liability rather he has to claim refund by filing RFD 01.

A refund voucher shall contain the following particulars, namely:—

- (a) name, address and Goods and Services Tax Identification Number of the supplier;
- (b) a consecutive serial number not exceeding sixteen characters.
- (c) date of its issue;
- (d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
- (e) number and date of receipt voucher issued in accordance with the provisions of rule 50;
- (f) description of goods or services in respect of which refund is made;
- (g) amount of refund made;
- (h) rate of tax / amount of tax.
- (i) whether the tax is payable on reverse charge basis; and
- (j) signature or digital signature of the supplier or his authorised representative.

**Question 15: Explain Transportation of Goods without issue of invoice i.e. by issuing Delivery challan.**

**Answer: Transportation of goods without issue of invoice Rule 55**

(1) For the purposes of-

- (a) supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known,
- (b) transportation of goods for job work,
- (c) transportation of goods for reasons other than by way of supply, (Stock Transfer or goods sent on approval etc.) or
- (d) such other supplies as may be notified by the Board, the consigner may issue a delivery challan, serially numbered not exceeding sixteen characters, 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 consigner, 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.*

(2) *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.*

(3) *Where goods are being transported on a delivery challan in lieu of invoice, the same shall be declared as specified in rule 138.*

(4) *Where the goods being transported are for the purpose of supply to the recipient but the tax invoice could not be issued at the time of removal of goods for the purpose of supply, the supplier shall issue a tax invoice after delivery of goods.*

(5) *Where the goods are being transported in a semi knocked down or completely knocked down condition or in batches or lots-*

(a) *the supplier shall issue the complete invoice before dispatch of the first consignment;*

(b) *the supplier shall issue a delivery challan for each of the subsequent consignments, giving reference of the invoice;*

(c) *each consignment shall be accompanied by copies of the corresponding delivery challan along with a duly certified copy of the invoice; and*

(d) *the original copy of the invoice shall be sent along with the last consignment.*

## **CLARIFICATIONS**

Goods moved within the State or from the State of registration to another State for supply on approval basis and Art works sent by artists to galleries for exhibition Suppliers of jewellery etc. who are registered in one State may have to visit other States (other than their State of registration) and need to carry the goods (such as jewellery) along for approval. In such cases if jewellery etc. is approved by the buyer, then the supplier issues a tax invoice only at the time of supply. Since the suppliers are not able to ascertain their actual supplies beforehand and while ascertainment of tax liability in advance is a mandatory requirement for registration as a casual taxable person, the supplier is not able to register as a casual taxable person. Such goods are also carried within the same State for the purposes of supply.

In view of relevant provisions of rule 55, it is clarified that the goods which are taken for supply on approval basis can be moved from the place of business of the registered supplier to another place within the same State or to a place outside the State on a delivery challan alongwith the e-way bill wherever applicable and the invoice may be issued at the time of delivery of goods. For this purpose, the person carrying the goods for such supply can carry the invoice book with him so that he can issue the invoice once the supply is fructified [Circular No. 10/10/2017 GST dated 18.10.2017].

Likewise, in case where artists supply art works in different States -other than the State in which they are registered as a taxable person and if the art work is selected by the buyer, then the supplier issues a tax invoice only at the time of supply, it is clarified that the art work for supply on approval basis can be moved from the place of business of the registered person (artist) to another place within the same State or to a place outside the State on a delivery challan along with the e-way bill wherever applicable and the invoice may be issued at the time of actual supply of art work [Circular No. 22/22/2017 GST dated 21.12.2017]

**Question 16: Explain provisions for maintaining Accounts and other records under GST.**

**Answer: Accounts and other records . Section 35**

Every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of—

(a) production or manufacture of goods;

(b) inward and outward supply of goods or services or both;

- (c) stock of goods;
- (d) input tax credit availed;
- (e) output tax payable and paid; and
- (f) such other particulars as may be prescribed

**Period of retention of accounts . Section 36.**

Every registered person required to keep and maintain books of account or other records in accordance with the provisions of section 35 shall retain them until the expiry of seventy two months from the due date of furnishing of annual return for the year pertaining to such accounts and records.

**Question 17: Explain provisions of facility of digital payment to recipient.**

**Answer: Facility of digital payment to recipient. Section 31A**

The Government may, on the recommendations of the Council, prescribe a class of registered persons who shall provide prescribed modes of electronic payment to the recipient of supply of goods or services or both made by him and give option to such recipient to make payment accordingly, in such manner and subject to such conditions and restrictions, as may be prescribed.

**Question 18: Explain E invoicing**

**Answer:**

**E-invoicing**

All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than ₹ 50 crore will be required to issue e-invoices.

E-invoicing is not generation of invoice by a Government portal. Taxpayers will continue to create their GST invoices on their own Accounting/Billing/ERP Systems as per e-invoice schema. These invoices will then be reported to 'Invoice Registration Portal (IRP)'. On such reporting, IRP will generate a unique 'Invoice Reference Number (IRN)', digitally sign it and return the e-invoice to the supplier. A GST e-invoice will be valid only with a valid IRN.

Presently, invoices, credit notes and debit notes, when issued by notified persons (to registered persons (B2B) or for the purpose of exports) are covered under e-invoice. Though different documents are covered, for ease of reference and understanding, the system is referred as 'e-invoicing'.

**Advantages of e-invoicing**

E-invoice has many advantages for businesses. One such advantage is auto-reporting of invoices into GST return and auto-generation of e-way bill. Under e-invoicing, business has to report the B2B invoice data only once in the e-invoice form and the same is reported in multiple forms (GSTR-1, e-way bill etc.). E-way bill can be auto-generated using e-invoice data. GSTR-1 can also be auto-populated with the e-invoice data. It will become part of the business process of the taxpayer.

Consequently, there will be a substantial reduction in transcription errors as same data will get reported to tax department as well as to the buyer to prepare his inward supplies (purchase) register.

Further, since a complete trail of B2B invoices is available with the Department, it will enable the system-level matching of input tax credit and output tax thereby reducing the tax evasion.

E-invoicing will eliminate the fake invoices. Claiming fictitious input tax credit (ITC) by raising fake invoices is also one of the biggest challenges currently faced by tax-authorities. The e-invoice system will help to curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities will have access to data in real-time.

**E-invoicing statutory provisions**

Rule 48(4) stipulates that the e-invoice shall be prepared by notified class of registered persons, by uploading such particulars as contained in Form GST INV-01 on the Common GST Electronic Portal and obtain an IRN (Invoice Reference Number), in prescribed manner and subject to prescribed conditions and restrictions.

However, the Commissioner may, on the recommendations of the Council, by notification, exempt a person or a class of registered persons from issuance of e-invoice under rule 48(4) for a specified period, subject to such conditions and restrictions as may be specified in the said notification.

Every invoice, issued by above persons, in any manner other than the manner specified in the rule 48(4) shall not be treated as an invoice. Where e-invoicing is applicable, there is no need of issuing invoice copies in triplicate/duplicate.

### **Class of persons notified to mandatorily issue e-invoice**

In view of said powers, a registered person (except specified class of persons), whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 50 crores, has been notified as class of persons who shall prepare e-invoice in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports. Thus, presently, such notified persons are not required to report B2C invoices. However, they will be brought under e-invoice in the next phase.

If the invoice issued by a notified person is in respect of supplies made by him tax on which is payable under reverse charge under section 9(3), even in such cases e-invoicing is applicable.

**Example:** A taxpayer (say a firm of advocates) having aggregate turnover in a FY of more than ₹ 50 crore is supplying services to a company (who will be discharging tax liability as recipient under reverse charge mechanism), such invoices have to be reported by said tax payer (since it is a notified person) to IRP.

On the other hand, where specified category of supplies are received by notified person from unregistered persons [attracting reverse charge under section 9(4)] or through import of services, e-invoicing doesn't arise/ not applicable. E-invoicing is also not applicable for import of goods (Bills of Entry).

### **Exemption from e-invoicing (Notification no. 13/2020 dated: 21.03.2020)**

The entities mentioned under rule 54(2), 54(3), 54(4) and 54(4A) are exempt from the mandatory requirement of e-invoicing, also SEZ units are exempt from these provisions.

- Special Economic Zone units
- Rule 54(2), Insurer or banking company or financial institution including NBFC
- Rule 54(3), GTA supplying services in relation to transportation of goods by road in a goods carriage
- Rule 54(4), Supplier of passenger transportation service
- Rule 54(4A), Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- Government department and a local authority

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ₹ 50 crore in the preceding financial year from 2017-18 onwards.

Only SEZ units and not SEZ developers are exempt from issuing e-invoices. Thus, SEZ developers whose turnover exceeds ₹ 50 crores in any preceding financial year from 2017-18 onwards are mandatorily required to issue e-invoices. Further, in case of supplies made by notified persons to SEZ units, e-invoices need to be issued.

**Example:** Maharaja Private Limited has an SEZ unit and a regular DTA unit (both having same PAN). The aggregate total turnover of Maharaja Private Limited is more than ₹ 50 crores (considering both the GSTINs). However, the turnover of DTA unit is below ₹ 50 crores for FY 2020-21.

In this scenario, SEZ unit is exempt from e-invoicing. However, e-invoicing will be applicable to DTA Unit because the aggregate turnover of the legal entity in this case is > ₹ 50 crores. The eligibility is based on aggregate annual turnover on the common PAN.

### **How e-invoice is generated?**

The taxpayer first prepares and generates his invoice using his own ERP/ accounting/ billing system or manual system. The invoice must conform to the e-invoice schema and must have the mandatory parameters. The details of this invoice are uploaded/reported by the taxpayer to the Invoice Registration



Portal (IRP). This way taxpayer registers his supply transaction on IRP. On uploading, IRP returns the e-invoice with a unique 'Invoice Reference Number (IRN)' after digitally signing the e-invoice and adding a QR Code (Quick Response Code). Then, the supplier shares the e-invoice with the receiver (along with QR Code).

### **How e-invoice data is consumed by GST System for generation of e-way bill or populating relevant parts GST Returns?**

IRP sends the e-invoice data along with IRN to the GST System as well as to E-Way Bill System.

The GST system will auto-populate them into GSTR-1 of the supplier and GSTR-2A of respective receivers. With source marked as 'e-invoice', IRN and IRN date will also be shown in GSTR-1 and GSTR-2A.

The e-invoice schema includes parameters e.g. 'Transporter ID' and 'Vehicle Number', etc. that are required for creating and generating e-way bills. These can be entered if available with seller, at the time of generation of e-invoice so that e-way bill can be created using this data without any further requirement of data entry by the user. The e-invoice reporting software already allows reporting of e-invoice and generation of e-way bill with same data.

### **Cancellation/amendment of reported invoice**

Where needed, the seller can cancel IRN for an e-invoice already reported by reporting it on IRP within specified time. Amendment of e-invoice already uploaded on IRP will be done only on GST portal. Amendment of invoices is not possible through the IRP.

### **Implications for businesses**

As can be inferred from the above discussion, e-invoicing does not mean that the invoice needs to be prepared/generated on the Government portal. It is only intimating the Government portal that invoice has been issued to the buyer, by registering that particular invoice on the Government portal. Consequently, businesses will continue to issue invoices as they were doing earlier. Necessary changes on account of e-invoicing requirement (i.e. to enable reporting of invoices to IRP and obtain IRN), be made by ERP/Accounting and Billing Software providers in their respective software. They need to get the updated version having this facility.

### **Important terms**

#### **E-invoice Schema**

Businesses use various accounting/billing software, each generating and storing invoices in their own electronic formats. These different formats are neither understood by GST System nor by the systems of suppliers and receivers.

**Example:** An invoice generated by SAP system cannot be read by a machine which is using 'Tally' system, unless a connector is used. With more than 300 accounting/billing software products, there was no way to have connectors for all.

In this scenario, 'e-invoicing' was introduced aiming at machine-readability and uniform interpretation. To ensure this complete 'inter-operability' of e-invoices across the entire GST eco-system, an invoice standard is a must. By this, e-invoices generated by one software can be read by any other software, thereby eliminating the need of fresh/manual data entry. Since, there was no such standard for e-invoice available earlier, as a first step, a standard/format for e-invoice has been finalized.

This uniform standard format (containing specified fields) applicable for all the businesses across the country is known as 'e-invoice schema'. It is notified as Form GST INV-1. E-invoice schema mandates what particulars shall be reported in electronic format to IRP.

### **Invoice Registration Portal (IRP)**

IRP is the website for uploading/reporting of invoices by the notified persons. Following IRPs have been notified for the purpose of preparation of the e-invoice:

www.einvoice1.gst.gov.in  
 www.einvoice2.gst.gov.in  
 www.einvoice3.gst.gov.in  
 www.einvoice4.gst.gov.in  
 www.einvoice5.gst.gov.in  
 www.einvoice6.gst.gov.in  
 www.einvoice7.gst.gov.in  
 www.einvoice8.gst.gov.in  
 www.einvoice9.gst.gov.in  
 www.einvoice10.gst.gov.in

### **Invoice Reference Number**

**As seen earlier, GST invoice will be valid only with a valid IRN.** IRN is different from invoice number. Invoice no. (e.g. ABC/1/2019-20) is assigned by supplier and is internal to business. Its format can differ from business to business and also governed by relevant GST rules. IRN, on other hand, is a unique reference number (hash) generated and returned by IRP, on successful registration of e-invoice, for instance, 35054cc24d97033afc24f49ec4444dbab81f542c555f9d30359dc75794e06bbe

### **Other points:**

- The e-invoicing system is also available for the E-Commerce Operators (ECO) to report the invoices to the Invoice Registration portal, generated by them on behalf of the suppliers.
- Bulk uploading of invoices to IRP is also possible.

## **RTP NOV 2021**

### **Question 10.**

Determine in which of the following independent cases, e-invoicing is applicable?

- Harnam & Co., dealing in interior decoration products made supplies to various registered and unregistered persons in the preceding financial year. The aggregate turnover of Harnam & Co. in the preceding financial year is ₹ 60 crore.
- Rich & Poor Bank, registered under GST has an aggregate turnover of ₹ 75 crore in the preceding financial year.

### **Solution:**

All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than ₹ 50 crore are required to issue e-invoices in respect of B2B supplies (supply of goods and/or services to a registered person).

Further, following entities are exempt from the mandatory requirement of e-invoicing:-

- Special Economic Zone units
  - Insurer or banking company or financial institution including NBFC
  - GTA supplying services in relation to transportation of goods by road in a goods carriage
  - Supplier of passenger transportation service
  - Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ₹ 50 crore in the preceding financial year from 2017-18 onwards.

In view of the above mentioned provisions, the answer to the independent cases are as under:-

- The aggregate turnover of Harnam & Co. exceeds the threshold limit of aggregate turnover applicable for e-invoicing. Thus, Harnam & Co. is mandatorily required to issue e-invoices in respect of supplies made to registered persons.
- Banking company is specifically exempt from mandatory requirement of e-invoicing even if the turnover exceeds ₹ 50 crore in the preceding financial year. Thus, e-invoicing is not applicable to Rich & Poor Bank.

**Quick Response (QR) code**

Upon successful registration of invoice on IRP, it will return a signed e-invoice to the supplier with IRN and QR Code. IRN is embedded in the QR Code which shall be extracted and printed on the invoice. The QR code enables quick view, validation and access of the invoices from the GST system from hand-held devices. The digitally signed QR code will have a unique IRN which can be verified on the central portal as well as by an offline app by the officer. This will be helpful for tax officers checking the invoice offline on the roadside where internet may not be available all the time.

**Question 19: Explain Dynamic QR code****Answer:****Dynamic QR code**

All B2C invoices issued by a registered person whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores are proposed to have a QR code from December 1, 2020.

Sixth proviso to rule 46 has empowered the Government to specify that the tax invoice shall have Quick Response (QR) code. Resultantly, it has been notified that invoice issued by a registered person (except specified class of persons), whose aggregate turnover in a financial year exceeds ₹ 500 crores, in respect of B2C supplies (supply of goods or services or both to an unregistered person) shall have Dynamic QR code.

A Dynamic Quick Response (QR) code made available to buyer by such registered person through digital display (with payment cross reference) shall be deemed to be having QR code. The purpose of this provision is to enable and encourage digital payments where buyer can scan the dynamic QR code and make payment from mobile wallet directly. Today, many shops have static QR code at the payment counter which is scanned by the buyer, but the buyer has to enter the amount to be paid to the shop in the mobile payment App. The dynamic QR code, on the other hand, will have the payment details and thus 'scan and pay' in one go is possible. This has no relevance or applicability to the e-invoicing in respect to B2B supplies by notified class of taxpayers. Dynamic QR Code will be generated by the seller himself either on the Point of Sale (PoS) machine or the invoice issued.

## PRACTICE PROBLEMS

**Q1.** Sultan Industries Ltd., Delhi, entered into a contract with Prakash Entrepreneurs, Delhi, for supply of spare parts of a machine on 7th September. The spare parts were to be delivered on 30th September. Sultan Industries Ltd. removed the finished spare parts from its factory on 29th September. Determine the date by which invoice must be issued by Sultan Industries Ltd. under GST law.

**Answer:** As per the provisions of section 31, invoice shall be issued before or at the time of removal of goods for supply to the recipient, where the supply involves movement of goods. Accordingly, in the given case, the invoice must be issued on or before 29th September.

**Q2.** The aggregate turnover of Sangri Services Ltd. exceeded ₹20 lakh on 12<sup>th</sup> August. It applied for registration on 3rd September and was granted the registration certificate on 6th September. You are required to advise Sangri Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices.

**Answer:** As per section 25 read with CGST Rules, 2017, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Sangri Services Ltd.'s turnover exceeded ₹20 lakh on 12th August, it became liable to registration on same day. Further, it applied for registration within 30 days of so becoming liable to registration, the effective date of registration is the date on which he becomes liable to registration, i.e. 12th August. As per section 31 read with CGST Rules, 2017, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.

Therefore, in the given case, Sangri Services Ltd. has to issue the Revised Tax Invoices in respect of taxable supplies effected during the period starting from the effective date of registration (12th August) till the date of issuance of certificate of registration (6th September) within 1 month from the date of issuance of certificate of registration, i.e. on or before 6th October.

**Q3.** Shyam Fabrics has opted for composition levy scheme in the current financial year. It has approached you for advice whether it is mandatory for it to issue a tax invoice. You are required to advise him regarding same.

**Answer:** A registered person paying tax under the provisions of section 10 [composition levy] shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed. Therefore, in the given case, Shyam Fabrics cannot issue tax invoice. Instead, it shall issue a Bill of Supply.

**Q4.** Royal Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Park Royal, Delhi on 4th January. For the occasion, it gets the service by way of makeover of its models from Aura Beauty Services Ltd., Ashok Vihar, for which a consideration of ₹ 5,00,000 (excluding GST) has been charged. Aura Beauty Services Ltd. issued a duly signed tax invoice on 10th February showing the lumpsum amount of ₹ 5,90,000 inclusive of CGST and SGST @ 9% each for the services provided. Answer the following questions:

(i) Examine whether the tax invoice has been issued within the time limit prescribed under law.

(ii) Tax consultant of Royal Fashions objected to the invoice raised suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Aura Beauty Services Ltd. However, Aura Beauty Services Ltd. contended that there is no mandatory requirement of showing tax component separately in the invoice. You are required to examine the validity of the objection raised by tax consultant of Royal Fashions.

**Answer**

(i) As per section 31 read with the CGST Rules, in case of taxable supply of services, invoices should be issued before or after the provision of service, but within a period of 30 days [45 days in case of insurer/banking company or financial institutions including NBFCs] from the date of supply of service.

In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e. upto 3rd February. However, the invoice has been issued on 10th February.

(ii) Section 31 read with the CGST Rules, inter alia, provides that tax invoice in addition to other mandatory details shall also contain the amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess). Further, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

The objection raised by the tax consultant of Royal Fashions suggesting that the amount of tax charged in respect of the taxable supply of makeover services should be shown separately in the invoice raised by Aura Beauty Services Ltd., is valid in law.

**Q5.** Kidzee Toys Ltd., a wholesaler of toys registered in Chandigarh, is renowned in the local market for the variety of toys and their reasonable prices. Kidzee Toys Ltd. makes supply of 100 pieces of baby's learning laptops and chat learning phones to Nancy General Store on 25th September by issuing a tax invoice amounting to ₹ 1,00,000.

However, the said toys were returned by Nancy General Store on 30th September. Discuss which document Kidzee Toys Ltd. is required to issue in such a case?

**Answer:** Kidzee Ltd. is required to issue a credit note in such a case.

As per section 34, where one or more tax invoices have been issued for supply of any goods or services or both and the goods supplied are returned by the recipient the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed. Therefore, Kidzee Ltd. is required to issue a credit note to Nancy General Store for the good returned.

**Q6.** Rana Sanga Ltd., a registered supplier has made following taxable supplies to its customer Babur in the quarter ending 30th June.

Date	Bill No.	Particulars	Invoice value (including GST) [₹]
5th April	102	Notebooks [10 in numbers]	1,200
10th May	197	Chart Paper [4 in number]	600
20th May	230	Crayon colors [2 packets]	500
2nd June	254	Poster colors [5 packets]	900
22nd June	304	Pencil box [4 sets]	700

Goods in respect of bill no. 102, 230 and 254 have been returned by Babur. You are required to advise Rana Sanga Ltd. whether it can issue a consolidated credit note against all the three invoices?

**Answer:** Where one or more tax invoices have been issued for supply of any goods and/or services and

(a) the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or

(b) where the goods supplied are returned by the recipient, or

(c) where goods and/or services supplied are found to be deficient,

the registered person, who has supplied such goods and/or services, may issue to the recipient one or more credit notes for supplies made in a financial year containing prescribed particulars.

Thus, one (consolidated) or more credit notes can be issued in respect of multiple invoices issued in a financial year without linking the same to individual invoices.

Hence, in view of the above-mentioned provisions, Rana Sanga Ltd. Can issue a consolidated credit note for the goods returned in respect of all the three invoices.

**Q7.** Chidanand Products Pvt. Ltd. is a registered supplier who has opted for composition levy in the current financial year. He wishes to know whether the issue of a bill of supply can be dispensed with under any circumstances. You are required to advise him.

**Answer:** Yes. Chidanand Products Pvt. Ltd. may not issue a bill of supply if the value of the goods or services or both supplied is less than ₹ 200 subject to the condition that:

(a) the recipient is not a registered person; and

(b) the recipient does not require such bill of supply,

and he shall issue a consolidated bill of supply for such supplies at the close of each day in respect of all such supplies.

**Q8.** A registered person has to mandatorily issue separate invoices for taxable and exempted goods when supplying both taxable as well as exempted goods to an unregistered person. Examine the validity of the statement.

**Answer:** The statement is not valid in law. As per the CGST Rules, where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single “invoice-cum-bill of supply” may be issued for all such supplies.

**Q9.** A non-banking financial company can issue a consolidated tax invoice at the end of every month for the supply made during that month. Examine the validity of the statement.

**Answer:** The said statement is valid in law. A customer may avail numerous services from a non-banking financial company in a given tax period. It may issue a consolidated tax invoice/ statement/ advice, any other document in lieu thereof, by whatever name called may be issued/ made available, physically/ electronically, for supply of services made during a month at the end of the month.

**Q10.** Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods and the delivery shall be made on or before 31st October. The goods were removed from the factory at Kolkata on 11th October. As per the agreement, the goods were to be delivered on or before 31st October. Suraj Enterprises has received the goods on 14th October. Determine the time of issue of invoice as per the provisions of CGST Act.

**Answer:** A registered person supplying taxable goods shall issue a tax invoice, before or at the time of removal of goods for supply to the recipient, where the supply involves movement of goods.

Therefore, in the given case, invoice has to be issued on or before, 11th October (the time of removal of goods).

**Q11.** Trust and Fun Ltd., an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5th June. Payment for the event was made on 19th June. Determine the time of issue of invoice as per the provisions of CGST Act.

**Answer:** A registered person [other than an insurer/banking company/financial institution, including an NBFC] supplying taxable services shall issue a tax invoice before or after the provision of service, but within a period of 30 days from the date of supply of service.

Thus, in the given case, invoice has to be issued within 30 days of 5th June (date of supply of service), i.e. on or before, 5th July.

**Q12.** Udai Singh, a registered supplier, has received advance payment with respect to services to be supplied to Sujamal. His accountant asked him to issue the receipt voucher with respect to such services to be supplied. However, he is apprehensive as to what would happen in case a receipt voucher is issued, but subsequently no services are supplied. You are required to advise Udai Singh regarding the same.

**Answer:** Udai Singh is required to issue a receipt voucher at the time of receipt of advance payment with respect to services to be supplied to Sujamal. A receipt voucher is a document evidencing receipt of

advance money towards a supply of goods and/or services or both. A registered person, on receipt of advance payment with respect to any supply of goods or services or both, shall issue a receipt voucher or any other document, evidencing receipt of such payment.

Where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment. Therefore, in case subsequently no services are supplied by Udai Singh, and no tax invoice is issued in pursuance thereof, Udai Singh may issue a refund voucher against such payment to Sujamal.

**Q13.** Bhoj Raj, a registered person, has availed GTA services on which he is liable to pay tax under reverse charge. He wishes to know whether he is required to issue an invoice. Please advise him discussing the relevant provisions under CGST Act and rules thereunder.

**Answer:** Bhoj Raj is required to issue an invoice with regard to the GTA services availed by him. A registered person who is liable to pay tax under subsection (3) or sub-section (4) of section 9 (i.e. where the recipient is liable to discharge GST on reverse charge basis) shall issue an invoice in respect of goods or services or both received by him from the supplier on the date of receipt of goods or services or both.

**Q14.** 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.

**Answer:** 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.

## MULTIPLE CHOICE QUESTIONS

**1. In case of taxable supply of services, invoice shall be issued within a period of \_\_\_\_\_ from the date of supply of service.**

- (a) 30 days
- (b) 45 days
- (c) 60 days
- (d) 90 days

**2. In case of taxable supply of services by an insurer, invoice shall be issued within a period of \_\_\_\_\_ from the date of supply of service.**

- (a) 30 days
- (b) 45 days
- (c) 60 days
- (d) 90 days

**3. In case of continuous supply of services, where due date of payment is ascertainable from the contract, invoice shall be issued:**

- (a) before or at the time when the supplier of service receives the payment
- (b) on or before the due date of payment
- (c) Either (a) or (b)
- (d) None of the above

**4. In case of continuous supply of services, where due date of payment is not ascertainable from the contract, invoice shall be issued:**

- (a) before or at the time when the supplier of service receives the payment
- (b) on or before the due date of payment
- (c) Either (a) or (b)
- (d) None of the above

**5. Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued:**

- (a) before/at the time of supply
- (b) 6 months from the date of removal
- (c) Earlier of (a) or (b)
- (d) None of the above

**6. Mr. X, a registered person deals in supply of taxable goods. He need not issue tax invoice for the goods supplied on 16.04.2021 as the value of the goods is \_\_\_\_.**

- (a) ₹1,200
- (b) ₹600
- (c) ₹150
- (d) ₹200

**7. Tax invoice must be issued by \_\_\_\_\_**

- (a) Every supplier
- (b) Every taxable person
- (c) Registered persons not paying tax under composition scheme
- (d) All the above

**8. A bill of supply can be issued in case of:**

- (a) Exempted supplies
- (b) Supplies to unregistered persons
- (c) Both of above
- (d) None of the above.

**9. Which of the following statement is correct.**

- (a) A registered person supplying taxable goods shall within 30days of,—

(a) removal of goods for supply to the recipient, where the supply involves movement of goods; or



(b) delivery of goods or making available thereof to the recipient, in any other case, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed.

(b) A registered person supplying taxable goods shall, before,—

(a) removal of goods for supply to the recipient, where the supply involves movement of goods; or

(b) delivery of goods or making available thereof to the recipient, in any other case, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed

(c) A registered person supplying taxable goods shall, before or at the time of,—

(a) removal of goods for supply to the recipient, where the supply involves movement of goods; or

(b) delivery of goods or making available thereof to the recipient, in any other case, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed

(d) none of these

**10. Which of the following statement is correct.**

(a) a registered person may, within two month from the date of issuance of certificate of registration and in such manner as may be prescribed, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him

(b) a registered person may, within 15days from the date of issuance of certificate of registration and in such manner as may be prescribed, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him

(c) a registered person may, within one month from the date of issuance of certificate of registration and in such manner as may be prescribed, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him

(d) none of these

**11. Which of the following statement is correct.**

(a) a registered person may not issue a tax invoice if the value of the goods or services or both supplied is less than two hundred rupees subject to such conditions and in such manner as may be prescribed

(b) a registered person may not issue a tax invoice if the value of the goods or services or both supplied is less than one hundred rupees subject to such conditions and in such manner as may be prescribed

(c) a registered person may not issue a tax invoice if the value of the goods or services or both supplied is less than five hundred rupees subject to such conditions and in such manner as may be prescribed

(d) none of these

**12. Which of the following statement is correct.**

(a) a registered person supplying exempted goods or services or both or paying tax under the provisions of section 10 shall issue, instead of a bill of supply, tax invoice containing such particulars and in such manner as may be prescribed

(b) a registered person supplying exempted goods or services or both or paying tax under the provisions of section 10 shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed

(c) a registered person supplying taxable goods or services or both or paying tax under the provisions of section 10 shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed

(d) none of these

**13. Which of the following statement is correct.**

- (a) In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued after each such statement is issued or, as the case may be, each such payment is received.
- (b) In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before each such statement is issued or, as the case may be, each such payment is received.
- (c) In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.
- (d) none of these

**14. Which of the following statement is correct.**

- (a) In case of continuous supply of goods, where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment
- (b) In case of continuous supply of goods, where the due date of payment is ascertainable from the contract, the invoice shall be issued after the due date of payment
- (c) In case of continuous supply of goods, where the due date of payment is ascertainable from the contract, the invoice shall be issued before the due date of payment
- (d) none of these

**15. In which of the following cases, a deliver challan can be issued instead of tax invoice**

- (a) supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known
- (b) transportation of goods for job work
- (c) transportation of goods for reasons other than by way of supply
- (d) (a) & (b)
- (e) (a) & (c)
- (f) any of the above

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## **E-WAY BILL**

### **(Section 68/Rule 138,138A,138B,138C,138D,138E)**

#### **Inspection of goods in movement. Section 68**

(1) The Government may require the person in charge of a conveyance carrying any consignment of goods of value exceeding such amount as may be specified to carry with him such documents and such devices as may be prescribed

(2) The details of documents required to be carried under sub-section (1) shall be validated in such manner as may be prescribed.

(3) Where any conveyance referred to in sub-section (1) is intercepted by the proper officer at any place, he may require the person in charge of the said conveyance to produce the documents prescribed under the said sub-section and devices for verification, and the said person shall be liable to produce the documents and devices and also allow the inspection of goods.

#### **Information to be furnished prior to commencement of movement of goods and generation of e-way bill. Rule 138**

##### **When is e-way bill required to be generated? Rule 138**

Every registered person who causes movement of goods of consignment value exceeding fifty thousand rupees—

- (i) in relation to a supply; or
- (ii) for reasons other than supply; or
- (iii) due to inward supply from an unregistered person,

shall, before commencement of such movement, furnish information relating to the said goods as specified in Part A of FORM GST EWB-01, electronically, on the common portal ([ewaybillgst.gov.in](http://ewaybillgst.gov.in)) along with such other information as may be required on the common portal and a unique number will be generated on the said portal:

**Provided** that the transporter, on an authorization received from the registered person, may furnish information in Part A of FORM GST EWB-01, electronically, on the common portal along with such other information as may be required on the common portal and a unique number will be generated on the said portal:

**Provided further** that where the goods to be transported are supplied through an e-commerce operator or a courier agency, on an authorization received from the consignor, the information in Part A of FORM GST EWB-01 may be furnished by such e-commerce operator or courier agency and a unique number will be generated on the said portal:

The unique number generated above shall be valid for a period of fifteen days for updation of Part B of FORM GST EWB-01. When part B is filled, e-way bill no. shall be generated.

##### **Who causes Movement of goods**

Where the goods are supplied by an unregistered supplier to a recipient who is registered, the movement shall be said to be caused by such recipient if the recipient is known at the time of commencement of the movement of goods.

##### **Special situations where e-way bill needs to be issued even if the value of the consignment is less than ₹ 50,000:**

##### **Principal/Job Worker**

Where goods are sent by a principal located in one State or Union Territory to a job worker located in any other State or Union Territory, the e-way bill shall be generated either by the principal or the job worker, if

registered, irrespective of the value of the consignment. If the supply is within the state, normal limit of 50,000 shall be applicable

**Example:** Sindhi Textiles of Ludhiana, registered in Punjab, sends cloth to a job worker in Jalandhar, Punjab on a delivery challan. The value of cloth mentioned in the delivery challan is ₹ 48,000. Since the movement of goods is for reasons other than supply, the value given in the delivery challan is adopted for the purposes of the e-way bill. Such value does not exceed ₹ 50,000. Consequently, e-way bill is not required to be issued in this case.

### **Handicraft Goods**

Where handicraft goods are transported from one State or Union Territory to another State or Union Territory by a person who has been exempted from the requirement of obtaining registration under clauses (i) and (ii) of section 24, the e-way bill shall be generated by the said person irrespective of the value of the consignment.

### **Consignment Value**

The consignment value of goods shall be the value, determined in accordance with the provisions of section 15, declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and also includes the central tax, State or Union Territory tax, integrated tax and cess charged, if any, in the document and shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

**Example:** Bhanupratap Shoe Manufacturers, registered in Punjab, sold shoes to a retail seller in Gujarat, at a value of ₹ 48,000 (excluding GST leviable @ 18%) and wants to send the consignment of such shoes to Gujarat. The consignment value will be ₹ 56,640 [₹ 48,000 × 118%]. Since the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, e-way bill is mandatorily required to be issued in the given case.

### **Transportation of goods in owned vehicle/ hired vehicle**

Where the goods are transported by the registered person as a consignor or the recipient of supply as the consignee, whether in his own conveyance or a hired one or a public conveyance, by road, the said person shall generate the e-way bill in FORM GST EWB-01 electronically on the common portal after furnishing information in Part B of FORM GST EWB-01.

### **Transportation of goods by railways/ air etc.**

Where the goods are transported by railways or by air or vessel, the e-way bill shall be generated by the registered person, being the supplier or the recipient, who shall, either before or after the commencement of movement, furnish, on the common portal, the information in Part B of FORM GST EWB-01. **Provided** that where the goods are transported by railways, the railways shall not deliver the goods unless the e-way bill required under these rules is produced at the time of delivery.

Where the goods are handed over to a transporter for transportation by road, the registered person shall furnish the information relating to the transporter on the common portal and the e-way bill shall be generated by the transporter on the said portal on the basis of the information furnished by the registered person in Part A of FORM GST EWB-01:

### **Optional Eway bill**

The registered person or, the transporter may, at his option, generate and carry the e-way bill even if the value of the consignment is less than fifty thousand rupees. Where the movement is caused by an unregistered person either in his own conveyance or a hired one or through a transporter, he or the transporter may, at their option, generate the e-way bill in FORM GST EWB-01 on the common portal in the manner specified in this rule:

### **Movement of goods without filling part B**

The e-way bill shall not be valid for movement of goods by road unless the information in Part B of FORM GST EWB-01 has been furnished except in the following two cases:

- (i) Where the goods are transported for a distance of upto fifty kilometers within the State or Union Territory from the place of business of the consignor to the place of business of the transporter for further transportation, the supplier or the recipient, or as the case may be, the transporter may not furnish the details of conveyance in Part B of FORM GST EWB-01.
- (ii) Where the goods are transported for a distance of upto fifty kilometers within the State or Union Territory from the place of business of the transporter finally to the place of business of the consignee, the details of the conveyance may not be updated in the e-way bill.

### **Change of conveyance**

Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in Part A of the FORM GST EWB-01, or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in the e-way bill on the common portal in Part B of FORM GST EWB-01:

### **Change of transporter**

The consignor or the recipient, who has furnished the information in Part A of FORM GST EWB-01, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B of FORM GST EWB-01 for further movement of the consignment. **Provided** that after the details of the conveyance have been updated by the transporter in Part B of FORM GST EWB-01, the consignor or recipient, as the case may be, who has furnished the information in Part A of FORM GST EWB-01 shall not be allowed to assign the e-way bill number to another transporter.

**Example:** A consignor is required to move goods from City X to City Z. He appoints Transporter A for movement of his goods. Transporter A moves the goods from City X to City Y. For completing the movement of goods i.e., from City Y to City Z, Transporter A now hands over the goods to Transporter B. Thereafter, the goods are moved to the destination i.e. from City Y to City Z by Transporter B. In such a scenario, only one e-way bill would be required. Part A can be filled by the consignor and then the e-way bill will be assigned by the consignor to Transporter A. Transporter A will fill the vehicle details, etc. in Part B and will move the goods from City X to City Y. On reaching City Y, Transporter A will assign the said e-way bill to the Transporter B. Thereafter, Transporter B will be able to update the details of Part B. Transporter B will fill the details of his vehicle and move the goods from City Y to City Z [Press Release No. 144/2018 dated 31.03.2018]

## **NOV 2019 (NEW COURSE)**

### **Question.7. (b)**

**(5 Marks)**

Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter.

Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder.

**Answer:** In the given scenario, only one e-way bill is required to be issued. Part A can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorisation. Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in Part A, or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in the e-way bill on the common portal in Part B.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, who has filled Part A of the e-way bill, or Mehta Transporter can, before the transfer and further movement of goods, update the details of conveyance in Part B of the e-way bill. Further, the consignor or the recipient, who has furnished the information in Part A, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment. Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, or Mehta Transporter can assign the said e-way bill to Parikh Transporter who will thereafter update the details of conveyance in Part B. However, upon updation of the details of the conveyance by Parikh transporter in Part B, Mr. Shah or recipient, as the case may be, who has furnished the information in Part A shall not be allowed to assign the e-way bill number to another transporter.

### **Consolidated e-way bill**

After e-way bill has been generated in accordance with the provisions of sub-rule (1), where multiple consignments are intended to be transported in one conveyance, the transporter may indicate the serial number of e-way bills generated in respect of each such consignment electronically on the common portal and a consolidated e-way bill in FORM GST EWB-02 may be generated by him on the said common portal prior to the movement of goods.

Where the consignor or the consignee has not generated the e-way bill in FORM GST EWB-01 and the aggregate of the consignment value of goods carried in the conveyance is more than fifty thousand rupees, the transporter, except in case of transportation of goods by railways, air and vessel, shall, in respect of inter-State supply, generate the e-way bill in FORM GST EWB-01 on the basis of invoice or bill of supply or delivery challan, as the case may be, and may also generate a consolidated e-way bill in FORM GST EWB-02 on the common portal prior to the movement of goods:

**Provided** that where the goods to be transported are supplied through an e-commerce operator or a courier agency, the information in Part A of FORM GST EWB-01 may be furnished by such e-commerce operator or courier agency.

### **Information for GSTR 1**

The information furnished in Part A of FORM GST EWB-01 shall be made available to the registered supplier on the common portal who may utilize the same for furnishing the details in FORM GSTR-1. **Provided** that when the information has been furnished by an unregistered supplier or an unregistered recipient in FORM GST EWB-01, he shall be informed electronically, if the mobile number or the e-mail is available.

### **Cancellation of e-way bill**

Where an e-way bill has been generated under this rule, but goods are either not transported or are not transported as per the details furnished in the e-way bill, the e-way bill may be cancelled electronically on the common portal within twenty four hours of generation of the e-way bill. **Provided** that an e-way bill cannot be cancelled if it has been verified in transit in accordance with the provisions of rule 138B:

### **Validity of e-way bill**

An e-way bill or a consolidated e-way bill shall be valid for the period as mentioned below from the relevant date.

Sl. No.	Distance	Validity period
(1)	(2)	(3)
1.	Upto 200 km.	One day
2.	For every 200 km. or part thereof thereafter	One additional day

3.	Upto 20 km.	One day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
4.	For every 20 km. or part thereof thereafter	One additional day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship

"Relevant date" shall mean the date on which the e-way bill has been generated and the period of validity shall be counted from the time at which the e-way bill has been generated and each day shall be counted as the period expiring at midnight of the day immediately following the date of generation of e-way bill.

The expression "Over Dimensional Cargo" shall mean a cargo carried as a single indivisible unit and which exceeds the dimensional limits prescribed in rule 93 of the Central Motor Vehicle Rules, 1989, made under the Motor Vehicles Act, 1988.

**Example:** A consignor hands over his goods for transportation on Friday to transporter. However, the assigned transporter starts the movement of goods on Monday. The validity period of e-way bill starts only after the details in Part B are updated by the transporter for the first time. In the given situation, Consignor can fill the details in Part A on Friday and handover his goods to the transporter. When the transporter is ready to move the goods, he can fill Part B i.e. the assigned transporter can fill the details in Part B on Monday and the validity period of the e-way bill will start from Monday [Press Release No. 144/2018 dated 31.03.2018].

#### **Extension of Time Limit for e-way bill**

**Provided** that the Commissioner may, on the recommendations of the Council, by notification, extend the validity period of an e-way bill for certain categories of goods as may be specified therein. **Provided further** that where, under circumstances of an exceptional nature, including trans-shipment, the goods cannot be transported within the validity period of the e-way bill, the transporter may extend the validity period after updating the details in Part B of FORM GST EWB-01, if required. **Provided also** that the validity of the e-way bill may be extended within eight hours from the time of its expiry.

#### **Intimation of e-way bill**

The details of the e-way bill generated under this rule shall be made available to the—

- (a) supplier, if registered, where the information in Part A of FORM GST EWB-01 has been furnished by the recipient or the transporter; or
- (b) recipient, if registered, where the information in Part A of FORM GST EWB-01 has been furnished by the supplier or the transporter,

on the common portal, and the supplier or the recipient, as the case may be, shall communicate his acceptance or rejection of the consignment covered by the e-way bill. Where the person to whom the information has been made available does not communicate his acceptance or rejection within seventy two hours of the details being made available to him on the common portal, or the time of delivery of goods whichever is earlier, it shall be deemed that he has accepted the said details.

#### **E-way bill valid throughout India**

The e-way bill generated under this rule or under rule 138 of the Goods and Services Tax Rules of any State or Union Territory shall be valid in every State and Union Territory.

#### **Circumstances when e-way not required 138(14)**

Notwithstanding anything contained in this rule, no e-way bill is required to be generated—

- (i) Liquefied petroleum gas for supply to household and non-domestic exempted category (NDEC) customers
- (ii) Kerosene oil sold under PDS
- (iii) Postal baggage transported by Department of Posts
- (iv) Natural or cultured pearls and precious or semi-precious stones precious metal and metals clad with precious metals (Chapter 71)
- (v) Jewellery, goldsmiths' and silversmiths' wares and other articles (Chapter 71)

- (vi) Currency
- (vii) Used personal and household effects
- (viii) Coral, unworked (0508) and worked coral (9601)
- (ix) where the goods are being transported by a non-motorised conveyance;
- (x) where the goods are being transported from the customs port, airport, air cargo complex and land customs station to an inland container depot or a container freight station for clearance by Customs;
- (xi) in respect of movement of goods within such areas as are notified under clause (d) of sub-rule (14) of rule 138 of the State or Union Territory Goods and Services Tax Rules in that particular State or Union Territory;
- (xii) Goods exempted from GST
- (xiii) where the goods being transported are alcoholic liquor for human consumption, petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas or aviation turbine fuel;
- (xiv) where the supply of goods being transported is treated as no supply under Schedule III of the Act ;
- (xv) where the goods being transported are transit cargo from or to Nepal or Bhutan;
- (xvi) any movement of goods caused by defence formation under Ministry of defence as a consignor or consignee;
- (xvii) where the consignor of goods is the Central Government, Government of any State or a local authority for transport of goods by rail;
- (xviii) where empty cargo containers are being transported;
- (xix) where the goods are being transported upto a distance of twenty kilometers from the place of the business of the consignor to a weighbridge for weighment or from the weighbridge back to the place of the business of the said consignor subject to the condition that the movement of goods is accompanied by a delivery challan issued in accordance with rule 55; and
- (xx) where empty cylinders for packing of liquefied petroleum gas are being moved for reasons other than supply.

Explanation.—The facility of generation, cancellation, updation and assignment of e-way bill shall be made available through SMS to the supplier, recipient and the transporter, as the case may be.

### RTP NOV 2021

#### Question 9.

ABC Ltd. generated e-way bill on 12th February at 14.00 hrs. It used over-dimensional cargo for a distance of 100 km. When the validity period of the e-way bill will expire?

- (a) Midnight of 13th-14th February
- (b) Midnight of 17th-18th February
- (c) At 14.00 hrs. of 13th February
- (d) At 14.00 hrs. of 14th February

**Solution: 9. (b)**

### JAN – 2021

#### Question 7(b)

**(3 Marks)**

Agni Ltd. a registered supplier wishes to transport cargo by road between two cities situated at a distance of 368 kilometres. Calculate the validity period of e-way bill under rule 138(10) of CGST Rules, 2017 for transport of the said cargo, if it is over dimensional cargo or otherwise.

#### Answer

The validity period of e-way bill under rule 138(10) of the CGST Rules, 2017 for transport of cargo by road between two cities situated at a distance of 368 km is as under:

- (i) If it is over dimensional cargo: the validity period of the e-way bill is one day from relevant date upto 20 km and one additional day for every 20 km or part thereof thereafter.

Thus, validity period in given case:

$$= 1 \text{ day} + 18 \text{ days}$$

$$= 19 \text{ days}$$

- (ii) If it is a cargo other than over dimensional cargo: the validity period of the e-way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter.



Thus, validity period in given case:

= 1 day + 1 days

= 2 days

### MTP - NOV 20 (2 Marks)

Which document is required in case of movement of goods of consignment value of ₹ 1,05,000 for reasons other than supply:-

- (a) Bill of supply
- (b) Receipt Voucher
- (c) Payment voucher
- (d) E-way bill

**Answer: (d)**

**Hint:** In case of movement of goods of consignment value 1,05,000 e-way bill is required.

### NOV 2020 (NEW COURSE)

**Question 7 (b).**

**(3 Marks)**

"It is mandatory to furnish the details of conveyance in 'Part-B of E- way Bill."

Comment on the validity of the above statement with reference to provisions of E- Way Bill under CGST Rules, 2017"

**Answer: As per the explanation 2 of rule 138,** yes it is mandatory to furnish the details of conveyance in Part-B of E-way Bill otherwise e-way bill shall be treated as invalid but in case where the goods are transported for a distance of upto fifty kilometers within the State or Union Territory from the place of business of the consignor to the place of business of the transporter for further transportation, the supplier or the recipient, or as the case may be, the transporter may not furnish the details of conveyance in Part B of FORM GST EWB-01.

**Documents and devices to be carried by a person-in-charge of a conveyance. Rule 138A.**

(1) The person in charge of a conveyance shall carry—

- (a) the invoice or bill of supply or delivery challan, as the case may be; and
- (b) a copy of the e-way bill in physical form or the e-way bill number in electronic form or mapped to a Radio Frequency Identification Device embedded on to the conveyance in such manner as may be notified by the Commissioner:

**Provided** that nothing contained in clause (b) of this sub-rule shall apply in case of movement of goods by rail or by air or vessel:

**Provided further** that in case of imported goods, the person in charge of a conveyance shall also carry a copy of the bill of entry filed by the importer of such goods and shall indicate the number and date of the bill of entry in **Part A** of **FORM GST EWB-01**.

(2) A registered person may obtain an Invoice Reference Number from the common portal by uploading, on the said portal, a tax invoice issued by him in FORM GST INV-1 and produce the same for verification by the proper officer in lieu of the tax invoice and such number shall be valid for a period of thirty days from the date of uploading.

(3) Where the registered person uploads the invoice under sub-rule (2), the information in Part A of FORM GST EWB-01 shall be auto-populated by the common portal on the basis of the information furnished in FORM GST INV-1.

(4) The Commissioner may, by notification, require a class of transporters to obtain a unique Radio Frequency Identification Device and get the said device embedded on to the conveyance and map the e-way bill to the Radio Frequency Identification Device prior to the movement of goods.

(5) Notwithstanding anything contained in clause (b) of sub-rule (1), where circumstances so warrant, the Commissioner may, by notification, require the person-in-charge of the conveyance to carry the following documents instead of the e-way bill

- (a) tax invoice or bill of supply or bill of entry; or
- (b) a delivery challan, where the goods are transported for reasons other than by way of supply.

**Verification of documents and conveyances. Rule 138B.**

(1) The Commissioner or an officer empowered by him in this behalf may authorize the proper officer to intercept any conveyance to verify the e-way bill in physical or electronic form for all inter-State and intra-State movement of goods.

(2) The Commissioner shall get Radio Frequency Identification Device readers installed at places where the verification of movement of goods is required to be carried out and verification of movement of vehicles shall be done through such device readers where the e-way bill has been mapped with the said device.

(3) The physical verification of conveyances shall be carried out by the proper officer as authorised by the Commissioner or an officer empowered by him in this behalf:

**Provided** that on receipt of specific information on evasion of tax, physical verification of a specific conveyance can also be carried out by any other officer after obtaining necessary approval of the Commissioner or an officer authorised by him in this behalf.

**Inspection and verification of goods. Rule 138C.**

(1) A summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of FORM GST EWB-03 within twenty four hours of inspection and the final report in Part B of FORM GST EWB-03 shall be recorded within three days of such inspection:

**Provided** that where the circumstances so warrant, the Commissioner, or any other officer authorised by him, may, on sufficient cause being shown, extend the time for recording of the final report in Part B of FORM EWB-03, for a further period not exceeding three days.

Explanation.—The period of twenty four hours or, as the case may be, three days shall be counted from the midnight of the date on which the vehicle was intercepted.

(2) Where the physical verification of goods being transported on any conveyance has been done during transit at one place within the State or Union Territory or in any other State or Union Territory, no further physical verification of the said conveyance shall be carried out again in the State or Union Territory, unless a specific information relating to evasion of tax is made available subsequently.

**Facility for uploading information regarding detention of vehicle. Rule 138D.**

Where a vehicle has been intercepted and detained for a period exceeding thirty minutes, the transporter may upload the said information in FORM GST EWB-04 on the common portal.

Explanation.—For the purposes of this Chapter, the expressions 'transported by railways', 'transportation of goods by railways', 'transport of goods by rail' and 'movement of goods by rail' does not include cases where leasing of parcel space by Railways takes place.

**Restriction on furnishing of information in PART A of FORM GST EWB-01. Rule 138E.**

Notwithstanding anything contained in sub-rule (1) of rule 138, no person (including a consignor, consignee, transporter, an e-commerce operator or a courier agency) shall be allowed to furnish the information in PART A of FORM GST EWB-01 in respect of a registered person, whether as a supplier or a recipient, who,—

- (a) being a person paying tax under section 10, statement in **FORM GST CMP-08** for two consecutive quarters; or

- (b) being a person other than a person specified in clause (a), has not furnished the returns for a consecutive period of two tax periods:
- (c) being a person other than a person specified in clause (a), has not furnished the statement of outward supplies for any two months or quarters, as the case may be.
- (d) being a person, whose registration has been suspended under the provisions of sub-rule (1) or sub-rule (2) or sub-rule (2A) of rule 21A:

**Provided** that the Commissioner may, on receipt of an application from a registered person in **FORM GST EWB-05**, on sufficient cause being shown and for reasons to be recorded in writing, by order, in **FORM GST EWB-06** allow furnishing of the said information in PART A of FORM GST EWB- 01, subject to such conditions and restrictions as may be specified by him:

**Provided further** that no order rejecting the request of such person to furnish the information in PART A of FORM GST EWB-01 under the first proviso shall be passed without affording the said person a reasonable opportunity of being heard:

**Provided also** that the permission granted or rejected by the Commissioner of State tax or Commissioner of Union territory tax shall be deemed to be granted or, as the case may be, rejected by the Commissioner.

Explanation.—For the purposes of this rule, the expression "Commissioner" shall mean the jurisdictional Commissioner in respect of the persons specified in clauses (a) and (b).

#### **Tax Invoice or bill of supply to accompany transport of goods. Rule 55A**

The person-in-charge of the conveyance shall carry a copy of the tax invoice or the bill of supply issued in accordance with the provisions of rule 46, 46A or 49 in a case where such person is not required to carry an e-way bill under these rules.

#### **Example:**

1. ABC Ltd., Delhi dispatched goods of value ₹ 48,000 + GST 12%, in this case e-way bill is required because consignment value for the purpose of e-way bill shall include GST also but if value of taxable goods is ₹ 30,000 and value of exempt goods is ₹ 18,000. GST on taxable goods is 12% in this case e-way bill is not required because consignment value for the purpose of e-way bill do not include exempt goods.
2. ABC Ltd., Delhi has transferred stock to its own branch in Delhi. Consignment value is ₹ 2,00,000 and no GST payable even if goods are taxable because the company has only one registration, in this case e-way bill is required because if there is movement of goods e-way bill is required even if it is not a supply.
3. Part A of EWB 01 is filled in by the person causing the movement of goods and such person may be consigner or consignee depending upon the situation as who is causing the movement. If such consigner or consignee has their own transport, in that case part B of EWB 01 shall also be filled in by such consigner or consignee.
4. If the consigner or consignee has directed the transporter, Part A can be filled by such transporter. Similarly part A can be filled in by the ECO or Courier Agency

#### **E-way Bill in case of 'Bill To Ship To' Model**

In a "Bill To Ship To" model of supply, there are three persons involved in a transaction, namely:

- 'A' is the person who has ordered 'B' to send goods directly to 'C'.
- 'B' is the person who is sending goods directly to 'C' on behalf of 'A'.
- 'C' is the recipient of goods.

In this complete scenario. two supplies are involved and accordingly two tax invoices are required to be issued:

**Invoice -1:** which would be issued by 'B' to 'A'.

**Invoice -2:** which would be issued by 'A' to 'C'.

It is clarified that as per the CGST Rules, either A or B can generate the e-Way Bill but it may be noted that only one e-Way Bill is required to be generated [Press Release dated 23.04.2018]

**FORM GST EWB-01**  
(See rule 138)  
**E-Way Bill**

**E-Way Bill No.** :  
**E-Way Bill date** :  
**Generator** :  
**Valid from** :  
**Valid until** :

<b>Part A</b>		
A.1	GSTIN of Supplier	
A.2	Place of Dispatch	
A.3	GSTIN of Recipient	
A.4	Place of Delivery	
A.5	Document Number	
A.6	Document Date	
A.7	Value of Goods	
A.8	HSN Code	
A.9	Reason for Transportation	
<b>Part B</b>		
B.1	Vehicle Number for Road	
B.2	Transport Document Number/Defence Vehicle No./ Temporary Vehicle Registration No./Nepal or Bhutan Vehicle Registration No.	

**Notes:**

1. HSN Code in column A.8 shall be indicated at minimum two digit level for taxpayers having annual turnover upto five crore rupees in the preceding financial year and at four digit level for taxpayers having annual turnover above five crore rupees in the preceding financial year.
2. Document Number may be of Tax Invoice, Bill of Supply, Delivery Challan or Bill of Entry.
3. Transport Document number indicates Goods Receipt Number or Railway Receipt Number or Forwarding Note number or Parcel way bill number issued by railways or Airway Bill Number or Bill of Lading Number.
4. Place of Delivery shall indicate the PIN Code of place of delivery.
5. Place of dispatch shall indicate the PIN Code of place of dispatch.
6. Where the supplier or the recipient is not registered, then the letters “URP” are to be filled-in in column A.1 or, as the case may be, A.3.
7. Reason for Transportation shall be chosen from one of the following:—

---

**Code Description**

---

- |   |                  |
|---|------------------|
| 1 | Supply           |
| 2 | Export or Import |

3	Job Work
4	<i>SKD or CKD or supply in batches or lots</i>
5	Recipient not known
6	Line Sales
7	Sales Return
8	Exhibition or fairs
9	For own use
10	Others

---

#### **Action Points**

1. E-way Bill is generated in this form.
2. Rule 138 provides that every registered person who causes movement of goods of consignment value exceeding fifty thousand rupees –
  - (i) in relation to a supply; or
  - (ii) for reasons other than supply; or
  - (iii) due to inward supply from an unregistered person,Shall, before commencement of such movement, furnish information relating to the said goods as specified in Part A of Form GST EWB-01, electronically, on the common portal along with such other information as may be required on the common portal and a unique number will be generated on the said portal.
3. Also read notes attached to the Form.

**FORM GST EWB-02**  
**(See rule 138)**  
**Consolidated E-Way Bill**

**Consolidated E-Way Bill No.** :

**Consolidated E-Way Bill Date** :

**Generator** :

**Vehicle Number** :

Number of E-Way Bills (Total)	
<b>E-Way Bill Number</b>	
1.	
2.	
3.	
4.	

**Action Points**

1. Consolidated E-way Bill is generated in this form.
2. Rule 138 provides that once an E-way Bill has been generated in accordance with the provisions of sub-rule (1) of Rule 138, where multiple consignments are intended to be transported in one conveyance, the transporter may indicate the serial number of e-way bills generated in respect of each such consignment electronically on the common portal and a consolidated E-way Bill in Form GST EWB-02 may be generated by him on the said common portal prior to the movement of goods.
3. The form contains the details of E-way Bill for which consolidated E-way Bill has been issued.

**FORM GST EWB-03**  
**(See rule 138C)**  
 Verification Report

<b>Part A</b>	
Name of the Officer	
Place of inspection	
Time of inspection	
Vehicle Number	
E-Way Bill Number	
Tax Invoice or Bill of Supply or Delivery Challan or Bill of Entry date	
Tax Invoice or Bill of Supply or Delivery Challan or Bill of Entry Number	
Name of person in-charge of vehicle	
Description of goods	
Declared quantity of goods	
Declared value of goods	
Brief description of the discrepancy	
Whether goods were detained?	
If not, date and time of release of vehicle	
<b>Part B</b>	
Actual quantity of goods	
Actual value of the Goods	
Tax payable	
Integrated tax	
Central tax	
State or Union territory tax	
Cess	

Penalty payable	
Integrated tax	
Central tax	
State or Union territory tax	
Cess	
Details of Notice	
Date	
Number	
Summary of findings	

#### **Action Points**

1. This form is relevant for verification report of every inspection of goods in transit.
2. Rule 138C provides that a summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of Form GST EWB-03 with twenty four hours of inspection and the final report in Part B of Form GST EWB-03 shall be recorded within three days of such inspection.



**FORM GST EWB-04**  
(See rule138D)  
**Report of detention**

E-Way Bill Number	
Approximate Location of detention	
Period of detention	
Name of Officer in-charge	(if known)
Date	
Time	

**Action Points**

1. This form is relevant for preparation of detention report.
2. Rule 138D provides that where a vehicle has been intercepted and detained for a period exceeding thirty minutes, the transporter may upload the said information in Form GST EWB-04 on the common portal.

**“FORM GST EWB-05**

[See rule 138 E]

**Application for unblocking of the facility for generation of E-Way Bill**

1	GSTIN	<Auto>
2	Legal Name	<Auto>
3	Trade Name	<Auto>
4	Address	<Auto>
5	Facility of furnishing of information in Part A of <b>FORM GST EWB 01</b> (i.e. facility for generation of E-Way Bill) blocked w.e.f.	<Auto>
6	Reasons of unblocking of facility for generation of E- Way Bill	<User input>
	(i)	
	(ii)	
	(iii)	
7	Expected date for filing of returns for the period under default	<User input>
<p>8. Verification</p> <p>I hereby solemnly affirm and declare that the information given hereinabove is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.</p> <p style="text-align: right;">Signature of Authorised Signatory</p> <p style="text-align: right;">Name</p> <p style="text-align: right;">Designation /Status</p> <p>Date:</p>		

**FORM GST EWB – 06**

[See rule 138 E]

Reference No.:

Date:

To

\_\_\_\_\_ GSTIN

----- Name

\_\_\_\_\_ Address

**Order for permitting / rejecting application for unblocking of the facility for generation of E-Way Bill**

Application ARN:

Date:

The facility for generation of E- Way Bill was blocked in respect of the aforementioned registered person w.e.f. ----- in terms of rule 138E of the Central Goods and Services Tax Rules, 2017.

I have carefully considered the facts of the case and the application / submissions made by the aforementioned registered person.

I hereby accept the application and order for unblocking of the facility for generation of E- Way Bill on the following grounds:

- 1.
- 2.

Please note that the system will block the facility for generation of E-Way Bill after \_\_\_\_\_(date) if the registered person continues to be defaulter in terms of rule 138E of the Central Goods and Services Tax Rules, 2017.

**OR**

I have carefully considered the facts of the case and the application / submissions made by the aforementioned registered person.

I hereby reject the application for unblocking the facility for generation of E-Way Bill on following grounds:

- 1.
- 2.

**Signature:****Name:****Designation:****Jurisdiction:****Address:**

**Note:** Separate document may be attached for detailed order / reason(s).”

**RTP MAY 2020****Question 14**

Discuss the correctness of the following statements:-

- (i) Once generated, an e-way bill cannot be cancelled.
- (ii) E-way bill generated in one State is valid in another State.

**Answer**

- (i) The said statement is partially correct. Where an e-way bill has been generated, but goods are either not transported at all or are not transported as per the details furnished in the e-way bill, the e-way bill may be cancelled electronically on the common portal within 24 hours of generation of the e-way bill. However, an e-way bill cannot be cancelled if it has been verified in transit in accordance with the provisions of rule 138B of the CGST Rules, 2017.
- (ii) The said statement is correct. The e-way bill generated under Goods and Services Tax Rules of any State or Union territory shall be valid in every State and Union territory.

## EXEMPTIONS FROM GST

When a supply of goods and/or services falls within the purview of charging section, such supply is chargeable to GST. However, for determining the liability to pay the tax, one needs to further check whether such supply of goods and/or services are exempt from tax.

**Exempt supply** has been defined as supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax and includes non-taxable supply [Section 2(47) of the CGST Act, 2017].

**Non-taxable supply** means a supply of goods or services or both which is not leviable to tax under CGST Act or under the IGST Act [Section 2(78) of the CGST Act, 2017]. Thus, under GST, a supply not leviable to tax is also included within the purview of 'exempt supply'. Examples of supply not leviable to tax are alcoholic liquor for human consumption, specified petroleum products namely Petroleum Crude, High Speed Diesel, Motor spirit (commonly known Petrol), Natural Gas and Aviation Turbine Fuel.

Power to grant exemption from GST has been granted vide section 11 of the CGST Act and vide section 6 of the IGST Act. State GST laws also contain identical provisions granting power to exempt SGST. Under GST, essential goods/services, i.e. public consumption products/services, have been exempted. Items such as unbranded atta/maida/besan, unpacked food grains, milk, eggs, curd, lassi and fresh vegetables are among the items exempted from GST. Further, essential services like health care services, education services, etc. have also been exempted.

### **Power to Grant Exemption from Tax [Section 11 of the CGST Act/Section 6 of IGST Act]**

#### **Section 11- Power to grant exemption from tax**

**11(1):** Where the Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by notification, exempt generally, either absolutely or subject to such conditions as may be specified therein, goods or services or both of any specified description from the whole or any part of the tax leviable thereon with effect from such date as may be specified in such notification

**11(2):** Where the Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by special order in each case, under circumstances of an exceptional nature to be stated in such order, exempt from payment of tax any goods or services or both on which tax is leviable.

**11(3):** The Government may, if it considers necessary or expedient so to do for the purpose of clarifying the scope or applicability of any notification issued under sub-section (1) or order issued under sub-section (2), insert an explanation in such notification or order, as the case may be, by notification at any time within one year of issue of the notification under sub-section (1) or order under sub-section (2), and every such explanation shall have effect as if it had always been the part of the first such notification or order, as the case may be.

**Explanation**—For the purposes of this section, where an exemption in respect of any goods or services or both from the whole or part of the tax leviable thereon has been granted absolutely, the registered person supplying such goods or services or both shall not collect the tax, in excess of the effective rate, on such supply of goods or services or both.

**Explanation inserted within 1 year, for the purpose of clarifying the scope or applicability of any notification/order, to have retrospective effect:** Wherever the Government feels that there is a need to clarify the scope or applicability of any notification/order issued under this section, it can issue an explanation within 1 year of issue of said notification/ order. Such explanation shall have effect as if it was there when first such notification/ order was issued, i.e. explanation so inserted would be effective retrospectively.

It is hereby clarified that the explanation so inserted for a particular entry in the notification, is effective from the inception of the entry in notification and not from the date from which the notification (that inserted said explanation) becomes effective.

**Example:** Principal Notification No. 11/2017 CT (R) dated 28.06.2017 came into force with effect from 01.07.2017. Thereafter, a new entry - Entry no. 3(vi) was inserted w.e.f. 21.09.2017. Subsequently, an explanation was also inserted with respect to entry no. 3(vi) by issue of a notification on 26.07.2018 [i.e. within 1 year of the insertion of entry 3(vi)].

Although the effective date mentioned in the notification which inserted said explanation was 27.07.2018, said explanation will be effective from the inception of entry 3(vi) in notification i.e. 21.09.2017 and not 27.07.2018.

[Circular No. 120/39/2019 GST dated 11.10.2019]

Similar provisions granting power to exempt IGST have been provided under section 6 of the IGST Act.

### **Goods Exempt From Tax**

A list of items has been notified under section 11(1) of the CGST Act, 2017/ section 6(1) of the IGST Act, 2017. These items have been exempted from whole of the tax.

Under GST, everyday items used by the common man have been included in the list of exempted items. Items such as unbranded atta/ maida/ besan, unpacked food grains, milk, eggs, curd, lassi and fresh vegetables are among the items exempted from GST.

Some of the examples of the goods exempted from tax have been provided herein:

### **Specific services exempt from CGST and IGST**

Section 11/ Notification No. 12/2017 CT R dated 28.06.2017

Section 6/ Notification No. 09/2017 IT R dated 28.06.2017

## **1. SERVICES RELATED TO CHARITABLE AND RELIGIOUS ACTIVITIES**

**Entry No. 1:** Services by an entity registered under section 12AA or 12AB of the Income-tax Act, 1961 by way of charitable activities. Thus, in order to claim exemption under Entry 1 of the Notification, following two conditions must be satisfied:-

- (i) The entity should be registered under section 12AA or 12AB of the Income-tax Act, 1961, and
- (ii) The entity must carry out one or more of the specified charitable activities.

The term 'charitable activities' mean activities relating to-

**(i) Public Health by way of-**

(A) care or counseling of

(I) terminally ill persons or persons with severe physical or mental disability;

(II) persons afflicted with HIV or AIDS;

(III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or

(B) Public awareness of preventive health, family planning or prevention of HIV infection;

(ii) Advancement Of Religion, spirituality or yoga;

(iii) Advancement of educational programmes/skill development relating to,-

(A) abandoned, orphaned or homeless children;

(B) physically or mentally abused and traumatized persons;

(C) prisoners; or

(D) persons over the age of 65 years residing in a rural area;

(iv) Preservation of environment including watershed, forests & wildlife.

Thus, only those services provided by a charitable and religious trusts [registered under section 12AA or 12AB of the Income-tax Act] which fall within the above definition of charitable activities, are eligible for exemption from GST. There could be many other services provided by such charitable and religious trusts which are not covered by the definition of charitable activities and hence, such services would attract GST.

For instance, grant of advertising rights to a person on the premises of the charitable/religious trust or on publications of the trust, or granting admission to events, functions, celebrations, shows against admission tickets or fee etc. would attract GST.

**[Circular No. 116/35/2019 GST dated 11.10.2019]**

Individual donors provide financial help or any other support in the form of donation or gift to institutions such as religious institutions, charitable organisations, schools, hospitals, orphanages, old age homes etc. The recipient institutions place a name plate or similar such acknowledgement in their premises to express the gratitude. When the name of the donor is displayed in recipient institution premises, in such a manner, which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). There is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service). Therefore, there is no GST liability on such consideration.

Some examples of cases where there would be no taxable supply are as follows:-

(i) "Good wishes from Mr. Rajesh" printed underneath a digital blackboard donated by Mr. Rajesh to a charitable Yoga institution.

(ii) "Donated by Smt. Malati Devi in the memory of her father" written on the door or floor of a room or any part of a temple complex which was constructed from such donation.

In each of these examples, it may be noticed that there is no reference or mention of any business activity of the donor which otherwise would have got advertised. Thus, where all the three conditions are satisfied namely the gift or donation is made to a charitable organization, the payment has the character of gift or donation and the purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement, GST is not leviable.

**Management of educational institutions by charitable trusts**

Activities of schools, colleges or any other educational institutions run by charitable trusts by way of education or skill development of abandoned, orphans, homeless children, physically or mentally abused persons, prisoners or persons over age of 65 years or above residing in a rural area, will be considered as charitable activities and income from such supplies will be wholly exempt from GST.

The term rural area means the area comprised in a village as defined in land revenue records, excluding the area under any municipal committee, municipal corporation, town area committee, cantonment board or notified area committee; or any area that may be notified as an urban area by the Central Government or a State Government.

**Example:** Sarvsewa Trust, a charitable trust registered under section 12AA or 12AB of the Income-tax Act, 1961, has organized a Skill Development Programme for the old age people over the age of 65 years residing in Bangalore city (an urban area).

Services provided by Sarvsewa Trust do not fall within the purview of 'charitable activities'. The activities relating to advancement of skill development relating to persons over the age of 65 years, are covered under the definition of 'charitable activities' only when such persons are residing in rural area.

Activities of a school, college or an institution run by a trust which do not come within the ambit of charitable activities will not be exempt under Entry 1 of the Notification. However, such activities may be exempt under Entry 66 of the Notification provided the school, college or institution qualifies as an 'educational institution'.

#### **Hostel accommodation provided by trusts**

Hostel accommodation services provided by trusts to students do not fall within the ambit of charitable activities as defined above.

However, accommodation service in hostels including such services provided by trusts having value of supply upto ₹ 1,000 per day is exempt under Entry 14 of the Notification [discussed later in this chapter] [*Circular No. 32/06/2018-GST dated 12.02.2018*].

#### **Religious yatras or pilgrimage**

Religious Yatras/pilgrimage organised by any charitable or religious trust are not exempt.

#### **Arranging yoga and meditation camp by charitable trusts**

As discussed above, services provided by entity registered under section 12AA or 12AB of the Income-tax Act, 1961 by way of advancement of religion, spirituality or yoga are exempt as such activities are covered in definition of charitable activities.

Fee or consideration charged in any other form from the participants for participating in a religious, yoga or meditation programme or camp meant for advancement of religion, spirituality or yoga shall be exempt.

Residential programmes or camps where the fee charged includes cost of lodging and boarding shall also be exempt as long as the primary and predominant activity, objective and purpose of such residential programmes or camps is advancement of religion, spirituality or yoga.

However, if charitable or religious trusts merely or primarily provide accommodation or serve food and drinks against consideration in any form including donation, such activities will be taxable. Similarly, activities such as holding of fitness camps or classes such as those in aerobics, dance, music etc. will be taxable.

**Example:** Bhavyajyoti Foundation, a charitable trust registered under section 12AA or 12AB of the Income-tax Act, 1961, has organized a 'Yoga Meditation Camp' for the old age people. GST would be exempt on the same as services provided by entity registered under section 12AA or 12AB of the Income tax Act, 1961 by way of advancement of religion, spirituality or yoga are exempt.

#### **Hospitals managed by charitable trusts**

Exemption available to health care services under Entry 74 of the Notification is also applicable to the services provided by a clinical establishment, an authorised medical practitioner or paramedics of a religious or charitable trust also.



**GST on services provided TO charitable trusts**

Services provided to charitable or religious trusts are not outside the ambit of GST. *Unless specifically exempted*, all goods and services supplied to charitable or religious trusts are leviable to GST.

**Question 1:** Exempt supply includes supply of any goods or services or both which attracts nil rate of tax and which may be wholly exempt from tax, but excludes non-taxable supply. Discuss the validity of the statement.

**Answer:** The statement is not fully valid in law. Exempt supply has been defined as supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax and includes non-taxable supply.

**Question 2:** Services provided by an entity registered under section 12AA or 12AB of the Income tax Act, 1961 are exempt from GST if such services are provided by way of charitable activities. Elaborate the term 'charitable activities'.

**Answer:** The term 'charitable activities' mean activities relating to-

(i) public health by way of-

(A) care or counseling of

(I) terminally ill persons or persons with severe physical or mental disability;

(II) persons afflicted with HIV or AIDS;

(III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or

(B) public awareness of preventive health, family planning or prevention of HIV infection;

(ii) advancement of religion, spirituality or yoga;

(iii) advancement of educational programmes/skill development relating to,-

(A) abandoned, orphaned or homeless children;

(B) physically or mentally abused and traumatized persons;

(C) prisoners; or

(D) persons over the age of 65 years residing in a rural area;

(iv) preservation of environment including watershed, forests & wildlife.

**RTP NOV 2021****Question I**

MM Charitable Trust is registered under section 12AA or 12AB of the Income-tax Act, 1961.

The trust conducted a three day residential yoga camp among people on the occasion of International yoga day for the advancement of yoga and charged ₹ 7,500 per person inclusive of stay and food.

The trust also conducted programmes for the advancement of education of persons aged above 65 years in metro cities. A nominal fee was charged for the same.

The trust received following donations during the month of September:-

i. Solid Steels Pvt. Ltd. donated a RO water plant to the trust costing ₹ 75,000 and displayed its company name in the RO system installed at the premises of the trust as "Donated by Solid Steels Private Limited-trusted by all".

ii. Mr. Prasanna, a lawyer donated chairs to the trust costing ₹ 25,000 and 'Love all' is printed on all chairs donated by him to the trust.

The following are the details of GST payment made by the firm-

i. GST of ₹ 1,75,000 was paid for the purchase of motor vehicle for transportation of needy persons (Seating capacity including driver is 13).

ii. GST of ₹ 2,45,000 was paid for works contract services availed from Super Builders for construction of Trust's office building.

MM Charitable Trust also owns and manages a gurudwara. It rented the community hall located in the precincts of the gurudwara for a rent of ₹ 8,500 per day for a marriage function. It also rented the commercial shop located in the precincts of the gurudwara for a rent of ₹ 10,000 per month per shop.

You can assume that the Trust is registered under GST and all the transactions are intra-State only. Conditions for availing ITC are fulfilled subject to the above- mentioned information.

Based on the information given above, choose the most appropriate answer for the following questions [1 to 4]-

1. Which of the following activities conducted by trust is exempt from GST?

- (a) Advancement of Yoga
- (b) Advancement of education
- (c) Both (a) and (b)
- (d) Neither of the activities

2. Determine the value of taxable supply in respect of donations received by the Trust?

- (a) ₹ 25,000
- (b) ₹ 75,000
- (c) ₹ 1,00,000
- (d) Nil

3. Compute the amount of input tax credit that can be claimed by the Trust?

- (a) ₹ 1,75,000
- (b) ₹ 2,45,000
- (c) ₹ 4,20,000
- (d) Nil

4. Which of the following statements is/are correct under GST law in respect of gurudwara managed by MM Charitable Trust?

- (a) Renting of community hall is taxable while renting of commercial shop is exempt.
- (b) Renting of community hall is exempt while renting of commercial shop is taxable.
- (c) Both renting of community hall and renting of commercial shop are taxable.
- (d) Both renting of community hall and renting of commercial shop are exempt.

**Solution:**

1. (a); 2. (b); 3. (d); 4. (b)

### NOV 2018 (OLD COURSE)

**Question 8 (a)**

**(5 Marks)**

JP Charitable institution, an entity registered under Section 12AA or 12AB of Income Tax Act, 1961 and registered in GST, has furnished you the following details with respect to the activities undertaken by it during the month of January, 2022. You are required to compute its Taxable Value of GST from the information given below, assuming the rate of GST is 18%. Brief reasoning should be part of your answer.

<b>Particulars</b>	<b>Amount in (₹) (Excluding GST)</b>
Membership fees received from members	10,00,000
Amount received for advancement of educational programs relating to abandoned or orphaned or homeless children	4,00,000
Amount received for renting of commercial property owned by Trust	5,00,000
Amount received for counselling of terminally ill person	3,50,000
Fees charged for Yoga Camp conducted by Trust	2,00,000
Amount received relating to preservation of Forest and Wildlife	6,00,000

**Solution:**

**Computation of value of taxable supply of J P Charitable Institution for the month of January, 2022**

<b>Particulars</b>	<b>Amount in (₹)</b>
(i) Membership fees received from members	10,00,000
(ii) Amount received for advancement of educational programs relating to abandoned or orphaned or homeless children	Nil
(iii) Amount received for renting of commercial property owned by Trust	5,00,000
(iv) Amount received for counselling of terminally ill person	Nil
(v) Fees charged for Yoga Camp conducted by Trust	Nil

(vi) Amount received relating to preservation of Forest and Wildlife	Nil
<b>Taxable Value</b>	<b>15,00,000</b>
GST @ 18%	2,70,000

**Charitable activities provided by an entity registered under section 12AA or 12AB of the Income-tax Act, 1961 are exempt.**

Since JP Charitable Institution is registered under section 12AA or 12AB of the Income-tax Act, 1961 and activities mentioned at points (ii), (iv), (v) and (vi) are included in charitable activities, the same are exempt.

## RTP MAY 2020

### **Question 10**

The temple of ancestral deity of Mr. Aman goel and his family is located at Beri, Haryana. The temple is run by a charitable organisation registered under section 12AA or 12AB of the Income Tax Act, 1961. The family has got unshakeable faith in their ancestral deity. Mr. Aman is a big entrepreneur having flourishing business of tiles in Gurugram. Upon the birth of their first child, he donated ₹10 lakh to the said temple for construction of a sitting hall in the temple. On the main door of the sitting hall, a name plate was placed stating “Donated by Mr. Aman Goel upon birth of his first child”.

You are required to examine the levability of GST on the donation received from Mr. Aman Goel?

### **Answer:**

It has been clarified vide Circular No. 116/35/2019 GST dated 11.10.2019 that when the name of the donor is displayed in the religious institution premises, by placing a name plate or similar such acknowledgement, which can be said to be an expression of gratitude and public recognition of donor’s act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). There is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service). Therefore, there is no GST liability on such consideration.

In the given case, there is no reference or mention of any business activity of the donor which otherwise would have got advertised. Thus, since the gift or donation is made to a charitable organization, the payment has the character of gift or donation and the purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement, hence GST is not leviable.

**Entry No. 13:** Services by a person by way of-

(a) conduct of any religious ceremony;

(b) renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust under section 12AA or 12AB of the Income-tax Act, 1961 or a trust or an institution registered under section 10(23C)(v) of the Income-tax Act or a body or an authority covered under section 10(23BBA) of the said Income-tax Act.

However, nothing contained in entry (b) of this exemption shall apply to-

(i) renting of rooms where charges are ₹ 1,000 or more per day;

(ii) renting of premises, community halls, kalyanmandapam or open area, and the like where charges are ₹10,000 or more per day;

(iii) renting of shops or other spaces for business or commerce where charges are ₹ 10,000 or more per month.

### Conduct of any religious ceremony

Going through Entry 13(a) of the Notification, it can be inferred that the amount charged, by whatever name called, for the conduct of any religious ceremony is exempt from GST. Religious ceremonies are life-cycle rituals including special religious poojas conducted in terms of religious texts by a person so authorized by such religious texts. Occasions like birth, marriage, and death involve elaborate religious ceremonies.

**Example:** Raamanand Joshi, a priest, charges ₹ 12,000 for conducting a religious ceremony on the birthday of Ghanshyam’s son. The amount charged for the conduct of any religious ceremony is exempt from GST.

### Renting of precincts of religious place meant for general public

Entry 13(b) of the Notification exempts renting of precincts of a religious place meant for general public owned by an entity registered under any of the specified sections of the Income Tax Act provided the consideration charged for such renting does not exceed the prescribed ceiling limits as given in said entry. Thus, this exemption is determined on the basis of amount of consideration charged for such renting. Let us understand the meaning of the terms 'religious place', 'general public' and 'precincts' referred herein.

- Religious place means a place which is primarily meant for conduct of prayers or worship pertaining to a religion, meditation, or spirituality.
- General public means the body of people at large sufficiently defined by some common quality of public or impersonal nature.
- The word 'precincts' is not to be interpreted in a restricted manner and all immovable property of the religious place located within the outer boundary walls of the complex (of buildings and facilities) in which the religious place is located, is to be considered as being located in the precincts of the religious place. The immovable property located in the immediate vicinity and surrounding of the religious place and owned by the religious place or under the same management as the religious place, may be considered as being located in the precincts of the religious place and extended the benefit of above exemption.

Activities other than - conduct of religious ceremony and renting of precincts of religious place - will be taxable irrespective of the manner or the name in which the consideration is received. **For example**, if donation is received with specific instructions/mutual understanding between the donor and the receiver that religious place will host an advertisement promoting business of the donor, such donation will be subject to GST. However, if donation is received without such instructions or without a quid pro quo in the form of supply of any goods or services or both by the receiver to the donor, it shall not be subject to GST.

**Example:** Durgadevi Trust, a religious trust registered under section 12AA or 12AB of the Income-tax Act, owns and manages a temple in their locality. It rents the commercial shops located in the precincts of the temple for a rent of ₹ 10,000 per month per shop. The consideration so received is liable to GST as such services are exempt only when the consideration is less than ₹ 10,000 per month.

**Example:** Sarvshiksha Foundation, an educational institution registered under section 10(23C)(v) of the Income-tax Act, owns and manages a gurudwara. It rents the community hall located in the precincts of the gurudwara for a rent of ₹9,000 per day for a marriage function. The consideration so received is exempt from GST as the consideration is less than ₹ 10,000 per day.\

**Question 4:** Ekta Charitable trust, registered under section 10(23C)(v) of the Income-tax Act, 1961, manages a temple in Rohini, Delhi. It has given on rent a community hall, located within temple premises, to public for celebration of Teej Mela. Rent charged is ₹ 9,500. You are required to determine whether the services provided by Ekta Charitable trust are liable to GST.

**Answer:** Services by a person by way of renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a trust or an institution under section 10(23C)(v) of the Income-tax Act are exempt provided renting charges of premises, community halls, kalyanmandapam or open area are not ₹10,000 or more per day. Thus, in the given case, renting of community hall by Ekta Charitable Trust is exempt from GST, as rent is less than ₹ 10,000 per day.

**Entry No. 60:** Services by a specified organisation in respect of a religious pilgrimage facilitated by the Government of India, under bilateral arrangement.

Only such services of religious pilgrimage as are provided by specified organization in respect of a religious pilgrimage facilitated by the Government of India (GoI), under bilateral arrangement, are exempt from GST. The term specified organization as referred herein means-

- Kumaon Mandal Vikas Nigam Limited (KMVN), a Government of Uttarakhand Undertaking; or
- 'Haj Committee of India' or 'State Haj Committee including Joint State Committee'.

In short, as per Entry 60, the services provided by the Haj Committee and KMVN in relation to pilgrimage to Mecca and Kailash- Mansarovar respectively are not liable to GST.

**Example:** KMVN supplies numerous services, namely, medical facilities, catering services, security, accommodation services, etc. to the pilgrims undertaking Kailash-Mansarovar pilgrimage. Such services provided by KMVN in respect of the religious pilgrimage to Kailash-Mansarovar are covered under entry 60 and thus, are exempt.

**Entry No. 80:** Services by way of training or coaching in recreational activities relating to-

(a) arts or culture, or

(b) sports by charitable entities registered under section 12AA or 12AB of the Income-tax Act.

**Training or coaching in recreational activities**

Services by way of training or coaching in recreational activities relating to-

(a) arts or culture, or

(b) sports by charitable entities registered under section 12AA or 12AB of the Income-tax Act are exempt from GST.

It is important to note that the exemption with regard to services provided by way of training or coaching in recreational activities relating to sports has a restricted scope. Here, said exemption is available only when said services are provided by a charitable entity registered under section 12AA or 12AB of Income-tax Act.

The term recreational activities is very wide. However, under this entry, the scope of training or coaching in recreational activities is restricted to the area of arts, culture and sports. Hence, the training or coaching in recreational activities in the areas other than arts, culture or sports is outside the purview of this entry.

Further, training or coaching relating to all forms of arts, culture or sports is covered under this entry, namely, dance, music, painting, sculpture making, literary activities, theatre, etc. of any school, tradition or language or any of the sports.

**Example:** Manavtaa Sansthaan, a charitable trust registered under section 12AA or 12AB of the Income-tax Act, 1961, has organized a 'Basketball Training Camp' for teenagers. GST would be exempt on the same as services provided by entity registered under section 12AA or 12AB of the Income-tax Act, 1961 by way of training or coaching in sports are exempt.

## 2. AGRICULTURE RELATED SERVICES

### Agricultural Activities

#### Services relating to cultivation of plants and or agricultural produce by way of (Entry no.54)

- (a) agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing;
- (b) supply of farm labour;
- (c) processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market, eg. Threshing in case of wheat crop.
- (d) renting or leasing of agro machinery or vacant land with or without a structure incidental to its use;
- (e) loading, unloading, packing, storage or warehousing of agricultural produce;
- (f) agricultural extension services;
- (g) services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce.
- (h) Carrying out an intermediate production process as job work in relation to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce. **[Entry No.55]**
- (i) services by way of fumigation in a warehouse of agricultural produce. **[Entry No.53A]**
- (j) Carrying out an intermediate production process as **job work in relation to cultivation of plants.** **[Entry No.55]**

**"Agricultural Produce Marketing Committee or Board"** means any committee or board constituted under a State law for the time being in force for the purpose of regulating the marketing of agricultural produce;

### CLARIFICATION

#### **Processed Tea and coffee**

Tea used for making the beverage, such as black tea, green tea, white tea is a processed product made in tea factories after carrying out several processes, such as drying, rolling, shaping, refining, oxidation, packing etc. on green leaf and is the processed output of the same. Thus, green tea leaves and not tea is the "agricultural produce" eligible for exemption available for loading, unloading, packing, storage of agricultural produce. Same is the case with coffee obtained after processing of coffee beans. However as a special case storage or warehousing of tea, coffee has been exempted.

#### **Jaggery**

Similarly, processing of sugarcane into jaggery changes its essential characteristics. Thus, jaggery is also not an agricultural produce. However as a special case storage or warehousing has been exempted.

#### **Pulses**

Pulses commonly known as dal are obtained after dehusking or splitting or both. The process of dehusking or splitting is usually not carried out by farmers or at farm level but by the pulse millers. Therefore pulses (dehusked or split) are also not agricultural produce. However, whole pulse grains such as whole gram, rajma etc. are covered in the definition of agricultural produce.

In view of the above, it is inferred that processed products such as tea (i.e. black tea, white tea etc.), processed coffee beans or powder, pulses (dehusked or split), jaggery, processed spices, processed dry fruits, processed cashew nuts etc. fall outside the definition of agricultural produce and therefore the exemption from GST is not available to their loading, unloading and packing. [Circular No.16/16/2017 GST dated 15.11.2017]. However as a special case storage or warehousing has been exempted.

**Custom milling of paddy into rice**

Milling of paddy is not an intermediate production process in relation to cultivation of plants. It is a process carried out after the process of cultivation is over and paddy has been harvested. Further, processing of paddy into rice is not usually carried out by cultivators, but by rice millers. Milling of paddy into rice also changes its essential characteristics.

Therefore, milling of paddy into rice cannot be considered as an intermediate production process in relation to cultivation of plants for food, fibre or other similar products or agricultural produce.

In view of the above, it is clarified that milling of paddy into rice is not eligible for exemption. [Circular No. 19/19/2017 GST dated 20.11.2017]. However as a special case services by way of loading, unloading, packing, storage or warehousing of rice has been exempted.

Services by way of storage or warehousing of cereals, pulses, fruits, nuts and vegetables, spices, copra, sugarcane, jaggery, raw vegetable fibres such as cotton, flax, jute etc., indigo, unmanufactured tobacco, betel leaves, tendu leaves, coffee and tea. [**Entry No.24B**]

**Services by way of pre-conditioning, pre-cooling**, ripening, waxing, retail packing, labelling of fruits and vegetables which do not change or alter the essential characteristics of the said fruits or vegetables. [**Entry No.57**]

**Entry No. 24:** Services by way of loading, unloading, packing, storage or warehousing of rice.

**Entry No. 24A:** Services by way of warehousing of minor forest produce.

**Entry No. 55A:** Services by way of artificial insemination of livestock (other than horses).

**JULY 2021****Question 6(a)****(6 Marks)**

Green Agro Services, a registered person provides the following information relating to its activities during the month of February, 2021:

Gross Receipts from	(₹)
Services relating to rearing of sheeps	6,00,000
Services by way of artificial insemination of horses	4,00,000
Processing of sugarcane into jaggery	8,00,000
Milling of paddy into rice	7,50,000
Services by way of fumigation in a warehouse of agricultural produce	1,80,000

All the above receipts are exclusive of GST.

Compute the value of taxable supplies under GST laws for the month of February, 2021.

**Answer**

**Computation of value of taxable supplies**

Particulars	Amount (₹)
Services relating to rearing of sheeps [Exempt since services relating to rearing of all life forms of animals, except horses, for food etc. are exempt.]	Nil
Services by way of artificial insemination of horses [Not exempt since services of artificial insemination are exempt only of livestock other than horses.]	4,00,000

Processing of sugarcane into jaggery [Not exempt, since processes which alter the essential characteristics of agricultural produce are not exempt and processing of sugarcane into jaggery changes the essential characteristics of sugarcane.]	8,00,000
Milling of paddy into rice [Not exempt, since this process, being carried out after cultivation is over, is not an intermediate production process in relation to cultivation of plants and it also changes the essential characteristics of paddy.]	7,50,000
Services by way of fumigation in a warehouse of agricultural produce [Specifically exempt from GST.]	Nil
<b>Value of taxable supplies</b>	<b>19,50,000</b>

### RTP MAY 2020

#### Question 7

Which of the following service is not exempt under GST?

- (a) Loading and unloading of paddy
- (b) Loading and unloading of sugarcane
- (c) Loading and unloading of tea bags
- (d) Loading and unloading of potato

**Answer: (c)**

### RTP MAY 2020

#### Question 11

- (a) Holiday Guest House, situated at Shimla, provides boarding & lodging services to tourists at economical cost. The charges of a single deluxe room per day are ₹ 999. Mr. X has booked one deluxe room for two days during Christmas holidays. You are required to determine whether GST is payable by Holiday Guest House on the above booking. If yes, determine the amount of GST so payable.

Will your answer change, if the charges of a single deluxe room per day charged by Holiday Guest House are ₹ 1,000?

- (b) M/s Damodar Ltd. provides services by way of storage of seasonal fruits and vegetables in Bhatinda, Punjab. The monthly rental for a godown is ₹ 15,000. Examine whether GST is payable by M/s Damodar Ltd.

**Answer:**

- (a) Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having value of supply of a unit of accommodation below or equal to ₹ 1,000 per day or equivalent have been exempted from GST vide an exemption notification.

Thus, in view of the above-mentioned provisions, GST is not payable by Holiday Guest House on the booking done by Mr. X as the charges for a unit of accommodation per day is less than ₹ 1,000.

The answer will remain the same even if the charges of a single deluxe room per day is ₹ 1,000 as the exemption is also available in the case where value of supply of a unit of accommodation per day is ₹1,000/ i.e., such services are taxable only where value of supply of a unit of accommodation per day exceeds ₹1,000/-. Thus, no GST is payable by Holiday Guest House on the booking done by Mr. X even if the charges of a single deluxe room per day is ₹ 1,000.

- (b) Services by way of storage/ warehousing of cereals, pulses, fruits, nuts and vegetables, spices, copra, sugarcane, jaggery, raw vegetable fibres such as cotton, flax, jute etc., indigo, unmanufactured tobacco, betel leaves, tendu leaves, coffee and tea have been exempted from GST under an exemption notification under GST.

Thus, no GST is payable on the services provided by M/s Damodar Ltd. by way of storage of seasonal fruits and vegetables in Bhatinda, Punjab.



**Illustration 1:** 'Big Agro Handlers' furnishes the following details with respect to the activities undertaken by them in the month of December, 2021:

Sl. No	Particulars	Amount in (₹)
(i)	Supply of farm labour	58,000
(ii)	Warehousing of biscuits	1,65,000
(iii)	Commission on sale of paddy	68,000
(iv)	Training of farmers on use of new pesticides and fertilizers developed through scientific research	10,000
(v)	Renting of vacant land to a stud farm	1,31,500
(vi)	Testing undertaken for seeds	1,21,500
(vii)	Leasing of vacant land to a poultry farm	83,500

Compute the GST Payable by 'Big Agro Handlers' for the month of December, 2021.

Assume that the point of supply in respect of all the activities mentioned above falls in the month of December, 2021 itself and all the amounts mentioned above are exclusive of GST. Rate of CGST @ 9% & SGST @ 9%.

**Solution:**

**Computation of GST Payable by Big Agro Handlers for December, 2021**

Sl. No	Particulars	Amount in (₹)
(i)	Supply of farm labour	Nil
(ii)	Warehousing of biscuits	1,65,000
(iii)	Commission on sale of paddy	Nil
(iv)	Training of farmers on use of new pesticides and fertilizers developed through scientific research	Nil
(v)	Renting of vacant land to a stud farm	1,31,500
(vi)	Testing undertaken for seeds	Nil
(vii)	Leasing of vacant land to a poultry farm	Nil
	Total	<b>2,96,500</b>
	CGST @ 9%	<b>26,685</b>
	SGST @ 9%	<b>26,685</b>

**Illustration 2:** 'Rock Farmer Association' is engaged in providing services relating to agriculture. It furnishes the following details with respect to the activities undertaken by them in the month of December, 2021:

Sl. No.	Particulars	Amount (₹)
(i)	Cultivation of ornamental flowers	42,000
(ii)	Packing of tomato ketchup	54,000
(iii)	Warehousing of potato chips	1,65,000
(iv)	Sale of tea leaves (agricultural produce) on commission basis	68,000
(v)	Packaging of pulses in the agricultural field	42,000
(vi)	Training of farmers on use of scientific tools and agro machinery	10,000
(vii)	leasing of vacant land to a stud farm	1,63,000
(viii)	Grading of wheat according to its quality	42,000
(ix)	Testing of samples from plants for pest detection	1,21,500
(x)	Rearing of silk worms	83,500

Compute the GST Payable by 'Rock Farmer Association' for the month of December, 2021. Assume that the point of supply in respect of all the activities mentioned above falls in the month of December, 2021 itself and all the amounts mentioned above are exclusive of GST and Rate of SGST @ 9% and CGST @ 9%.

**Solution:****Computation of GST payable by Rock Farmer Association for December, 2021**

Sl. No.	Particulars	Amount (₹)
(i)	Cultivation of ornamental flowers	-
(ii)	Packing of tomato ketchup	54,000
(iii)	Warehousing of potato chips	1,65,000
(iv)	Sale of tea leaves (agricultural produce) on commission basis	-
(v)	Packaging of pulses	-
(vi)	Training of farmers on use of scientific tools and agro machinery	-
(vii)	leasing of vacant land to a stud farm	1,63,000
(viii)	Grading of wheat according to its quality	-
(ix)	Testing of samples from plants for pest detection	-
(x)	Rearing of silk worms	-
	<b>Total</b>	<b>3,82,000</b>
	<b>CGST @ 9%</b>	<b>34,380</b>
	<b>SGST @ 9%</b>	<b>34,380</b>

**Illustration 3:** Mr. X started rendering services w.e.f. 01.04.2021 and registered under GST on 01.04.2021 and has submitted information as given below: (CGST & SGST has been charged separately @ 9% each).

- (i) Rendered services on 10.12.2021 to an agricultural farm relating to agricultural operation of ₹40,00,000.
- (ii) Renting of agro machinery on 05.06.2021 to an agricultural farm of ₹10,00,000.
- (iii) Advertisement to APL Ltd. on 10.10.2021 on T.V. ₹20,00,000.
- (iv) Renting of commercial property on 10.03.2022 for ₹25,00,000 to XYZ Ltd.
- (v) Rendered service to ABC Ltd. for ₹25,00,000 on 10.03.2022, issued bill on 20.03.2022, received payment on 01.03.2022.

Compute GST Payable for F.Y. 2021-22.

**Solution: Computation of GST Payable**

Particulars	₹
Rendered services to an agricultural farm in relating to agricultural operation	Exempt
Renting of agro machinery	Exempt
Advertisement on T.V	20,00,000
Renting of commercial property	25,00,000
Rendered service to ABC Ltd.	25,00,000
Value of Taxable Supply	70,00,000
CGST Payable ₹70,00,000 x 9%	6,30,000
SGST Payable ₹70,00,000 x 9%	6,30,000

- Notes:** 1. Rendered services to an agricultural farm in relating to agricultural operation is exempt.  
2. Renting of agro machinery exempt.

**Illustration 4:** Dukhiya Das is engaged in providing following services. With the help of information given below, determine which of the services provided by Dukhiya Das are exempt from GST:

- (1) Packaging of the onions purchased from village farmers into small packets of 1 kg each, in Dukhiya Das warehouse, so that same can be sold in a nearby city mall.
- (2) Warehousing of jaggery and tea.

(3) Renting of warehouse for storage of agricultural produce.

**Answer:**

(1) Entry 54, *inter alia*, exempts the processes/operations carried out at an agricultural farm on the agricultural produce which do not alter the essential characteristics of agricultural produce, but make it marketable only for the primary market. In the given case, though the packaging of onions does not alter their essential characteristic, it makes them marketable for retail market and not for the primary market and further, such packaging is being done at the warehouse of Dukhiya Das and not at an agricultural farm. Hence, said services are not exempt.

(2) Entry 54, *inter alia*, exempts the warehousing of agricultural produce. However, entry 24B exempts warehousing of certain specified items some of which are not agricultural produce. Although jaggery and tea do not qualify as agricultural produce, their warehousing is specifically exempt under entry 24B.

(3) Entry 54, *inter alia*, exempts the services of loading, unloading, packing, storage or warehousing of agricultural produce. Thus, warehousing of agricultural produce, *per se*, is exempt. However, in the given case, services being provided are not warehousing services but renting of immovable property services. Such services are not exempt.

**Illustration 5:** Ram, an agriculturist, has stored sugarcane in a warehouse. He has taken fumigation services in the said warehouse from Gupta Pest Control Co. for which he paid the consideration of ₹ 6,000. He seeks your advise on the taxability or otherwise of the service so availed by him.

**Answer:** Services by way of fumigation in a warehouse of agricultural produce are exempt from GST. In the present case, since Gupta Pest Control Co. provides services by way of fumigation in the warehouse of sugarcane [being an agricultural produce], said services are exempt and GST is not payable on the same.

### **3. EDUCATION SERVICES**

#### **Educational Services [Entry No.66]**

**(a) Services provided by an educational institution to its students, faculty and staff including** services by an educational institution by way of **conduct of entrance examination** against consideration in the form of entrance fee.

**(b) Services provided to** an educational institution relating to admission, or conduct of examination.

**"Educational institution"** means an institution providing services by way of,—

- (i) pre-school education and education up to higher secondary school or equivalent;
- (ii) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
- (iii) education as a part of an approved vocational education course

#### **CLARIFICATION**

Private ITIs qualify as an educational institution if the education provided by these ITIs is approved as vocational educational course. It implies that services provided by a private ITI only in respect of designated trades notified under Apprenticeship Act, 1961 are exempt from GST.

Services other than designated trades are liable to GST.

**(c) services to an educational institution**, by way of,—

- (i) transportation of students, faculty and staff;
- (ii) catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory;
- (iii) security or cleaning or house-keeping services performed in such educational institution;

*Educational Institution for the purpose of point (i),(ii),(iii) means an institution providing services by way of pre-school education and education up to higher secondary school or equivalent.*

**Example:** Service provided by a private transport operator to Scholar Boys Higher Secondary School in relation to transportation of students to and from the school, shall be exempt from GST.

#### **CLARIFICATION**

##### **College Hostel Mess services**

Educational institutions generally have mess facility for providing food to their students and staff. Such facility is (i) either run by the institution/ students themselves or (ii) is outsourced to a third person.

If the catering services is one of the services provided by an educational institution to its students, faculty and staff and the said educational institution is covered by the definition of 'educational institution' as given above, then the same is exempt.

If the catering services, i.e., supply of food or drink in a mess or canteen, is provided by anyone other than the educational institution, i.e. the institution outsources the activity to an outside contractor, then it is a supply of service to the concerned educational institution and attracts GST [Circular No. 28/02/2018 GST dated 08.01.2018].

Note: It may be noted that said services when provided to an educational institution providing pre-school education or education up to higher secondary school or equivalent are exempt from tax.

**(d) Services received from a provider of service located in a non-taxable territory or taxable territory by way of supply of online educational journals or periodicals to an educational institution other than an institution providing services by way of—**

- (i) pre-school education and education up to higher secondary school or equivalent; or
- (ii) education as a part of an approved vocational education course;

(e) Services by way of giving on hire motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent. [**Entry No.22**]

**Services by way of training or coaching in recreational activities relating to**

- (a) arts or culture, or
- (b) sports by charitable entities registered under section 12AA of the Income-tax Act.

**Illustration 6:** Sarvshiksha, an Educational Trust, runs a play school, 'Tiny Tots' and a higher secondary school, 'Pinnacle Academy'. It also runs a coaching centre which provides coaching for IIT JEE entrance examinations to meritorious students of economically weak background. It also provides coaching classes for examinations of Certified Public Accountant, USA.

With reference to the provisions of GST, examine the leviability of GST in the above case.

**Solution:** GST will not be leviable on services relating to education rendered by the play school (pre-school), 'Tiny Tots' and the higher secondary school, 'Pinnacle Academy' run by Sarvshiksha, the Educational Trust.

Since, coaching given by private coaching institutes/centres is not a part of a curriculum for obtaining recognized qualification, the same is not covered under Exemption. Therefore, coaching classes for IIT JEE entrance examination and CPA examinations will not be covered and thus, will be liable to GST. It is immaterial that coaching is given to economically weak students or for a national level entrance examination or an international examination.

**Illustration 7:** Industrial Training Institute (ITI), Manikpuri runs an approved vocational educational programme approved by prescribed authority. Revenue raised a demand for GST on the services provided by ITI Manikpuri.

Examine whether the demand raised by Revenue is correct in law.

**Solution :** Services by way of education as a part of an approved vocational education course are included in the Exemption, hence ITI Manikpuri will not be liable to pay GST.

Therefore, the demand raised by Revenue is not correct in law.

- Services provided **by an educational institution to its students, faculty and staff** and by way of **conduct of entrance examination against consideration** in the form of entrance fee are exempt from GST.

**Example:** 'Dharam Institute of Technology' (DIT), a private engineering college in M.P., offers post graduate engineering programmes. All the engineering courses including the distance learning post graduate engineering programme offered by DIT are recognised by the law [The All India Council for Technical Education (AICTE)]. Since DIT imparts education as a part of a curriculum for obtaining a qualification recognised by the Indian law, the same is an educational institution.

**Example:** 'Littleways Public School' is a school located in Tamil Nadu. The school has two branches – one is a pre-school and another is a higher secondary school affiliated to CBSE. A pre-school and a higher secondary school are educational institutions. Thus, Littleways Public School qualifies as an educational institution.

**Example:** ‘Kaladrishti ITI, Gorakhpur is engaged in providing skill development courses in other than designated trades notified under the Apprentices Act, 1961. Since courses offered by Kaladrishti ITI are not in designated trades notified under the Apprentices Act, 1961, education provided by it is not approved as vocational educational course as defined above. Resultantly, it doesn’t qualify as an educational institution.

**It is important to note that the Central and State Educational Boards shall be treated as ‘Educational Institution’ for the limited purpose of providing services by way of conduct of examination to the students.**

#### **Fees charged from prospective employers**

Educational institutes such as IITs, IIMs charge a fee from prospective employers like corporate houses/MNCs, who come to the institutes for recruiting candidates through campus interviews in relation to campus recruitments. Such services shall also be liable to tax

#### **Maritime courses approved by DG Shipping**

*Maritime Training Institutes and their training courses are approved by the Director General of Shipping which are duly recognised under the provisions of the Merchant Shipping Act, 1958 read with the Merchant Shipping (standards of training, certification and watch-keeping for Seafarers) Rules, 2014.*

*Therefore, Maritime Training Institutes are educational institutions and the courses conducted by them are exempt subject to fulfilment of other conditions specified herein [Circular No. 117/36/2019 GST dated 11.10.2019].*

## **RTP MAY 2020**

### **Question 3**

Kala Niketan School is an educational institution providing pre-school education and education up to higher secondary school. Which of the following services are exempt if provided to Kala Niketan School?

- (i) Transportation of students, faculty and staff
  - (ii) Catering services
  - (iii) Cleaning services performed in such educational institution
- (a) (i)
  - (b) (i) and (iii)
  - (c) (ii) and (iii)
  - (d) (i), (ii) and (iii)

**Answer: (d)**

**Example:** Little Millennium – a pre school in outskirts of Mumbai – has subscribed the online journals on child development and experiential learning. Services of supply of online educational journals or periodicals provided, *inter alia*, to an institution providing services by way of preschool education are not exempt.

**Example:** SM Transporters has provided services of transportation of students and faculty from their residence to school and back, to Pathwheels School - a higher secondary school. Services of transportation of students, faculty and staff provided, *inter alia*, to an institution providing services by way of education up to higher secondary school or equivalent are exempt.

**Example:** Shiksha College, offering degree courses, has to conduct its half yearly examination in November. For this purpose, it has paid the honorarium to paper setters and examiners (not on the rolls of Shiksha College) for their services. Further, it availed the printing services for printing the question papers (paper and content are provided by Shiksha College) for conducting examination. Services provided to an educational institution relating to admission to, or conduct of examination by, such institution are exempt. Therefore, services of paper setters and examiners and printing services availed by Shiksha College are exempt.

**Example:** Gyaani Public School – a higher secondary school – has hired Suvidha Services Ltd. for security and housekeeping services in the school. Security and housekeeping services provided within the premises

of, *inter alia*, a higher secondary school are exempt. Therefore, said services provided by Suvidha Services Ltd. are exempt.

The school subsequently hired Suvidha Services Ltd. for providing the security and housekeeping services at School's Annual Day function organised in an auditorium outside the school campus. Security and housekeeping services provided to Gyaani Public School for School's Annual Day function organized outside the school campus will be taxable as only the security and housekeeping services performed **within the premises** of the higher secondary school are exempt.

**Example:** Delhi University has taken online services of educational journals and periodicals from one university in USA and paid US dollar 1,00,000, in this case it is exempt from GST but if such services have been taken by a Pre School, it will be taxable.

(e) Services by way of giving on hire motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent.

**Example:** ABC Ltd. a transporter has given one bus on rent to XYZ transporter who has further given it to a Pre School, in this case services from ABC to XYZ are exempt from GST also services by XYZ to pre school are exempt.

**Q.** Indiana Engineering College, a recognised educational institution, has conducted an entrance test examination for various courses run by it and charged entrance fees from the applicants. Determine whether Indiana Engineering College is liable to pay GST on the same.

**Answer:** Services provided by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee are exempt from GST.

Since in the given case, services provided by Indiana Engineering College - an educational institution - are by way of conduct of entrance examination against entrance fee, the same is exempt and thus, GST is not payable in this case.

### NOV 2018 (OLD COURSE)

#### Question 7 (a)

(6 Marks)

Worldwide Pvt. Ltd (a registered Taxable Person) having the Gross receipt of ₹50 Lakhs in the previous financial year provides the following information relating to their services for the month of July, 2021

Particulars	Amount in (₹)
(1) Running a boarding school (upto higher secondary)	2,40,000
(2) Fees from prospective employer for campus interview	1,70,000
(3) Education Services for obtaining the qualification recognised by law of foreign country	3,10,000
(4) Renting of Furnished Flats for Temporary Stay to different persons (Rent per day is less than 1000 per person).	1,20,000
(5) Conducting Modular Employable Skill Course. Approved by National Council of Vocational Training	1,40,000
(6) Conducting Private Tutorials	3,00,000

Compute the value of Taxable Supply and the amount of GST Payable. The above receipts doesn't include the GST Amount. Rate of GST is 18%

**Solution: Computation of Value of Taxable Supply and GST payable**

Particulars	Amount in (₹)
(1) Running a boarding school is an exempted service	Nil

(2) Fees from prospective employer for campus interview is taxable	1,70,000
(3) Education Services for obtaining the qualification recognised by law of foreign country	3,10,000
(4) Renting of Furnished Flats for Temporary Stay to different persons (Rent per day is less than 1000 per person).	Nil
(5) Conducting Modular Employable Skill Course. Approved by National Council of Vocational Training is an exempted service	Nil
(6) Conducting Private Tuitions	3,00,000
Value of Taxable Supply	7,80,000
GST @ 18%	1,40,400

**Notes:**

(1) Education services for obtaining the qualification recognised by law of Indian country is an exempted service but in the given case it is recognised by foreign country hence it is taxable.

(2) Renting of furnished flats for temporary stay to different persons is a taxable service if the value of such supply is more than ₹1000 per day in the given case rent is less than ₹1000 per person hence it is exempted.

**RTP NOV– 2020**

Multi services Private Ltd., registered in Punjab, is engaged in supplying a variety of services. Its turnover was ₹35 lakh in the preceding financial year. It has provided the following information for the month of April:

Particulars	Amount
Fee for the coaching provided to students for competitive exams. The coaching centre is run by Multi services Private Ltd. in Punjab (Intra-State transaction)	6,24,000
Receipts for services provided in relation to conduct of examination in Pureit University, Delhi (providing education recognized by Indian law), being an inter-State transaction	19,200
Amount received for transportation of students and faculty from their residence to Lotus Public School - a higher secondary school – and back (Intra-State transaction)	24,000
Amount received for providing the security and housekeeping services in Dhaani Public School – a pre-school (Intra-State transaction)	36,000

Note: Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amounts given above are exclusive of taxes.

Compute the total GST liability of Multi services Private Ltd. for the month of April

**Solution:**

Computation of net GST liability of Multi services Private Ltd. for the month of April:

Particulars	Value	CGST @9%	SGST @9%	IGST @18%
Fee for the coaching provided to students for competitive exams [Note-1]	6,24,000	56,160	56,160	-
Services towards conduct of examination in Pureit University, Delhi [Note-2]	19,200	-	-	-
Services of transportation of students and faculty from their residence to Lotus Public School and back [Note-3]	24,000	-	-	-
Security and housekeeping services in Dhaani Public School [Note-4]	36,000	-	-	-



<b>Total GST Liability</b>		<b>56,160</b>	<b>56,160</b>	-
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**Notes:-**

1. Coaching centre run by Mutiservices Private Ltd. is not an educational institution since competitive exam coaching does not lead to grant of a qualification recognized by law. Therefore, fee received for coaching provided at such coaching centre is taxable.
2. Since Pureit University provides qualification recognized by law, it is an educational institution and services provided to an educational institution, in relation to conduct of examination by such institution are exempt from GST.
3. Since Lotus Public School provides education up to higher secondary school, it is an educational institution and services of transportation of students, faculty and staff provided to an educational institution are exempt.
4. Since Dhaani Public School provides pre-school education, it is an educational institution. Security and housekeeping services provided within the premises of an educational institution are exempt.

**RTP MAY 2019**

Examine whether supply of food and drink in the following case is exempt from GST:-

“Smart Kids” is a Play School located in Delhi. Smart Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to BTV Caterers, Delhi for a consideration of ₹ 8,00,000 per annum.

**Answer**

Services provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent, by way of catering is exempt from GST vide *Notification No. 12/2017 CT (R) dated 28.06.2017* as amended. Thus, in the given case, services provided by BTV Caterers to Smart Kids are exempt from GST.

#### 4. HEALTH CARE SERVICES

**Entry No. 46:** Services by a veterinary clinic in relation to health care of animals or birds.

**Entry No. 74:** Services by way of-

- (a) health care services by a clinical establishment, an authorised medical practitioner or para-medics;
- (b) services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above.

**Entry No. 73:** Services provided by the cord blood banks by way of preservation of stem cells or any other service in relation to such preservation.

**Entry No. 75:** Services provided by **operators of the common bio-medical waste treatment facility** to a clinical establishment by way of treatment or disposal of bio-medical waste or the processes incidental thereto.

#### Analysis

**Entry 74** - Health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST [Entry 74(a) of the Notification]. The term 'health care services' is defined as follows:

#### **Health care services**

- means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in **any recognised system of medicines** in India and
- includes services by way of **transportation of the patient to and from** a clinical establishment, but
- does **not include hair transplant or cosmetic or plastic surgery**, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.

As it is apparent from the definition of health care services, only services in **recognized systems of medicines in India** are exempt under this entry.

Following systems of medicines are the recognized systems of medicines in India:-

- Allopathy
- Yoga
- Naturopathy
- Ayurveda
- Homeopathy
- Siddha
- Unani
- Any other system of medicine that may be recognized by Central Government

Let us now understand the meaning of terms - 'clinical establishment', 'authorised medical practitioner' and 'paramedics'.

- **Clinical establishment:** means a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India, or a place established as an independent entity or a part of an establishment to carry out diagnostic or investigative services of diseases. Thus, diagnostic or investigative services of diseases provided by pathological labs are not liable to GST.
- **Authorised medical practitioner:** means a medical practitioner registered with any of the councils of recognised system of medicines established/recognised by law in India & includes a medical professional having requisite qualification to practice in any recognised system of medicines in India as per any law for the time being in force.

Further, **Paramedics** are trained health care professionals, for example, nursing staff, physiotherapists, technicians, lab assistants etc. Services by them in a clinical establishment would be in the capacity of

employee and not provided in independent capacity and will thus be considered as services by such clinical establishment. Similar services in independent capacity are also exempted.

### **Rent of rooms provided to in-patients**

- Rent of rooms provided to in-patients in hospitals is exempt [*Circular No. 27/01/2018 GST dated 04.01.2018*].

### **Services provided by senior doctors/ consultants/ technicians**

- Hospitals hire senior doctors/ consultants/ technicians independently. Such persons do not have any contract with the patient. Hospitals pay them consultancy charges and there is no employer-employee relationship between them.
- It is clarified by CBIC that services provided by such senior doctors/consultants/ technicians, whether employees or not, are healthcare services which are exempt from GST [*Circular No. 32/06/2018 GST dated 12.02.2018*].

### **Amount charged by hospitals from the patients**

- In above cases, suppose hospitals charge the patients, say, ₹ 10,000/- and pay to the consultants/technicians only ₹ 7,500/- and keep the balance for providing ancillary services which include nursing care, infrastructure facilities, paramedic care, emergency services, checking of temperature, weight, blood pressure, etc. Going through the definition of health care services [given above], it can be inferred that hospitals also provide healthcare services.
- The entire amount charged by them from the patients including the retention money and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients and is exempt [*Circular No. 32/06/2018 GST dated 12.02.2018*].

### **Food supplied to the patients**

- Health care services provided by the clinical establishments will include food supplied to the patients; but such food may be prepared by the canteens run by the hospitals or may be outsourced by the hospitals from outdoor caterers.
- When outsourced, there is no ambiguity that the suppliers shall charge tax as applicable and hospital will get no ITC.
- Food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare and not separately taxable.
- Other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable [*Circular No. 32/06/2018 GST dated 12.02.2018*].

### **Services other than health care services in clinical establishment's premises**

- Supply of services other than healthcare services such as renting of shops, auditoriums in the premises of the clinical establishment, display of advertisements etc. will be subject to GST.

**Illustration 8:** Good Health Medical Centre, a clinical establishment, offers the following services:

- (i) Reiki healing treatments.
- (ii) Plastic surgeries. One such surgery was conducted to repair cleft lip of a new born baby.
- (iii) Air ambulance services to transport critically ill patients from distant locations to the Medical Centre.
- (iv) Palliative care for terminally ill patients. On request, such care is also provided to patients at their homes. (Palliative care is given to improve the quality of life of patients who have a serious or life-threatening disease but the goal of such care is not to cure the disease).
- (v) Alternative medical treatments by way of yoga.

Good Health Medical Centre also operates a cord blood bank which provides services in relation to preservation of stem cells.

Good Health Medical Centre is of the view that since it is a clinical establishment, all the service provided by it as well as all the services provided to it are exempt from GST.

You are required to examine the situation in the light of relevant statutory provisions.

**Answer:** Health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST under Entry 74. In light of the same, the eligibility to exemption in respect of each service offered by Good Health Medical Centre is examined below:

**(i) Not Exempt.** Since reiki healing is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010, it would not be exempt and thus, GST would be payable thereon.

**(ii) Exempt.** Health care service does not include, *inter alia*, cosmetic or plastic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.

Therefore, plastic surgeries will not be entitled to the said exemption and thus, GST would be payable thereon. However, plastic surgery conducted to repair a cleft lip will be eligible for exemption as it reconstructs anatomy or functions of body affected due to congenital defects (cleft lip).

**(iii) Exempt.** Health care service includes services by way of transportation of the patient to and from a clinical establishment. Thus, air ambulance service to transport critically ill patients to Good Health Medical Centre would be eligible for exemption under the said notification.

**(iv) Exempt.** Health care service means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognized system of medicines in India. It is immaterial whether such service is provided at the clinical establishment or at the home of the patient or at any other place. Thus, palliative care for terminally ill patients is exempt.

**(v) Exempt.** Since Yoga is a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010, the same would be eligible for exemption under the said notification.

Further, services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST under Entry 73. Therefore, services provided in relation to preservation of stem cells by the cord blood bank operated by Good Health Medical Centre will be exempt from GST.

It is important to note that Entry 74 of the exemption notification grants exemption to health care services provided BY a clinical establishment and not to services provided TO a clinical establishment. Therefore, Good Health Medical Centre's contention that since it is a clinical establishment, all the services provided to it are also exempt from GST is not correct in law.

**Illustration 9:** Well-Being Nursing Home has received the following amounts in the month of February, 2022 in lieu of various services rendered by it in the same month. You are required to determine its GST liability for February, 2022 from the details furnished below:-

Particulars	(₹)(in lakh)
i. Palliative care for terminally ill patients at patient's home ( <i>Palliative care is given to improve the quality of life of patients who have a serious disease</i> )	30
ii. Services provided by cord blood bank unit of the nursing home	24
iii. Hair transplant services	100
iv. Ambulance services to transport critically ill patients from various locations to nursing home	12
v. Naturopathy treatments.	80
vi. Plastic surgery to restore anatomy of a child affected due to an accident. ( <b>Anatomy means</b> study of the structure of human or animal bodies)	30
vii. Reiki healing treatments. <i>Such treatment is not a recognized system of medicine</i>	120
viii. Mortuary services	10

**Note:** All the amounts given above are exclusive of tax and Rate of Tax is CGST @ 9% and SGST @ 9%. Point of supply for the services rendered by Well-Being Nursing Home in the month of February, 2022 fall in the month of February itself.

**Solution:**

Computation of GST liability of Well-Being Nursing Home for the month of February, 2022

Particulars	(₹)(in lakh)
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i. Palliative care for terminally ill patients at patient's home	-
ii. Services provided by cord blood bank	-
iii. Hair transplant services	100.000
iv. Ambulance services	-
v. Naturopathy treatments	-
vi. Plastic surgery to restore anatomy of a child affected due to an accident	-
vii. Reiki healing treatments	120.000
viii. Mortuary services	-
<b>Value of taxable service</b>	<b>220.000</b>
CGST @ 9% [₹ 220 lakh × 9%]	19.800
SGST @ 9% [₹ 220 lakh × 9%]	19.800

### MTP-1 NOV 2021

**Question 1.****(5 x 2 Marks = 10 Marks)**

Ms. Adisha, a Doctor having in-patient facility in her hospital is a registered person under GST. She availed interior decoration services from her spouse without any consideration being paid. She also availed IT related services from her sister-in-law without any consideration. Both services were for the purpose of her profession.

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

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

She is also a consultant in other hospitals and received ₹ 40,00,000 as consultancy fee from the other hospitals.

Further, she also provides canteen facility and received ₹ 55,000 from in-patients, ₹ 35,000 from patients who are not admitted and ₹ 25,000 from visitors for the same facility.

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

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

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

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

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

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

2 Compute the taxable value of supply of canteen service provided by Ms. Adisha?

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

3 Ms. Adisha should have applied for revocation of cancellation of registration certificate by

- (a) 5<sup>th</sup> August

- (b) 20<sup>th</sup> August
- (c) 30<sup>th</sup> August
- (d) 4<sup>th</sup> September

4 Maximum time permissible for rectification of error committed in monthly return of June is \_\_\_\_\_

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

5 Determine which of the following services provided by Ms. Adisha and her hospital is exempt from GST?

- (i) Plastic surgery to enhance the beauty of the face
- (ii) Ambulance service for transportation of patients
- (iii) Renting of space to run medical store in hospital premises
- (iv) Consultancy service by Ms. Adisha in other hospitals

- (a) (i), (ii) & (iv)
- (b) (i), (ii)
- (c) (ii) & (iv)
- (d) (i) & (iii)

**Answer:**

1. (a) (i) and (iv); 2. (c) ₹ 60,000; 3. (d) 4<sup>th</sup> September; 4. (b) 20<sup>th</sup> October of the next year; 5. (c) (ii) & (iv)

### RTP MAY 2019

**Question:** Examine whether supply of food and drink in the following case is exempt from GST:-

Wellness Hospital, a clinical establishment located in Tirupati, is specialised in diabetic treatment. The hospital has its own canteen – Tasty Foods. The canteen serves the food and drink to the in-patients as advised by the doctors/nutritionists of the hospital. Apart from this, other patients (who are not admitted) or attendants or visitors of the in-patients also take food and drink from the canteen.

**Answer**

Services by way of health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide *Notification No. 12/2017 CT (R) dated 28.06.2017* as amended.

In this regard, CBIC has clarified that food supplied by the hospital canteen to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare services and is not separately taxable. Thus, it is exempt from GST. However, other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable.

In view of the same, GST is exempt on the food supplied by Tasty Foods to the in-patients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or attendants/visitors of the in-patients is taxable

**5. SERVICES PROVIDED BY GOVERNMENT**
**Services by the Government [Entry No.47/61]**

Services by the Central Government, State Government, Union territory or local authority shall be exempt from GST and such services may be:

Services by way of issuance of passport, visa, driving licence, birth certificate or death certificate, Services by way of registration required under any law, testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, including fire license, required under any law.

**The following services of the Government shall be taxable. [Entry No.46]**

(a) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than the Central Government, State Government, Union territory. Other services like Basic mail services, Transfer of money through money orders, Operation of saving accounts, post card, Inland letter etc. are exempt in every case.

(b) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.

(c) transport of goods or passengers. or

(d) any service, other than services covered under entries (a) to (c) above, provided to business entities (registered under GST) , eg. renting of immovable property/advertisement by railways/security services/ Logistics Services etc. but if amount charged for such services is upto ₹5,000 (in case of continuous supply of services, aggregate amount during particular year shall be considered) , it will be exempt, eg. ABC limited is a business entity with turnover exceeding prescribed limit and it has taken one of the specified services and paid ₹ 4,000, in this case, no GST is payable. **[Entry No.9]**

Further if such services are given to business entities with turnover upto **such amount in the preceding financial year as makes it eligible for exemption from registration**, it will be exempt from GST irrespective of the amount of services but exemption shall not be available for Renting of Immovable property, eg. ABC limited is a business entity with turnover not exceeding prescribed limit and it has taken one of the specified services and paid ₹ 40,000, in this case, no GST is payable. **[Entry No.7]**

**Entry No. 4:** Services by governmental authority by way of **any activity in relation to any function entrusted to a municipality** under article 243 W of the Constitution are exempt.

**Entry No. 5:** Services by a governmental authority by way of any activity in relation to **any function entrusted to a Panchayat** under article 243G of the Constitution.

**Entry No. 8:** Services provided by the Central Government, State Government, Union territory or local authority **to another Central Government, State Government, Union territory or local authority.**

*However, nothing contained in this entry shall apply to services referred in item (a), (b) and (c) of Entry 6 above.*

**Entry No. 9C:** Supply of service by a Government Entity to Central Government, State Government, Union territory, local authority or any person specified by Central Government, State Government, Union territory or local authority against consideration received from Central Government, State Government, Union territory or local authority, in the form of grants.

**Entry No. 9D:** Services by an old age home run by:

- Central Government, State Government or
- an entity registered under section 12AA or 12AB of the Income-tax Act, 1961

to its residents (aged 60 years or more) against consideration upto ₹ 25,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.

**Entry No. 34A:** Services supplied by Central Government, State Government, Union territory to their undertakings or Public Sector Undertakings(PSUs) by way of guaranteeing the loans taken by such undertakings or PSUs from the banking companies and financial institutions.

**Entry No. 63:** Services provided by the Central Government, State Government, Union territory or local authority by way of **assignment of right to use natural resources to an individual farmer for cultivation of plants and rearing of all life forms of animals**, except the rearing of horses, for food, fibre, fuel, raw material or other similar products.

**Entry No. 65:** Services provided by the Central Government, State Government, Union territory by way of **deputing officers after office hours or on holidays for inspection or container stuffing** or such other duties in relation to import export cargo on payment of Merchant Overtime charges.

**Entry No. 65B:** Services supplied by a State Government to Excess Royalty Collection Contractor (ERCC) by way of assigning the right to collect royalty on behalf of the State Government on the mineral dispatched by the mining lease holders.

However, at the end of the contract period, ERCC shall submit an account to the State Government and certify that the amount of GST deposited by mining lease holders on royalty is more than the GST exempted on the service provided by State Government to the ERCC of assignment of right to collect royalty and where such amount of GST paid by mining lease holders is less than the amount of GST exempted, the exemption shall be restricted to such amount as is equal to the amount of GST paid by the mining lease holders and the ERCC shall pay the difference between GST exempted on the service provided by State Government to the ERCC of assignment of right to collect royalty and GST paid by the mining lease holders on royalty.

Explanation- **Mining lease holder** means a person who has been granted mining lease, quarry lease or license or other mineral concession under the Mines and Minerals (Development and Regulation) Act, 1957, the rules made thereunder or the rules made by a State Government under section 15(1) of the Act.

**Entry No. 74A:** Services provided by rehabilitation professionals recognised under the Rehabilitation Council of India Act, 1992 by way of rehabilitation, therapy or counselling and such other activity as covered by the said Act at medical establishments, educational institutions, rehabilitation centers established by Central Government, State Government or Union territory or an entity registered under section 12AA or 12AB of the Income-tax Act, 1961.

- **Business entity:** means any person carrying out business.
- **Governmental authority:** means an authority or a board or any other body,
  - (i) set up by an Act of Parliament or a State Legislature; or
  - (ii) established by any Government, with 90%, or more participation by way of equity or control, to carry out any function entrusted to a Municipality under article 243W of the Constitution or to a Panchayat under article 243G of the Constitution.
- **Government Entity:** means an authority or a board or any other body including a society, trust, corporation,
  - (i) set up by an Act of Parliament or State Legislature; or
  - (ii) established by any Government, with 90%, or more participation by way of equity or control, to carry out a function entrusted by the Central Government, State Government, Union Territory or a local authority.

**Services provided by one Department of the Government to another Department of the Government**

- Services (except specified services) provided by one Department of the Central Government/ State Government to another Department of the Central Government/ State Government are exempt under Entry 8.



### **Services by governmental authority by way of any activity in relation to any function entrusted to Panchayat/ Municipality**

Services provided by governmental authority by way of any activity in relation to any function entrusted to a municipality under Article 243W of the Constitution and services by a governmental authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution are exempt vide Entry 4 and Entry 5 respectively.

### **Services provided by Police/security agencies of Government to PSUs/corporate entities/sports events held by private entities**

- Services provided by Police/security agencies of Government to PSU/private business entities are not exempt from GST.
- Such services are taxable supplies and the recipients are required to pay the tax under reverse charge mechanism on the amount of consideration paid to Government for such supply of services.  
**Example:** The Karnataka Cricket Association, Bangalore requests the Commissioner of Police, Bangalore to provide security in and around the Cricket Stadium for the purpose of conducting the cricket match. The Commissioner of Police arranges the required security for an agreed consideration. In this case, services of providing security by the police personnel are not exempt. As the services are provided by Government, Karnataka Cricket Association is liable to pay the tax on the consideration paid, albeit under reverse charge mechanism.

### **Services provided by way of tolerating non-performance of a contract**

- Non-performance of a contract or breach of contract is one of the conditions normally stipulated in the Government contracts for supply of goods or services. The agreement entered into between the parties stipulates that both the service provider and service recipient abide by the terms and conditions of the contract.
- In case any of the parties breach the contract for any reason including nonperformance of the contract, then such person is liable to pay damages in the form of fines or penalty to the other party. **Tolerating non-performance of a contract is an activity or transaction which is treated as a supply of service [as per Schedule II of CGST Act] and the person is deemed to have received the consideration in the form of fines or penalty and is, accordingly, required to pay tax on such amount.**
- However, **in case of supplies made to Government, services [provided by Government] by way of tolerating the non-performance of contract by the supplier of service is covered under the exemption.** Thus, any consideration received by the Government from any person or supplier for non-performance of contract is exempted from tax.

**Example:** Public Works Department of Karnataka entered into an agreement with M/s. ABC, a construction company, for construction of its office complex for an agreed consideration. In the agreement dated 10th July, it was agreed by both the parties that M/s. ABC shall complete the construction work and handover the project on or before 31st December.

It was further agreed that any breach of the terms of contract by either party would give right to the other party to claim for damages or penalty. M/s. ABC did not complete the construction and did not handover the project by the specified date i.e., on or before 31st December. As per the contract, the Department asked for damages/penalty from M/s. ABC and threatened to go to the court if not paid. Resultantly, M/s. ABC paid an amount of ₹ 10,00,000/- to the Department for non-performance of contract. Amount paid by M/s. ABC to Department is exempt from payment of tax.

**Illustration 10:** Department of Posts provided following services to persons other than Government during the month ended 31.03.2022:-

<b>Services rendered</b>	<b>Amount charged for such services (₹ in lakh)</b>
Basic mail services	100
Transfer of money through money orders	500

Operation of saving accounts	150
Rural postal life insurance services	200
Distribution of mutual funds and bonds	500
Issuance of postal orders	300
Collection of telephone and electricity bills	100
Pension payment services	50
Speed post services	500
Express parcel post services	200

Compute the GST liability of Department of Posts for the month of March 2022.

**Notes:**

1. Time of supply for all the aforesaid cases fall during the month of March 2022.
2. All the service charges stated above are exclusive of GST, wherever applicable.
3. Rate of CGST @ 9% & SGST @ 9%.

**Solution:** Services provided by the Government or a local authority are not chargeable to GST as they are included in the Exemption. However, following services provided to a person other than Government, by the Department of Posts are excluded from the exemption:-

- (i) Speed post
- (ii) Express parcel post
- (iii) Rural postal Life Insurance
- (iv) Agency services which include distribution of mutual funds, bonds, collection of telephone and electricity bills, etc.

Hence, the aforesaid services are taxable.

Thus, the amount of GST payable by the Department of Posts for the month of March would be as follows:-

	<b>Amount (₹ in lakh)</b>
Basic mail services	Nil
Transfer of money through money orders	Nil
Operation of saving accounts	Nil
Rural postal life insurance services	200
Distribution of mutual funds, bonds	500
Issuance of postal orders	Nil
Collection of telephone and electricity bills	100
Pension payments	Nil
Speed post services	500
Express parcel post	200
Value of taxable service	1,500
CGST @ 9% [15,00,00,000×9%]	135
SGST @ 9% [15,00,00,000×9%]	135

## 6. CONSTRUCTION SERVICES

**Entry No. 10:** Services provided by way of **pure labour contracts** of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a civil structure or any other original works pertaining to the beneficiary-led individual house construction or enhancement under the **Housing for All (Urban) Mission or Pradhan Mantri Awas Yojana**.

**Entry No. 10A:** Services supplied by **Electricity Distribution Utilities** by way of construction, erection, commissioning, or installation of infrastructure for extending electricity distribution network upto the tube well of the farmer or agriculturalist for agricultural use.

**Entry No. 11:** 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**.

**Entry No. 41A and 41B:** Supply of TDR (Transfer of development rights) , FSI (Floor space index), long term lease (premium) of land by a landowner to a developer are exempted subject to the condition that the constructed flats are sold before issuance of completion certificate and tax is paid on them.

Exemption of TDR, FSI, long term lease (premium) shall be withdrawn in case of flats sold after issue of completion certificate, but such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses.

## 7. PASSENGER TRANSPORTATION SERVICES

**Entry No. 15:** Transport of passengers, with/ without accompanied belongings, by –

(a) air, embarking from or terminating in an airport located in the State of **Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bagdogra located in West Bengal;**

(b) **non-air conditioned contract carriage** other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire; or

(c) **stage carriage other than air- conditioned stage carriage.**

**Entry No. 16:** Services provided to the Central Government, by way of transport of passengers with or without accompanied belongings, by air, embarking from or terminating at a **RCS (Regional Connectivity Scheme) airport**, against consideration in the form of viability gap funding.

However, nothing contained in this entry shall apply on or after the expiry of a period of **3 years** from the date of commencement of operations of the RCS airport as notified by the Ministry of Civil Aviation.

**Entry No. 17:** Service of transportation of passengers, with or without accompanied belongings, by—

(a) railways in a class other than—

(i) first class; or

(ii) an air-conditioned coach;

(b) metro, monorail or tramway;

(c) inland waterways;

(d) public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and

(e) metered cabs or auto rickshaws (including e-rickshaws).

Normal public ships or other vessels that sail between places located in India would be covered in this entry even if some of the passengers on board are using the service for tourism because predominantly, such service is not for tourism purpose. However, services provided by leisure/charter vessels/a cruise ship, predominant purpose of which is tourism, would not be covered in here even if some of the passengers in such vessels are not tourists.

**Example:** Services by way of transportation of passengers [not predominantly for tourism purpose] on a vessel, from Kolkata to Port Blair (mainland to island) or Port Blair to Rose Island (inter island) is exempt.

**Question:** Mr. A boarded Rajdhani Express (fully AC train) from Kanpur on January 5, 2022 and disembarked at New Delhi. He hired a car from a local cab operator for the whole day on a lumpsum consideration and visited Delhi's historical monuments. In the night, he took the Metro to International Airport and boarded a flight to Mumbai. At Mumbai Airport, he used a radio taxi for going to his Hotel. Mr. A returned to Kanpur from a different train, Pushpak Express in sleeper class.

With reference to the provisions of GST, examine the levability of GST on the various modes of travel undertaken by Mr. A.

**Solution:** In the given case, GST levability on the various passenger transportation services used by Mr. A will be determined as under:

- (i) Rail travel in AC train – Not covered under exemption list and thus, liable to GST.
- (ii) Travel in a car rented for the whole day on a lumpsum consideration – Since travel by only metered cabs and auto rickshaw is covered in Exemption list, travel in a car rented for the whole day on a lumpsum consideration will be liable to GST.
- (iii) Metro travel – Covered in exemption and hence, not taxable.
- (iv) Air travel – Not covered under exemption and thus, liable to GST.
- (v) Radio taxi travel – Not covered in exemption and hence taxable.
- (vi) Rail travel in sleeper class - Covered in exemption and hence, not taxable.

## 8. GOODS TRANSPORTATION SERVICES

**Entry No. 18:** Services by way of transportation of goods-

- (a) by road except the services of—
  - (i) a goods transportation agency;
  - (ii) a courier agency;
- (b) by inland waterways.

**Entry No. 20:** Services by way of **transportation by rail or a vessel** from one place in India to another of the following goods –

- (a) **relief materials** meant for victims of natural or man-made disasters, calamities, accidents or mishap;
- (b) **defence or military equipments;**
- (c) **newspaper or magazines** registered with the Registrar of Newspapers;
- (d) **railway equipments** or materials;
- (e) **agricultural produce;**
- (f) milk, salt and food grain including flours, pulses and rice; and
- (g) organic manure.

In case of goods transport agency if transportation charges for booking of full vehicle is upto ₹1,500, it is exempt. Similarly if consignment of different persons is being taken in one vehicle and amount charged from any particular person is ₹ 750, it will be exempt from tax and if the amount is exceeding ₹ 1,500/₹ 750, GST shall be charged on full amount.

**Illustration 11:** Answer with respect to applicability of GST in the following cases during the month of June, 2021:

- (i) Transport of milk, salt and food grain including flours, pulses and rice and newspaper registered with the Registrar of Newspapers by a goods transport agency in a goods carriage.
- (ii) Transportation of petroleum and petroleum products and household effects by railways.
- (iii) Transportation of postal mails or mail bags by a vessel.

**Solution:**

**(i)** Exempt. Services provided by a goods transport agency by way of transportation of milk, salt and food grain including flours, pulses and rice and newspaper registered with the Registrar of Newspapers are exempt from GST.

**(ii)** Taxable. Transportation of petroleum and petroleum products and household effects by railways are not exempt from GST.

(iii) Taxable. Transportation of postal mails or mail bags by a vessel are not exempt from GST.

**Illustration 12:** Discuss whether GST is payable in respect of transportation services provided by Raghav Goods Transport Agency in each of the following independent cases:

Customer	Nature of services provided	Amount charged
A	Transportation of milk	₹ 20,000
B	Transportation of books on a consignment transported in a single goods carriage	₹ 3,000
C	Transportation of chairs for a single consignee in the goods carriage	₹ 600

**Solution:**

Customer	Nature of services Provided	Amount Charged	Taxability
A	Transportation of Milk	₹20,000	Exempt. Transportation of milk by goods transport agency is exempt.
B	Transportation of books on a consignment transported in a single goods carriage	₹3,000	GST is payable. Exemption is available for transportation of goods only where the consideration for transportation of goods on a consignment transported in a single goods carriage does not exceed ₹1,500
C	Transportation of chairs for a single consignee in the goods carriage	₹600	Exempt. Transportation of goods where consideration for transportation of all goods for a single consignee does not exceed ₹750/- is exempt.

### **9. GOODS TRANSPORT AGENCY (GTA) SERVICE**

**Entry No. 21:** Services provided by a goods transport agency, by way of transport in a goods carriage of –

- (a) agricultural produce;
- (b) goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed ₹ 1,500;
- (c) goods, where consideration charged for transportation of all such goods for a single consignee does not exceed ₹ 750;
- (d) milk, salt and food grain including flour, pulses and rice;
- (e) organic manure;
- (f) newspaper or magazines registered with the Registrar of Newspapers;
- (g) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or
- (h) defence or military equipments.

**Question:** Babloo Transporters, a Goods Transport Agency, transported relief materials meant for victims of Kerala floods, a natural disaster, by road from Delhi to Ernakulam, for a company. Babloo Transporters is of the view that it is not liable to pay GST on the said services provided as said services are exempt.

You are required to advise it on the said issue.

**Answer:** Services provided by a goods transport agency, by way of transport in a goods carriage of relief materials meant for victims of, inter alia, natural or man-made disasters, calamities, are exempt from GST. Therefore, services provided by Babloo Transporters will be exempt from GST.

**Entry No. 21A:** Services provided by a GTA to an unregistered person, including an unregistered casual taxable person, other than the following recipients, namely: -

- (a) any factory registered under/governed by the Factories Act, 1948; or
- (b) any Society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or

- (c) any Co-operative Society established by or under any law for the time being in force; or
- (d) any body corporate established, by or under any law for the time being in force; or
- (e) any partnership firm whether registered or not under any law including association of persons;
- (f) any **casual taxable person registered** under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act.

**Entry No. 21B:** Services provided by a **GTA**, by way of transport of goods in a goods carriage, to, -

- (a) a Department or Establishment of the Central Government or State Government or Union territory; or
- (b) local authority; or
- (c) Governmental agencies, which has taken registration under the Central Goods and Services Tax Act, 2017 only for the purpose of deducting tax under section 51 and not for making a taxable supply of goods or services.

### Analysis

#### Who is a GTA – Goods Transport Agency?

Goods transport agency has been defined in the Notification to mean any person who:

- ❖ provides service **in relation to transport of goods by road** and
  - ❖ issues **consignment note**, by whatever name called.
- Thus, it can be seen that **issuance of a consignment note is the *sine-qua-non* for a supplier of service to be considered as a GTA**. If such a consignment note is not issued by the transporter, the service provider will not come within the ambit of GTA.
  - **If a consignment note is issued, it indicates that the lien on the goods has been transferred** (to the transporter) and the transporter becomes responsible for the goods till its safe delivery to the consignee. It is only the services of such GTA, which assumes agency functions, that has been brought into the GST net.
  - **Individual truck/tempo operators who do not issue any consignment note are not covered within the meaning of the term GTA**. As a result, the services provided by such individual transporters who do not issue a consignment note will be covered by the entry at Entry 18 of Notification, which are exempt from GST.

**Example:** Hari Prasad owns a truck and operates it himself. He carries the goods booked for his truck without issuance of consignment note. Services provided by Hari Prasad by way of transportation of goods by road are exempt under Entry 18 of the Notification.

- **Consignment note** means a document, issued by a GTA against the receipt of goods for the purpose of transport of goods by road in a goods carriage, which is serially numbered, and contains:
  - ✓ the name of the consignor and consignee,
  - ✓ registration number of the goods carriage in which the goods are transported,
  - ✓ details of the goods transported,
  - ✓ details of the place of origin and destination,
  - ✓ gross weight of the consignment;
  - ✓ GSTIN of the person liable for paying tax whether consignor, consignee or GTA
  - ✓ other particulars as prescribed for a tax invoice.

### MAY 2019 (OLD COURSE)

#### Question 10 (a)

(4 Marks)

Explain the meaning of consignment note in relation to Goods Transport Agency and state its contents as per provisions of the CGST Act, 2017.

**Answer: Refer answer given in the book.**

**Significance of the term ‘in relation to’ in the definition of GTA**

The use of the phrase ‘in relation to’ has extended the scope of the definition of GTA. It includes not only the actual transportation of goods, but also various intermediary and ancillary services, such as, loading/unloading, packing/ unpacking, transshipment and temporary warehousing, which are provided in the course of transport of goods by road.

These services are not provided as independent services but as ancillary to the principal service, namely, transportation of goods by road. The invoice issued by the GTA for providing the said service includes the value of intermediary and ancillary services.

In view of this, if any intermediary and ancillary service is provided in relation to transportation of goods by road, and charges, if any, for such services are included in the invoice issued by the GTA, such service would form part of the GTA service, being a composite supply, and would not be treated as a separate supply.

However, if such incidental services are provided as separate services and charged separately, whether in the same invoice or separate invoices, they shall be treated as separate supplies.

**Illustration 13:** Discuss whether GST is payable in respect of transportation services provided by Raghav Goods Transport Agency in each of the following independent cases:

Customer	Nature of services provided	Amount charged
A	Transportation of milk	₹ 20,000
B	Transportation of books on a consignment transported in a single goods carriage	₹ 3,000
C	Transportation of chairs for a single consignee in the goods carriage	₹ 600

**Solution:**

Customer	Nature of services provided	Taxability
A	Transportation of milk	Exempt. Transportation of milk by goods transport agency is exempt.
B	Transportation of books on a consignment transported in a single goods carriage	GST is payable. Exemption is available for transportation of goods only where the consideration for transportation of goods on a consignment transported in a single goods carriage does not exceed ₹ 1,500.
C	Transportation of chairs for a single consignee in the goods carriage	Exempt. Transportation of goods where consideration for transportation of all goods for a single consignee does not exceed ₹ 750 is exempt.

**10. BANKING AND FINANCIAL SERVICES**

**Entry No. 26:** Services by the Reserve Bank of India. All services **provided by** the Reserve Bank of India are covered under Entry 26 and are thus, exempt from GST. However, services **provided to** the Reserve Bank of India are not covered under said entry and would be taxable unless otherwise covered in any other entry of the Notification.

**Entry No. 27:** Services by way of—

(a) **extending deposits, loans or advances** in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services);

(b) *inter se* **sale or purchase of foreign currency** amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers.

**Entry No. 27A:** Services provided by a **banking company to Basic Saving Bank Deposit (BSBD) account holders** under Pradhan Mantri Jan Dhan Yojana (PMJDY).

**Entry No. 34:** Services by an acquiring bank, to any person in relation to settlement of an amount upto ₹ 2,000 in a single transaction transacted through credit card, debit card, charge card or other payment card service.

*Explanation.*— For the purposes of this entry, “**acquiring bank**” means any banking company, financial institution including non-banking financial company or any other person, who makes the payment to any person who accepts such card.

**Entry No. 39A:** Services by an intermediary of financial services located in a multi services SEZ with International Financial Services Centre (IFSC) status to a customer located outside India for international financial services in currencies other than Indian rupees (INR).

*Explanation.*- For the purposes of this entry, the intermediary of financial services in IFSC is a person,-

(i) who is permitted or recognised as such by the Government of India or any Regulator appointed for regulation of IFSC; or

(ii) who is treated as a person resident outside India under the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015; or

(iii) who is registered under the Insurance Regulatory and Development Authority of India (International Financial Service Centre) Guidelines, 2015 as IFSC Insurance Office; or

(iv) who is permitted as such by Securities and Exchange Board of India (SEBI) under the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015.

Specified banking services exempt from GST vide Entry 27 have been discussed below:

**Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount:** This entry covers any such service wherein moneys due are allowed to be used or retained on payment of interest or on a discount. The words used are ‘**deposits, loans or advances**’ and have to be taken in the generic sense.

They would cover any facility by which an amount of money is lent or allowed to be used or retained on payment of what is commonly called the time value of money which could be in the form of an interest or a discount. **This entry would not cover investments by way of equity or any other manner where the investor is entitled to a share of profit.**

**Interest:** means interest payable in any manner in respect of any moneys borrowed or debt incurred (including a deposit, claim or other similar right or obligation) but does not include any service fee or other charge in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilized.

- **Illustrations of services exempt under Entry 27** are -
  - ✓ Fixed deposits or saving deposits or any other such deposits in a bank or a financial institution for which return is received by way of interest.
  - ✓ Providing a loan or overdraft facility or a credit limit facility in consideration for payment of interest.
  - ✓ Mortgages or loans with a collateral security to the extent that the consideration for advancing such loans or advances are represented by way of interest.
  - ✓ Corporate deposits to the extent that the consideration for advancing such loans or advances are represented by way of interest or discount.
- **Service charges/ fees, documentation fees, broking charges, administrative charges, entry charges or such like fees or charges collected over and above interest** on loan, advance or a deposit are not exempt and thus, represent taxable consideration.
- **Invoice discounting/ cheque discounting or any other similar form of discounting** is covered only to the extent consideration is represented by way of discount as such discounting is a manner of extending a credit facility or a loan.
- **Any interest/ delayed payment charges charged to clients for delay in payment of brokerage amount/ settlement obligations/ margin trading facility:** is exempt from GST since settlement obligations/ margin trading facilities are transactions which are in the nature of extending loans or advances and are covered by Entry 27.



- **Charges for late payment of outstanding dues on credit card:** Interest charged on outstanding credit card balances has been specifically excluded from Entry 27. Hence, the same is liable to GST.

**Illustration 14:** M/s. Apna Bank Limited, a scheduled commercial bank, has furnished the following details for the month of August:

Particulars	Amount [₹ in crores] (excluding GST)
Extended housing loan to its customers	100
Processing fees collected from its customers on sanction of loan	20
Commission collected from its customers on bank guarantee	30
Interest income on credit card issued by the bank	40
Interest received on housing loan extended by the bank	25
Minimum balance charges collected from current account and saving account holder	01
Compute the value of taxable supply.	

**Answer:**

**Computation of value of taxable supply of M/s. Apna Bank Limited for the month of August:**

Particulars	Amount in crores (₹)
Housing loan extended to customers [Since money does not constitute goods, extending housing loan is not a supply.]	Nil
Processing fee collected on sanction of loan [Interest does not include processing fee on sanction of the loan. Hence, the same is taxable.]	20
Commission collected on bank guarantee [Any commission collected over and above interest on loan, advance or deposit are not exempt.]	30
Interest income on credit card issued by the bank [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax. However, interest involved in credit card services is specifically excluded from this exemption entry.]	40
Interest received on housing loan [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax.]	Nil
Minimum balance charges collected from current account and saving account holder [Any charges collected over and above interest on loan, advance or deposit are not exempt.]	01
Value of taxable supply	91

**Illustration 15:** Robinson Bank Ltd. furnishes the following information relating to services provided and the gross amount received during the month of December, 2021. Compute the value of taxable service and GST payable:

	₹
(i) Amount of commission received for debt collection service	10,00,000.00
(ii) Discount earned on bills discounted	4,50,000.00
(iii) Inter se sale or purchase of foreign currency amongst banks	5,70,000.00
(iv) Charges received on credit card and debit card facilities extended	3,80,000.00
(v) Penal interest recovered from the customers for the delay in repayment of loan	2,60,000.00
(vi) Commission received for service rendered to Government for tax collection	6,00,000.00

(Show the workings with explanation wherever required)

Presume all the above amounts are inclusive of GST and also rate of CGST @ 9% and SGST @ 9%.

**Solution:** Computation of value of taxable service and GST Payable by Robinson Bank Ltd.

Sl. No	Particulars	Amount in (₹)
(i)	Amount of commission received for debt collection service	10,00,000
(ii)	Discount earned on bills discounted	Nil
(iii)	Inter se sale or purchase of foreign currency amongst banks	Nil
(iv)	Charges received on credit card and debit card facilities extended	3,80,000

(v)	Penal interest recovered from the customers for the delay in repayment of loan	Nil
(vi)	Commission received for service rendered to Government for tax collection	6,00,000
	<b>Total</b>	<b>19,80,000</b>
	<b>Value of Taxable Services [ 19,80,000/118 x 100]</b>	<b>16,77,966.10</b>
	<b>CGST @ 9%</b>	<b>1,51,016.95</b>
	<b>Rounded off</b>	<b>1,51,017.00</b>
	<b>SGST @ 9%</b>	<b>1,51,016.95</b>
	<b>Rounded off</b>	<b>1,51,017.00</b>

Notes:

1. Debt collection GST is taxable.
2. Discount is covered in exemption.
3. Inter se sale or purchase of foreign currency is covered in the exemption hence no GST.

**Illustration 16:** Euro Bank Ltd. furnishes the following information relating to services provided and the gross amount received (excluding GST):

Particulars	Amount (₹)
Interest on overdraft	5,00,000
Interest on loans with a collateral security	6,00,000
Interest on corporate deposits	10,00,000
Administrative charges (over and above interest) on loans, advances and deposits	6,00,000
Sale of foreign exchange to general public	15,00,000
Service charges relating to issuance of Certificates of Deposit (CDs)	20,00,000

Compute the value of taxable service and the GST liability of Euro Bank Ltd. considering the rate of CGST at 9% and SGST at 9%.

**Solution:** Computation of value of taxable service and GST liability of Euro Bank Ltd.

Particulars	Amount (₹)
Interest on overdraft	Nil
Interest on loans with a collateral security	Nil
Interest on corporate deposits	Nil
Administrative charges (over and above interest) on loans, advances and deposits	6,00,000
Sale of foreign exchange to general public	15,00,000
Service charges relating to issuance of CD	<u>20,00,000</u>
Value of taxable service	<u>41,00,000</u>
CGST @ 9% [₹41,00,000 × 9%]	3,69,000
SGST @ 9% [₹41,00,000 × 9%]	3,69,000

### MAY 2019 (NEW COURSE)

**Question 6 (a)**

**Marks 6**

M/s. Apna Bank Limited as Scheduled Commercial Bank has furnished the following details for the month of August, 2021:

Particulars	Amount ₹ in Crores (Excluding GST)
Extended Housing Loan to its customers	100
Processing fees collected from its customers on sanction of loan	20
Commission collected from its customers on bank guarantee	30
Interest income on credit card issued by the bank	40
Interest received on housing loan extended by the bank	25
Minimum balance charges collected from current account and saving account holder	01

Compute the Value of Taxable supply. Give reasons with suitable assumptions.

**Solution: Computation of value of taxable service and GST Payable by Apna Bank Limited.**

Sl. No	Particulars	Amount (₹) in crores
(i)	Extended Housing Loan to its customers	Nil
(ii)	Processing fees collected from its customers on sanction of loan	20
(iii)	Commission collected from its customers on bank guarantee	30
(iv)	Interest income on credit card issued by the bank	40
(v)	Interest received on housing loan extended by the bank	Nil
(vi)	Minimum balance charges collected from current account and saving account holder	01
	<b>Value of Taxable supply</b>	<b>91</b>

**Notes:**

1. Interest Income on credit card issued by the bank is not covered under exemption hence GST is payable.
2. Extending Housing loan to its customer is covered under exemption hence no GST is payable.

### **11. LIFE INSURANCE BUSINESS SERVICES**

**Entry No. 28:** Services of life insurance business provided by way of annuity under the **National Pension System** regulated by the Pension Fund Regulatory and Development Authority of India under the Pension Fund Regulatory and Development Authority Act, 2013.

**Entry No. 29:** Services of life insurance business provided or agreed to be provided by the **Army, Naval and Air Force Group Insurance Funds** to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of the Central Government.

**Entry No. 29A:** Services of life insurance provided or agreed to be provided by the **Naval Group Insurance Fund** to the personnel of Coast Guard under the Group Insurance Schemes of the Central Government.

**Entry No. 29B:** *Services of life insurance provided/agreed to be provided by the Central Armed Police Forces (under Ministry of Home Affairs) Group Insurance Funds to their members under the Group Insurance Schemes of the concerned Central Armed Police Force.*

**Entry No. 36:** Services of life insurance business provided under following schemes-

- (a) Janashree Bima Yojana;
- (b) Aam Aadmi Bima Yojana;
- (c) Life micro-insurance product\*\* as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of ₹ 2,00,000;
- (d) Varishtha Pension Bima Yojana;
- (e) Pradhan Mantri Jeevan Jyoti Bima Yojana;
- (f) Pradhan Mantri Jan Dhan Yojana;
- (g) Pradhan Mantri Vaya Vandana Yojana.

**\*\*Life micro-insurance product** means any term insurance contract with/without return of premium, any endowment insurance contract or health insurance contract, with/without an accident benefit rider, either on individual/group basis, as per terms stated in Schedule-II appended to the regulations [Regulation 2(e) of the Insurance Regulatory and Development Authority (Micro-insurance) Regulations, 2005].

## **12. SERVICES PROVIDED BY SPECIFIED BODIES**

**Entry No. 30:** Services by the **Employees' State Insurance Corporation** to persons governed under the Employees' State Insurance Act, 1948.

**Entry No. 31:** Services provided by the **Employees Provident Fund Organisation** to the persons governed under the Employees Provident Funds and the Miscellaneous Provisions Act, 1952.

**Entry No. 31A:** Services by **Coal Mines Provident Fund Organisation** to persons governed by the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948.

**Entry No. 31B:** Services by **National Pension System (NPS) Trust** to its members against consideration in the form of administrative fee.

**Entry No. 32:** Services provided by the **IRDAI** (Insurance Regulatory and Development Authority of India) to **insurers** under IRDAI Act, 1999.

**Entry No. 33:** Services provided by the **SEBI** (Securities and Exchange Board of India) set up under the SEBI Act, 1992 by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market.

## **13. GENERAL INSURANCE BUSINESS SERVICES**

**Entry No. 35:** Services of **general insurance business** provided under following schemes –

- (a) Hut Insurance Scheme;
- (b) Cattle Insurance under Swarnajaynti Gram Swarozgar Yojna;
- (c) Scheme for Insurance of Tribals;
- (d) Janata Personal Accident Policy and Gramin Accident Policy;
- (e) Group Personal Accident Policy for Self-Employed Women;
- (f) Agricultural Pumpset and Failed Well Insurance;
- (g) premia collected on export credit insurance;
- (h) Restructured Weather Based Crop Insurance Scheme (RWCIS), approved by the Government of India and implemented by the Ministry of Agriculture;
- (i) Jan Arogya Bima Policy;
- (j) Pradhan Mantri Fasal Bima Yojana (PMFBY);
- (k) Pilot Scheme on Seed Crop Insurance;
- (l) Central Sector Scheme on Cattle Insurance;
- (m) Universal Health Insurance Scheme;
- (n) Rashtriya Swasthya Bima Yojana;
- (o) Coconut Palm Insurance Scheme;
- (p) Pradhan Mantri Suraksha Bima Yojana;
- (q) Niramaya Health Insurance Scheme implemented by the Trust constituted under the provisions of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999.
- (r) Bangla Shasya Bima

**Entry No. 36A:** Services by way of reinsurance of the insurance schemes specified in serial number 35 or 36.

### **Pension schemes**

**Entry No. 37:** Services by way of collection of contribution under the Atal Pension Yojana.

**Entry No. 38:** Services by way of collection of contribution under any pension scheme of the State Governments.

#### **14. BUSINESS FACILITATOR/CORRESPONDENT**

**Entry 39:** Services by the following persons in respective capacities –

- (a) business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch;
- (b) any person as an intermediary to a business facilitator or a business correspondent with respect to services mentioned in entry (a); or
- (c) business facilitator or a business correspondent to an insurance company in a rural area.

#### **15. SERVICES PROVIDED TO GOVERNMENT**

**Entry No. 3A: Composite supply of goods and services TO Government:**

- Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply
- provided to the Central Government, State Government or Union territory or local authority or a Governmental authority or a Government Entity
- by way of any activity:
  - ✓ in relation to any function entrusted to a Panchayat under article 243G of the Constitution or
  - ✓ in relation to any function entrusted to a Municipality under article 243W of the Constitution.

**Entry No. 11A:** Service provided by **Fair Price Shops** to Central Government, State Government or Union territory by way of sale of food grains, kerosene, sugar, edible oil, etc. under Public Distribution System against consideration in the form of commission or margin.

**Entry No. 40:** Services provided to the Central Government, State Government, Union territory **under any insurance scheme** for which total premium is paid by the Central Government, State Government, Union territory.

**Entry No. 72:** Services provided to the Central Government, State Government, Union territory administration **under any training programme** for which **75% or more** of the total expenditure is borne by the Central Government, State Government, Union territory administration.

**Entry No. 51:** Services provided by the **GSTN** (Goods and Services Tax Network) to the Central Government or State Governments or Union territories for implementation of Goods and Services Tax.

**Example:** Supply of manpower for cleanliness of roads, public places, architect services, consulting engineer services, advisory services, and like services provided by business entities not involving any supply of goods would be treated as supply of pure services.

**Example:** A governmental authority awards the work of maintenance of streetlights in a Municipal area to an agency which involves apart from maintenance, replacement of defunct lights and other spares. In this case, the scope of the service involves maintenance work and supply of goods, i.e. composite supply of goods and services.

#### **16. LEASING SERVICES**

**Entry No. 41:** Upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable in respect of service by way of granting of long term lease of 30 years, or more) of industrial plots or plots for development of infrastructure for financial business, provided by the State Government Industrial Development Corporations or Undertakings or by any other entity having **20%** or more ownership of Central Government, State Government, Union territory to the industrial units or the developers in any industrial or financial business area.

Explanation - For the purpose of this exemption, the Central Government, State Government or Union territory shall have **20%** or more ownership in the entity directly or through an entity which is wholly owned by the Central Government, State Government or Union territory.

Aforesaid exemption is admissible irrespective of whether such upfront amount is payable/paid in one/more instalments, provided the amount is determined upfront.

**Conditions:**

**1. The leased plots shall be used for the purpose for which they are allotted, that is, for industrial or financial activity in an industrial or financial business area.**

**2. State Government concerned shall monitor and enforce the above condition as per the order issued by the State Government in this regard.**

**3. In case of any violation or subsequent change of land use, due to any reason whatsoever, the original lessor, original lessee as well as any subsequent lessee/ buyer/ owner shall be jointly and severally liable to pay such amount of central tax, as would have been payable on the upfront amount charged for the long term lease of the plots but for the exemption contained herein, along with the applicable interest and penalty.**

**4. The lease agreement entered into by the original lessor with the original lessee or subsequent lessee, or sub- lessee, as well as any subsequent lease/ sale agreements, for lease or sale of such plots to subsequent lessees or buyers or owners shall incorporate in the terms and conditions, the fact that the central tax was exempted on the long term lease of the plots by the original lessor to the original lessee subject to above condition and that the parties to the said agreements undertake to comply with the same.**

<b>17. LEGAL SERVICES</b>
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**Legal Services [Entry No.45]**

Services provided by-

**(a) a partnership firm of Advocates or an individual as an Advocate other than a Senior Advocate, by way of legal services to-**

- (i) an advocate or partnership firm of advocates providing legal services;
- (ii) any person other than a business entity; or
- (iii) a business entity with an aggregate turnover up to **such amount in the preceding financial year as makes it eligible for exemption from registration;**
- (iv) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity

**Example:**

(i) Mr. X an Advocate has given services to Mr. Y an advocate, In this case it is exempt from GST.

(ii) Mr. X an Advocate has given services to Mr. Y a business entity with turnover upto prescribed limit in the preceding year, In this case it is exempt from GST.

(iii) Mr. X an Advocate has given services to Mr. Y a business entity with turnover exceeding prescribed limit in the preceding year, In this case it is chargeable to GST.(Recipient shall pay tax under reverse charge)

**(b) a Senior Advocate by way of legal services to-**

- (i) any person other than a business entity; or
- (ii) a business entity with an aggregate turnover up to **such amount in the preceding financial year as makes it eligible for exemption from registration.**
- (iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity

**Example:**

(i) Mr. X an Senior Advocate has given services to Mr. Y an advocate, In this case it is exempt from GST provided turnover of Mr. Y is not exceeding prescribed limit in the preceding year otherwise it is taxable and Mr. Y will pay tax under Reverse Charge. (In this case no special exemption rather advocate receiving service shall also be treated like business entity)

(ii) Mr. X an Senior Advocate has given services to Mr. Y a business entity with turnover upto prescribed limit in the preceding year, In this case it is exempt from GST.

(iii) Mr. X an Senior Advocate has given services to Mr. Y a business entity with turnover exceeding prescribed limit in the preceding year, In this case it is chargeable to GST.(Recipient shall pay tax under reverse charge)

**(c) an Arbitral Tribunal to –**

(i) any person other than a business entity; or

(ii) a business entity with an aggregate turnover up to **such amount in the preceding financial year as makes it eligible for exemption from registration;**

(iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.

**"business entity"** means any person carrying out business. The term business shall have the same meaning as given u/s 2(17) of CGST Act.

**Example:** Pyarelal & Co. has obtained registration under GST in the preceding financial year. In the current FY, it sought legal consultancy services for its business from Nyay Advocates – a partnership firm of advocates. The legal services so received by Pyarelal & Co. are not exempt because its aggregate turnover exceeds the threshold exemption limit of registration in the preceding financial year. Further, the tax on the said legal services is payable by Pyarelal & Co. under reverse charge.

**Example:**

(i) Mr. X an Advocate has given services to Mr. Y an advocate, In this case it is exempt from GST.

(ii) Mr. X an Advocate has given services to Mr. Y a business entity with turnover upto prescribed limit in the preceding year, In this case it is exempt from GST.

(iii) Mr. X an Advocate has given services to Mr. Y a business entity with turnover exceeding prescribed limit in the preceding year, In this case it is chargeable to GST.(Recipient shall pay tax under reverse charge)

**Example:**

(i) Mr. X an Senior Advocate has given services to Mr. Y an advocate, In this case it is exempt from GST provided turnover of Mr. Y is not exceeding prescribed limit in the preceding year otherwise it is taxable and Mr. Y will pay tax under Reverse Charge. (In this case no special exemption rather advocate receiving service shall also be treated like business entity)

(ii) Mr. X an Senior Advocate has given services to Mr. Y a business entity with turnover upto prescribed limit in the preceding year, In this case it is exempt from GST.

(iii) Mr. X an Senior Advocate has given services to Mr. Y a business entity with turnover exceeding prescribed limit in the preceding year, In this case it is chargeable to GST.(Recipient shall pay tax under reverse charge)

**Example of services by Arbitral Tribunal / Advocates**

Sl.No.	Service Provider	Service Receiver	Taxable/Exempt	Taxability
01.	Arbitral Tribunal	Mr. A	Exempt	
02.	Arbitral Tribunal	ABC Ltd. (Turnover ₹8 Lakh in the preceding year)	Exempt	
03.	Arbitral Tribunal	ABC Ltd. (Turnover ₹45 Lakh preceding year)	Taxable	Reverse Charge applicable and Service Recipient shall be liable to pay GST.

04.	Mr. A (An individual advocate)	Mr. B (an individual advocate)	Exempt	
05.	Mr. A (an individual advocate)	Mr. B	Exempt	
06.	Mr. A (An individual advocate)	ABC Ltd. (Turnover ₹7 Lakh in the preceding year)	Exempt	
07.	XYZ (Partnership firm of Advocates)	ABC Ltd. (Turnover ₹43 Lakh preceding year)	Taxable	Reverse Charge applicable and Service Recipient shall be liable to pay GST.

### **18. SPONSORSHIP OF SPORTS EVENTS**

**Entry 53:** Services by way of sponsorship of sporting events organised -

- (a) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State, zone or Country;
- (b) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;
- (c) by the Central Civil Services Cultural and Sports Board;
- (d) as part of national games, by the Indian Olympic Association; or
- (e) under the Panchayat Yuva Kreedha Aur Khel Abhiyaan Scheme.

### **19. SKILL DEVELOPMENT SERVICES**

**Entry No. 69:** Any services provided by, \_

- (a) the National Skill Development Corporation set up by the Government of India;
- (b) a Sector Skill Council approved by the National Skill Development Corporation;
- (c) an assessment agency approved by the Sector Skill Council or the National Skill Development Corporation;
- (d) a training partner approved by the National Skill Development Corporation or the Sector Skill Council, in relation to-
  - (i) the National Skill Development Programme implemented by the National Skill Development Corporation; or
  - (ii) a vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or
  - (iii) any other Scheme implemented by the National Skill Development Corporation.

**Entry No. 70:** Services of **assessing bodies empanelled centrally** by the Directorate General of Training, Ministry of Skill Development and Entrepreneurship by way of assessments under the Skill Development Initiative Scheme.

**Entry No. 71:** Services provided by training providers (Project implementation agencies) under **Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDUGKY)** implemented by the Ministry of Rural Development, Government of India by way of offering skill or vocational training courses certified by the National Council for Vocational Training.



**20. PERFORMANCE BY AN ARTIST**

**Entry 78:** Services by an artist by way of a performance in folk or classical art forms of-

- (a) music, or
- (b) dance, or
- (c) theatre,

if the consideration charged for such performance is not more than ₹ 1,50,000 are exempt from GST.

The activities by a performing artist in folk or classical art forms of music, dance, or theatre are exempt if consideration does not exceed ₹ 1,50,000. However, if consideration from such activities exceeds ₹ 1,50,000, entire consideration is subject to GST.

Further, all other activities by an artist in **other art forms** e.g. western music or dance, modern theatres, performance of actors in films or television serials would be taxable. Similarly activities of artists in **still art forms** e.g. painting, sculpture making etc. are **taxable**.

However, the exemption shall not apply to service provided by such artist as a brand ambassador. **‘Brand ambassador’** means a person engaged for promotion or marketing of a brand of goods, service, property or actionable claim, event or endorsement of name, including a trade name, logo or house mark of any person.

**Illustration 17:** Determine the GST payable, if any, in each of the following independent cases, assuming that the rate of GST is 18% and that the service providers are registered:

- (a) Bollywood dance performance by a film actor in a film and consideration charged is ₹ 1,45,000.
- (b) Carnatic music performance by a classical singer to promote a brand of readymade garments and consideration charged is ₹ 1,30,000.
- (c) Carnatic music performance by a classical singer in a music concert and consideration charged is ₹ 1,55,000.
- (d) Kathak dance performance by a classical dancer in a cultural programme and consideration charged is ₹ 1,45,000.

**Answer:** (a) Bollywood Dance performance by a film actor in a film is not exempt from GST even though the consideration charged is less than threshold limit of ₹ 1,50,000. The reason for the same is that the dance performance by an artist is exempt only if it is a performance in folk or classical art forms of dance.

(b) Carnatic music performance by a classical singer to promote a brand of readymade garments is not exempt from GST even though, the consideration charged is less than threshold limit of ₹ 1,50,000 and it is a performance in classical art forms of music. The reason for the same is that the said exemption is not applicable to service provided by such artist as a brand ambassador.

(c) Carnatic music performance by a classical singer in a music concert is not exempt from GST even though it is a performance in classical art forms of music. The reason for the same is the consideration charged for the service exceeds ₹ 1,50,000. Consequently, entire consideration charged is subject to GST as follows:

$$= ₹ 1,55,000 \times 18\% = ₹ 27,900$$

(d) Kathak dance performance by a classical dancer in a cultural programme is exempt from GST as it is a performance in classical art forms of dance and consideration charged does not exceed ₹ 1,50,000 [i.e. ₹1,45,000].

**Question:** RXL Pvt. Ltd. manufactures a beauty soap with the brand name ‘Forever Young’. RXL Pvt. Ltd. has organized a concert to promote its brand. Ms. Ahana Kapoor, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert worth ₹ 1,20,000 will be donated to a charitable organization.

Examine whether Ms. Ahana Kapoor will be required to pay any GST?

**Answer:** 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 ₹ 1,50,000. However, such exemption is not available in respect of service provided by such artist as a brand ambassador.

Since Ms. Ahana Kapoor is the brand ambassador of 'Forever Young' soap manufactured by RXL Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by RXL Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST. The fact that the proceeds of the concert will be donated to a charitable organization will not have any bearing on the eligibility or otherwise to the above-mentioned exemption.

## **21. RIGHT TO ADMISSION TO VARIOUS EVENTS**

**Entry No. 79:** Services by way of admission to a **museum, national park, wildlife sanctuary, tiger reserve or zoo.**

**Entry No. 79A:** Services by way of admission to a **protected monument** so declared under the Ancient Monuments and Archaeological Sites & Remains Act 1958 or any of the State Acts, for the time being in force.

**Entry No. 81:** Services by way of right to admission to-

- (a) circus, dance, or theatrical performance including drama or ballet;
- (b) award function, concert, pageant, musical performance or any sporting event other than a recognised sporting event;
- (c) recognised sporting event;
- (d) planetarium,

where the consideration for right to admission is not more than ₹ 500 per person.

**Recognised sporting event** means any sporting event,-

- (i) organised by a recognised sports body where the participating team or individual represent any district, state, zone or country;
- (ii) organized
  - (A) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State or zone;
  - (B) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;
  - (C) by Central Civil Services Cultural and Sports Board;
  - (D) as part of national games, by Indian Olympic Association; or
  - (E) under Panchayat Yuva Kreedha Aur Khel Abhiyaan (PYKKA) Scheme.

**Recognised sports body** means –

- (i) the Indian Olympic Association;
- (ii) Sports Authority of India;
- (iii) a national sports federation recognised by the Ministry of Sports and Youth Affairs of the Central Government, and its affiliate federations;
- (iv) national sports promotion organisations recognised by the Ministry of Sports and Youth Affairs of the Central Government;
- (v) the International Olympic Association or a federation recognised by the International Olympic Association; or
- (vi) a federation or a body which regulates a sport at international level and its affiliated federations or bodies regulating a sport in India.

## **22. SERVICES BY AN UNINCORPORATED BODY OR A NON- PROFIT ENTITY**

**Entry No. 77:** Service by an unincorporated body or a non- profit entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of contribution –

(a) as a trade union

(b) for the provision of carrying out any activity which is exempt from the levy of Goods and Services Tax; or

(c) up to an amount of ₹ 7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex.

**Entry No. 77A:** Services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in,-

(i) activities relating to the welfare of industrial or agricultural labour or farmers; or

(ii) promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment, to its own members against consideration in the form of membership fee upto an amount of ₹ 1000/- per member per year.

### **Analysis**

#### **Co-operative Housing Society**

Co-operative Housing Societies are entities registered under the co-operative laws of the respective States. A Co-operative Housing Society is a collective body of persons, who stay in a residential society and as a collective body, they supply certain services to its members, like collecting statutory dues from its members and remitting to statutory authorities, maintenance of the building, security etc.

A Co-operative Housing Society is akin to a club, which is composed of its members. Service provided by a Housing Society [Resident Welfare Association (RWA)] to its members is treated as service provided by one person to another. The activities of the housing society/RWA would attract the levy of GST and the housing society would be required to register and comply with the GST Law, unless specifically exempted.

#### **GST exemption on services provided by a Co-operative Housing Society**

If the aggregate turnover of housing society/RWA providing services to its members is above the applicable threshold limit for registration, it needs to take registration under GST in terms of section 22 of the CGST Act, 2017. However, taking registration does not mean that the housing society has to compulsorily charge GST in the monthly maintenance bills raised on its members. If the services provided by it are exempt under an exemption notification, then it is not required to charge GST on the said services, even if it is registered under GST.

For instance, in view of entry 77(c) above, supply of service by a RWA (unincorporated body or a non-profit entity registered under any law) to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹ 7500 per month per member for providing services and goods for the common use of its members in a housing society/a residential complex are exempt from GST.

So, there can be case where a society is registered under GST, but the monthly contribution received from all the members is less than ₹ 7,500/- per member (and the amount is for the purpose of sourcing of goods and services from a third person for the common use of its members). In such a case, no GST is to be charged by the housing society on the monthly bill raised by the society.

**Example:** RWA of Chulbul Housing Society, registered under GST, collected the maintenance charges of ₹ 6,000 per month per member. In this case, no GST is to be charged by the RWA.

However, in above case, if the monthly contribution exceeds ₹ 7,500/- per member, entire contribution is taxable.

**Example:** If, in above example, other things remaining the same, the RWA of Chulbul Housing Society collected the maintenance charges of ₹ 9,000 per month per member, GST @18% shall be payable on the entire amount of ₹ 9,000 and not on [₹ 9,000 - ₹ 7,500] = ₹ 1,500.

There can also be a case where the aggregate turnover of the society/RWA is less than the applicable threshold limit for registration and the monthly contribution of all the individual members towards

maintenance is less than ₹ 7,500/- (such services being exempt). Further, the society is providing no other taxable service to its members or outsiders. In this case, the society (essentially exclusively providing wholly exempt services) need not take registration under GST.

**Example:** The turnover of RWA of Bulbul Housing Society located in New Delhi in a financial year is ₹15 lakh. It has collected the maintenance charges of ₹ 6,000 per month per member. RWA is not providing any other taxable service to its members. In this case, RWA is not required to take registration under GST since its aggregate turnover is less than the applicable threshold limit of ₹ 20 lakh.

However, an RWA is not required to obtain registration even though the amount of maintenance charges exceeds ₹ 7500/- per month per member but the aggregate turnover of the RWA in a financial year does not exceed the threshold limit for registration.

**Example:** In the above example, other things remaining the same, if the maintenance charges collected by the RWA are ₹ 8,000 per month per member, RWA is still not required to take registration under GST since its aggregate turnover is less than the applicable threshold limit of ₹ 20 lakh.

The above discussion has been summarized as under:

\* ₹10 lakh in case of Special Category States of Manipur, Mizoram, Nagaland and Tripura

Thus, RWA shall be required to pay GST on monthly subscription/ contribution charged from its members, only if such subscription is more than ₹ 7500/- per month per member and the annual aggregate turnover of RWA by way of supplying of services and goods is also more than ₹ 20 lakh. In other words,

Annual turnover of RWA	Monthly maintenance charge	Whether exempt?
More than ₹ 20 lakh*	More than ₹ 7500/-	No
	₹ 7500/- or less	Yes
₹ 20 lakh or less	More than ₹ 7500/-	Yes
	₹ 7500/- or less	Yes

\* ₹10 lakh in case of Special Category States of Manipur, Mizoram, Nagaland and Tripura

There may also be cases where a person owns 2 or more flats in the housing society/residential complex. The question arises whether the ceiling of ₹ 7500/- per month per member on the maintenance for the exemption to be available shall be applied per residential apartment or per person.

As per general business sense, a person who owns 2 or more residential apartments in a housing society or a residential complex shall normally be a member of the RWA for each residential apartment owned by him separately. Consequently, the ceiling of ₹ 7500/- per month per member shall be applied separately for each residential apartment owned by him.

**Example:** Gareeb Chand owns two residential apartments in a residential complex and pays ₹ 15,000/- per month as maintenance charges towards maintenance of these two apartments to the RWA (₹ 7,500/- per month in respect of each residential apartment). In this case, the exemption from GST shall be available with respect to maintenance charges paid for each apartment.

It is important to note that RWA is entitled to take ITC of GST paid by them on capital goods (generators, water pumps, lawn furniture etc.), goods (taps, pipes, other sanitary/hardware fillings etc.) and input services such as repair and maintenance services, used by it for making supplies to its members and use such ITC for discharge of GST liability on such supplies where the amount charged for such supplies is more than ₹ 7,500 per month per member.

**Example:** RWA of Tintin Housing Society, registered under GST, has collected the maintenance charges of ₹ 9,000 per month per member from 1,000 members of the society in the month of May. For paying the GST of ₹ 16,20,000 [payable @ 18% on the amount of ₹ 90,00,000], RWA can utilise the ITC of GST of ₹ 1,00,000 paid by it on purchase of swings for garden, ITC of ₹ 20,000 on electric cables and ITC of ₹ 15,000 on plumbing services.

Statutory dues such as property tax, electricity charges etc. forming part of the monthly maintenance bill raised by the society on its members would be excluded while computing the aforesaid monthly limit of ₹ 7,500.

**JAN 2021****Question 6(b)****(4 Marks)**

Satya Sai Residents Welfare Association, a registered person under GST has 30 members each paying ₹8,000 as maintenance charges per month for sourcing of goods and services from third persons for common use of its members.

The Association purchased a water pump for ₹ 59,000 (inclusive of GST of ₹ 9,000) and availed input services for ₹ 23,600 (inclusive of GST of ₹ 3,600) for common use of its members during February 2021.

Compute the total GST payable, if any, by Satya Sai Residents Welfare Association, for February 2021.

GST rate is 18%. All transactions are intra-State.

There is no opening ITC and all conditions for ITC are fulfilled.

**Answer****Computation of total GST payable by Satya Sai Residents Welfare Association**

Particulars	Value (₹)	GST @ 18% (₹)
<b>Maintenance charges received</b> [₹ 8,000 × 30 members] [Services by RWA to its members for sourcing of goods or services from a third person for the common use of its members in a housing society are exempt provided the share of contribution per month per member is upto ₹7,500. Otherwise, entire amount is taxable.]	2,40,000	
Total GST payable [It has been logically presumed that maintenance charges are exclusive of GST.]		<b>43,200</b>

Note: Residents Welfare Association is entitled to take ITC of GST paid by them on capital goods, goods and input services, used by it for making supplies to its members and use such ITC for discharge of GST liability on such supplies where the amount charged for such supplies is more than ₹ 7,500 per month per member. Thus, Satya Sai Residents Welfare Association can avail ITC of GST paid on water pump purchased (₹ 9,000) and input services availed (₹ 3,600). Net GST payable in that case will come out ₹30,600.

**23. HOTEL/GUEST HOUSE SERVICES**

**Entry No. 14:** Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having **Value of Supply** of a unit of accommodation below *or equal to* ₹ 1,000 per day or equivalent.

**Illustration 18:** An adventure sports company organizes trekking tours in Gangotri basin and provides accommodation in camps during the trek. As per the brochure of the company, tariff for a single camp is ₹800 per day and in addition, ₹ 300 per day is also chargeable for special sleeping suits provided in the camp to keep the trekkers warm during night. The company is offering a discount of 20% on ₹800.

Discuss whether GST is payable on the services provided by the adventure sports company by way of renting of camps. If your answer is yes, what would be the value of taxable service in that case and amount of GST payable?

**Answer:** In the given case, since ₹300 per day is chargeable additionally for an amenity provided in the camp, it will be included in the value of supply but after discount amount shall be ₹940 i.e. value of supply is upto ₹1,000 and no GST shall be payable in this case.

**RTP MAY 2020****Question 11**

(a) Holiday Guest House, situated at Shimla, provides boarding & lodging services to tourists at economical cost. The charges of a single deluxe room per day are ₹ 999. Mr. X has booked one deluxe room for two days during Christmas holidays. You are required to determine whether GST is payable by Holiday Guest House on the above booking. If yes, determine the amount of GST so payable.

Will your answer change, if the charges of a single deluxe room per day charged by Holiday Guest House are ₹ 1,000?

**Answer:**

(a) Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having value of supply of a unit of accommodation below or equal to ₹ 1,000 per day or equivalent have been exempted from GST vide an exemption notification.

Thus, in view of the above-mentioned provisions, GST is not payable by Holiday Guest House on the booking done by Mr. X as the charges for a unit of accommodation per day is less than ₹ 1,000.

The answer will remain the same even if the charges of a single deluxe room per day is ₹ 1,000 as the exemption is also available in the case where value of supply of a unit of accommodation per day is ₹1,000/ i.e., such services are taxable only where value of supply of a unit of accommodation per day exceeds ₹1,000/-. Thus, no GST is payable by Holiday Guest House on the booking done by Mr. X even if the charges of a single deluxe room per day is ₹ 1,000.

**24. SERVICES PROVIDED BY AN INCUBATEE**

**Entry No. 44:** Services provided by an incubatee up to a total turnover of ₹ 50 lakh in a financial year subject to the following conditions, namely:-

- (a) the total turnover had not exceeded ₹ 50 lakh during the preceding financial year; and
- (b) a period of 3 years has not elapsed from the date of entering into an agreement as an incubatee.

**Incubatee:** means an entrepreneur located within the premises of a Technology Business Incubator (TBI)/ Science and Technology Entrepreneurship Park (STEP) recognised by the National Science and Technology Entrepreneurship Development Board of the Department of Science and Technology, Government of India (NSTEDB) and who has entered into an agreement with the TBI/STEP to enable himself to develop and produce hi-tech and innovative products.

## **25. OTHER EXEMPT SERVICES**

**Entry No. 2:** Services by way of **transfer of a going concern**, as a whole or an independent part thereof.

**Transfer of a going concern** means transfer of a running business which is capable of being carried on by the purchaser as an independent business, but shall not cover mere or predominant transfer of an activity comprising a service. Transfer of business for a lump sum consideration commonly referred to as slump sale is covered under this entry.

Such sale of business as a whole will comprise comprehensive sale of immovable property, goods and transfer of unexecuted orders, employees, goodwill etc. Since the transfer in title is not merely a transfer in title of either the immovable property or goods or even both it may amount to service and has thus been exempted.

**Example:** Royal Hotel Group is in the business of running a chain of restaurants. It intends to sell its business as a going concern. It would not be required to pay GST on such sale of its business.

**Entry No. 9AA:** *Services provided by and to Fédération Internationale de Football Association (FIFA) and its subsidiaries directly or indirectly related to any of the events under FIFA U-17 Women's World Cup 2020 to be hosted in India whenever rescheduled.*

**Condition to be fulfilled:**

*Director (Sports), Ministry of Youth Affairs and Sports have to certify that the services are directly or indirectly related to any of the events under FIFA U-17 Women's World Cup 2020.*

**Entry No. 9AB:** Services provided by and to Asian Football Confederation (AFC) and its subsidiaries directly or indirectly related to any of the events under AFC Women's Asia Cup 2022 to be hosted in India.

Provided that Director (Sports), Ministry of Youth Affairs and Sports certifies that the services are directly or indirectly related to any of the events under AFC Women's Asia Cup 2022.

**Entry No. 9B:** Supply of services associated with transit cargo to Nepal and Bhutan (landlocked countries).

**Entry No. 12:** Services by way of **renting of residential dwelling** for use as residence.

**Entry No. 19C:** *Satellite launch services supplied by Indian Space Research Organisation, Antrix Corporation Limited or New Space India Limited.*

**Entry No. 22:** Services by way of giving on hire –

(a) to a state transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers; or This exemption is applicable to services provided to State Transport Undertaking and not to other departments of Government or local authority.

Generally, such State Transport Undertakings/ Corporations are established with a view to providing public transport facility to the commuters. If transport undertakings hire the buses on lease basis from private persons on payment of consideration, the services by way of supply of motor vehicles to such STU are exempt from payment of tax. However, supplies of motor vehicles to Government Departments other than the STUs are taxable.

*(aa) to a local authority, an Electrically operated vehicle (EOV) meant to carry more than 12 passengers; EOV means vehicle falling under Chapter 87 in the First Schedule to the Customs Tariff Act, 1975 which is run solely on electrical energy derived from an external source or from one/more electrical batteries fitted to such road vehicle.*

(b) to a goods transport agency, a means of transportation of goods.

**Q.** A State Transport Undertaking has hired motor vehicles meant to carry 8 – 10 passengers from Fast Cab Renting, a motor vehicle renting company. Give your comments as to whether any GST is payable in this case.

**Answer:** Services by way of giving on hire, inter alia, to a State Transport Undertaking, a motor vehicle meant to carry more than 12 passengers is exempt from GST.

Since the motor vehicles given on hire by Fast Cab Renting to the State Transport Undertaking are meant to carry 8-10 passengers, the same would not be eligible for exemption and would thus, be liable to GST.

**Example:** Nishant owns a truck which he has rented to Sindhu and Bansal Transport Agency - a GTA. Services by way of giving on hire a means of transportation of goods [truck in the given case] to a GTA [Sindhu and Bansal Transport Agency], are exempt from tax. However, if Nishant had rented a vehicle designed to carry passengers, said activity is not exempt under this entry.

**Example:** ST Ltd. has given on hire 5 trucks to Titu Transporters of Delhi (a goods transport agency) for transporting goods in Central and West Delhi. The hiring charges for the trucks are ₹ 7,500 per truck per day. Examine whether GST is payable in the given case.

**Answer:** GST is not payable in case of hiring of trucks to Titu Transporters. Services by way of giving on hire, *inter alia*, to a goods transport agency, a means of transportation of goods are exempt.

**Entry No. 23:** Service by way of access to a road or a bridge on payment of toll charges.

**Entry No. 23A:** Service by way of access to a road or a bridge on payment of annuity.

**Entry No. 25:** Transmission/distribution of electricity by an electricity transmission / distribution utility.

However, in this regard CBIC has clarified that the other services provided by DISCOMS (distribution companies) to consumer against charges are liable to GST such as,-

- i. Application fee for releasing connection of electricity;
- ii. Rental Charges against metering equipment;
- iii. Testing fee for meters/transformers, capacitors etc.;
- iv. Labour charges from customers for shifting of meters or shifting of service lines;
- v. charges for duplicate bill [Circular No. 34/8/2018 GST dated 01.03.2018].

**Entry No. 47A:** Services by way of licensing, registration and analysis or testing of food samples supplied by the Food Safety and Standards Authority of India (FSSAI) to Food Business Operators.

**Entry No. 48:** Taxable services, provided or to be provided, by a TBI/STEP recognised by NSTEDB or bio-incubators recognised by the Biotechnology Industry Research Assistance Council, under the Department of Biotechnology, Government of India (BIRAC).

**Entry No. 49:** Services by way of **collecting or providing news** by an independent journalist, Press Trust of India or United News of India.

**Entry No. 50:** Services of **public libraries** by way of lending of books, publications or any other knowledge-enhancing content or material.

**Entry No. 52:** Services by an organiser to any person in respect of a **business exhibition** held outside India.

**Entry No. 56:** Services by way of **slaughtering of animals**.

**Entry No. 58:** Services provided by the **National Centre for Cold Chain Development** under the Ministry of Agriculture, Cooperation and Farmer's Welfare by way of **cold chain knowledge dissemination**.

**Entry No. 59:** Services by a **foreign diplomatic mission** located in India.

**Entry No. 61A:** Services by way of granting National Permit to a goods carriage to operate through-out India/ contiguous States

**Entry No. 65A:** Services by way of **providing information under the RTI Act** (Right to Information Act, 2005).

**Entry No. 68:** Services provided to a recognised sports body by-

- (a) an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organised by a recognized sports body;
- (b) another recognised sports body.



However, services by individuals such as selectors, commentators, curators, technical experts are taxable. The service of a player to a franchisee which is not a recognized sports body is also taxable. *The term 'recognised sports body' has been defined earlier in this chapter.*

**Question:** Poorva acts as a Team Manager for Indian Sports Authority (ISA), a recognised sports body, for a tennis tournament organised by a multinational company and received a remuneration of ₹2,00,000. Determine whether GST is payable on the remuneration received by Poorva.

**Answer:** Services provided by a team manager to a recognised sports body for participation in a sporting event are exempt from GST provided said sporting event is organised by a recognized sports body.

In the given case, the services are being provided by a team manager to a recognised sports body, but the sporting event is not organised by a recognised sports body. Therefore, the services provided by Poorva are not exempt from GST.

**Entry No. 76:** Services by way of **public conveniences** such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets.

**Entry No. 82A:** *Services by way of right to admission to the events organized under FIFA U-17 Women's World Cup 2020.*

Note: For the purpose of this exemption notification, a "Limited Liability Partnership" formed and registered under the provisions of the Limited Liability Partnership Act, 2008 shall also be considered as a partnership firm or a firm.

**Entry No. 82B:** Services by way of right to admission to the events organised under AFC Women's Asia Cup 2022.

## PRACTICE PROBLEMS

**Q1.** With reference to the position of GST law, determine the applicability of GST in each of the following independent cases:

- (i) External asset management services received by Reserve Bank of India from overseas financial institutions.
- (ii) Service provided by an Indian tour operator to Mr. B, a Japanese National, for a tour conducted in Europe
- (iii) Services provided to a Higher Secondary School affiliated to CBSE Board by an IT company in relation to development of a software to be used for enhancing the quality of classroom teaching.

**Answer:**

- (i) **Exempt.** Services received by Reserve Bank of India from outside India in relation to management of foreign exchange reserves have been exempted from GST. External asset management services received by Reserve Bank of India from overseas financial institutions is a specialized financial service in the course of management of foreign exchange reserves.
- (ii) **Exempt.** Services provided by an Indian tour operator to a foreign tourist in relation to a tour wholly conducted outside India have been exempted from GST.
- (iii) **Taxable.** The following specific services provided **TO** an educational institution have been exempted from GST:
  - (i) transportation of students, faculty and staff;
  - (ii) catering, including any mid-day meals scheme sponsored by the Government;
  - (iii) security or cleaning or house-keeping services performed in such educational institution;
  - (iv) services relating to admission to, or conduct of examination by, such institution.

However, the **services of a development of software** provided **to** it are not covered under any of the specific services given above. Thus, the same will be liable to GST.

**Q2.** Mrs. Kiran has provided you the following details in respect of various services received/availed by her during December, 2021:-

- (i) Deposited ₹ 1,00,000 in her Savings Bank A/c. Interest of ₹ 5,000 was credited in her account on 31.12.2021.
- (ii) Availed services of a mobile network operator and received a monthly bill for ₹ 2,000.
- (iii) Visited an Orthopaedician (MBBS, MS) as she had severe backache and paid consultancy fee of ₹1,000.
- (iv) Availed beauty treatment services from a salon for ₹ 6,000.

**Notes:**

1. All the amounts given above, are exclusive of GST, wherever applicable.
2. Wherever applicable, GST is to be recovered from the service receiver.
3. Rate of CGST @ 9% & SGST @ 9%.

Compute the amount of GST leviable on services availed/received by Mrs. Kiran.

**Solution:**

**Computation of GST leviable on services received/availed by Mrs. Kiran**

Particulars	Value of Taxable Service received (₹)
Amount deposited in the saving bank account and interest earned	-
Services of mobile network operator	2,000.00
Visit to an orthopaedician on complaint of severe backache	-
Beauty treatment services	6,000.00
Total	8,000.00
CGST @ 9%	720.00

SGST @ 9%	720.00
Total	9,440.00

**Q3.** With reference to the provisions of GST, examine the validity of following statements:

- (i) Health care services provided by a Municipality owned hospital are not covered under exemption.
- (ii) Postal services provided by Department of Posts to various State Governments are liable to GST.
- (iii) Services provided to and by Reserve Bank of India are covered in exemption.
- (iv) Pisciculture (breeding of fish) is not liable to GST as the same is covered under exemption.

**Solution:**

**(i) Invalid.** Services provided by Government and local authorities are covered in exemption.

**(ii) Invalid.** Services provided by Government and local authorities are covered in exemption with a few exceptions. Services by Department of Posts provided to a person **other than Government** is one of such exceptions. Thus, Postal services provided to various State Governments will be covered in exemption and hence, would not be liable to GST.

**(iii) Invalid.** Only services provided by Reserve bank of India, and not to Reserve Bank of India are covered in exemption.

**(iv) Valid.** Services relating to agriculture are covered in exemption. Agriculture means the cultivation of plants and rearing of all **life-forms of animals**, except the rearing of horses, for food, fibre, fuel, raw material or other similar products. Therefore, breeding of fish, being agriculture, would be covered under exemption and thus, be not liable to GST.

**Q4.** Following services are provided by various service providers, state whether services are taxable or not?

1. Speed post service provided by post office to Delhi govt.
2. Express parcel post service provided by post office to Rajasthan Ltd.
3. Services provided to RBI
4. Service provided by Delhi Metro Rail Corporation for transport of passengers
5. Services provided by an Indian railway for the transport of passengers in first class AC.
6. Service provided in non taxable territory.

**Answer:**

S. No.	Particulars	Taxable / Not Taxable
1.	Speed post service provided by post office to Delhi Govt.	Not Taxable
2.	Express parcel post service provided by post office to Rajasthan Ltd.	Taxable
3.	Services provided to RBI	Taxable
4.	Service provided by Delhi Metro Rail Corporation for transport of passengers	Not Taxable
5.	Services provided by an Indian railway for the transport of passengers in first class AC	Taxable
6.	Service provided in non taxable territory	Not Taxable

**Q5.** (i) “Not All the Services provided by an Employee to the Employers are outside the ambit (scope) of GST”. Explain the statement with reference to GST law.

(ii) Discuss whether the following services are liable to Tax

- (1) Services provided on contract basis by a person to another
- (2) Services provided by a casual worker to Employer who gives wages on daily basis to the workers.

**Solution:**

(i) As per schedule III service rendered by an employee to the employer shall not be considered to be supply of service i.e. it is outside the ambit of GST and no GST is payable. However if the employee has rendered services to the employer which is not in the capacity of employee, it will be taxable e.g. Mr. X an employee of ABC Ltd. is running one advertisement agency also and services in connection with advertisement have been rendered to ABC Ltd., such services are taxable.

(ii) (1) If services are provided on contract basis by one person to the other, it will be considered to be supply of service and liable to GST.

(ii) (2) Services rendered by employee to employer are not supply of service even if the employee is a temporary employee or a casual worker and no GST is payable.

**Q6.** Briefly examine whether the following activities are liable to GST as per the provisions of Finance Act, 1994.

(a) Mr. Aditya, a singer performs in a bus where passengers drop some coins in his bowl kept, either after feeling rejoiced or out of compassion. Also, examine would your answer be different in (a) if Mr. Aditya is called upon Mumbai to perform in an award show for ₹ 50,000.

(b) Mr. Ramu during long drive with his wife Sanju violated traffic rules and was imposed fine of ₹ 1,000.

**Solution:**

(a) Mr. Aditya is not liable to pay GST as GST is leviable on the services provided or to be provided. Mr. Aditya has performed an activity without consideration and any activity without consideration does not come within the ambit of definition of “supply”. In this case passengers are under no obligation to pay any amount for listening to him nor have they engaged him for his services. (**Ambit means** scope)

If Mr. Aditya is called upon Mumbai to perform in an award show for ₹50,000, then this activity would come within the ambit of definition of “supply” as it becomes an activity for a consideration. Resultantly, this activity would be liable to GST.

(b) GST is not leviable in this case as in order to be supply, an activity has to be carried out for a consideration. Therefore, fine being the legal consequence of Mr. Ramu’s action is not in the nature of consideration for an activity.

**Q7.** XYZ & Co. is a consultancy firm based in New Delhi. It has two branch offices at Mumbai and Singapore. Services are provided by Mumbai branch to Head Office at New Delhi and by Head Office at New Delhi to Singapore branch. Explain which of the activities will constitute ‘supply’ under GST tax law.

**Solution:** Services provided by Mumbai branch to Head Office at New Delhi will be treated as distinct persons and be considered as ‘supply’ and GST shall be payable.

When services are provided by Head Office at New Delhi to Singapore branch (located in non-taxable territory), the two establishments are treated as establishments of distinct persons and thus, the services provided in this case will constitute ‘supply’, however no GST shall be charged because services have been provided in non-taxable territory.

**Q8.** Examine the chargeability of GST in each of the following independent cases:-

(i) Mr. Raju, an employee provides his service on contract basis to an associate company of Vikram Enterprises, the employer.

(ii) ABC Institute is engaged in providing private tuitions to the students of Graduation Level.

All the above activities are being carried out in lieu of specific monetary consideration.

**Answer:**

(i) As per schedule III service rendered by an employee to the employer shall not be considered to be supply of service i.e. it is outside the ambit of GST and no GST is payable. However, services provided outside the ambit of employment for a consideration would be a supply. Since, services provided on contract basis i.e. principal-to-principal basis are not services provided in the course of employment, services provided on contract basis by a person to another would be treated as supply of service.

Thus, services provided by Mr. Raju, an employee, on contract basis to the associate company of Vikram Enterprises, the employer, would be treated as supply of service and charged to GST.

(ii) Providing private tuitions to the students of Graduation Level for a consideration is a supply of service. Since, private tuitions are not covered in exempted list, they would be chargeable to GST.

**Q9.** Mr. X has received a sum of ₹ 5,00,000 from his employer on premature termination of his contract of employment. Mr. X needs your advice as to whether such receipts are liable to GST.

**Solution:** No, Mr. X need not pay any tax on such amount. Amounts paid by the employer to the employee for premature termination of a contract of employment are treated as amounts paid in relation to services provided by the employee to the employer in the course of employment. Hence, amounts so paid would not be chargeable to GST.

**Q10.** Examine which of the following independent services are exempt from GST:

- (a) Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.  
 (b) An RWA, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member.

**Answer:**

(a) Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. Food supplied to the in-patients by a canteen run by the hospital, as advised by the doctor/nutritionists, is a part of composite supply of healthcare and not separately taxable.

(b) Supply of service by a RWA (unincorporated body or a non-profit entity registered under any law) to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹7500 per month per member for providing services and goods for the common use of its members in a housing society/a residential complex are exempt from GST. Hence, in the given case, services provided by the RWA are exempt from GST since the maintenance charges collected per month per member do not exceed ₹7500.

**Q11.** An individual acts as a referee in a football match organized by Sports Authority of India. He has also acted as a referee in another charity football match organized by a local sports club, in lieu of a lump sum payment.

Discuss whether any GST is payable on the activities undertaken by him?

**Answer:**

Services provided to a recognized sports body by an individual, inter alia, as a referee in a sporting event organized by a recognized sports body is exempt from GST.

Since in the first case, the football match is organized by Sports Authority of India, which is a recognized sports body, services provided by the individual as a referee in such football match will be exempt.

However, when he acts as a referee in a charity football match organized by a local sports club, he would not be entitled to afore-mentioned exemption as a local sports club is not a recognized sports body and thus, GST will be payable in this case.

**Q12.** Examine whether GST is exempted on the following independent supplies of services:

- (i) Service provided by a private transport operator to Scholar Boys Higher Secondary School in relation to transportation of students to and from the school.  
 (ii) Services provided by way of vehicle parking to general public in a shopping mall.

**Answer:**

(i) Yes. Services provided TO an educational institution by way of transportation of students are exempted from GST.

(ii) No. Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, GST is payable on the same.

**Q13.** Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of organizing business exhibition in New Delhi as part of Make in India initiative. Keyan Enterprises claims that it is not required to pay GST as the services provided by way of organizing business exhibition are exempt from GST. Examine the technical veracity of the claim of Keyan Enterprises, in the given case.

**Answer:**

No, the claim made by Keyan Enterprises that it is not required to pay GST is not correct. Services provided by an organiser to any person in respect of a business exhibition are exempt from GST only when such business exhibition is held outside India. However, since in the given case, the exhibition is being organized in India, the services of organization of event by Keyan Enterprises will not be exempt from GST.

**Q14.** Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

<b>Particulars</b>	<b>Gross amount charged (₹)</b>
Fees charged for yoga camp conducted by a charitable trust	50,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	5,20,000

**Answer: Computation of value of taxable supply**

<b>Particulars</b>	<b>(₹)</b>
Fees charged for yoga camp conducted by a charitable trust [Note-1]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-2]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-3]	Nil
Service provided by commentator to a recognized sports body [Note-4]	5,20,000

**Notes:**

1. Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
2. Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
3. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST.
4. Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.

## MULTIPLE CHOICE QUESTIONS

- 1. Transportation of passengers by \_\_\_\_\_ are exempt from GST.**
  - (a) Railway in first class
  - (b) Railway in an air-conditioned coach
  - (c) Metro
  - (d) All of the above
- 2. Transportation of \_\_\_\_\_ by a GTA in a goods carriage is exempt from GST.**
  - (a) Agricultural produce
  - (b) Organic manure
  - (c) Milk
  - (d) All of the above
- 3. What of the following services provided to an educational institution – Debo Public School (providing education upto higher secondary) - are exempt from GST?**
  - (a) Transportation of staff of the school
  - (b) Cleaning of the school
  - (c) Services relating to conduct of higher secondary exams
  - (d) All of the above
- 4. Transportation of passengers by \_\_\_\_\_ are exempt from GST.**
  - (a) air conditioned stage carriage
  - (b) radio taxi
  - (c) air, terminating in Nagaland airport
  - (d) All of the above
- 5. Which of the following services provided by Department of Posts are exempt from GST?**
  - (a) Speed posts
  - (b) Life Insurance
  - (c) Express parcel posts
  - (d) None of the above
- 6. Which of the following services are exempt under GST?**
  - (a) testing of agricultural produce
  - (b) supply of farm labour
  - (c) warehousing of agricultural produce
  - (d) all of the above
- 7. Mr. Narayan Goel has booked a room on rent in Sunshine Hotel for the purpose of lodging on 10.08.2021. GST is not payable by Mr. Narayan Goel in case rent for the same is \_\_\_\_**
  - (a) ₹1,000
  - (b) ₹6,000
  - (c) ₹11,000
  - (d) ₹1,500
  - (e) none of the above.
- 8. Transportation of \_\_\_\_ by rail from Chennai to Gujarat are exempt from GST.**
  - (i) pulses
  - (ii) military equipments
  - (iii) electric equipments
  - (iv) biscuits
  - (a) (i) & (ii)
  - (b) (i) & (iii)
  - (c) (ii) & (iv)
  - (d) all of the above
- 9. Services by way of warehousing of -----is taxable under GST.**
  - (i) pulses
  - (ii) cereals

- (iii) fruits
- (iv) vegetables
- (v) spices
- (vi) sugarcane
- (vii) rice
- (viii) flax
- (ix) sugar

**10. Banking services provided by Department of post:**

- (a) Taxable & Reverse Charge Mechanism is applicable
- (b) Taxable & Normal Charge is applicable
- (c) Exempt from GST
- (d) Nil rated

**11. Which is a wrong statement?**

- (a) All services of Department of Post are exempted
- (b) All services by State/Central Governments/local authorities in relation to an aircraft or a vessel in a Port or an Airport are exempted
- (c) All services by State/Central Governments/local authorities in relation to transport of passengers are exempted
- (d) All the above mentioned

**12. Which exemption option is right from the following?**

- (a) For letting out any immovable property
- (b) For letting out any residential dwelling for use as residence
- (c) For letting out any residential property irrespective of its use
- (d) For none of the above

**13. Services by a hotel, inn, guest house, club or campsite are exempted for residential / lodging purposes –**

- (a) If the actual tariff for a unit of accommodation is below ₹ 10,000
- (b) If the actual tariff for a unit of accommodation is below ₹ 1,000
- (c) If the declared actual tariff for a unit of accommodation is exactly ₹ 1,000
- (d) If the declared actual tariff for a unit of accommodation is above ₹ 1,000

**14. Transportation of passengers exempted if –**

- (a) It is by air-conditioned stage carriage
- (b) It is by air-conditioned contract carriage
- (c) It is by non-air-conditioned stage carriage for tourism, charter or hire
- (d) None of the above

**15. Transportation of passengers is exempted –**

- (a) In an air-conditioned railway coach
- (b) In a vessel for public tourism purpose between places in India
- (c) In a metered cab/auto rickshaw / e rickshaw
- (d) In all the above mentioned

**16. Transportation of goods is not exempted if it is –**

- (a) by a goods transport agency / courier agency
- (b) by inland waterways
- (c) by an aircraft from a place outside India upto the customs station of clearance in India
- (d) by all the above mentioned

**17. Transportation of agricultural produce, milk, salt and food grain including flour, pulses and rice, 'relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap', newspaper or magazines registered with the Registrar of Newspapers - is exempted –**

- (a) If it is by a goods transport agency
- (b) If it is by a rail - within India
- (c) If it is by a vessel - within India
- (d) If it is by all of the above



**18. Which of the following is exempted –**

- (a) Services by way of loading, unloading, packing, storage or warehousing of rice
- (b) Services by way of loading and unloading of jute
- (c) Services by way of packing and storage or warehousing of rubber
- (d) None of the above

**19. If the aggregate turnover of in FY 2020-21 of M/s ABCD Enterprises, Kanchipuram, Tamil Nadu, India was ₹18 lakh, exemption is available for the following services rendered to ABCD Enterprises –**

- (a) Arbitral Tribunal services
- (b) Legal services by firm of advocates
- (c) Legal services by senior advocate
- (d) All of the above

**20. Which of the following is not exempted -?**

- (a) Health care service to human beings by authorized medical practitioners / para medics
- (b) Health care services to Animals/Birds
- (c) Slaughtering of animals
- (d) Rearing horses

**21. Which of the following are exempted services?**

- (a) Services by an artist by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding ₹ 1 lakh
- (b) Services by an artist by way of a performance in folk or classical art forms of music/ dance with consideration therefor not exceeding ₹ 1.5 lakh
- (c) Services by an artist by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding ₹ 1.5 lakh
- (d) Services by an artist as a brand ambassador by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding ₹ 1.5 lakh

**22. Services by educational institution is exempted if the services are to –**

- (a) Any common man
- (b) Its own students, faculty / staff
- (c) Both a & b
- (d) None of the above

**23. Hair transplant services provided to Mr. A residing in Delhi by Dr. Batra from Delhi and charged ₹40,00,000. GST Payable shall be**

- (a) Nil
- (b) IGST – ₹7,20,000
- (c) CGST- ₹3,60,000 & SGST- ₹3,60,000
- (d) CGST- ₹7,20,000

**24. Ambulance services provided to Mr. A residing in Delhi by Ganga Ram Hospital from Delhi and charged ₹40,00,000. GST Payable shall be**

- (a) Nil
- (b) IGST – ₹7,20,000
- (c) CGST- ₹3,60,000 & SGST- ₹3,60,000
- (d) CGST- ₹7,20,000

**25. Mortuary services provided to Mr. A residing in Delhi by Gaurav Mortuary services, Punjabi Bagh from Delhi and charged ₹1,00,000. GST Payable shall be**

- (a) Nil
- (b) IGST – ₹18,000
- (c) CGST- ₹9,000 & SGST- ₹9,000
- (d) CGST- ₹18,000

**26. Educational institution" means an institution providing services by way of-**

- (a) pre-school education and education up to higher secondary school or equivalent.
- (b) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

- (c) education as a part of an approved vocational education course.
- (d) all the above
- (e) none of the above

**27. Which of the following is exempt from GST.**

- (i) Legal services provided to a business entity with an aggregate turnover up to prescribed limit in the preceding financial year.
  - (ii) Legal services provided to a business entity with an aggregate turnover up to prescribed limit in the current financial year.
  - (iii) Legal services provided to a business entity with an aggregate turnover exceeding prescribed limit in the preceding financial year.
  - (iv) Legal services provided to a business entity with an aggregate turnover exceeding prescribed limit in the current financial year.
- (a) all the above is exempt.
  - (b) only (i) is exempt
  - (c) both (i) & (iii) is exempt
  - (d) (i),(ii) & (iii) is exempt
  - (e) none of these is exempt

**28. which of the following is exempt from GST.**

- (i) services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce.
  - (ii) rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products.
  - (iii) services by way of fumigation in a warehouse of agricultural produce.
  - (iv) Carrying out an intermediate production process as **job work in relation to cultivation of plants.**
- (a) all the above is exempt.
  - (b) only (i) is exempt
  - (c) only (i) & (ii) is exempt
  - (d) (i),(ii) & (iii) is exempt
  - (e) none of these is exempt
  - (f) only (ii) & (iii) is exempt

**29. Renting of agro machinery in Delhi to an agricultural farm(in Delhi) of ₹10,00,000. GST Payable shall be**

- (a) CGST – ₹1,80,000
- (b) SGST - ₹1,80,000
- (c) CGST- ₹90,000 and SGST- ₹90,000
- (d) Nil

**30. Post office of Ashok Vihar, Delhi rendered basic mail services and charged ₹1,00,000 from its customer in Delhi, in this case GST Payable shall be**

- (a) CGST – ₹18,000
- (b) SGST - ₹18,000
- (c) CGST- ₹9,000 and SGST- ₹9,000
- (d) Nil

**31. Post office of Ashok Vihar, Delhi rendered speed post services and charged ₹1,00,000 from its customer in Delhi, in this case GST Payable shall be**

- (a) CGST – ₹18,000
- (b) SGST - ₹18,000
- (c) CGST- ₹9,000 and SGST- ₹9,000
- (d) Nil

**32. Services by way of transportation of \_\_\_\_\_ by rail shall be taxable**

- (a) relief materials meant for victims of disasters, calamities, accidents or mishap;
- (b) newspaper
- (c) computer and laptops

(d) organic manure.

**33. Transportation of books on a consignment transported in a single goods carriage is exempt if**

- (a) transportation charges is upto ₹1,500
- (b) transportation charges is exceeding ₹1,500
- (c) transportation charges is upto ₹750
- (d) transportation charges is exceeding ₹750

**34. Transportation of chairs for a single consignee in the goods carriage is exempt if**

- (a) transportation charges is upto ₹1,500
- (b) transportation charges is exceeding ₹1,500
- (c) transportation charges is upto ₹750
- (d) transportation charges is exceeding ₹750

**35. Which of the following is exempt from GST.**

- (i) Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body.
  - (ii) Service of a player to a franchisee which is not a recognized sports body.
  - (iii) Services by a recognized sports body to another recognized sports body.
  - (iv) Services by individuals such as selectors, commentators, curators (custodian), technical experts.
- (a) all the above is exempt.
  - (b) only (i) is exempt
  - (c) only (i) & (iii) is exempt
  - (d) (i),(ii) & (iii) is exempt
  - (e) none of these is exempt
  - (f) only (ii) & (iii) is exempt

**36. HDFC Bank Ltd. sold foreign exchange to general of ₹10,00,000 during the month of March, in this case taxable amount shall be –**

- (a) Nil
- (b) ₹10,00,000
- (c) ₹5,00,000
- (d) CGST - ₹90,000 & SGST - ₹90,000

**37. HDFC Bank Ltd. received commission of ₹10,00,000 for debt collection services provided to customers during the month of March, in this case taxable amount shall be –**

- (a) Nil
- (b) ₹10,00,000
- (c) ₹5,00,000
- (d) CGST - ₹90,000 & SGST - ₹90,000

**38. Services by way of right to admission in circus is exempt if**

- (a) consideration for admission is less than ₹500 per person
- (b) consideration for admission is more than ₹500 per person
- (c) consideration for admission is upto ₹500 per person
- (d) None of the above

**39. Services by way of right to admission in planetarium is taxable if**

- (a) consideration for admission is less than ₹500 per person
- (b) consideration for admission is more than ₹500 per person
- (c) consideration for admission is upto ₹500 per person
- (d) None of the above

**40. Services by way of admission to a museum is exempt if**

- (a) consideration for admission is less than ₹500 per person
- (b) consideration for admission is more than ₹500 per person
- (c) consideration for admission is upto ₹500 per person
- (d) in all the above cases it is exempt.

**41. Mr. X let out one residential building in Delhi for ₹50,00,000 to Mr. B, in this case GST Payable shall be if rate of GST is 18%**

- (a) Nil
- (b) CGST – ₹4,50,000 & SGST – ₹4,50,000
- (c) CGST – ₹9,00,000
- (d) SGST – ₹9,00,000

**42. Mr. X let out one commercial building in Delhi for ₹50,00,000 to Mr. B, in this case GST Payable shall be if rate of GST is 18%**

- (a) Nil
- (b) CGST – ₹4,50,000 & SGST – ₹4,50,000
- (c) CGST – ₹9,00,000
- (d) SGST – ₹9,00,000

**43. Which of the following is exempt**

- (i) Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India.
  - (ii) Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly in India.
  - (iii) Services provided by a tour operator to a Indian tourist in relation to a tour conducted wholly in India.
- (a) only (i) is exempt
  - (b) all the above is exempt
  - (c) (ii) & (iii) is exempt
  - (d) None of the above is exempt
  - (e) (i) & (iii) is exempt
  - (f) (i) & (ii) is exempt

**44. Which of the following is exempt**

- (i) Services by an old age home run by Central Government, State Government or an entity registered under section 12AA of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto ₹25,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.
  - (ii) Services by an old age home run by Central Government, State Government or an entity registered under section 12AA of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto ₹5,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.
  - (iii) Services by an old age home run by Central Government, State Government or an entity registered under section 12AA of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto ₹7,500 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.
  - (iv) Services by an old age home run by Central Government, State Government or an entity registered under section 12AA of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto ₹50,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.
- (a) only (i) is exempt
  - (b) all the above is exempt
  - (c) (ii) & (iii) is exempt
  - (d) (i) & (iii) is exempt
  - (e) (i) & (ii) is exempt
  - (f) (i) & (iv) is exempt

**45. Which of the following is exempt**

- (i) Services supplied by Central Government, State Government, Union territory to their undertakings or Public Sector Undertakings (PSUs) by way of guaranteeing the loans taken by such undertakings or PSUs from the financial institutions.

(ii) Services supplied by Central Government, State Government, Union territory to their Private Sector Undertakings by way of guaranteeing the loans taken by Private Sector Undertakings from the financial institutions.

(iii) Services supplied by Banks to Private Sector Undertakings by way of guaranteeing the loans taken by Private Sector Undertakings from the financial institutions.

- (a) only (i) is exempt
- (b) all the above is exempt
- (c) (ii) & (iii) is exempt
- (d) (i) & (iii) is exempt
- (e) (i) & (ii) is exempt
- (f) None of the above

**46. Which of the following is not exempt**

- (i) Services by contractor to the contractee in the course of business.
- (ii) Services by any court or Tribunal established under any law for the time being in force.
- (iii) The functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.
- (iv) The duties performed by any person who holds any post under the provisions of the Constitution.

- (a) only (i) is not exempt
- (b) all the above is not exempt
- (c) (ii) & (iii) is not exempt
- (d) (i) & (iii) is not exempt
- (e) (i) & (ii) is not exempt
- (f) None of the above

**47. Which of the following is exempt.**

- (i) External asset management services received by Reserve Bank of India from overseas financial institutions.
- (ii) Service provided by an Indian tour operator to Mr. B, a Japanese National, for a tour conducted in Europe
- (iii) Services provided to a Higher Secondary School affiliated to CBSE Board by an IT company in relation to development of a software to be used for enhancing the quality of classroom teaching.

- (a) only (i) is exempt
- (b) all the above is exempt
- (c) (ii) & (iii) is exempt
- (d) (i) & (iii) is exempt
- (e) (i) & (ii) is exempt
- (f) None of the above

**48. Which of the following is taxable**

- (i) Speed post service provided by post office to Delhi govt.
- (ii) Express parcel post service provided by post office to Rajasthan Ltd.
- (iii) Services provided to RBI
- (iv) Service provided by Delhi Metro Rail Corporation for transport of passengers

- (a) only (i) is taxable
- (b) all the above is taxable
- (c) (ii) & (iii) is taxable
- (d) (i) & (iii) is taxable
- (e) (i) & (iv) is taxable
- (f) None of the above

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(Icon /Heading No.11: Books)**

# EXAMINATION QUESTION

## JULY 2021 (NEW COURSE)

**Question 7(b)****(5 Marks)**

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 leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert is ₹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?

**Answer:**

(i) Services by an artist by way of a performance in classical art forms of, inter alia, dance, are exempt from GST, if the consideration charged for such performance is not more than ₹ 1,50,000.

However, such exemption is not available in respect of service provided by such artist as a brand ambassador.

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.

## NOV 2018 (NEW COURSE)

**Question 10 (b)****Marks 3**

Decide with reason whether the following independent services are exempt under CGST Act, 2017:

- (i) M/s Fast Trans, a goods transport agency, transported relief materials meant for victims of Kerala floods being a natural disaster, by road from Delhi to Ernakulam, for a Limited Co.
- (ii) Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of organizing business exhibition at Pragati Maidan in New Delhi as part of Make in India initiative.

**Answer:**

**(i) Exempt:** Goods transport agency services provided for relief material meant for victims of disaster shall be exempt from GST.

**(ii) Taxable:** Services by an organiser to any person in respect of business exhibition held outside India shall be exempt from GST, in the given case business exhibition services held in India shall be taxable service.

## IPC NOV 2017 (MODIFIED)

**Question 3****(Marks 4)**

Decide whether following services are taxable or exempt

<b>Particulars</b>	<b>Amt. in (₹)</b>
(i) Freight charges for transportation of goods by vessel-from a place outside India upto Customs Station of clearance.	10,00,000
(ii) Speed post services provided by Delhi Post Office, where the Value of each service does not exceed ₹5,000.	3,00,000
(iii) Services provided by a Senior Advocate to a business entity with a turnover of ₹16,00,000 in the preceding financial year.	2,00,000
(iv) Transportation of passengers with accompanied belongings by a stage carriage	1,00,000

(non - airconditioned).

- (v) Services provided by a local authority, to a business entity having a turnover of ₹18,00,000 in the preceding financial year. 2,50,000

**Solution:**

<b>Particulars</b>	<b>Amt. in (₹)</b>
(i) Freight charges for transportation of goods by vessel-from a place outside India upto Customs Station of clearance.	Taxable under reverse Charge
(ii) Speed post services provided by Delhi Post Office, where the Value of each service does not exceed ₹5,000.	Taxable
(iii) Services provided by a Senior Advocate to a business entity with a turnover of ₹16,00,000 in the preceding financial year.	Exempt
(iv) Transportation of passengers with accompanied belongings by a stage carriage (non - airconditioned).	Exempt
(v) Services provided by a local authority, to a business entity having a turnover of ₹18,00,000 in the preceding financial year.	Exempt

## REVERSE CHARGE

### **Reverse Charge Mechanism**

Generally, the supplier of goods or services is liable to pay GST. However, under the reverse charge mechanism, the liability to pay GST is cast on the recipient of the goods or services.

**Reverse charge** means the liability to pay tax is on the recipient of supply of goods or services instead of the supplier of such goods or services in respect of notified categories of supply.

It may be noted that the underlying principle of an indirect tax is that burden of tax has to be ultimately passed on to the recipient. GST being an indirect tax, this principle holds good for GST. Under normal circumstances, the statutory liability to deposit GST and undertake compliances [i.e. to obtain registration under GST, deposit the tax with the Government, filing returns, etc.] is on the supplier while he may recover the same from its recipient. However, under reverse charge mechanism, the statutory liability to deposit GST and undertaking compliance requirements, [i.e. to obtain registration under GST, deposit the tax with the Government, filing returns, etc.] shifts from supplier to recipient.

There are **two type of reverse charge scenarios** provided in law.

(i) First scenario occurs in case of supply of specified categories of goods or services, covered by section 9(3) of the CGST/ SGST (UTGST) Act. ***Similar provisions are contained under section 5(3) of the IGST Act.***

(ii) Second scenario occurs in case of supply of specified categories of goods or services made by an unregistered supplier to specified class of registered recipients, covered by section 9(4) of the CGST Act. ***Similar provisions are contained under section 5(4) of the IGST Act.***

**Goods and services notified under reverse charge mechanism** under section 9(3) of the CGST Act/ section 5(3) of the IGST Act are as follows:

**A. Supplies of goods taxable under reverse charge, i.e. supply of the goods where tax is payable by the recipient:** Goods like cashewnuts [not shelled/peeled], bidi wrapper leaves, tobacco leaves, raw cotton (when supplied by an agriculturist to any registered person), supply of lottery (when supplied by State Government, Union Territory or any local authority to lottery distributor or selling agent), silk yarn (when supplied by manufacturer of silk yarn to any registered person), used vehicles, seized and confiscated goods, old and used goods, waste and scrap (when supplied by Central Government, State Government, Union Territory or any local authority to any registered person), etc. are taxable under reverse charge.

**B. Supply of services taxable under reverse charge under section 9(3) of the CGST Act, i.e. the services where tax is payable by the recipient:** *Notification No. 13/2017 CT (R) dated 28.06.2017* as amended has notified the following categories of supply of services wherein whole of the tax shall be paid on reverse charge basis by the recipient of services:

### 1. GOODS TRANSPORT AGENCY

GTA services are taxable at the following two rates:

**(i) @ 5% (2.5% CGST+2.5% SGST/UTGST or 5% IGST)** provided GTA has not taken the Input Tax Credit (ITC) on goods or services used in supplying GTA service or

**(ii) @ 12% (6% CGST+6% SGST/UTGST or 12% IGST)** where GTA opts to pay GST at said rate on all the services of GTA supplied by it. In this case, there is no restriction on availing ITC on goods or services used in supplying GTA service by GTA.

Reverse charge shall be applicable where the GTA has opted for payment of GST @ 5%

Reverse charge shall be applicable only if GTA has given services to any of the following persons. Further under reverse charge tax shall be paid by the recipient of GTA service and Recipient of GTA service is the



person who pays/is liable to pay freight for transportation of goods by road in goods carriage, located in the taxable territory.

- (a) any factory registered under or governed by the Factories Act, 1948; or
- (b) any society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or
- (c) any co-operative society established by or under any law; or
- (d) any person registered under the CGST Act or the IGST Act or the SGST Act or the UTGST Act; or
- (e) any body corporate established, by or under any law; or
- (f) any partnership firm whether registered or not under any law including association of persons; or
- (g) any casual taxable person.

If services has been provided to any other person, it will be exempt from GST i.e. if services are given to individual or HUF who are unregistered, it will be exempt from GST.

**Supplier of service:** Goods Transport Agency (GTA) **who has not paid CGST @ 6%.**

- Recipient of Service:** (a) Any factory registered under or governed by the Factories Act, 1948; or
- (b) any society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or
  - (c) any cooperative society established by or under any law; or
  - (d) any person registered under the CGST Act or the IGST Act or the SGST Act or the UTGST Act; or
  - (e) any body corporate established, by or under any law; or
  - (f) any partnership firm whether registered or not under any law including association of persons; or
  - (g) any casual taxable person; located in the taxable territory. [Hereinafter referred as Specified recipients]

However, reverse charge mechanism (RCM) shall not apply to services provided by a GTA, by way of transport of goods in a goods carriage by road to-

- (a) a Department/ establishment of the Central Government/ State Government/ Union territory; or
- (b) local authority; or
- (c) Governmental agencies,  
which has taken registration under the CGST Act only for the purpose of deducting tax under section 51 and not for making a taxable supply of goods or services.

**Example**

(i) ABC Ltd., consignor is in Delhi and consignee XYZ Ltd. is in UP and GTA, Z Ltd. is in Delhi and freight is to be paid by ABC Ltd., in this case reverse charge is applicable and GST shall be paid by ABC Ltd. and if freight is to be paid by XYZ Ltd., reverse charge shall be applicable and XYZ Ltd. has to pay GST under reverse charge.

If the person making payment of freight is individual or HUF who is unregistered, it will be exempt from GST.

(ii) ABC Ltd., consignor is in Delhi and consignee Mr. X is in U.P. who is unregistered and GTA, Z Ltd. is in Delhi and freight is to be paid by Mr. X, in this case it will be exempt from GST.

**Illustration 1:** ABC Ltd., a carrying and forwarding agency, started its operations on October 1, 2021. It utilized the services of Big Carriers, a goods transport agency, in the month of November, 2021. Big Carriers have communicated to ABC Ltd. that GST on the services provided by them is required to be paid by ABC Ltd. under reverse charge.

You are required to critically examine stand taken by each of the two parties to arrive at the final conclusion.

**Solution:** In case of goods transport agency, reverse charge is applicable and GST shall be paid by the service recipient i.e. ABC Ltd. and not by Big Carriers., hence ABC Ltd. has to pay GST to the Government.

<b>JULY– 2021</b>
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**Question 7 (a).****(5 Marks)**

P Ltd, a registered person provided following information for the month of October, 2021:

Particulars	Amount (₹)
Intrastate outward supply	8,00,000
Interstate 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 of Reverse Charge for GTA services.

Explain the meaning of aggregate turnover u/s 2(6) of CGST Act and compute the aggregate turnover of P Ltd. for the month of October, 2021. All amounts are exclusive of GST.

**Answer:**

The term aggregate turnover means the aggregate value of:

- (i) all taxable supplies
- (ii) exempt supplies,
- (iii) exports of goods or services or both and
- (iv) inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excluding
  - (i) central tax, State tax, Union territory tax, integrated tax and cess.
  - (ii) the value of inward supplies on which tax is payable by a person on reverse charge basis

**Computation of aggregate turnover of P Ltd. for the month of October, 2021**

Particulars	Amount (₹)
In terms of the definition of the aggregate turnover given above, the aggregate turnover of P Ltd. has been computed as follows:	
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 customs duty on export	40,000
Payment made under reverse charge for availing GTA services	Nil
<b>Aggregate turnover</b>	<b><u>32,40,000</u></b>

**RTP NOV– 2020**

XX, registered in Delhi, purchased books from PC Traders, registered in Uttar Pradesh. Books are exempt from GST. XX arranged the transport of these books from a goods transport agency (GTA) which charged a freight of ₹9,000 for the same. GST is payable @ 5% on such GTA services. Which of the following statement is correct in the given context:

- (a) GST of ₹450 is payable by XX on reverse charge basis.
- (b) Supply of goods and supply of GTA service is a composite supply wherein supply of goods is the principal supply and since principal supply is an exempt supply, no tax is payable on freight.
- (c) Since exempt goods are being transported, service provided by GTA for transporting the same is also exempt.
- (d) GST of ₹450 is payable by the GTA.

**Answer: (a)**

**NOV 2020 (NEW COURSE)**

**Question 6 (b).**

**4 Marks**

In the following independent cases, decide, which person is liable to pay GST, if any.

You may assume that recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

**'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law.**

**Answer:**

In case of goods transport agency they have the option to pay tax @ 12% by taking full ITC or @ 5% but ITC shall not be allowed. Further if any person is covered in 5% category, Reverse charge shall be applicable.

In the given case, GTA paying tax @ 12% hence reverse charge shall not be applicable and GTA shall be liable to pay tax.

**NOV 2018 (NEW COURSE)**

**Question 10 (c)**

**Marks 3**

Decide which person is liable to pay GST in the following independent cases, where the recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

(i) Mr. Raghu provided sponsorship services to WE-WIN Cricket Academy, an LLP.

(ii) 'Safe Trans', a Goods Transport Agency, transported goods of Kapil & Co., a partnership firm which is not registered under GST.

**Answer:**

**(i)** As per section 9(3) of CGST Act, reverse charge shall be applicable if sponsorship services is provided to body corporate or partnership firm but if such services is given to other person then reverse shall not be applicable, in the given case service is provided to LLP which is also similar to partnership firm and reverse charge shall be applicable and WE-WIN Cricket Academy shall be liable to pay GST under reverse charge.

**(ii)** As per section 9(3) of CGST Act, reverse charge shall be applicable in case a Goods Transport Agency services provided to any partnership firm whether registered or not, in the given case GTA services is provided to partnership hence Kapil & Co. is liable to pay GST under reverse charge.

**2. LEGAL SERVICES:**

Services provided by an individual advocate including a senior advocate or firm of advocates by way of legal services, directly or indirectly. “**Legal service**” means any service provided in relation to advice,

consultancy or assistance in any branch of law, in any manner and includes representational services before any court, tribunal or authority.

**Supplier of service:** An individual advocate including a senior advocate or firm of advocates.

**Recipient of Service:** Any business entity located in the taxable territory.

### **3. SERVICES SUPPLIED BY AN ARBITRAL TRIBUNAL**

**Category of supply of Service:** Services supplied by an arbitral tribunal to a business entity.

**Supplier of service:** An arbitral tribunal.

**Recipient of Service:** Any business entity located in taxable territory.

### **4. SPONSORSHIP SERVICES**

Services provided by way of **sponsorship** to any body corporate or partnership firm.

**Supplier of service:** Any person

**Recipient of Service:** Any body corporate or partnership firm located in the taxable territory.

#### **Example**

(i) Sponsor is in Delhi and organizer of programme is also in Delhi and it is company or partnership firm, Reverse charge is applicable and GST shall be paid by the sponsorer.

(ii) If programme has been sponsored by an individual/HUF, the organizer shall collect GST from individual/HUF and shall pay it to the Government.

**Illustration 2:** Mr. A sponsored a dance competition organized by 'Taal Academy', a dance school run by an individual. The dance competition was named as 'Mr. A's Dance Show' by 'Taal Academy'. Who is liable to pay GST in this case? Will your answer be different if 'Taal Academy' is run by a partnership firm?

**Solution:** In case of service provided by way of sponsorship to any body corporate or partnership firm, person liable to pay GST is the person receiving such service i.e. reverse charge is applicable, but if services are given to any other person, reverse charge is not applicable.

In the given case sponsorship service is provided to an individual, the person liable to pay GST will be service provider i.e., 'Taal Academy'. Further, since the status of service receiver is relevant for determining as to who would pay GST, status of service provider is immaterial. Therefore, as long as sponsorship service is rendered to an individual, GST will be payable by service provider i.e., 'Taal Academy' irrespective of whether the same is run by an individual or a partnership firm.

**Illustration 3:** Vakil & Vakil, a firm of lawyers rendered legal advice to Mr. B, an architect, and MNO Ltd., an advertising agency during December, 2021. Who is liable to pay GST in this case? Will your answer be different if Mr. B and MNO Ltd. sought legal advice from Mr. A, a lawyer?

Aggregate Turnover of Mr. B and MNO Ltd. are exceeding prescribed limit in the preceding year.

**Solution:** In case of taxable services provided to any business entity by an individual advocate or a firm of advocates by way of legal services, person liable to pay GST is the person receiving such service.

Further, services provided by an individual advocate or a partnership firm of advocates by way of legal services to a business entity with a turnover up to prescribed limit in the preceding financial year are exempt from GST.

In the given case, turnover of services of both Mr. B and MNO Ltd. is more than prescribed limit in the preceding financial year and hence, legal services provided by Vakil and Vakil (firm of advocates) or Mr. A (individual lawyer) during December, 2021 will be taxable.

Therefore, GST will be payable by service receivers, Mr. B and MNO Ltd. irrespective of whether the legal advice is sought from a firm of lawyers or from Mr. A, an individual lawyer.

**Illustration 4:** Gupta Associates, a firm of lawyers rendered legal Advice to Mr. Das, an Architect and Surya Ltd. an Advertising agency during December, 2021.

Who is Liable to pay GST in this Case? Will your answer be different if Mr. Das and Surya Ltd. sought Legal Advice from Mr. Dev a Lawyer.

Aggregate Turnover of Mr. Das and Surya Ltd. are exceeding prescribed limit in the preceding year.

**Solution:**

In case of taxable services provided to any business entity by an individual advocate or a firm of advocates by way of legal services, GST is payable under reverse charge, however services provided by an individual advocate or a partnership firm of advocates by way of legal services to a business entity with a turnover up to prescribed limit in the preceding financial year are exempt from GST.

In the given case, turnover of both Mr. Das and Surya Ltd. is more than prescribed limit in the preceding financial year and also they are business entity hence legal services provided by Gupta Associates (firm of advocates) during December, 2021 shall be taxable and service recipient will be required to pay tax under reverse charge.

It will not make any difference if services have been taken from Mr. Dev an individual lawyer.

**5. SERVICES BY GOVERNMENT OR LOCAL AUTHORITY**

Services supplied by the Central Government, State Government, Union territory or local authority to a business entity excluding, -

- (1) renting of immovable property, and
- (2) services specified below-
  - (i) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority;
  - (ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;
  - (iii) transport of goods or passengers.

Supplier of service: Central Government, State Government, Union territory or local authority

Recipient of Service: Any business entity located in the taxable territory.

**Example:** Mr. X has sent one speed post through post office and has paid ₹ 30 + GST, in this case reverse charge is not applicable whether Mr. X is registered or unregistered.

**Example:** Mr. X purchased one railway ticket 1<sup>st</sup> class ₹ 1,000 + GST, in this case reverse charge is not applicable whether Mr. X is registered or unregistered.

**Example:** Mr. X has taken one building on rent from MCD ₹ 10,000 p.m. + GST, in this case reverse charge not applicable if he is unregistered but reverse charge applicable if he is registered.

**NOV 2019 (OLD COURSE)**

**Question.6.**

**(8 Marks)**

Alfa Institute of Management (AIM), a private college, is registered under GST in the State of Punjab.

AIM provided the following particulars for the month of April 2021:

Sl. No.	Particulars	Amount (₹)
i	Tuition fee received from students pursuing management courses recognised by Punjab University, established by an Act of State Legislature	18,00,000
ii	Tuition Fee received from Students pursuing undergraduate courses recognised by Stan University, London under Dual Degree programmes	8,50,000

iii	Fee received from students of Competitive Exam training academy run by a Department of AIM	5,40,000
iv	Mess fees received from Students (Mess is run by AIM on its own)	3,20,000
v	Amount paid to Local Municipal Corporation for premises taken on rent for conducting coaching classes for Competitive Exams	50,000
vi	Legal Service availed from Top Care & Co., a Partnership firm of advocates, for the Competitive Exam training academy (Intra-state transaction)	20,000

**Notes:**

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both outward and inward supplies.

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

All the conditions necessary for availing the ITC have been fulfilled wherever applicable.

No opening balance of ITC under any head of tax.

From the information given above, you are required to calculate the Value of taxable Supply and net GST liability (CGST, SGST or IGST as the case may be) to be paid in cash, if any, by AIM for the month of April 2021.

**Answer:****Computation of value of taxable supply and net GST liability to be paid in cash by AIM for April, 2021**

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

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

**Notes:-**

- Services provided by an educational institution to its students are exempt. Further, educational institution means inter alia an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by an Indian law.

It has been assumed that the aggregate turnover of AIM in the preceding financial year exceeds ₹20 lakh.

Therefore, tuition fee received by Punjab University, being an educational institution, is exempt, since it provides qualification recognised by Indian law.

2. Tuition fee received by Stan University is taxable since Stan University is not an educational institution as qualification provided by it is not recognised by Indian law.
3. Fee received from students of competitive exam training academy is taxable as Department of AIM is not an educational institution since competitive exam training does not lead to grant of a recognized qualification.
4. Catering services provided by educational institutions to its students are exempt. It has been assumed that the mess fees has been charged from the students pursuing the qualification recognised by law.
5. Since all the services provided are intra-State, CGST and SGST @ 9% is charged
6. GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.
7. GST is payable under reverse charge in case of legal services supplied by a firm of advocates to a business entity
8. 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.

**5A. Category of supply of Service:** Services supplied by Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under CGST Act, 2017

**Supplier of service:** Central Government, State Government, Union territory or local authority

**Recipient of Service:** Any person registered under the CGST Act, 2017

**5B. Category of supply of Service:** Services supplied by any person by way of transfer of development rights (TDR) or Floor Space Index (FSI) (including additional FSI) for construction of a project by a promoter.

**Supplier of service:** Any person

**Recipient of Service:** Promoter

**5C. Category of supply of Service:** Long term lease of land (30 years or more) by any person against consideration in form of upfront amount (called as premium, salami, cost, price, development charges or by any other name) and/or periodic rent for construction of a project by a promoter

**Supplier of service:** Any person

**Recipient of Service:** Promoter

## **6. SERVICES SUPPLIED BY A DIRECTOR**

Services supplied by a Director of a company/body corporate to the said company/body corporate.

**Supplier of service:** A director of a company or a body corporate

**Recipient of Service:** Company or a body corporate located in the taxable territory.

### **Taxability of remuneration paid to the director**

In order to determine the levability of tax on the remuneration paid to the directors, we first need to ascertain whether the director is an employee of the company or not. Following two situations are possible:

- (i) Services provided by the independent directors/those directors (by whatever name called) who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said

services, are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable in hands of the company, on reverse charge basis.

(ii) In case where it is ascertained that a director, irrespective of name and designation, is an employee, next step would be to examine whether all the activities performed by the director are in the course of employer employee relation (i.e. a “contract of service”) or is there any element of “contract for service”.

The part of director’s remuneration which are declared as Salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), are not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, the part of employee director’s remuneration which is declared separately other than salaries in the company’s accounts and subjected to TDS under section 194J of the IT Act as fees for professional or technical services are treated as consideration for providing services which are outside the scope of Schedule III and is therefore, taxable. Besides, as already discussed, the recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis.

### **7. SERVICES SUPPLIED BY AN INSURANCE AGENT**

**Services supplied by an insurance agent** to any person carrying on insurance business.

**Supplier of service:** An insurance agent

**Recipient of Service:** Any person carrying on insurance business, located in the taxable territory.

### **8. SERVICES BY A RECOVERY AGENT**

**Supplier of service:** A recovery agent

**Recipient of Service:** A banking company/financial institution or a non-banking financial company, located in the taxable territory.

### **9. SERVICES BY MUSIC COMPOSER, PHOTOGRAPHER, ARTIST, AUTHOR ETC.**

**Category of supply of Service:** *Supply of services by a music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original dramatic, musical or artistic works to a music company, producer or the like.*

**Supplier of service:** Music composer, photographer, artist, or the like

**Recipient of Service:** Music company, producer or the like, located in the taxable territory.

**9A. Category of supply of Service:** *Supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher.*

**Supplier of service:** Author

**Recipient of Service:** Publisher located in the taxable territory.

However, an author can choose to pay tax under forward charge if-

(i) he has taken registration under the CGST Act and filed a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) of the CGST Act and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option;

(ii) he makes a declaration on the invoice issued by him in prescribed form to the publisher.



**JAN 2021 (NEW COURSE)****Question 8(a)****(5 Marks)**

Mr. Anurag, a famous Author is engaged in supply of services by the way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary works to a publisher.

Explain in brief the conditions under which an Author can choose to pay tax under forward charge.

**Answer**

Mr. Anurag, an author, can choose to pay tax under forward charge provided he fulfills the following conditions:-

(i) He has taken registration under the GST law.

(ii) He has filed a declaration, in the prescribed form,

that he exercises the option to pay tax on the said service under forward charge and, to comply with all the provisions of the GST law as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option.

(iii) He makes a declaration on the invoice issued by him in prescribed form to the publisher.

**RTP MAY 2020****Question 8**

Mr. Vicky Frankyn, an unregistered famous author, received ₹ 3 crore of consideration from Shiv Bhawan Publications (SBP) located in Indore for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. He finished his work & made available the book to the publisher, but has yet not raised the invoice.

Mr. Vicky Frankyn is of the view that SBP is liable to pay tax under reverse charge on services provided by him. SBP does not concur with his view and is not ready to deposit the tax under any circumstances.

Examine whether the view of Mr. Vicky Frankyn is correct. Further, if the view of Mr. Vicky Frankyn is correct, what is the recourse available with Mr. Vicky Frankyn to comply with the requirements of GST law as SBP has completely refused to deposit the tax.

**Answer:**

Yes, the view of Mr. Vicky Frankyn is correct. GST is payable under reverse charge in case of supply of services by an author by way of transfer/permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary work to a publisher located in the taxable territory in terms of reverse charge Notification No. 13/2017 CT(R) dated 28.06.2017. Therefore, in the given case, person liable to pay tax is the publisher – SBP.

However, since SBP has completely refused to deposit the tax on the given transaction, Mr. Vicky Frankyn has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfill the following conditions:

(i) since he is unregistered, he has to first take registration under the CGST Act, 2017

(ii) he needs to file a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) of the CGST Act and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option;

(iii) he has to make a declaration on the invoice, which he would issue to SBP, in prescribed form.

**NOV 2020 (NEW COURSE)****Question 6 (b).****4 Marks**

In the following independent cases, decide, which person is liable to pay GST, if any.

You may assume that recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

**Mr. Kamal Jain, an unregistered famous author, received ₹20 lakhs of consideration from PQR Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book.**

**Answer:**

Reverse charge shall be applicable in respect of any services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like and recipient shall be liable to pay tax under reverse charge.

The author has the option to pay GST under normal charge but he shall not withdraw the said option within a period of 1 year from the date of exercising such option and he makes a declaration in the prescribed form in annexure -I and also on the invoice issued by him in form GST Inv-I to the publisher.

In the given case since in the question it is not mentioned whether author shall give declaration and author is an unregistered person hence PQR publications shall pay GST under reverse charge.

**10. SUPPLY OF SERVICES BY MEMBERS OF OVERSEEING COMMITTEE**

**Category of supply of Service:** Supply of services by the members of Overseeing Committee to Reserve Bank of India (RBI)

**Supplier of service:** Members of Overseeing Committee constituted by the RBI

**Recipient of Service:** RBI

**11. SERVICES SUPPLIED BY INDIVIDUAL DIRECT SELLING AGENTS**

**Category of supply of Service:** Services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership (LLP) firm to bank or nonbanking financial company (NBFCs).

**Supplier of service:** Individual Direct Selling Agents (DSAs) other than a body corporate, partnership or LLP firm

**Recipient of Service:** A banking company or a NBFC, located in the taxable territory

**12. SERVICES PROVIDED BY BUSINESS FACILITATOR**

**Category of supply of Service:** Services provided by business facilitator to a banking company.

**Supplier of service:** Business facilitator

**Recipient of Service:** A banking company, located in taxable territory

**13. SERVICES PROVIDED BY AN AGENT OF BUSINESS CORRESPONDENT**

**Category of supply of Service:** Services provided by an agent of business correspondent to business correspondent.

**Supplier of service:** An agent of business correspondent

**Recipient of Service:** A business correspondent, located in the taxable territory.

**14. SERVICES PROVIDED BY WAY OF SUPPLY OF SECURITY PERSONNEL**

**Category of supply of Service:** Security services (services provided by way of supply of security personnel) provided to a registered person.

However, nothing contained in this entry shall apply to:

- (i) (a) a Department or Establishment of the Central Government or State Government or Union territory;  
or
- (b) local authority; or
- (c) Governmental agencies; which has taken registration under the CGST Act, 2017 only for the purpose of deducting tax under section 51 of the said Act and not for making a taxable supply of goods or services;  
or
- (ii) a registered person paying tax under composition scheme.

**Supplier of service:** Any person other than a body corporate

**Recipient of Service:** A registered person, located in the taxable territory.

**Example**

1. Mr. X is providing security services to ABC limited (registered under GST), in this case reverse charge is applicable.
2. Mr. X is providing security services to ABC limited (not registered under GST), in this case reverse charge is not applicable.
3. Services are given by ABC limited to Mr. X or services are given by ABC limited to XYZ limited, reverse charge is not applicable.

<b>15. SERVICES PROVIDED BY WAY OF RENTING OF ANY MOTOR VEHICLE</b>
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Service by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient are taxable at the following two rates:

- (i) @ 5% (2.5% CGST+2.5% SGST/UTGST or 5% IGST) provided supplier of services has taken only the limited ITC (of input services in the same line of business). In this case reverse charge shall be applicable.
- (ii) @ 12% (6% CGST+6% SGST/UTGST or 12% IGST) where supplier of services opts to pay GST at said rate. In this case, there is no restriction on availing ITC on goods or services used in supplying renting of motor vehicles service by the supplier of service. In this case reverse charge not applicable

***\*\*It is important to note here that when any service is placed under RCM, the supplier shall not charge any tax from the service recipient as this is the settled procedure under RCM. RCM shall be applicable here only when the supplier does not issue an invoice charging GST @12% (6% CGST+6% SGST/UTGST or 12% IGST) from the service recipient.***

**Category of supply of Service:** *Services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, provided to a body corporate.*

**Supplier of service:** *Any person, other than a body corporate who supplies service to a body corporate & doesn't issue an invoice charging CGST @6% to service recipient.*

**Recipient of Service:** *Any body corporate located in the taxable territory.*

**Examples on RCM for renting of motor vehicle**

1. Mr. X a registered dealer is providing renting of motor vehicle services without cost of fuel, in this case reverse charge is not applicable and the supplier shall charge tax @ 18% (because RCM is not applicable in case of renting of motor vehicle without cost of fuel.)
2. Mr. X a registered dealer is providing renting of motor vehicle services with cost of fuel and GST is payable @12%, in this case reverse charge is not applicable because GST is being charged @ 12%.
3. Mr. X a registered dealer is providing renting of motor vehicle services with cost of fuel and GST is payable @ 5%, in this case reverse charge is applicable because GST is being charged @ 5%. However supply should be given to a body corporate. If supply given to any other person reverse charge is not applicable.

4. ABC Ltd. a registered dealer is providing renting of motor vehicle services with cost of fuel and GST is payable @ 5%, in this case reverse charge is not applicable because services have been provided by a body corporate.

**Person liable to pay tax under renting of motor vehicle service**

**Where GST is payable @ 12%: Forward Charge**

**Where GST is payable @ 5% and it includes the cost of fuel: Supplier is other than Body Corporate and Recipient is a Body Corporate, Reverse Charge is applicable**

**Where GST is payable @ 5%: Supplier is Body Corporate and Recipient is other than a Body Corporate, Reverse Charge not applicable**

**16. SERVICES OF LENDING OF SECURITIES UNDER SECURITIES LENDING SCHEME**

**Category of supply of Service: *Services of lending of securities under Securities Lending Scheme, 1997 (“Scheme”) of Securities and Exchange Board of India, as amended***

**Supplier of service: *Lender i.e., a person who deposits securities registered in his name/in the name of any other person duly authorised on his behalf with an approved intermediary for the purpose of lending under Scheme of SEBI***

**Recipient of Service: *Borrower i.e., a person who borrows the securities under the Scheme through an approved intermediary of SEBI.***

**17. SERVICES FROM NON-TAXABLE TERRITORY TO TAXABLE TERRITORY**

Reverse charge shall be applicable in respect of any taxable services provided or agreed to be provided by any person who is located in a non-taxable territory and received by any person located in the taxable territory.

No such reverse charge shall be applicable in case of OIDAR services received by an unregistered person.

**Example**

(i) ABC limited has taken services of an architect of USA on payment basis for construction of one building, In this case GST is payable by ABC limited under reverse charge.

(ii) Mr. X has taken OIDAR services on payment basis, GST shall be payable by Mr. X if he is registered but if he is unregistered, Person providing OIDAR services shall collect GST from him and shall pay to the Government.

(iii) Mr. X has taken OIDAR services free of cost for personal or business purpose, in this case no GST is payable either by Mr. X or by the person providing OIDAR services.

**TEST YOUR KNOWLEDGE**

1. State the person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:

- (a) Services provided by an arbitral tribunal to any business entity.
- (b) Sponsorship services provided by a company to an individual.
- (c) Renting of immovable property service provided by the Central Government to a registered business entity.

**Answer:**

**(a)** Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory is payable under reverse charge, in the given case, GST is payable by the recipient - business entity.

**(b)** GST on sponsorship services provided by any person to any body corporate or partnership firm located in the taxable territory is payable under reverse charge. Since in the given case, services have been provided to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier – company.

**(c)** GST on services supplied by Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under CGST Act, 2017 is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered business entity.

2. Vivek Goyal, director of A2Z Pvt. Ltd., has received sitting fee amounting to ₹ 1 lakh from A2Z Pvt. Ltd for attending the Board meetings. Who is the person liable to pay tax in this case?

**Answer:**

GST on supply of services by director of a company to the said company located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., A2Z Pvt. Ltd.

3. Raghu Associates provided sponsorship services to WE-WIN Cricket Academy, an LLP. Determine the person liable to pay tax in this case.

**Answer:**

In case of services provided by any person by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory. Further, for the reverse charge purposes, Limited Liability Partnership formed and registered under the provisions of the Limited Liability Partnership Act, 2008 is also be considered as a partnership firm. Therefore, in the given case, WE-WIN Cricket Academy is liable to pay GST under reverse charge.

4. 'Safe Trans', a Goods Transport Agency, transported goods of Kapil & Co., a partnership firm, which is not registered under GST. Determine the person liable to pay tax in this case.

**Answer:**

In case of services provided by Goods Transport Agency (GTA) in respect of transportation of goods by road to, inter alia, any partnership firm whether registered or not under any law; GST is liable to be paid by such partnership firm. Therefore, in the given case, Kapil & Co. is liable to pay GST under reverse charge.

5. Legal Fees is received by Sushrut, an advocate, from M/s. Tatva Trading Company having turnover of ₹ 50 lakh in preceding F. Y. Who is the person liable to pay tax in this case?

**Answer:**

GST on legal services supplied by an advocate [Mr. Sushrut] to any business entity [M/s. Tatva Trading Company] located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Tatva Trading Company.

6. State the person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:

- (a) Services supplied by an insurance agent to an Insurance Company.
- (b) Services supplied by a recovery agent to a car dealer.
- (c) Security services (services provided by way of supply of security personnel) provided to a registered person.

**Answer:**

(a) GST on services supplied by an insurance agent to any person carrying on insurance business located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – Insurance Company.

(b) GST on services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company located in the taxable territory is payable under reverse charge. However, since, in the given case, services are being supplied by a recovery agent to a car dealer, GST is payable under forward charge by the service provider - recovery agent.

(c) GST on security services (services provided by way of supply of security personnel) provided to a registered person, located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered person receiving the services.

<b>MTP - NOV 20 (3 x 2 Marks = 6 Marks)</b>
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M/s. Shanky Consultants, a partnership firm registered in Delhi, renders following services during the year:

- (i) Security services: ₹ 2,00,00,000/ to registered business entities
- (ii) Manpower services (Accountants): ₹ 5,00,000/-
- (iii) Auditing services: ₹ 1,00,00,000/-

Other Information

- (i) Shanky Consultants also paid sponsorship fees of ₹ 70,000/- at seminar organized by a private NGO (a partnership firm) in Delhi.
- (ii) Shanky Consultant pays rent amounting to ₹ 6,00,000/- for a building owned by MCD.
- (iii) Assume all services are taxable at 18% and all transactions to be intra-State supplies.

Based on the above information, answer the following questions:

- (i) What is the aggregate turnover of Shanky Consultants?
  - (a) ₹ 3,05,00,000/-
  - (b) ₹ 3,05,70,000/-
  - (c) ₹ 1,05,00,000/-
  - (d) ₹ 1,05,70,000/-

**Answer: (a)**

Aggregate turnover of Shanky consultants

Security services	2,00,00,000
Manpower services	5,00,000
Auditing services	1,00,00,000
<b>Total</b>	<b>3,05,00,000</b>

(ii) GST liability paid under reverse charge by Shanky Consultants is?

- (a) CGST: ₹ 60,300/-, SGST: ₹ 60,300/-

- (b) CGST: ₹ 6,300/-, SGST: ₹ 6,300/-  
 (c) CGST: ₹ 54,000/-, SGST: ₹ 54,000/-  
 (d) None of the above

**Answer: (a)**

GST liability under reverse charge

Sponsorship fees and payment of Rent to MCD is covered under reverse charge.

Sponsorship fees	70,000
Rent of immovable property	6,00,000
Total	6,70,000
CGST @ 9%	60,300
SGST @ 9%	60,300

(iii) State which of the following statement is true in respect of security services provided by Shanky Consultants to registered business entities:

- (a) Shanky Consultants shall issue GST compliant tax invoice.  
 (b) Shanky Consultants shall issue bill of supply stating “Tax to be paid by service recipient under reverse charge”.  
 (c) Shanky Consultants can issue any document in lieu of tax invoice.  
 (d) Shanky Consultants shall issue receipt voucher every time Shanky Consultants receives payment.

**Answer: (a)**

### RTP NOV– 2020

PTL Pvt. Ltd. is a retail store of merchandise located in 25 States and/or UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched scheme of “Buy One Get One Free” for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. For saving cost, PTL Pvt. Ltd. directly purchases merchandise from the manufacturers.

In the month of May, in order to save employee cost, PTL Pvt. Ltd. purchased a tempo traveller worth ₹12,00,000 with seating capacity of 25 persons (including driver) for transportation of its employees. Further, for ensuring the well-being of its employees, PTL Pvt. Ltd. voluntarily obtained the health insurance cover of ₹ 2,00,000 for each employee in the same month. The premium of ₹ 1,500 per employee has been paid by the company for 100 employees.

In the month of July, Mr. Raghav, a customer of the company, filed a law suit in the Court, against the company for not supplying goods of the value of ₹ 1,00,000. PTL Pvt Ltd. engaged Mr. Ram, an advocate, to represent it in Court for an agreed consideration of ₹ 25,000. As per the terms of the contract, Mr. Ram issued an invoice on 5th July. However, consideration was not paid till February next year.

**Note** - All the amounts given above are excluding taxes and all transactions are intra- State transactions. Rates of tax are CGST - 9% and SGST – 9%. However, for tempo traveller, the rates of taxes are CGST - 14% and SGST – 14%.

In relation to the above, answer the following questions:

**(i) With respect to “Buy One, Get One” offer, which of the following statements is true:**

- (a) It will not be considered as supply at all since no consideration is involved in one of the items.  
 (b) Supply of item for which consideration is charged is a supply under section 7 of the CGST Act, 2017 while supply of the other item supplied free of cost is not a supply.  
 (c) These are two individual supplies where a single price is charged for the entire supply. Since a single price is charged, the same will always be taxed as a mixed supply.  
 (d) These are two individual supplies where a single price is charged for the entire supply. Their taxability will depend upon as to whether the supply is a composite supply or a mixed supply.

**Answer: (d)**

**(ii) Eligible input tax credit for the month of May (i) on the purchase of tempo traveller and (ii) on health insurance premium paid (assuming that all other conditions, for availing input tax credit have been complied with) is:**

- (a) (i) CGST - Nil, SGST - Nil and (ii) CGST - Nil, SGST - Nil
- (b) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - Nil, SGST - Nil
- (c) (i) CGST - Nil, SGST - Nil and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000
- (d) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000

**Answer: (b)**

**Hint:** CGST = 12,00,000 x 14% = 1,68,000 , SGST = 12,00,000 x 14% = 1,68,000

- Since seating capacity is more than 13 persons. ITC for tempo traveller is allowed.

- Further as per section 17(5), ITC for life insurance and health insurance is not allowed unless it is obligatory for employer to provide such insurance.

**(iii) Which of the following statements is true in respect of the services of advocate availed by the company?**

- (a) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt Ltd. ITC availed thereon is to be added to its output tax liability with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
- (b) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. ITC availed thereon is to be added to output tax liability of PTL Pvt Ltd. with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
- (c) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt. Ltd. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.
- (d) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.

**Answer: (c)**

**Hint: Legal services received shall be payable under reverse charge**

CGST = 25,000 x 9% = 2,250, SGST = 25,000 x 9% = 2,250

## MAY 2018 (OLD COURSE)

**Question 9 (b)**

**Marks 3**

State with reason, person liable to pay GST in each of following independent cases. Assume recipient is located in taxable territory.

(i) Rental income received by Tamil Nadu State Government from renting an immovable property to Mannappa Pvt. Ltd. (Turnover of the company was, 22 lakhs in the preceding F.Y.)

**Answer:** Reverse charge shall be applicable in case of supply of renting of immovable property by Governments or Local Authority provided service recipient is registered under GST. In the given case service recipient is registered under GST as Turnover in the preceding year is exceeding 20 Lakh and shall be liable to pay GST under reverse charge.

(ii) Legal Fees received by Mr. Sushrut, a senior advocate, from M/s. Tatva Trading Company having turnover of ₹50 lakhs in preceding F.Y.

**Answer:** Legal services received by senior advocate shall be exempt if it is given to business entity having turnover upto ₹20 lakhs in preceding year but if turnover is exceeding ₹20 lakhs then service recipient is liable to pay GST under reverse charge. In the given case turnover of the company is exceeding ₹20 lakhs hence company is liable to pay GST under reverse charge.

**Question 1: Explain TOS of services in case of reverse charge**

**Answer: TOS of services in case of reverse charge. Section 13(3)**



TOS shall be earliest of the following dates:

- (a) the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier.
- (b) the date immediately following sixty days from the date of issue of invoice.

If it is not possible to determine the time of supply in the manner given above, the time of supply shall be the date of entry in the books of account of the recipient of supply.

**Question 2: Explain issue of Payment Voucher**

**Answer: Payment voucher section 31(3)(g) / Rule 52.**

A registered person who is liable to pay tax under reverse charge shall issue a payment voucher at the time of making payment to the supplier.

A payment voucher shall contain the following particulars, namely:—

- (a) name, address and Goods and Services Tax Identification Number of the supplier if registered;
- (b) a consecutive serial number not exceeding sixteen characters.
- (c) date of its issue;
- (d) name, address and Goods and Services Tax Identification Number of the recipient;
- (e) description of goods or services;
- (f) amount paid;
- (g) rate of tax / amount of tax.
- (h) place of supply along with the name of State and its code, in case of a supply in the course of inter-State trade or commerce; and
- (i) signature or digital signature of the supplier or his authorised representative.

**Illustration 5:**

Determine the time of supply from the given information. (Assuming that service being supplied is taxable under reverse charge)

May 4: The supplier of service issues invoice for service provided. There is a dispute about amount payable, and payment is delayed.

August 21: Payment made to the supplier of service

**Answer:** Here, July 4 (May 27, June 30, July 3) will be the time of supply, being the earlier of the two stipulated dates namely, date of payment and date immediately following 60 days since issue of invoice.

**Illustration 6:** Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

S. No.	payment for receipt of services	Issue of invoice
(i)	10.08.2021	29.06.2021
(ii)	10.08.2021	01.06.2021
(iii)	Part payment made on 30.06.2021 and balance amount paid on 01.09.2021	29.06.2021
(iv)	Payment is entered in the books of account on 28.06.2021 and debited in recipient's bank account on 30.06.2021	01.06.2021
(v)	Payment is entered in the books of account on 30.06.2021 and debited in recipient's bank account on 26.06.2021	29.06.2021

**Answer:**

S. No.	payment for receipt of services	Issue of invoice	Date immediately following 60 days from invoice	Time of supply of goods
(i)	10.08.2021	29.06.2021	29.08.2021	10.08.2021

(ii)	10.08.2021	01.06.2021	(June-1, July-31, Aug-28) 01.08.2021	01.08.2021
(iii)	Part payment made on 30.06.2021 and balance amount paid on 01.09.2021	29.06.2021	(June-29, July-31) 29.08.2021	30.06.2021 for part payment and 29.08.2021 for balance amount
(iv)	Payment is entered in the books of account on 28.06.2021 and debited in recipient's bank account on 30.06.2021	01.06.2021	(June-1, July-31, Aug-28) 01.08.2021	28.06.2021 (i.e. when payment is entered in the books of account of the recipient)
(v)	Payment is entered in the books of account on 30.06.2021 and debited in recipient's bank account on 26.06.2021	29.06.2021	(June-1, July-31, Aug-28) 29.08.2021	26.06.2021 (i.e. when payment is debited in the recipient's bank account)

### NOV 2019 (NEW COURSE)

**Question.6. (b)****(4 Marks)**

Know & Grow Publishers, a registered dealer in India, paid an advance ₹ 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1) (a) of the Copyright Act, 1957, of his original literary work on 5-9-2021. It made the balance payment ₹ 1,50,000 on 12-12-2021. You are required to determine the time of supply, if Mr. Ganatra (opted for reverse charge) raised the invoice on:

- (i) 6-10-2021  
(ii) 17-12-2021

**Answer:** As per section 13(3), Time of supply of services in case of reverse charge shall be earlier of the following:

1. The date of payment or
2. The date immediately following 60 days from the date of issue of invoice.

- (i) (a) TOS for ₹ 50,000 when invoice issued on 6<sup>th</sup> October 2021

In the given case TOS shall be earlier of the following:

1. 05<sup>th</sup> September 2021
2. 6<sup>th</sup> December 2021 (Oct -25, Nov – 30, December – 5)

Hence, TOS shall be 5<sup>th</sup> September 2021.

- (i) (b) TOS for ₹ 1,50,000 when invoice is issued on 6<sup>th</sup> October 2021

In the given case TOS shall be earlier of the following:

1. 12<sup>th</sup> December 2021
2. 6<sup>th</sup> December 2021 (Oct -25, Nov – 30, December – 5)

Hence, TOS shall be 6<sup>th</sup> December 2021.

- (ii) (a) TOS for ₹ 50,000 when invoice issued on 17<sup>th</sup> December 2021

In the given case TOS shall be earlier of the following:

1. 05<sup>th</sup> September 2021
2. 16<sup>th</sup> February 2022 (December – 14, January – 31, Feb - 15 )

Hence, TOS shall be 5<sup>th</sup> September 2021

- (ii) (b) TOS for ₹ 1,50,000 when invoice issued on 17<sup>th</sup> December 2021

In the given case TOS shall be earlier of the following:

1. 12<sup>th</sup> December 2021
2. 16<sup>th</sup> February 2022 (December – 14, January – 31, Feb - 15 )

Hence, TOS shall be 12<sup>th</sup> December 2021.

**NOV 2019 (OLD COURSE)****Question.7. (b)****(4 Marks)**

M/s Parnav Associates, a Partnership Firm, provided recovery agent service to Newtron Credits Ltd., an NBFC and a registered supplier, on 15<sup>th</sup> January 2022. Invoice for the same was issued on 7<sup>th</sup> February, 2022 and the payment was made on 18<sup>th</sup> April, 2022 by Newtron Credits Ltd, Bank account of company was debited on 20<sup>th</sup> April, 2022.

Determine the following:

- (i) Person liable to pay GST
- (ii) Time of supply of service.

**Answer:**

(i) In respect of services provided by a recovery agent to a banking company or a financial institution or a non-banking financial company, reverse charge shall be applicable i.e. the NBFC etc. shall pay tax.

In the given case Newtron Credits Ltd. an NBFC shall be liable to pay GST under reverse charge.

(ii) As per section 13(3), Time of supply of services in case of reverse charge shall be earlier of the following:

1. The date of payment or
2. The date immediately following 60 days from the date of issue of invoice.

In the given reverse charge shall be applicable and earlier of the following shall be the time of supply:

1. 18<sup>th</sup> April, 2022
2. 9<sup>th</sup> April, 2022 (i.e. Feb – 21, March – 31 April- 8)

**MAY 2018 (OLD COURSE)****Question 9 (a)****Marks 3**

On 4th September, 2021, V.R. Mehman a famous music composer, received, ₹3 crore of consideration from Zilmil Music Co. Ltd. for sale of copyright of his original music album. He finished his work & made available the CD to the music company on 20th July, 2021 & raised the invoice on 24th July, 2021. What will be the time of supply as per CGST Act, 2017?

Note: Above Service is taxable under reverse charge basis.

**Answer:** As per section 13(3), Time of supply of services in case of reverse charge shall be earlier of the following:

1. The date of payment or
2. The date immediately following 60 days from the date of issue of invoice.

In the given case TOS shall be earlier of the following:

1. 4<sup>th</sup> September 2021
2. 24<sup>th</sup> September 2021 (July -7, August – 31, September – 23)

Hence, TOS shall be 4<sup>th</sup> September 2021.

**Question 3: Explain TOS in case of Associated Enterprises.****Answer: Associated enterprise**

In case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be the date of entry in the books of account of the recipient of supply or the date of payment, whichever is earlier.

As per section 2(12), "**associated enterprises**" shall have the same meaning as assigned to it in section 92A of the Income-tax Act, 1961.

**Question 4: Explain TOS in case of Reverse charge of goods.****Answer: Receipt of goods that are taxable under reverse charge [Section 12(3)]**

The time of supply of goods on which GST is payable on reverse charge basis under section 9 of CGST Act is determined in terms of section 12(3), as follows:

The time of supply for such goods will be the earliest of the following dates:

- Date on which the goods are received, or
- Date on which payment is recorded in the books of account of the entity that receives the goods, or the date on which it is debited from the entity's bank account, whichever is earlier, or
- Date immediately following 30 days from the date of issue of invoice (or document by some other name in lieu of invoice) by the supplier.

If it is not possible to determine the time of supply by using these parameters, then the time of supply will be the date of entry of goods in the books of account of the recipient of supply.

**Illustration 7:** Determine the time of supply from the given information.

**May 4** - Supplier invoices goods taxable on reverse charge basis to Bridge & Co. (30 days from the date of issuance of invoice elapse on June 3)

**May 12** - Bridge & Co receives the goods

**May 30** - Bridge & Co makes the payment

**Answer:** Here, May 12 will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)]. (Here, date of invoice is relevant only for calculating thirty days from that date.)

**Illustration 8:** Determine the time of supply from the given information.

**May 4** - Supplier invoices goods taxable on reverse charge basis to Pillar & Co. (30 days from the date of issuance of invoice elapse on June 3)

**June 12** - Pillar & Co receives the goods, which were held up in transit

**July 3** - Payment made for the goods

**Answer:** Here, June 4, 31st day from the date of supplier's invoice, will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)].

## PRACTICE PROBLEMS

**Q1.** A firm of lawyers issues invoice for services to ABC Ltd. on 17th Feb. The payment is contested by ABC Ltd. on the ground that on account of negligence of the firm, the company's case was dismissed by the Court for non-appearance, which necessitated further appearance for which the firm is billing the company. The dispute drags on and finally payment is made on 3rd November.

Identify the time of supply of the legal services.

Note: Legal services are taxable on reverse charge basis.

**Answer:** Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13:

- Date of payment [3rd November]
- 61st day from the date of issue of invoice [19th April]

The date of payment comes subsequent to the 61st day from the issue of invoice by the supplier of service. Therefore, the 61st day from supplier's invoice has to be taken as the time of supply. This fixes 19th April as the time of supply.

**Q2.** Kabira Industries Ltd engaged the services of a transporter for road transport of a consignment on 17th June and made advance payment for the transport on the same date, i.e., 17th June. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July. Invoice was received from the transporter on 22nd July. What is the time of supply of the transporter's service?

Note: Transporter's service is taxed on reverse charge basis.

**Answer:** Time of supply of service taxable under reverse charge is the earlier of the following two dates in terms of section 13:

- Date of payment
- 61st day from the date of issue of invoice

In this case, the date of payment precedes 61st day from the date of issue of invoice by the supplier of service. Hence, the date of payment, that is 17th June, will be treated as the time of supply of service [Section 13].

## **MULTIPLE CHOICE QUESTIONS**

### **1. GST is payable by the recipient under reverse charge on:**

- (a) Sponsorship services
- (b) Transport of goods by rail
- (c) Transport of passengers by air
- (d) All of the above

### **2. GST is payable by recipient of services in the following cases:-**

- (i) Services provided by way of sponsorship to ABC Ltd.**
- (ii) Services supplied by a director of Galaxy Ltd. to Mr. Krishna.**
- (iii) Services by Department of Posts by way of speed post to MNO Ltd.**
- (iv) Services supplied by a recovering agent to SNSP Bank**

- (a) (i) & (iii)
- (b) (i) & (iv)
- (c) (ii) & (iii)
- (d) (ii) & (iv)

### **3. Which of the following statement is not correct?**

- (a) Reverse charge shall be applicable in case of renting of immovable property by the Govt. to a business entity who is registered under GST
- (b) Reverse charge shall be applicable in case of renting of immovable property by the Govt. to a business entity who is not registered under GST
- (c) Renting of immovable property by the Govt. to a person other than business entity shall be exempt from GST
- (d) None of these

### **4. Which of the following statement is correct?**

- (a) Services by the department of post is exempt if the services are of speed post, express parcel post, life insurance or agency services provided to a person other than Govt.
- (b) Services by the department of post is exempt if the services are of basic mail services, operation of saving account, post card, inland letter provided to a person other than Govt.
- (c) Services by the department of post is exempt if the services are of basic mail services, operation of saving account, post card, inland letter provided to any person.
- (d) None of these

### **5. Reverse charge shall be applicable**

- (a) If Govt. has provided security services to a business entity which is registered under GST
- (b) If Govt. has provided renting of immovable property services to a business entity which is registered under GST
- (c) If Govt. has provided services in relation to an aircraft or vessel inside or outside the precincts of a port or airport
- (d) (a) & (b)
- (e) (a) & (c)
- (f) none of these

### **6. Which of the following statement is not correct?**

- (a) If an individual advocate has given services to a business entity who is registered, reverse charge shall be applicable
- (b) If an individual advocate has given services to any other advocate, it will be exempt from GST
- (c) If an individual advocate has given services to a business entity who is unregistered, it will be exempt from GST
- (d) If an individual advocate has given services to a business entity who is unregistered, reverse charge shall be applicable

### **7. ABC Ltd. has sent certain goods through one GTA to XYZ Ltd. and freight is payable by XYZ Ltd. and both ABC Ltd. and XYZ Ltd. are registered under GST, in this case**

- (a) normal charge shall be applicable and GTA will collect GST from ABC Ltd.

- (b) normal charge shall be applicable and GTA will collect GST from XYZ Ltd.
- (c) reverse charge shall be applicable and GST shall be paid by ABC Ltd.
- (d) reverse charge shall be applicable and GST shall be paid by XYZ Ltd.
- (e) none of these

**8. In which case reverse charge is not applicable**

- (a) Sponsorship services have been provided by ABC Ltd. to XYZ Ltd.
- (b) Sponsorship services have been provided by ABC Ltd. to one HUF
- (c) Sponsorship services have been provided by Mr. A to XYZ Ltd.
- (d) None of these

**9. In which case reverse charge is not applicable**

- (a) GTA transported goods and consignor ABC Ltd. and consignee XYZ Ltd. and freight payable by ABC Ltd.
- (b) GTA transported goods and consignor Mr. A and consignee XYZ Ltd. and freight payable by XYZ Ltd.
- (c) GTA transported goods and consignor Mr. A and consignee Mr. B and freight payable by Mr. A. Mr. A is not registered but Mr. B is registered
- (d) None of these

**10. Which Statement from the following is correct**

- (i) Reverse charge shall be applicable in respect of any taxable services provided or agreed to be provided by any person who is located in a non-taxable territory and received by any person located in the taxable territory.
- (ii) Reverse charge shall be applicable in respect of any non- taxable services provided or agreed to be provided by any person who is located in a non-taxable territory and received by any person located in the taxable territory.
- (iii) Reverse charge shall be applicable in respect of any taxable services provided or agreed to be provided by any person who is located in a taxable territory and received by any person located in the taxable territory.
- (iv) Reverse charge shall be applicable in respect of any taxable services provided or agreed to be provided by any person who is located in a taxable territory and received by any person located in the non- taxable territory.
- (a) only (i) is correct
- (b) only (i) & (ii) is correct
- (c) only (ii) & (iii) is correct
- (d) only (ii) & (iv)
- (e) all the above is correct.

**11. Which Statement from the following is correct**

- (i) Reverse charge shall be applicable in case of OIDAR services received by an unregistered person.
- (ii) Reverse charge shall be applicable in case of OIDAR services received by registered person.
- (iii) Reverse charge shall be applicable in case of OIDAR services, service provided by an unregistered person.
- (iv) Reverse charge shall be applicable in case of OIDAR services, service provided by registered person.
- (a) only (i) is correct
- (b) only (ii) is correct
- (c) only (ii) & (iii) is correct
- (d) only (ii) & (iv)
- (e) all the above is correct.

**12. Which Statement from the following is correct**

- (i) Reverse charge shall be applicable if sponsorship services have been provided to any body corporate or partnership firm.
- (ii) Reverse charge shall be applicable if sponsorship services have been provided to any person.
- (iii) Reverse charge shall be applicable if sponsorship services have been provided to an individual.
- (iv) Reverse charge shall be applicable if sponsorship services have been provided to HUF.
- (a) only (i) is correct
- (b) only (ii) is correct

- (c) only (iii) & (iv) is correct
- (d) only (i) & (iv)
- (e) all the above is correct.
- (f) (i),(iii) & (iv) is correct

**13. Mr. A sponsored a dance competition organized by ‘Taal Academy’, a dance school run by an individual. The dance competition was named as ‘Mr. A’s Dance Show’ by ‘Taal Academy’. Who is liable to pay GST in this case?**

- (a) Taal Academy
- (b) Mr. A
- (c) Both
- (d) None of above

**14. ABC Ltd., a carrying and forwarding agency, started its operations on October 1, 2021 and is registered under GST. It utilized the services of Big Carriers, a goods transport agency, in the month of November, 2021. GST shall be payable by**

- (a) ABC Ltd.
- (b) Big Carriers
- (c) Both (a) & (b)
- (d) None of above

**15. ABC, a firm of lawyers rendered legal advice to Mr. B, an architect, and MNO Ltd., an advertising agency during December, 2021. Who is liable to pay GST in this case if aggregate turnover of Mr. B and MNO Ltd. are exceeding prescribed limit in the preceding year.**

- (a) ABC
- (b) Mr. B only
- (c) Both Mr. B & MNO Ltd.
- (d) MNO Ltd.

**16. ABC, a firm of lawyers rendered legal advice to Mr. B, an architect, and MNO Ltd., an advertising agency during December, 2021. Who is liable to pay GST in this case if aggregate turnover of Mr. B is ₹15 lakh and MNO Ltd. ₹45 lakh in the preceding year.**

- (a) ABC
- (b) Mr. B only
- (c) Both Mr. B & MNO Ltd.
- (d) MNO Ltd.

**17. Reverse charge shall be applicable**

- (a) Services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Government
- (b) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport
- (c) Transport of goods or passengers
- (d) in respect of services provided by Government or local authority except (a) , (b) & (c)
- (e) in respect of services provided by Government or local authority except (a) & (b) only

**18. Which Statement from the following is correct**

- (a) Reverse charge shall be applicable in respect of services provided or agreed to be provided by an insurance agent to any person carrying on insurance business
- (b) Reverse charge shall not be applicable in respect of services provided or agreed to be provided by an insurance agent to any person carrying on insurance business
- (c) Reverse charge shall be applicable in respect of services provided or agreed to be provided by an insurance agent to any person carrying on any business
- (d) Reverse charge shall be applicable in respect of services received by an insurance agent.

**19. Which Statement from the following is not correct**

- (a) Reverse charge shall be applicable in respect of services provided or agreed to be provided by an insurance agent to any person carrying on insurance business
- (b) Reverse charge shall be applicable in respect of services provided by a recovery agent to a banking company or a financial institution or a non-banking financial company
- (c) Reverse charge shall be applicable in respect of services by the members of overseeing committee to Reserve Bank of India.
- (d) Reverse charge shall be applicable in respect of services by Director to any partnership firm.

**20. Which Statement from the following is correct**

- (a) Reverse charge shall be applicable in respect of services supplied by individual Direct Selling Agents (DSAs) to bank or non-banking financial company (NBFCs).
- (b) Reverse charge shall not be applicable in respect of services supplied by Individual Direct Selling Agents (DSAs) to bank or non-banking financial company (NBFCs).



(c) Reverse charge shall be applicable in respect of services supplied by Direct Selling Agents (a body corporate) to bank or non-banking financial company (NBFCs).

(d) Reverse charge shall be applicable in respect of services supplied by Direct Selling Agents (LLP) to bank or non-banking financial company (NBFCs).

**21. Time of supply of services in case of reverse charge shall be earliest of the following dates:**

(i) the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier.

(ii) the date immediately following \_\_\_\_\_ days from the date of issue of invoice.

(a) 50 days                                      (b) 30 days                                      (c) 60 days                                      (d) 40 days

**22. Which of the following statements is correct**

(a) a registered person who is liable to pay tax under reverse charge shall issue an invoice in respect of goods / services received by him from the supplier who is not registered on the date of receipt of goods / services.

(b) an unregistered person who is liable to pay tax under reverse charge shall issue an invoice in respect of goods / services received by him from the supplier who is not registered on the date of receipt of goods / services.

(c) a registered person who is liable to pay tax under reverse charge shall not issue an invoice in respect of goods / services received by him from the supplier who is not registered on the date of receipt of goods / services.

(d) a registered person who is liable to pay tax under normal charge shall issue an invoice in respect of goods / services received by him from the supplier who is not registered on the date of receipt of goods / services.

**23. A service receiver has received invoice dated 29.06.2021 and made the payment on 10.08.2021 and reverse charge is applicable, in this case time of supply shall be**

(a) 28.08.2021                                      (b) 29.06.2021                                      (c) 10.08.2021                                      (d) none of these

**24. A service receiver has received invoice dated 01.06.2021 and made the payment on 10.08.2021 and reverse charge is applicable, in this case time of supply shall be**

(a) 01.08.2021                                      (b) 10.08.2021                                      (c) 01.06.2021                                      (d) none of these

**25. Part payment made on 30.06.2021 and balance amount paid on 01.09.2021 and date of issue invoice 29.06.2021, in this case TOS under reverse charge shall be**

(a) 30.06.2021 for part payment and 29.08.2021 for balance payment

(b) 29.06.2021 for part payment and 01.09.2021 for balance payment

(c) 31.08.2021 for part payment and 01.09.2021 for balance payment

(d) none of these

**26. What is the time of supply of service in case of reverse charge mechanism?**

(a) Date on which payment is made to the supplier

(b) Date immediately following 60 days from the date of issue of invoice

(c) Date of invoice

(d) Earlier of (a) and (b)

**27. What is the time of supply of service where services are received from an associated enterprise located outside India?**

(a) Date of entry of services in the books of account of recipient of service

(b) Date of payment

(c) Earlier of (a) & (b)

(d) Date of entry of services in the books of the supplier of service

**Check Detailed Solution given on our website [www.mkgeducation.com](http://www.mkgeducation.com)  
(Icon /Heading No.11: Books)**

# EXAMINATION QUESTION

## MAY 2019 (OLD COURSE)

**Question 6****Marks 8**

Mr. Uttam Kumar a registered supplier of service in Kolkata, has provided following information for the month of October, 2021:

No.	Particulars	Amount in (₹)
1.	Intra-State taxable supply of service	6,40,000
2.	Amount received from Kapola Pvt. Ltd., for service provided to company. (He is a director in Kapola P. Ltd.), being Intra-State transaction.	5,00,000
3.	Paid legal fee to senior advocate for one legal matter within State, being Intra-State transaction.	50,000
4.	Amount received for service provided by him as a commentator to a local recognized sports body, being Intra-State transaction	1,20,000
5.	Amount received for acting as a coach in recreational activities relating to sports, from one local charitable entity registered under section 12AA or 12AB of the Income Tax Act, 1961, being Intra-State transaction.	30,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Uttam Kumar for the month of October, 2021  
Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

All the amounts given are exclusive of CGST, SGST and IGST.

**Solution:****Computation of Net GST Liability of Mr. Uttam Kumar****Output Tax****Intra-State supply of service**

	6,40,000
Add: CGST @ 9%	57,600
Add: SGST @ 9%	57,600
Total	7,55,200

**Legal fee paid to senior advocate**

Reverse charge shall be applicable, Mr. Uttam shall be liable to pay GST under reverse charge and ITC of the same also be allowed.

	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
Total	59,000

**Service provided to local recognized sports body**

Service provided to local recognized sports body is not covered under exemption as local sports body is not recognized sports body hence GST shall be payable.

	1,20,000
Add: CGST @ 9%	10,800
Add: SGST @ 9%	10,800
Total	1,41,600

**Service provided to local charitable entity**

Service provided to local charitable entity is not covered under exemption hence GST shall be payable.

	30,000
Add: CGST @ 9%	2,700

Add: SGST @ 9%	2,700
Total	35,400

**Computation of Net GST Liability**

Particulars	CGST ₹
Output Tax	
Intra State supply	57,600
Services to local sports body	10,800
Services to Charitable Institution	2,700
Legal service taken from advocate (payable under reverse charge)	4,500
<b>Total payable</b>	<b>75,600</b>
Less: ITC (tax paid under reverse charge)	(4,500)
<b>Net GST Liability</b>	<b>71,100</b>

**Computation of Net GST Liability**

Particulars	SGST ₹
Output Tax	
Intra State supply	57,600
Services to local sports body	10,800
Services to Charitable Institution	2,700
Legal service taken from advocate (payable under reverse charge)	4,500
<b>Total payable</b>	<b>75,600</b>
Less: ITC (tax paid under reverse charge)	(4,500)
<b>Net GST Liability</b>	<b>71,100</b>

**Note:**

Service provided by Mr. Uttam to Kapola Pvt. Ltd. to company as director, in this case company is liable to pay GST under reverse charge and Mr. Uttam shall not charge GST.

**NOV 2018 (NEW COURSE)****Question 8 (a)****Marks 6**

Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February 2022:

Particulars	Amount in (₹)
(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 to 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 2022.

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 of Mr. Thiraj for the month of February 2022**

<b>Output Tax</b>	<b>₹</b>
Intra-state taxable supply of service is a taxable supply	5,20,000
Add: CGST @ 9%	46,800
Add: SGST @ 9%	46,800

Legal fee paid to a Lawyer located within the State taxable under reverse charge and service recipient shall be liable to pay tax. (Section 9(3) of CGST Act)	20,000
Add: CGST @ 9%	1,800
Add: SGST @ 9%	1,800
(ITC will be available of tax paid under reverse charge)	
Rent paid to the State Govt. for his office building taxable under reverse charge and service recipient shall be liable to pay tax if the service recipient is registered under GST. (Section 9(3) of CGST Act)	30,000
Add: CGST @ 9%	2,700
Add: SGST @ 9%	2,700
(ITC will be available of tax paid under reverse charge)	
Received for services towards conduct of exams to Loveall University, Pune (recognized by law) is a exempt service.	Nil
<b>Computation of Net Tax Liability</b>	<b>CGST</b>
Output tax ( 46,800+1,800+2,700)	51,300
Less: ITC-CGST	(4,500)
Net Tax Liability	46,800
	<b>SGST</b>
Output tax ( 46,800+1,800+2,700)	51,300
Less: ITC-SGST	(4,500)
Net Tax Liability	46,800

**NOV 2018 (OLD COURSE)**
**Question 9 (a)****Marks 5**

M/s Maheshwari Corporation Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka having Turnover of ₹200 lakhs in the last financial year. It has furnished the following information for the month of June, 2021

Sr. No.	Particulars	Amount in (₹) Excluding GST
(1)	Services provided by way of Labour Contract for repairing a single residential unit otherwise than as a part of residential complex (It is an intra state transaction.)	1,30,000
(2)	Intra State Sale of Taxable Goods including 50,000 received as advance in April,2021. The invoice for the entire sale value is issued on 15 <sup>th</sup> June, 2021	2,50,000
(3)	Goods Transport Services received from GTA, GTA is paying tax @ 12% (It is an interstate transaction.)	1,80,000
(4)	Goods Purchased from unregistered dealer on 20 <sup>th</sup> June, 2021 (Interstate purchases are worth, 45,000 and balance purchases was intrastate).	80,000

Compute Net GST Liability (CGST, SGST, IGST as the case may be) of M/s Maheshwari Corporation Pvt. Ltd. for the month of June, 2021 assume the rates of GST, unless otherwise specified, as under:

CGST- 9%, SGST-9%, IGST- 18%

**Solution: Computation of Net GST Liability for the month of June 2021**

**₹****Output Tax**

(1) Services provided by way of Labour Contract for repairing a single residential unit is a taxable supply	1,30,000
Add: CGST @ 9%	11,700
Add: SGST @ 9%	11,700
(2) Intra State Sale of Taxable goods	2,50,000
Add: CGST @ 9%	22,500
Add: SGST @ 9%	22,500

**Input Tax**

Input Service of GTA Service	1,80,000
Add: IGST @ 12%	21,600

**Computation of Net Tax Liability**

	<b>CGST</b>
Output Tax (11,700+22,500)	34,200
Less: ITC -IGST	(21,600)
Net Tax Liability	12,600

	<b>SGST</b>
Output Tax (11,700+22,500)	34,200
Less: ITC	Nil
Net Tax Liability	34,200

**Notes:**

1. No Tax shall be payable at the time of advance received for supply of goods and tax shall be paid at the time of supply or date of invoice.
2. In case of goods purchased from unregistered dealer there is no tax element was charged on the bill and reverse charge is also suspended for purchase of goods from unregistered dealer.
3. Reverse charge shall not be applicable in case GTA is charging tax on supply of service and credit shall be allowed to the recipient

**MAY 2018 (OLD COURSE)****Question 8 (a)****Marks 5**

M/s. Pradyumn Corporation Pvt. Ltd., a registered dealer of Mumbai furnishes you following information for the month of October, 2021.

S. No	Particulars	Amount (₹)
(i)	Intra state sale of Taxable goods (out of above ₹ 50,000 was received as advance in September, 2021)	2,00,000
(ii)	Goods purchased from unregistered dealer (purchase on 20th October, 2021) (10,000 in case of Inter State & Balance Intra-state)	50,000
(iii)	Received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (it is Intra-state transaction)	50,000
(iv)	Professional fees paid to Ms. Udadhi located in a non-taxable territory (it amounts to Interstate transaction)	50,000

Compute GST liability (CGST, SGST or IGST, as the case may be) of M/s. Pradyumn Corporation Pvt. Ltd. for the month of October, 2021. Assume the rates of GST as under

CGST 9%

SGST 9%

IGST 18%

Note: Turnover of M/s. Pradyumn Corporation Pvt. Ltd. was 2 crore in the Previous Financial Year.

**Solution:** Computation of Net GST payable by M/s Pradyumn Corporation Pvt. Ltd. for the month of October 2021

**Input tax Credit**

₹

(i) Input tax credit in case of Goods Purchased from Unregistered is not allowed.

(ii) In case of Professional payment to Ms. Udadhi located in non-taxable territory reverse charge shall be applicable assuming service is rendered in taxable territory and tax credit shall be allowed.

$$\text{IGST} = 50,000 \times 18\% = 9,000$$

**Output Tax****Intra-State sale of taxable goods**

Sale Value	2,00,000
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Reverse Charge

406

Add: CGST @ 9%	18,000
Add: SGST @ 9%	18,000
Total	2,36,000

Advance received is not taxable in the month of September.

**Labour Contract Services**

Value	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
Total	59,000

**Computation of GST Liability**

Output tax (18,000+4,500)	<b>CGST ₹</b> 22,500
Output tax (18,000+4,500)	<b>SGST ₹</b> 22,500

IGST of ₹9,000 is payable under reverse charge.

**Computation of Net Tax**

Output tax (18,000+4,500)	<b>CGST ₹</b> 22,500
Less: ITC Import of service	(9,000)
Net Tax Payable	13,500
Output tax (18,000+4,500)	<b>SGST ₹</b> 22,500
Net Tax Payable	22,500

IGST of ₹9,000 is payable under reverse charge.

**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 the month of July, 2021:

Particulars	Amount (₹ in 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 (₹ in lakh)
IGST credit on capital goods purchased in the month of July	1.5
CGST/ SGST credit on other inward supplies [including credit of ₹ 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 [Intra-State	1

services]	
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The amount of ITC brought forward in the month of July, 2021 is as under:-

CGST: ₹ 2 lakh

SGST: ₹ 2 lakh

IGST: ₹ 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, 2021 by assuming the rates of GST as under:

CGST 9%

SGST 9%

IGST 18%

Note:

(i) All the amounts given above are exclusive of taxes.

(ii) All the conditions necessary for availing the ITC have been fulfilled.

**Solution:**

Computation of net GST liability of Mr. Ekaant

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b>Total tax liability</b>				
Value of intra-State legal consultancy services i.e. inward supplies liable to reverse charge mechanism (to be paid in cash) (A) [Note-1]	1,00,000	9,000	9,000	-
Value of inter-State outward supplies (B1)	30,00,000	-	-	5,40,000
Value of intra-State outward supplies to registered as well as unregistered persons (B2) (₹ 50,00,000 + ₹ 15,00,000)	65,00,000	5,85,000	5,85,000	-
<b>Total (B) = (B1) +(B2)</b>		<b>5,85,000</b>	<b>5,85,000</b>	<b>5,40,000</b>
<b>Input tax Credit</b>				
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 (C)</b>		<b>3,44,000</b>	<b>3,44,000</b>	<b>7,40,000</b>
<b>Net liability (B)-(C)</b>		<b>2,41,000</b>	<b>2,41,000</b>	<b>(2,00,000)</b>
Less: Set off from IGST credit [Note-5]		2,00,000	-	-
<b>Liability after set off (D)</b>		<b>41,000</b>	<b>2,41,000</b>	<b>Nil</b>
<b>Net GST liability to be paid in cash (A) + (D)</b>		<b>50,000</b>	<b>2,50,000</b>	<b>Nil</b>

**Notes:-**

1. Services supplied by an individual advocate to any business entity located in the taxable territory by way of legal services, directly or indirectly are taxable under reverse charge mechanism. Thus, tax is payable by the recipient (Mr. Ekaant) on said services to the Government.

Further, as per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger [ITC amount] may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

2. Every registered person is entitled to take credit of input tax charged on any inward supply of goods and/or services which are used or intended to be used in the course or furtherance of his business in terms of section 16 of CGST Act, 2017. Further “input tax” in relation to a registered person includes the tax payable under reverse charge mechanism in terms of section 2(62) of the CGST Act, 2017.

3. Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the central tax leviable thereon under section 9(4) till 30.09.2019 [*Notification No.8/2017 CT (R) dated 28.06.2017*]. Since no tax has been paid, so no credit is available.

4. Input tax credit is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.

5. Input tax credit of IGST has been used to pay IGST and CGST in that order



## MISCELLANEOUS

### **Question 1: Explain SEZ / Zero Rated supplies.**

**Answer:** The term SEZ is defined in SEZ Act, 2005, Section 2(za), SEZ Means a specific area with well - defined physical boundaries and which has been declared to be SEZ and a Development commissioner is appointed by the Government.

The persons having their units in SEZ shall be exempt from payment of all taxes and no one supplying goods / services to a unit in SEZ shall be allowed to charge tax.

All the goods/services from SEZ are to be exported.

If any person has a unit in SEZ and also a unit outside SEZ, in such cases, separate registration is required even if the units are in the same State. Further it will be considered to be Inter-State Supply.

**As per section 16 of IGST Act,** no output tax shall be charged in case of zero rated supply which means exports or sale to units in SEZ or Developer of SEZ and the person supplying goods etc. shall be allowed to take input tax credit and also refund is allowed.

### **Question 2: Explain whether all goods are covered under GST.**

**Answer:** As per section 9(1) of CGST Act, Alcoholic liquor for human consumption is not covered under GST because earlier excise duty on alcoholic liquor was collected by State Government besides VAT and State Governments considered it to be a major source of revenue for them. Hence they have not agreed to cover it under GST.

As per section 9(2), Petroleum crude, High speed diesel, Petrol , natural gas and aviation turbine fuel are not covered in GST at present however they will be covered in GST from a date to be notified by the Government.

### **Question 3: Explain Genesis of GST in India.**

**Answer: GENESIS OF GST IN India**

- France was the first country to implement GST in the year 1954. Within 62 years of its advent , about 160 countries across the world have adopted GST because this tax has the capacity to raise revenue in the most transparent and neutral manner.
- The idea of national Goods and Services Tax (GST) was mooted by Kelkar Task Force in 2004.
- Subsequently, the then Union Finance Minister, Shri P. Chidambaram, while presenting the Central Budget (2007-2008), announced that GST would be introduced from April 1, 2010. Since then, GST missed several deadlines and continued to be shrouded by the clouds of uncertainty.
- GST, however, gained momentum in the year 2014 when the NDA Government tabled the Constitution (122<sup>nd</sup> Amendment) Bill, 2014 on GST in the Parliament on 19<sup>th</sup> December, 2014. The Lok Sabha passed the Bill on 6<sup>th</sup> May, 2015 and Rajya Sabha on 3<sup>rd</sup> August, 2016. Subsequent to ratification of the Bill by more than 50% of the States, Constitution (122<sup>nd</sup> Amendment) Bill, 2014 received the assent of the President on 8<sup>th</sup> September, 2016 and became Constitution (101<sup>st</sup> Amendment) Act, 2016, which paved the way for introduction of GST in India.
- In the following year, on 27<sup>th</sup> March, 2017, the Central GST legislations - Central Goods and Services Tax Bill, 2017, Union Territory Goods and Services Tax Bill, 2017 and Goods and Services Tax (Compensation to States) Bill, 2017 were introduced in Lok Sabha. Lok Sabha passed these bills on 29<sup>th</sup> March, 2017 and with the receipt of the President's assent on 12<sup>th</sup> April, 2017, the Bills were enacted. The enactment of the Central Acts was followed by the enactment of the State GST laws by various State Legislatures.
- GST is a path breaking indirect tax reform which will create a common national market. GST has subsumed multiple indirect taxes like excise duty, service tax, VAT, CST, luxury tax, entertainment tax, entry tax, etc.

### **Question 4: Explain Concept of GST/ GST – A Cure for Ills of Existing Indirect Tax.**

**Answer:** The basic concept of GST is as given below:

- GST is a value added tax levied on manufacture, sale and consumption of goods and services.

- GST offers comprehensive and continuous chain of tax credits from the producer upto the retailer level thereby taxing only the value added at each stage of supply chain.
- The supplier at each stage is permitted to avail credit of GST paid on the purchase of goods and/or services and can set off this credit against the GST payable on the supply of goods and services to be made by him. Thus, only the final consumer bears the GST charged by the last supplier in the supply chain.
- Since, only the value added at each stage is taxed under GST, there is no multiple tax or cascading of taxes under GST system. GST does not differentiate between goods and services and thus, the two are taxed only once.

**Question 5: Explain Deficiencies in Value Added Taxation System.**

**Answer:** Prior to GST, there were different Acts with regard to Goods and Services like Central Excise Act, Value Added Tax Act, Service tax provisions etc. and also some tax were levied by Central Government and some by State Government and in the implementation of Value Added Tax, there were many problems because of different tax provisions and different government e.g. no tax credit is allowed for Central Sales Tax.

Also tax credit for sales tax could not be set off from output excise duty or service tax and also vice versa was not possible and there was double taxation and cascading effect even after implementation of Value Added Tax.

Also there was no clear distinction between goods and services e.g. in case of software, some states considered it to be goods and charged VAT and at the same time central government considered it to be service and charged service tax leading to double taxation.

In order to have one comprehensive law for goods and services and also for implementing smooth functioning of value added tax, it was proposed to have new Act which should cover all the indirect taxes and also it will remove all problems of double taxation and cascading effect. Further it will integrate central taxes and state taxes and also it will include other taxes like luxury tax or entertainment tax etc.

**Question 6: Explain Seamless flow of credit.**

**Answer: Seamless flow of credit**

Since GST is a destination based consumption tax, revenue of SGST ordinarily accrues to the consuming States. The Inter - State supplier is allowed to set off the available credit of IGST, CGST and SGST/UTGST (in that order) against the IGST payable on inter -State supply made by him.

The buyer is allowed to avail the credit of IGST paid on Inter-State purchase made by him. Thus unlike the earlier scenario where the credit chain used to break in case of inter - State sales on account of non - VATable CST, under GST regime there is a seamless credit flow in case of inter - State supplies too.

The revenue of inter-State sale does not accrue to the exporting (selling) State and the exporting State transfers to the Centre the credit of SGST/UTGST used in payment of IGST.

The Centre transfers to the importing State the credit of IGST used in payment of SGST/UTGST . Thus, the inter-State trade of goods and services (IGST) needed a robust settlement mechanism amongst the States and the Centre.

A Common Portal was needed which could act as a clearing house and verify the claims and inform the respective Government to transfer the funds. This was possible only with the help of a strong IT infrastructure.

**Transfer of input tax credit. Section 53**

On utilisation of input tax credit availed under this Act for payment of tax dues under the Integrated Goods and Services Tax Act in accordance with the provisions of sub-section (5) of section 49, as reflected in the valid return furnished under sub-section (1) of section 39, the amount collected as central tax shall stand reduced by an amount equal to such credit so utilised and the Central Government shall transfer an amount equal to the amount so reduced from the central tax account to the integrated tax account in such manner and within such time as may be prescribed.

**Transfer of certain amounts. Section 53A**

Where any amount has been transferred from the electronic cash ledger under this Act to the electronic cash ledger under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, the Government shall, transfer to the State tax account or the Union territory tax account, an amount equal to the amount transferred from the electronic cash ledger, in such manner and within such time as may be prescribed.

**Question 7: Explain GST Common Portal.****Answer: GST Common Portal**

Common GST Electronic Portal - [www.gst.gov.in](http://www.gst.gov.in) is a website managed by Goods and Services Network (GSTN) and it has been setup by the Government to establish a uniform interface for the tax payer and a common and shared IT infrastructure between the Centre and States.

The GST Portal is accessible over Internet (by taxpayers and their CAs/Tax Advocates etc.) and intranet by Tax Officials etc. The portal is one single common portal for all GST related services.

A common GST system provides linkage to all State/UT Commercial Tax Departments, Central Tax authorities, Taxpayers, Bank and other stakeholders.

The functions of the GSTN include:

- a. facilitating registration;
- b. forwarding the returns to Central and State authorities;
- c. computation and settlement of IGST;
- d. matching of tax payment details with banking network;
- e. providing various reports to the Central and the State Governments based on the taxpayer return information;
- f. providing analysis of taxpayers' profile; and running the matching engine for matching, reversal and reclaim of input tax credit.

**Question 8: Explain GST Suvidha Providers(GSPs) / Application Services Provides (ASPs).****Answer: GST Suvidha Providers(GSPs) / Application Services Provides (ASPs)**

GSTN has selected certain Information Technology Enabled Services companies to be called GST Suvidha Providers(GSPs). GSPs develop applications to be used by taxpayers for interacting with the GSTN.

They facilitate the tax payers in uploading invoices as well as filing of returns and act as a single stop shop for GST related services.

They customize products that address the needs of different segment of users. GSPs may take the help of Application Services Provides (ASPs) who act as a link between taxpayers and GSPs.

**Question 9: Explain what are the taxes to be subsumed in GST.****Answer: Taxes to be subsumed in GST****Central levies to be subsumed**

- (i) Central Excise Duty & Additional Excise Duty.
- (ii) Service Tax.
- (iii) Excise Duty under Medicinal and Toilet Preparation Act.
- (iv) Countervailing Duty & Special Countervailing Duty.
- (v) Central Sales Tax
- (vi) Central surcharges and Cesses in so far as they relate to supply of goods and services.

**State levies to be subsumed**

- (i) State surcharges and Cesses in so far as they relate to supply of goods and services.
- (ii) Entertainment Tax (except those levied by local bodies)
- (iii) Tax on lottery, betting and gambling.
- (iv) Entry tax (All forms) & Purchase tax.
- (v) VAT/Sales tax.

- (vi) Luxury tax.  
 (vii) Taxes on advertisements.

**NOV 2018 (NEW COURSE)**

**Question 12 (c) (i)**

List any four Central levies, which are subsumed in GST. (2 Marks)

**Answer: Refer answer given in the book**

**MAY 2018 (NEW COURSE)**

**Question 11 (c)**

**Marks 3**

List any six state levies, which are subsumed in GST.

**Answer: Refer answer given in the book**

**Question 10: Explain what are the Benefits of GST.**

**Answer:** GST is a win-win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. It will lower the cost of goods and services, give a boost to the economy and make the products and services globally competitive.

The significant benefits of GST are discussed hereunder:

**Creation of unified national market: GST**

aims to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level.

**Mitigation of ill effects of cascading:** By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses.

**Elimination of multiple taxes and double taxation:** GST has subsumed majority of existing indirect tax levies both at Central and State level into one tax i.e., GST which is leviable uniformly on goods and services. This will make doing business easier and will also tackle the highly disputed issues relating to double taxation of a transaction as both goods and services.

**Boost to 'Make in India' initiative:** GST will give a major boost to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market.

**Buoyancy to the Government Revenue:** GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance.

**Question 11: Explain Goods And Services Tax Practitioners.**

**Answer: Goods And Services Tax Practitioners Section 48**

**Eligibility Criteria for becoming GST practitioner.**

Any person who

- (i) is a citizen of India
- (ii) is a person of sound mind
- (iii) is not adjudged as insolvent
- (iv) has not been convicted by a competent court

He should be a Chartered Accountant/ Cost Accountant / Company Secretary or should have any other qualification prescribed for this purpose.

**Procedure for enrollment**

A person desirous of becoming GST Practitioner has to submit an application in the form GST PCT-1. The application shall be scrutinised and GST practitioner certificate shall be granted in the form GST PCT-2. In case, the application is rejected, proper reasons shall have to be mentioned in the form GST PCT-4.

**Activities by GST practitioner**

A goods and services tax practitioner can undertake any or all of the following activities on behalf of a registered person:

- (a) furnish details of outward and inward supplies
- (b) furnish monthly, quarterly, annual or final return
- (c) make deposit for credit into the electronic cash ledger
- (d) file a claim for refund and
- (e) file an application for amendment or cancellation of registration.

A GST practitioner shall also be allowed to appear as authorised representative before any officer of department, Appellate Authority or Appellate Tribunal, on behalf of such a registered person who has authorised him to be his GST practitioner.

**Conditions for GST Practitioner**

Any registered person may give consent and authorise a GST practitioner in the form GST PCT-5 by listing the authorised activities in which he intends to authorise the GST practitioner. The registered person authorising a GST Practitioner shall have to authorise in the standard form Part A of form GST PCT-5 and the GST practitioner will have to accept the authorisation in Part B of the form GST PCT-5. The GST practitioner shall be allowed to undertake only such tasks as indicated in the authorisation form GST PCT-5. The registered person may, at any time, withdraw such authorisation in the prescribed form GST PCT-5.

**Responsibility for correctness of particulars**

The responsibility for correctness of any particulars furnished in the return or other details filed by the GST practitioners shall continue to rest with the registered person on whose behalf such return and details are furnished. Any statement furnished by the GST practitioner shall be made available to the registered person on the GST Common Portal. For every statement furnished by the GST practitioner, a confirmation shall be sought from the registered person over email or SMS. The registered person before confirming, should ensure that the facts mentioned in the return are true and correct before signature. However, failure to respond to request for confirmation shall be treated as deemed confirmation. The GST practitioner shall prepare all statements with due diligence and affix his digital signature on the statements prepared by him or electronically verify using his credentials. If the GST practitioner is found guilty of misconduct, his enrolment will be liable to be cancelled. A show cause notice would be issued to him in the form GST PCT-3.

**Question 8:** A is a chartered accountant in practice and is registered under GST. On a query regarding return filing process by a potential client, A has represented him as a GST practitioner. A is of the view that since he is a qualified chartered accountant with a GST registration in the name of his proprietorship firm, he also qualifies as GST practitioner.

Is the understanding of A correct? Discuss.

**Answer:** The understanding of A is not correct.

A chartered accountant can become a GST practitioner (GSTP). However, holding a certificate of practice as a chartered accountant and having GST registration does not imply that such chartered accountant is a GST practitioner as well. For becoming a GSTP, even a chartered accountant in practice has to follow the enrolment process of GSTP as provided under the GST law and only upon approval of such enrolment can a chartered accountant represent himself as a GSTP.

**Question 12: What are the States and Union Territory for the purpose of GST.**

**Answer:**

**As per section 2(103),** There are 28 States in India and are as under:

1. Andhra Pradesh

2. Arunachal Pradesh
3. Assam
4. Bihar
5. Chhattisgarh
6. Goa
7. Gujarat
8. Haryana
9. Himachal Pradesh
10. Jharkhand
11. Karnataka
12. Kerala
13. Madhya Pradesh
14. Maharashtra
15. Manipur
16. Meghalaya
17. Mizoram
18. Nagaland
19. Odisha
20. Punjab
21. Rajasthan
22. Sikkim
23. Tamil Nadu
24. Telangana
25. Tripura
26. Uttar Pradesh
27. Uttarakhand
28. West Bengal

States will include a Union territory also with Legislature i.e. it will include Delhi, Pondicherry and Jammu and Kashmir

**As per Section 2 (114) “Union territory” means the territory of—**

- (a) the Andaman and Nicobar Islands;
- (b) Lakshadweep;
- (c) Dadra and Nagar Haveli and Daman and Diu
- (d) Chandigarh;
- (e) Ladakh

**Question 13: Explain Constitutional Provisions regarding GST.**

**Answer: Constitutional Provision**

The Constitution of India is the Supreme law in India. The Parliament can make law only with regard to the matters which are allowed as per the constitution otherwise the law made by parliament shall be called Ultra vires i.e. it is not enforceable. The constitution consists of a preamble, 25 parts containing 448 articles and 12 Schedules.

India has a three-tier federal structure, comprising the Union Government, the State Governments and the local Government. The power to levy taxes and duties is distributed among the three tiers of Governments, in accordance with the provision of the Indian Constitution.

Power to levy taxes emerges from the Constitution of India.

**Article 265:** No tax shall be levied or collected except by authority of Law.

**Article 245:** Subject to the provisions of the Constitution, Parliament may make laws for the whole or any part of the territory of India, and the Legislature of a State may make laws for the whole or any part of the State.

**Article 246:** It gives the respective authority to Union and state Governments for levying tax and such authority is given in Seventh Schedule of Indian Constitution and there are three list in Seventh Schedule.

1. Union List – If any matter is mentioned in Union List, parliament can make law with regard to such matter. (there are 97 entries)
2. State List – If matter is mentioned in State List, State legislature, can make law with regard to such matter. (there are 66 entries)
3. Concurrent List – If matter is mentioned in Concurrent List, both of the government can make law with regard to such matter. (there are 47 entries)

**Some of the important entries in the Union List are as given below:**

82. Taxes on income other than agricultural income.
83. Duties of customs including export duties.
84. Duties of excise on following goods manufactured or produced in India, namely —
  - (a) petroleum crude;
  - (b) high speed diesel;
  - (c) motor spirit (commonly known as petrol);
  - (d) natural gas;
  - (e) aviation turbine fuel; and
  - (f) tobacco and tobacco products.

**Some of the important entries in State List are as given below:**

46. Taxes on agricultural income
51. Duties of excise on alcoholic liquors for human consumption; opium, Indian hemp and other narcotic drugs.
53. Taxes on the consumption or sale of electricity.
54. Taxes on sale of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural Gas, aviation turbine fuel and alcoholic liquor for human consumption, but not including sale in the course of international trade or commerce of such goods.

**Amendment in the Constitution for the purpose of GST (Constitution (101<sup>st</sup> Amendment) act, 2016)**

**Article 246A: Power to make laws with respect to Goods and Services Tax:**

- This article grants power to Centre and State Governments to make laws with respect to GST imposed by Centre or such State for Intra state supply.
- Centre has the exclusive power to make laws with respect to GST in case of inter-state supply of goods / services.
- However, in respect to the following goods, GST shall apply from the date recommended by the GST Council.
  - Petroleum crude
  - High speed diesel
  - Motor spirit (commonly known as petrol)
  - Natural gas
  - Aviation turbine fuel

**Article 269A: Levy and collection of GST on inter-state supply**

- Article 269A stipulates that GST on supplies in the course of inter-state trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by parliament by law on the recommendations of the Goods and Services Tax Council.
- Import of goods / services into India will also be deemed to be Inter State supply.

**GST Council: Article 279A**

- ❖ Article 279A of the Constitution empowers the President to constitute a joint forum of the Centre and States namely, Goods & Services Tax Council (GST Council).
- ❖ The provisions relating to GST Council came into force on 12<sup>th</sup> September, 2016. President constituted the GST Council on 15<sup>th</sup> September, 2016.
- ❖ The Union Finance minister is the Chairman of this Council and Ministers in charge of Finance/Taxation or any other Minister nominated by each of the States & UTs with Legislatures are its members. Besides, the Union Minister of State in charge of revenue or Finance is also its member.
- ❖ The function of the Council is to make recommendations to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution etc.
- ❖ It shall also recommend the date on which GST be levied on petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel.

**Definitions of 'Goods and Services Tax', 'Services' and 'State' incorporated under Article 366**

The term Goods and Services Tax, Services and State have been defined under respective clauses of Article 366 as follows:

- ❖ **As per article 366(12A), Goods and Services Tax** means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. Consequently, GST can be levied on supply of all goods and services except alcoholic liquor for human consumption.
- ❖ **As per article 366(26A), Services** means anything other than goods.
- ❖ **As per article 366 (26B), State**, with reference to GST, includes a Union territory with Legislature i.e Delhi and Pondicherry.
- ❖ **As per article 366 (30), Union Territory**, Union Territory means any union territory specified in the first schedule and includes any other territory comprised within the territory of India but not specified in that schedule.

**Question 14 : Explain the Statement: GST – A tax on goods and services**

**Answer:** GST is levied on all goods and services, except alcoholic liquor for human consumption and petroleum crude, diesel, petrol, ATF and natural gas.

Alcoholic liquor for human consumption: is outside the realm of GST. The manufacture/production of alcoholic liquor continues to be subjected to **State excise duty** and inter-State/intra-State sale of the same is subject to **CST/VAT** respectively.

Petroleum crude, diesel, petrol, ATF and natural gas: As regards petroleum crude, diesel, petrol, ATF and natural gas are concerned, they are not presently leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council.

Till such date, **central excise duty** continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to **CST/ VAT** respectively.

Tobacco: Tobacco is within the purview of GST, i.e. GST is leviable on tobacco. However, Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India. Resultantly, **tobacco is subject to GST as well as central excise duty**.

Opium, Indian hemp and other narcotic drugs and narcotics: Opium, Indian hemp and other narcotic drugs and narcotics are within the purview of GST, i.e. GST is leviable on them. However, State Governments have also retained the power to levy excise duties on such products manufactured in India. Resultantly, Opium, Indian hemp and other narcotic drugs and narcotics are **subject to GST as well as State excise duties**.



Further, **real estate sector** has been kept out of ambit of GST, i.e. GST will not be levied on sale/purchase of immovable property.

**Question 15 : Explain applicability /Extent of CGST Act**

**Answer: Short title, extent and commencement. Section 1**

- (1) This Act may be called the Central Goods and Services Tax Act, 2017.
- (2) It extends to the whole of India including the State of Jammu and Kashmir.
- (3) It shall come into force on 01-07-2017.

**Question 16: Explain applicability /Extent of IGST Act**

**Answer: Short title, extent and commencement. Section 1**

- (1) This Act may be called the Integrated Goods and Services Tax Act, 2017.
- (2) It extends to the whole of India including the State of Jammu and Kashmir.
- (3) It shall come into force on 01-07-2017.

**Question 17: Explain origin based tax and destination based tax.**

**Answer:** In case of Inter State sale if tax is to be received and consumed by the State from where movement of Goods has started, It will be called origin based tax i.e. tax shall be received by the supplying State. If tax is to be received by the state where the goods are received for consumption, it will be called destination based tax or consumption based tax. Prior to GST it was origin based tax but under GST it is destination based tax, eg. If goods are sold from Delhi to UP, GST shall be received by UP but prior to GST Central tax was received by Delhi. It is one of the major change in GST.

**Question 18: Explain Levy and collection of CGST/Charging section of CGST.**

**Answer: Levy and Collection. Section 9**

9(1). There shall be levied a tax called the central goods and services tax on all intra-State supplies of goods/ services, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 and at such rates, not exceeding twenty per cent, as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.

9(2). The central tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.

9(3). The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

9(4) The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.

At present Government has notified that in case of cement and capital goods, the promotor or builder shall be liable to pay tax under reverse charge if the goods are purchased from unregistered persons. (Notification No.24/2019)

Presently, (i) central excise duty is leviable on manufacture/production of tobacco, petroleum crude, diesel, petrol, ATF and natural gas (ii) State excise duty is leviable on manufacture/production of alcoholic liquor, opium, Indian hemp and narcotics, and (iii) VAT/CST is leviable on intra-State/inter-State sale of petroleum crude, diesel, petrol, ATF, natural gas and alcoholic liquor. Petroleum crude, diesel, petrol, ATF, natural gas are presently not taxable under GST and alcoholic liquor is outside the ambit of GST. Thus, supply of both these products (petrol/petroleum products and alcoholic liquor) being non-taxable under GST, will be exempt supplies u/s 2(47).

9(5). GST shall be collected by the aggregator and shall be responsible for making payment to the Government.

**Question 19: Explain Levy and collection of IGST/Charging section of IGST.**

**Answer: Levy and Collection. Section 5**

5(1). There shall be levied a tax called the integrated goods and services tax on all inter-State supplies of goods / services, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 of the Central Goods and Services Tax Act and at such rates, not exceeding forty per cent, as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.

In case of Import also IGST shall be payable.

5(2). The integrated tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.

5(3). The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods/services, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods / services.

5(4). The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.

5(5). GST shall be collected by the aggregator and he shall be responsible for making payment to the Government.

**Question 20: Define Person**

**As per section 2 (84), "person" includes—**

- (a) an individual;
- (b) a Hindu Undivided Family;
- (c) a company;
- (d) a firm;
- (e) a Limited Liability Partnership;
- (f) an association of persons / a body of individuals, whether incorporated or not.
- (g) Statutory corporation.
- (h) any body corporate;
- (i) a co-operative society/other society
- (j) a local authority;
- (k) Central Government or a State Government;
- (l) trust;
- (m) every artificial juridical person, not falling within any of the above;

**Question 21: Explain what is tax?**

**Answer:** A tax may be defined as a "pecuniary (monetary) burden laid upon individuals or property owners to support the Government, a payment exacted by legislative authority. A tax "is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority".

In simple words, tax is nothing but money that people have to pay to the Government, which is used to provide public services.

**Certain Definitions**

**As per 2 (5) "agent"** means a person, including a factor, broker, commission agent, *arhatia*, *del credere* agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another

**As per 2(19) "capital goods"** means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.

**As per 2(62) input tax**

"input tax" in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

- (a) the integrated goods and services tax charged on import of goods;
- (b) the tax payable under the provisions of sub-sections (3) and (4) of section 9;
- (c) the tax payable under the provisions of sub-sections (3) and (4) of section 5 of the Integrated Goods and Services Tax Act;
- (d) the tax payable under the provisions of sub-sections (3) and (4) of section 9 of the respective State Goods and Services Tax Act; or
- (e) the tax payable under the provisions of sub-sections (3) and (4) of section 7 of the Union Territory Goods and Services Tax Act, but does not include the tax paid under the composition levy;

**As per 2(67) "inward supply"** in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration

**As per 2(78) "non-taxable supply"** means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act;

**As per 2(82) "output tax"** in relation to a taxable person, means the tax chargeable under this Act on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis.

**As per 2(88) "principal"** means a person on whose behalf an agent carries on the business of supply or receipt of goods or services or both;

**As per 2(90) "principal supply"** means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary;

**As per 2(94) "registered person"** means a person who is registered under section 25 but does not include a person having a Unique Identity Number

**As per 2(107) "taxable person"** means a person who is registered or liable to be registered under section 22 or section 24.

**As per 2(117) "valid return"** means a return furnished under sub-section (1) of section 39 on which self-assessed tax has been paid in full.

## MTP-1 NOV 2021

**Question 4(a)****(5 Marks)**

Write a short note on various Lists provided under Seventh Schedule to the Constitution of India.

**Solution:**

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

- (i) List -I (UNION LIST): It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws.
- (ii) List -II (STATE LIST): It contains the matters in respect of which the State Government has the exclusive right to make laws.
- (iii) List -III (CONCURRENT LIST): It contains the matters in respect of which both the Central & State Governments have power to make laws.

## MTP-2 NOV 2021

**Question 4(a)****(5 Marks)**

GST is a simplified tax structure. Justify the statement.

**Solution:**

GST is a simplified tax structure. The statement is justified. Simpler tax regime with fewer exemptions along with reduction in multiplicity of taxes under GST has led to simplification and uniformity in tax structure. The uniformity in laws, procedures and tax rates across the country makes doing business easier. Common system of classification of goods and services across the country ensures certainty in tax administration across India.

## RTP MAY 2020

**Question 1.**

Mr. Mandeep, a registered dealer, is doing building material business in the State of Assam. He availed architect services for his business from his friend in London free of cost. He also availed designing services from his brother in London for ₹ 5 Lakhs for his personal purposes.

He availed services which are liable to tax under reverse charge for which date of invoice was 01.09.2021, payment date as per his books of account and as per his bank account was 15.11.2021 and 18.11.2021 respectively.

His turnover for the current financial year is as follows:

Taxable supply of goods – ₹ 55 Lakhs

Exempt supply of goods – ₹ 16 Lakhs

Inward supply liable to tax under reverse charge – ₹ 8 Lakh

He intends to start providing services also from the next financial year and also to avail composition scheme.

He also wishes to make supplies to the Government.

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

I. In respect of services imported by Mr. Mandeep, which of the following is a correct statement?

- i. Architect services for his business from his friend in London free of cost is considered as a supply
- ii. Designing services from his brother in London for ₹ 5 Lakh for his personal purposes is considered as a supply.
- iii. Architect services for his business from his friend in London free of cost is not considered as a supply
- iv. Designing services from his brother in London for ₹5 Lakh for his personal purposes is not considered as a supply.

(a) i & ii

(b) i & iv

(c) ii & iii

(d) iii & iv

II. The time of supply of services, received by him and taxable under reverse charge, is

- (a) 01.09.2021
- (b) 01.11.2021
- (c) 15.11.2021
- (d) 18.11.2021

III. Aggregate turnover of Mr. Mandeep for the given financial year will be,

- (a) ₹ 63 Lakhs
- (b) ₹ 79 Lakhs
- (c) ₹ 71 Lakhs
- (d) ₹ 47 Lakhs

IV. Mr. Mandeep will be eligible for composition scheme in the next financial year, but he can supply services only upto:

- (a) ₹ 5.00 Lakhs
- (b) ₹ 6.3 Lakhs
- (c) ₹ 7.90 Lakhs
- (d) ₹ 7.10 Lakhs

V. In case he supplies services to State Government by way of any activity in relation to any function entrusted to a Municipality under Article 243W of the Constitution, in the next financial year, which of the following will be exempt?

i. Pure Services

ii. Composite supply of goods and services in which value of supply of goods constitutes not more than 25% of value of said composite supply

iii. Composite supply of goods and services in which value of supply of service constitutes not more than 25% of value of said composite supply

- (a) i & iii
- (b) ii & iii
- (c) i, ii & iii
- (d) i & ii

**Answer: I. (c), II. (b), III. (c), IV. (d), V. (d).**

## **MULTIPLE CHOICE QUESTIONS**

**1. Which of the following taxes have been subsumed in GST?**

- (a) Central Sales Tax
- (b) Central Excise Duty
- (c) VAT
- (d) All of the above

**2. List-I of the Constitution contains matters in respect of which \_\_\_\_\_ has the exclusive right to make laws.**

- (a) Central Government
- (b) State
- (c) Both Centre and State Governments
- (d) None of the above

**3. GST is levied on supply of all goods and services except:**

- (a) Alcoholic liquor for human consumption
- (b) Tobacco
- (c) Health care services
- (d) All of the above

**4. On Petroleum Crude, High Speed Diesel, Motor Spirit (commonly known as Petrol), Natural Gas and Aviation Turbine Fuel:**

- (a) GST is not levied at all
- (b) GST will be levied from a date to be notified on the recommendations of the GST Council
- (c) GST is levied, but exempt
- (d) None of the above

**5. The functions of Goods and Services Network (GSTN) include:**

- (a) facilitating registration
- (b) forwarding the returns to Central and State authorities
- (c) computation and settlement of IGST
- (d) All of the above

**6. Which article of the Constitution outlines the composition and functions of the GST Council?**

- (a) 270
- (b) 279A
- (c) 246A
- (d) 269A

**7. What is the maximum rate of CGST prescribed under CGST Act?**

- (a) 20%
- (b) 28%
- (c) 24%
- (d) 40%

**8. Which of the following taxes levied on intra-State supply?**

- (a) CGST
- (b) SGST/UTGST
- (c) Both (a) and (b)
- (d) IGST

**9. IGST is levied on:**

- (a) Inter-State supplies
- (b) Intra-State Supplies
- (c) Both (a) and (b)
- (d) None of the above

**10. \_\_\_\_\_ is levied on the import of goods and/or services.**

- (a) IGST
- (b) CGST and SGST

- (c) CGST and UTGST
- (d) None of the above

**11. The maximum rate of IGST can be:**

- (a) 20%
- (b) 30%
- (c) 40%
- (d) None of the above

**12. On supply of which of the following items, GST shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council:**

- (a) Petroleum crude
- (b) Alcoholic liquor for human consumption
- (c) Both (a) and (b)
- (d) None of the above

**13. Which of the following statement is correct**

- (a) India has adopted a dual GST which is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services.
- (b) India has adopted a single GST which is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services.
- (c) India has adopted a Triple GST which is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services.
- (d) India has adopted a Multiple GST which is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services.

**14. Taxes subsumed in GST are-**

- (i) Central Excise Duty & Additional Excise Duty.
  - (ii) Service Tax.
  - (iii) Central Sales Tax
  - (iv) Central surcharges and Cesses in so far as they relate to supply of goods and services.
- (a) all the above
  - (b) only (i) & (ii)
  - (c) only (ii) & (iii)
  - (d) None of the above

**15. Which of the following statement is correct.**

- (a) GST is applicable throughout India including J&K.
- (b) GST is applicable throughout India excluding J&K.
- (c) GST is applicable outside India.
- (d) None of the above is correct

**16. Union Territory means the territory of**

- (i) Andaman and Nicobar Island
- (ii) Dadra and Nagar Haveli
- (iii) Nagaland
- (iv) Telangana

- (a) all the above
- (b) only (i) & (ii)
- (c) only (ii) & (iii)
- (d) (i), (ii) & (iii)

**17. Union Territory means the territory of**

- (i) Lakshadweep
- (ii) Daman and Diu
- (iii) Arunachal Pradesh
- (iv) Goa

- (a) all the above
- (b) (i) & (ii)

- (c) (ii) & (iii)
- (d) (i), (ii) & (iii)
- (e) (iii) & (iv)

**18. Which of the following statement is correct.**

- (a) India was the first country to implement GST.
- (b) France was the first country to implement GST.
- (c) China was the first country to implement GST.
- (d) Brazil was the first country to implement GST.
- (e) Germany was the first country to implement GST.

**19. Which of the following statement is correct.**

- (a) capital goods means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.
- (b) capital goods means goods, the value of which is not capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.
- (c) capital goods means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used for personal use.
- (d) capital goods means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are not used in the course or furtherance of business.

**20. Which of the following statement is correct.**

- (a) inward supply in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration
- (b) inward supply in relation to a person, shall mean sale of goods or services or both with or without consideration
- (c) inward supply in relation to a person, shall mean transfer of goods or services or both whether by purchase, acquisition or any other means with or without consideration
- (d) inward supply in relation to a person, shall mean receipt of goods only by purchase, acquisition or any other means with consideration

**Check Detailed Solution given on our website [www.mkgeducation.com](http://www.mkgeducation.com)  
(Icon /Heading No.11: Books)**



# NOT COVERED IN SYLLABUS FROM THIS PAGE ONWARDS

**Question 1: Explain accounting treatment of GST. (not covered in syllabus rather it is only for self reading)**

**Answer:**

At the time of purchase input GST paid shall be debited to GST credit receivable account and at the time of sale GST charged as output tax shall be credited to GST payable account and unutilized GST receivable amount shall be shown in the balance sheet, eg. ABC limited purchased goods for ₹ 10,00,000 plus GST ₹ 1,00,000 and sold the goods for ₹ 12,00,000 plus GST ₹ 1,20,000 in this case accounting entries shall be –

1.	GST Goods Purchase A/c	Dr.	₹10,00,000	
	GST Credit Receivable A/c	Dr.	₹ 1,00,000	
	To Bank A/c			₹ 11,00,000

2. The dealer passes the following entry to record the goods sold and GST collected thereon:

Bank A/c	Dr.	₹13,20,000	
To GST Goods Sales A/c			₹12,00,000
To GST Payable A/c			₹ 1,20,000

3. The dealer passes the following entry to record the liability for GST payable met by using the balance in the GST Credit Receivable Account and balance by bank:

GST Payable A/c	Dr.	₹1,20,000	
To GST Credit Receivable	A/c		₹ 1,00,000
To Bank			₹ 20,000

4. Balances in GST credit Receivable A/c are disclosed in the balances sheet as on March 31, 2022 as below:

**Extracts from the Balance Sheet**

**Assets**

**Amounts (₹)**

**Current Assets**

**Short term Loans and Advances**

GST Credit Receivable A/c

(GST credit receivable etc. which is expected to be realized within the next twelve months from the Balance Sheet date.)

**Question 2: Explain Penalty under GST.**

**Answer: Penalty. Section 73/74/122/129/130**

**As per section 122,** If any taxable person abets any offence as mentioned in section 122 then he shall be liable to pay penalty equal to 100% of tax evaded or ₹10,000 whichever is higher.

Some of the offences under section 122 are as given below:

1. Supply of goods/services without issue of invoice within the prescribed time period.
2. Takes ITC without actually receiving goods/services.
3. Fails to take registration within prescribed time.
4. Fails to maintain books of accounts.
5. Fails to furnish information/documents demanded by GST officer.
6. Any other offence as prescribed.

**As per section 73,** If tax is not paid or short paid etc. for any reason other than fraud then penalty shall be imposed equal to 10% of tax or ₹10,000 whichever is higher.

**As per section 74,** If tax is not paid or short paid etc. by reason of fraud then penalty shall be imposed equal to 100% of tax.

**As per Section 129/130,** Where any person transports any goods or stores any goods in contravention of the provisions of this Act, all such goods and conveyance used as a means of transport for carrying the said goods shall be liable to detention or seizure and it shall be released after making payment of tax and penalty. Penalty shall be imposed equal to 100% of tax.

**Question 3: Explain GST treatment in case of Goods sent to a job worker**

**Answer: GST treatment in case of Goods sent to a job worker Section 143/Rule 45**

A registered person may send any inputs or capital goods without payment of tax to a job worker for job work and shall bring back inputs, after completion of job work, or capital goods within one year and three years, respectively, of their being sent out.

Further he may supply such inputs, after completion of job work or capital goods within one year and three years, respectively on payment of tax.

Where the inputs sent for job work are not received back by the principal or are not supplied from the place of business of the job worker within a period of one year of their being sent out, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out.

**Conditions and restrictions in respect of inputs and capital goods sent to the job worker Rule 45**

- (1) The inputs, semi-finished goods or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where such goods are sent directly to a job-worker.
- (2) The challan issued by the principal to the job worker shall contain the details specified in rule 55.
- (3) The details of challans in respect of goods dispatched to a job worker during a quarter shall be included in FORM GST ITC-04 furnished for that period on or before the twenty-fifth day of the month succeeding the said quarter.

**Question 4: Explain refund of ITC/Principle of unjust enrichment/consumer welfare fund****Answer: Refund of ITC/Principle of unjust enrichment/consumer welfare fund**

**As per section 54,** In general refund of ITC is not allowed however refund of ITC is allowed provided ITC has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies. Application for the refund should be accompanied by prescribed documents like invoice/receipt etc. In general it will be presume that such person has passed on the incidence of such tax to some other person hence based on principle of unjust enrichment, amount shall be credited to consumer welfare fund maintained under section 57 & 58. If the applicant has given sufficient proof that incidence has not been passed to any other person, refund shall be granted to him. If the amount of refund is less ₹ 2,00,000, it will not be necessary for the applicant to furnish any documentary proof rather he may file a declaration that incidence of such tax has not been passed to any other person.

Refund is allowed in case of zero rated supplies without any restriction.

**Example**

ABC limited has purchased inputs ₹ 10,00,000 plus GST ₹ 1,00,000 and goods were sold to a unit in SEZ, in this case, it will be called zero rated supply and no output tax shall be charged and input tax credit of ₹ 1,00,000 shall be allowed. Further refund is also allowed.

If goods have been exported by ABC limited, no output tax but still tax credit allowed and also refund is allowed.

**Consumer Welfare Fund Section 57**

The Government shall constitute a Fund, to be called the Consumer Welfare Fund and there shall be credited to the Fund,—

- (a) the amount referred to in sub-section (5) of section 54;
- (b) any income from investment of the amount credited to the Fund; and
- (c) such other monies received by it, in such manner as may be prescribed.

**Utilisation of Fund. Section 58**

(1) All sums credited to the Fund shall be utilised by the Government for the welfare of the consumers in such manner as may be prescribed.

(2) The Government or the authority specified by it shall maintain proper and separate account and other relevant records in relation to the Fund and prepare an annual statement of accounts in such form as may be prescribed in consultation with the Comptroller and Auditor General of India.

**Question 5: Explain Anti- Profiteering Measure.****Answer: Anti- Profiteering Measure Section 171**

Any reduction in rate of tax on any supply of goods and services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.

The Central Government may constitute an Authority or empower an existing Authority to examine whether input tax credit availed by registered person or the reduction in the tax rate have actually resulted in the price of the goods/services.

**Question 6: Explain maintain of Accounts and Other Records?****Answer: Accounts and other records Section 35.**

Every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of—

- (a) production or manufacture of goods;
- (b) inward and outward supply of goods or services or both;
- (c) stock of goods;

- (d) input tax credit availed;
- (e) output tax payable and paid; and
- (f) such other particulars as may be prescribed:

**Provided** that where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business:

Every owner or operator of warehouse or godown or any other place used for storage of goods and every transporter, irrespective of whether he is a registered person or not, shall maintain records of the consigner, consignee and other relevant details of the goods in such manner as may be prescribed.

Every registered person whose turnover during a financial year exceeds ₹ 2 crores shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts.

**Period of retention of accounts. Section 36**

Every registered person required to keep and maintain books of account or other records shall retain them until the expiry of seventy two months from the due date of furnishing of annual return for the year pertaining to such accounts and records.

**Question 7: Explain Refund in certain cases**

**Answer: Refund in certain cases Section 55**

The Government may, specify any specialised agency of the United Nations Organisation, Consulate or Embassy of foreign countries and any other person or class of persons as may be specified in this behalf to be entitled to claim a refund of taxes paid on the notified supplies of goods or services or both received by them.

**Question 8: Explain Interest on delayed refunds.**

**Answer: Interest on delayed refunds. Section 56**

If any tax ordered to be refunded to any applicant is not refunded within sixty days from the date of receipt of application interest @ 6 per cent per annum shall be payable in respect of such refund from the date immediately after the expiry of sixty days from the date of receipt of application till the date of refund of such tax.

**FORM GST REG-01**



[See rule 8(1)]

**Application for Registration**

(Other than a non-resident taxable person, a person required to deduct tax at source under section 51 and a person required to collect tax at source under section 52 and a person supplying online information and database access or retrieval services from a place outside India to a non-taxable online recipient referred to in section 14 of the Integrated Goods and Services Tax Act, 2017)

**Part –A**

State /UT – ▾ District – ▾

(i)	Legal Name of the Business: <i>(As mentioned in Permanent Account Number)</i>	
(ii)	Permanent Account Number : <i>(Enter Permanent Account Number of the Business; Permanent Account Number of Individual in case of Proprietorship concern)</i>	
(iii)	Email Address :	
(iv)	Mobile Number :	
<b>Note - Information submitted above is subject to online verification before proceeding to fill up Part-B.</b> <i>Authorised signatory filing the application shall provide his mobile number and email address.</i>		
<b>Part –B</b>		
1.	Trade Name, if any	
2.	Constitution of Business (Please Select the Appropriate)	
(i) Proprietorship	(ii) Partnership	<input type="checkbox"/>
(iii) Hindu Undivided Family	(iv) Private Limited Company	<input type="checkbox"/>
(v) Public Limited Company	(vi) Society/Club/Trust/Association of Persons	<input type="checkbox"/>
(vii) Government Department	(viii) Public Sector Undertaking	<input type="checkbox"/>
(ix) Unlimited Company	(x) Limited Liability Partnership	<input type="checkbox"/>
(xi) Local Authority	(xii) Statutory Body	<input type="checkbox"/>
(xiii) Foreign Limited Liability Partnership	(xiv) Foreign Company Registered (in India)	<input type="checkbox"/>
(xv) Others (Please specify)		<input type="checkbox"/>
3.	Name of the State 	District 
4.	Jurisdiction	State <span style="margin-left: 100px;">Centre</span>

		Sector, Circle, Ward, Unit, etc. others (specify)		
5.	Option for Composition	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
6. Composition Declaration <input type="checkbox"/> I hereby declare that the aforesaid business shall abide by the conditions and restrictions specified in the Act or the rules for opting to pay tax under the composition scheme.				
6.1 Category of Registered Person<tick in check box>				
(i) Manufacturers, other than manufacturers of such goods as may be notified by the Government for which option is not available				
(ii) Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II				
(iii) Any other supplier eligible for composition levy.				
7.	Date of commencement of business	DD/MM/YYYY		
8.	Date on which liability to register arises	DD/MM/YYYY		
9.	Are you applying for registration as a casual taxable person?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
10.	If selected 'Yes' in Sr. No. 9, period for which registration is required	From DD/MM/YYYY	To DD/MM/YYYY	
11.	If selected 'Yes' in Sr. No. 9, estimated supplies and estimated net tax liability during the period of registration			
Sr. No.	Type of Tax	Turnover (Rs.)		Net Tax Liability (Rs.)
(i)	Integrated Tax			
(ii)	Central Tax			
(iii)	State Tax			
(iv)	UT Tax			
(v)	Cess			
	Total			
Payment Details				
	Challan Identification Number	Date	Amount	
12.	Are you applying for registration as a SEZ Unit?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
	(i) Select name of SEZ	▽		
	(ii) Approval order number and date of order			
	(iii) Period of validity	From DD/MM/YYYY	To DD/MM/YYYY	
	(iv) Designation of approving authority			
13.	Are you applying for registration as a SEZ Developer?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	

	(i) Select name of SEZ Developer		▽
	(ii) Approval order number and date of order		
	(iii) Designation of approving authority		
14.	Reason to obtain registration:		
	(i) Crossing the threshold	(viii) Merger /amalgamation of two or more registered persons	
	(ii) Inter-State supply	(ix) Input Service Distributor	
	(iii) Liability to pay tax as recipient of goods or services u/s 9(3) or 9(4)	(x) Person liable to pay tax u/s 9(5)	
	(iv) Transfer of business which includes change in the ownership of business (if transferee is not a registered entity)	(xi) Taxable person supplying through e-Commerce portal	
	(v) Death of the proprietor (if the successor is not a registered entity)	(xii) Voluntary Basis	
	(vi) De-merger	(xiii) Persons supplying goods and/or services on behalf of other taxable person(s)	
	(vii) Change in constitution of business	(xiv) Others (Not covered above) – Specify	
15.	Indicate existing registrations wherever applicable		
	Registration number under Value Added Tax		
	Central Sales Tax Registration Number		
	Entry Tax Registration Number		
	Entertainment Tax Registration Number		
	Hotel and Luxury Tax Registration Number		
	Central Excise Registration Number		
	Service Tax Registration Number		
	Corporate Identify Number/Foreign Company Registration Number		
	Limited Liability Partnership Identification Number/Foreign Limited Liability Partnership Identification Number		
	Importer/Exporter Code Number		
	Registration number under Medicinal and Toilet Preparations (Excise Duties) Act		
	Registration number under Shops and Establishment Act		
	Temporary ID, if any		
	Others (Please specify)		
16.	(a) Address of Principal Place of Business		
	Building No./Flat No.	Floor No.	
	Name of the Premises/Building	Road/Street	

City/Town/Locality/Village		District			
Taluka/Block					
State		PIN Code			
Latitude		Longitude			
(b) Contact Information					
Office Email Address		Office Telephone number		STD	
Mobile Number		Office Fax Number		STD	
(c) Nature of premises					
Own	Leased	Rented	Consent	Shared	Others (specify)
(d) Nature of business activity being carried out at above mentioned premises (Please tick applicable)					
Factory / Manufacturing	<input type="checkbox"/>	Wholesale Business	<input type="checkbox"/>	Retail Business	<input type="checkbox"/>
Warehouse/Depot	<input type="checkbox"/>	Bonded Warehouse	<input type="checkbox"/>	Supplier of services	<input type="checkbox"/>
Office/Sale Office	<input type="checkbox"/>	Leasing Business	<input type="checkbox"/>	Recipient of goods or services	<input type="checkbox"/>
EOU/ STP/ EHTP	<input type="checkbox"/>	Works Contract	<input type="checkbox"/>	Export	<input type="checkbox"/>
Import	<input type="checkbox"/>	Others (Specify)	<input type="checkbox"/>		

## 17. Details of Bank Accounts (s)

Total number of Bank Accounts maintained by the applicant for conducting business ( <i>Upto 10 Bank Accounts to be reported</i> )	
---	--

## Details of Bank Account 1

Account Number																				
Type of Account																	IFSC			
Bank Name																				
Branch Address	To be auto-populated (Edit mode)																			

Note – Add more accounts -----

## 18. Details of the Goods supplied by the Business

Please specify top 5 Goods		
Sr. No.	Description of Goods	HSN Code (Four digit)
(i)		
(ii)		



...		
(v)		

**2. Details of Services supplied by the Business.**

Please specify top 5 Services		
Sr. No.	Description of Services	HSN Code (Four digit)
(i)		
(ii)		
...		
(v)		

**3. Details of Additional Place(s) of Business**

Number of additional places	
-----------------------------	--

Premises 1

(a) Details of Additional Place of Business

Building No/Flat No		Floor No							
Name of the Premises/Building		Road/Street							
City/Town/Locality/Village		District							
Block/Taluka									
State		PIN Code	<table border="1"><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>						
Latitude		Longitude							
(b) Contact Information									
Office Email Address		Office Telephone number	STD <table border="1"><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>						
Mobile Number		Office Fax Number	STD <table border="1"><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>						
(c) Nature of premises									
Own	Leased	Rented	Consent	Shared	Others (specify)				
(d) Nature of business activity being carried out at above mentioned premises (Please tick applicable)									
Factory / Manufacturing	<input type="checkbox"/>	Wholesale Business	<input type="checkbox"/>	Retail Business	<input type="checkbox"/>				
Warehouse/Depot	<input type="checkbox"/>	Bonded Warehouse	<input type="checkbox"/>	Supplier of services	<input type="checkbox"/>				
Office/Sale Office	<input type="checkbox"/>	Leasing Business	<input type="checkbox"/>	Recipient of goods or services	<input type="checkbox"/>				
EOU/ STP/ EHTP	<input type="checkbox"/>	Works Contract	<input type="checkbox"/>	Export	<input type="checkbox"/>				

Import	<input type="checkbox"/>	Others (specify)	<input type="checkbox"/>	
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**4. Details of Proprietor/all Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc.**

Particulars	First Name	Middle Name	Last Name
Name			
Photo			
Name of Father			
Date of Birth	DD/MM/YYYY	Gender	<Male, Female, Other>
Mobile Number		Email address	
Telephone No. with STD			
Designation /Status		Director Identification Number (if any)	
Permanent Account Number		Aadhaar Number	
Are you a citizen of India?	Yes / No	Passport No. (in case of foreigners)	
Residential Address			
Building No/Flat No		Floor No	
Name of the Premises/Building		Road/Street	
City/Town/Locality/Village		District	
Block/Taluka			
State		PIN Code	
Country (in case of foreigner only)		ZIP code	

**5. Details of Authorised Signatory**

Checkbox for Primary Authorised Signatory

Details of Signatory No. 1

Particulars	First Name	Middle Name	Last Name
Name			
Photo			
Name of Father			
Date of Birth	DD/MM/YYYY	Gender	<Male, Female, Other>

Mobile Number		Email address	
Telephone No. with STD			
Designation /Status		Director Identification Number (if any)	
Permanent Account Number		Aadhaar Number	
Are you a citizen of India?	Yes / No	Passport No. (in case of foreigners)	

Residential Address in India			
Building No/Flat No		Floor No	
Name of the Premises/Building		Road/Street	
Block/Taluka			
City/Town/Locality/Village		District	
State		PIN Code	

## 23. Details of Authorised Representative

Enrolment ID, if available			
Provide following details, if enrolment ID is not available			
Permanent Account Number			
Aadhaar, if Permanent Account Number is not available			
	First Name	Middle Name	Last Name
Name of Person			
Designation / Status			
Mobile Number			
Email address			
Telephone No. with STD		FAX No. with STD	

**6. State Specific Information**

*Profession Tax Enrolment Code (EC) No. Profession Tax*

*Registration Certificate (RC) No.*

*State Excise License No. and the name of the person in whose name Excise License is held*

- (i) Field 1
- (ii) Field 2
- (iii) ....
- (d) .....
- (e) Field n

### 3. Document Upload

A customized list of documents required to be uploaded (refer rule 8) as per the field values in the form.

### 4. Consent

I on behalf of the holder of Aadhaar number <pre-filled based on Aadhaar number provided in the form> give consent to “Goods and Services Tax Network” to obtain my details from UIDAI for the purpose of authentication. “Goods and Services Tax Network” has informed me that identity information would only be used for validating identity of the Aadhaar holder and will be shared with Central Identities Data Repository only for the purpose of authentication.

### 5. Verification (by authorised signatory)

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom

#### Signature

*Place:*

*Name of Authorised Signatory .....*

*Date:*

*Designation/Status .....*

**List of documents to be uploaded:-**

1.	<p>Photographs (wherever specified in the Application Form)</p> <p>(a) Proprietary Concern – Proprietor</p> <p>(b) Partnership Firm / Limited Liability Partnership – Managing/Authorised/Designated Partners (personal details of all partners are to be submitted but photos of only ten partners including that of Managing Partner are to be submitted)</p> <p>(c) Hindu Undivided Family – Karta</p> <p>(d) Company – Managing Director or the Authorised Person</p> <p>(e) Trust – Managing Trustee</p> <p>(f) Association of Persons or Body of Individuals –Members of Managing Committee (personal details of all members are to be submitted but photos of only ten members including that of Chairman are to be submitted)</p> <p>(g) Local Authority – Chief Executive Officer or his equivalent</p> <p>(h) Statutory Body – Chief Executive Officer or his equivalent</p> <p>(i) Others – Person in Charge</p>
2.	<p>Constitution of Business: Partnership Deed in case of Partnership Firm, Registration Certificate/Proof of Constitution in case of Society, Trust, Club, Government Department, Association of Persons or Body of Individuals, Local Authority, Statutory Body and Others etc.</p>
3.	<p>Proof of Principal Place of Business:</p> <p>(a) For Own premises – Any document in support of the ownership of the premises like latest Property Tax Receipt or Municipal Khata copy or copy of Electricity Bill.</p> <p>(b) For Rented or Leased premises – A copy of the valid Rent / Lease Agreement with any document in support of the ownership of the premises of the Lessor like Latest Property Tax Receipt or Municipal Khata copy or copy of Electricity Bill.</p> <p>(c) For premises not covered in (a) and (b) above – A copy of the Consent Letter with any document in support of the ownership of the premises of the Consenter like Municipal Khata copy or Electricity Bill copy. For shared properties also, the same documents may be uploaded.</p> <p>(d) For rented/leased premises where the Rent/lease agreement is not available, an affidavit to that effect along with any document in support of the possession of the premises like copy of Electricity Bill.</p> <p>(e) If the principal place of business is located in a Special Economic Zone or the applicant is an Special Economic Zone developer, necessary documents/certificates issued by Government of India are required to be uploaded.</p>
4	<p>Bank Account Related Proof:</p> <p>Scanned copy of the first page of Bank passbook or the relevant page of Bank Statement or Scanned copy of a cancelled cheque containing name of the Proprietor or Business entity, Bank Account No., MICR, IFSC and Branch details including code.</p>
5	<p>Authorisation Form:-</p> <p>For each Authorised Signatory mentioned in the application form, Authorisation or copy of Resolution of the Managing Committee or Board of Directors to be filed in the following format:</p> <p>Declaration for Authorised Signatory (Separate for each signatory) (Details of Proprietor/all Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc.)</p> <p>I/We --- (name) being (Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc.) of ..... (name of registered person)</p>

hereby solemnly affirm and declare that <<name of the authorised signatory, (status/designation)>>is hereby authorised, vide resolution no... dated..... (copy submitted herewith), to act as an authorised signatory for the business <<Goods and Services Tax Identification Number - Name of the Business>> for which application for registration is being filed under the Act. All his actions in relation to this business will be binding on me/ us.

Signature of the person competent to sign

Name:

Designation/Status:

(Name of the proprietor/Business Entity)

Acceptance as an authorised signatory

I <<(Name of the authorised signatory)>> hereby solemnly accord my acceptance to act as authorised signatory for the above referred business and all my acts shall be binding on the business.

Signatory Place:

Date:

Signature of Authorised

(Name)

Designation/Status:

### Instructions for submission of Application for Registration.

1. Enter name of person as recorded on Permanent Account Number of the Business. In case of Proprietorship concern, enter name of proprietor against Legal Name and mention Permanent Account Number of the proprietor. Permanent Account Number shall be verified with Income Tax database.
2. Provide E-mail Id and Mobile Number of authorised signatory for verification and future communication which will be verified through One Time Passwords to be sent separately, before filling up Part-B of the application.
3. Applicant need to upload scanned copy of the declaration signed by the Proprietor/all Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc. in case the business declares a person as Authorised Signatory.
4. The following persons can digitally sign the application for new registration:-

Constitution of Business	Person who can digitally sign the application
Proprietorship	Proprietor
Partnership	Managing / Authorised Partners
Hindu Undivided Family	Karta
Private Limited Company	Managing / Whole-time Directors
Public Limited Company	Managing / Whole-time Directors
Society/ Club/ Trust/ AOP	Members of Managing Committee
Government Department	Person In charge
Public Sector Undertaking	Managing / Whole-time Director
Unlimited Company	Managing/ Whole-time Director
Limited Liability Partnership	Designated Partners

Local Authority	Chief Executive Officer or Equivalent
Statutory Body	Chief Executive Officer or Equivalent
Foreign Company	Authorised Person in India
Foreign Limited Liability Partnership	Authorised Person in India
Others (specify)	Person In charge

5. Information in respect of authorised representative is optional. Please select your authorised representative from the list available on the common portal if the authorised representative is enrolled, otherwise provide details of such person.

6. State specific information are relevant for the concerned State only.

7. Application filed by undermentioned persons shall be signed digitally:-

Sr. No	Type of Applicant	Type of Signature required
1.	Private Limited Company Public Limited Company Public Sector Undertaking Unlimited Company Limited Liability Partnership Foreign Company Foreign Limited Liability Partnership	Digital Signature Certificate (DSC)- Class-2 and above.
2.	Other than above	Digital Signature Certificate class 2 and above e-Signature or any other mode as may be notified

8. All information related to Permanent Account Number, Aadhaar, Director Identification Number, Challan Identification Number shall be validated online by the system and Acknowledgment Receipt Number will be generated after successful validation of all the filled up information.

9. Status of the application filed online can be tracked on the common portal by entering Application Reference Number (ARN) indicated on the Acknowledgment.

10. No fee is payable for filing application for registration.

11. Authorised signatory shall not be a minor.

12. Any person having multiple business verticals within a State, requiring a separate registration for any of its business verticals shall need to apply separately in respect of each of the vertical.

13. After approval of application, registration certificate shall be made available on the common portal.

14. Temporary Reference Number (TRN) will be allotted after successfully furnishing preliminary details in PART –A of the application which can be used for filling up details in PART-B of the application. TRN will be available on the common portal for a period of 15 days.

15. Any person who applies for registration under rule 8 may give an option to pay tax under section 10 in Part B of FORM GST REG-01, which shall be considered as an intimation to pay tax under the said section.

16. Government departments applying for registration as suppliers may not furnish Bank Account details.



**Government of India**  
FORM GST REG-06  
*[See rule 10(1)]*

**Registration Certificate**

**Registration Number: <GSTIN/UIN >**

1.	Legal Name				
2.	Trade Name, if any				
3.	Constitution of Business				
4.	Address of Principal Place of Business				
5.	Date of Liability	DD/MM/ YYYY			
6.	Period of Validity <i>(Applicable only in case of Non-Resident taxable person or Casual taxable person)</i>	From	DD/MM/YYYY	To	DD/MM/YYYY
7.	Type of Registration				
8.	Particulars of Approving Authority				
Centre			State		
<i>Signature</i>					
Name					
Designation					
Office					
9. Date of issue of Certificate					
Note: The registration certificate is required to be prominently displayed at all places of business in the State.					



**Annexure A**

Goods and Services Tax Identification Number

**Details of Additional Places of Business**

Legal Name

Trade Name, if any

Total Number of Additional Places of Business in the State

Sr. No.	Address
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1	
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2	
---	--

3	
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...	
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**Annexure B**

Goods and Services Tax Identification Number

Legal Name

Trade Name, if any

Details of <Proprietor / Partners / Karta / Managing Director and whole-time Directors / Members of the Managing Committee of Association of Persons / Board of Trustees etc.>

1.	Photo	Name Designation/Status Resident of State
2.	Photo	Name Designation/Status Resident of State
3.	Photo	Name Designation/Status Resident of State
4.	Photo	Name Designation/Status Resident of State
5.	Photo	Name Designation/Status Resident of State
6.	Photo	Name Designation/Status Resident of State
7.	Photo	Name Designation/Status Resident of State

8.

Photo
-------

Name  
Designation/Status  
Resident of State

9.

Photo
-------

Name  
Designation/Status  
Resident of State

10

Photo
-------

Name  
Designation/Status  
Resident of State

**FORM GSTR-1**

[See rule (59(1))]

**Details of outward supplies of goods or services**

Year				
Month				

1.		GSTIN																		
2.	(a)	Legal name of the registered person																		
	(b)	Trade name, if any																		
3.	(a)	Aggregate Turnover in the preceding Financial Year																		
	(b)	Aggregate Turnover - April to June, 2017																		

**4. Taxable outward supplies made to registered persons (including UIN-holders) other than supplies covered by Table 6**(Amount  
in Rs. For  
all Tables)

GSTIN/ UIN	Invoice details			Rate	Taxable value	Amount				Place of Supply (Name of State/UT)
	No.	Date	Value			Integrated Tax	Central Tax	State / UT Tax	Cess	
1	2	3	4	5	6	7	8	9	10	11
4A. Supplies other than those (i) attracting reverse charge and (ii) supplies made through e-commerce operator										
4B. Supplies attracting tax on reverse charge basis										
4C. Supplies made through e-commerce operator attracting TCS (operator wise, rate wise)										
GSTIN of e-commerce operator										

**5. Taxable outward inter-State supplies to un-registered persons where the invoice value is more than Rs 2.5 lakh**

Place of Supply (State/UT)	Invoice details			Rate	Taxable Value	Amount	
	No.	Date	Value			Integrated Tax	Cess
1	2	3	4	5	6	7	8
5A. Outward supplies (other than supplies made through e-commerce operator, rate wise)							
5B. Supplies made through e-commerce operator attracting TCS (operator wise, rate wise)							
GSTIN of e-commerce Operator							


**6. Zero rated supplies and Deemed Exports**

GSTIN of recipient	Invoice details			Shipping bill/ Bill of export		Integrated Tax			Central Tax			State / UT Tax			Cess
	No.	Date	Value	No.	Date	Rate	Taxable value	Amt.	Rate	Taxable value	Amt	Rate	Taxable value	Amt	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
6A. Exports															
6B. Supplies made to SEZ unit or SEZ Developer															
6C. Deemed exports															

**7. Taxable supplies (Net of debit notes and credit notes) to unregistered persons other than the supplies covered in Table 5**

Rate of tax	Total Taxable value	Amount			
		Integrated	Central	State Tax/UT Tax	Cess
1	2	3	4	5	6
7A. Intra-State supplies					
7A (1). Consolidated rate wise outward supplies [including supplies made through e-commerce operator attracting TCS]					
7A (2). Out of supplies mentioned at 7A(1), value of supplies made through e-Commerce Operators attracting TCS(operator wise, rate wise)					
GSTIN of e-commerce operator					
7B. Inter-State Supplies where invoice value is uptoRs 2.5 Lakh [Rate wise]					
7B (1). Place of Supply (Name of State)					
7B (2). Out of the supplies mentioned in 7B (1), the supplies made through e-Commerce Operators (operator wise, rate wise)					
GSTIN of e-commerce operator					

**8. Nil rated, exempted and non GST outward supplies**

Description	Nil Rated Supplies	Exempted (Other than Nil rated/non-GST supply)	Non-GST supplies
1	2	3	4
8A. Inter-State supplies to registered persons			
8B. Intra- State supplies to registered persons			
8C. Inter-State supplies to unregistered persons			
8D. Intra-State supplies to unregistered persons			

**9. Amendments to taxable outward supply details furnished in returns for earlier tax periods in Table 4, 5 and 6 [including debit notes, credit notes, refund vouchers issued during current period and amendments thereof]**

Details of original document			Revised details of document or details of original Debit/Credit Notes or refund vouchers					Rate	Taxable Value	Amount				Place of supply	
GSTIN	Inv. No.	Inv. Date	GSTIN	Invoice		Shipping bill				Value	Integrated Tax	Central Tax	State UT Tax		/Cess
				No	Date	No	Date								
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
9A. If the invoice/Shipping bill details furnished earlier were incorrect															
9B. Debit Notes/Credit Notes/Refund voucher [original]															
9C. Debit Notes/Credit Notes/Refund voucher [amendments thereof]															

**10. Amendments to taxable outward supplies to unregistered persons furnished in returns for earlier tax periods in Table 7**

Rate of tax	Total Taxable value	Amount			
		Integrated	Central	State/UT Tax	Cess
1	2	3	4	5	6
<b>Tax period for which the details are being revised</b>		<Month>			
10A. Intra-State Supplies[including supplies made through e-commerce operator attracting TCS] [Rate wise]					
10A (1). Out of supplies mentioned at 10A, value of supplies made through e-Commerce Operators attracting TCS (operator wise, rate wise)					
GSTIN of e-commerce operator					
10B. Inter-State Supplies[including supplies made through e-commerce operator attracting TCS] [Rate wise]					
Place of Supply (Name of State)					
10B (1). Out of supplies mentioned at 10B, value of supplies made through e-Commerce Operators attracting TCS (operator wise, rate wise)					
GSTIN of e-commerce operator					

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**11. Consolidated Statement of Advances Received/Advance adjusted in the current tax period/ Amendments of information furnished in earlier tax period**

Rate	Gross Advance Received/adjusted	Place of supply	Amount						
			Integrated	Central	State/UT	Cess			
1	2	3	4	5	6	7			
<b>I Information for the current tax period</b>									
11A. Advance amount received in the tax period for which invoice has not been issued (tax amount to be added to output tax liability)									
11A (1). Intra-State supplies(Rate Wise)									
11A (2). Inter-State Supplies(Rate Wise)									
11B. Advance amount received in earlier tax period and adjusted against the supplies being shown in this tax period in Table Nos. 4, 5, 6 and 7									
11B (1). Intra-State Supplies (Rate Wise)									
11B (2). Inter-State Supplies(Rate Wise)									
<b>II Amendment of information furnished in Table No. 11[1] in GSTR-1 statement for earlier tax periods[Furnish revised information]</b>									
Month					Amendment relating to information furnished in S. No.(select)	11A(1)	11A(2)	11B(1)	11B(2)

**12. HSN-wise summary of outward supplies**

Sr. No.	HSN	Description (Optional if HSN is provided)	UQC	Total Quantity	Total value	Total Taxable Value	Amount			
							Integrated Tax	Central Tax	State/UT Tax	Cess
1	2	3	4	5	6	7	8	9	10	11

**13. Documents issued during the tax period**

Sr. No.	Nature of document	Sr. No.		Total number	Cancelled	Net issued
		From	To			
1	2	3	4	5	6	7
1	Invoices for outward supply					
2	Invoices for inward supply from unregistered person					
3	Revised Invoice					
4	Debit Note					
5	Credit Note					
6	Receipt voucher					
7	Payment Voucher					
8	Refund voucher					
9	Delivery Challan for job work					

10	Delivery Challan for supply on Approval					
11	Delivery Challan in case of liquid Gas					
12	Delivery Challan in cases other than by way of supply (excluding at S no. 9 to 11)					

### Verification

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from and in case of any reduction in output tax liability the benefit thereof has been/will be passed on to the recipient of supply.

Place  
of Authorised Signatory .....

Signature  
Name

Date  
Designation /Status.....



**Instructions –**

## 1. Terms used:

- a. GSTIN: Goods and Services Tax Identification Number
- b. UIN: Unique Identity Number
- c. UQC: Unit Quantity Code
- d. HSN: Harmonized System of Nomenclature
- e. POS: Place of Supply (Respective State)
- f. B to B: From one registered person to another registered person
- g. B to C: From registered person to unregistered person

2. The details in GSTR-1 should be furnished by 10th of the month succeeding the relevant tax period.

3. Aggregate turnover of the taxpayer for the immediate preceding financial year and first quarter of the current financial year shall be reported in the preliminary information in Table 3. This information would be required to be submitted by the taxpayers only in the first year. Quarterly turnover information shall not be captured in subsequent returns. Aggregate turnover shall be auto-populated in subsequent years.

4. Invoice-level information pertaining to the tax period should be reported for all supplies as under:

(i) For all B to B supplies (whether inter-State or intra-State), invoice level details, rate-wise, should be uploaded in Table 4, including supplies attracting reverse charge and those effected through e-commerce operator. Outwards supply information in these categories are to be furnished separately in the Table.

(ii) For all inter-State B to C supplies, where invoice value is more than Rs. 2,50,000/- (B to C Large) invoice level details, rate-wise, should be uploaded in Table 5; and

(iii) For all B to C supplies (whether inter-State or intra-State) where invoice value is up to Rs. 2,50,000/- State-wise summary of supplies, rate-wise, should be uploaded in Table 7.

5. Table 4 capturing information relating to B to B supplies should:

(i) be captured in:

- a. Table 4A for supplies relating to other than reverse charge/ made through e-commerce operator, rate-wise;
- b. Table 4B for supplies attracting reverse charge, rate-wise; and
- c. Table 4C relating to supplies effected through e-commerce operator attracting collection of tax at source under section 52 of the Act, operator wise and rate-wise.

(ii) Capture Place of Supply (PoS) only if the same is different from the location of the recipient.

6. Table 5 to capture information of B to C Large invoices and other information shall be similar to Table 4. The Place of Supply (PoS) column is mandatory in this table.

7. Table 6 to capture information related to:

- (i) Exports out of India
- (ii) Supplies to SEZ unit/ and SEZ developer
- (iii) Deemed Exports

8. Table 6 needs to capture information about shipping bill and its date. However, if the shipping bill details are not available, Table 6 will still accept the information. The same can be updated through submission of information in relation to amendment Table 9 in the tax period in which the details are available but before claiming any refund / rebate related to the said invoice. The detail of Shipping Bill shall be furnished in 13 digits capturing port code (six digits) followed by number of shipping bill.

9. Any supply made by SEZ to DTA, without the cover of a bill of entry is required to be reported by SEZ unit in GSTR-1. The supplies made by SEZ on cover of a bill of entry shall be reported by DTA unit in its GSTR-2 as imports in GSTR-2. The liability for payment of IGST in respect of supply of services would, be created from this Table.

10. In case of export transactions, GSTIN of recipient will not be there. Hence it will remain blank.

11. Export transactions effected without payment of IGST (under Bond/ Letter of Undertaking (LUT)) needs to be reported under "0" tax amount heading in Table 6A and 6B.

12. Table 7 to capture information in respect of taxable supply of:

(i) B to C supplies (whether inter-State or intra-State) with invoice value upto Rs 2,50,000;

(ii) Taxable value net of debit/ credit note raised in a particular tax period and information pertaining to previous tax periods which was not reported earlier, shall be reported in Table 10. Negative value can be mentioned in this table, if required;

(iii) Transactions effected through e-commerce operator attracting collection of tax at source under section 52 of the Act to be provided operator wise and rate wise;

(iv) Table 7A (1) to capture gross intra-State supplies, rate-wise, including supplies made through e-commerce operator attracting collection of tax at source and Table 7A (2) to capture supplies made through e-commerce operator attracting collection of tax at source out of gross supplies reported in Table 7A (1);

(v) Table 7B (1) to capture gross inter-State supplies including supplies made through e-commerce operator attracting collection of tax at source and Table 7B (2) to capture supplies made through e-commerce operator attracting collection of tax at source out of gross supplies reported in Table 7B (1); and

(vi) Table 7B to capture information State wise and rate wise.

13. Table 9 to capture information of:

(i) Amendments of B to B supplies reported in Table 4, B to C Large supplies reported in Table 5 and Supplies involving exports/ SEZ unit or SEZ developer/ deemed exports reported in Table 6;

(ii) Information to be captured rate-wise;

(iii) It also captures original information of debit / credit note issued and amendment to it reported in earlier tax periods; While furnishing information the original debit note/credit note, the details of invoice shall be mentioned in the first three columns, While furnishing revision of a debit note/credit note, the details of original debit note/credit note shall be mentioned in the first three columns of this Table,

(iv) Place of Supply (PoS) only if the same is different from the location of the recipient;

(v) Any debit/ credit note pertaining to invoices issued before the appointed day under the existing law also to be reported in this table; and (vi) Shipping bill to be provided only in case of exports transactions amendment.

14. Table 10 is similar to Table 9 but captures amendment information related to B to C supplies and reported in Table 7.

15. Table 11A captures information related to advances received, rate-wise, in the tax period and tax to be paid thereon along with the respective PoS. It also includes information in Table 11B for adjustment of tax paid on advance received and reported in earlier tax periods against invoices issued in the current tax period. The details of information relating to advances would be submitted only if the invoice has not been issued in the same tax period in which the advance was received.

16. Summary of supplies effected against a particular HSN code to be reported only in summary table. It will be optional for taxpayers having annual turnover upto Rs. 1.50 Cr but they need to provide information about description of goods.

17. It will be mandatory to report HSN code at two digits level for taxpayers having annual turnover in the preceding year above Rs. 1.50 Cr but upto Rs. 5.00 Cr and at four digits level for taxpayers having annual turnover above Rs. 5.00 Cr.



**PART B****6. ISD credit (including amendments thereof) received**

GSTIN of ISD	ISD document details		ITC amount involved			
	No.	Date	Integrated Tax	Central Tax	State/ UT Tax	Cess
1	2	3	4	5	6	7
ISD Invoice –eligible ITC						
ISD Invoice –ineligible ITC						
ISD Credit note –eligible ITC						
ISD Credit note –ineligible ITC						

**PART-C****7. TDS and TCS Credit (including amendments thereof) received**

GSTIN of Deductor / GSTIN of e- Commerce Operator	Amount received / Gross Value	Sales Return	Net Value	Amount		
				Integrated Tax	Central Tax	State Tax /UT Tax
1	2	3	4	5	6	7
7A. TDS						
7B. TCS						

**FORM-GSTR-2B**

[See rule 60(7)]

**Auto-drafted ITC Statement**

(From FORM GSTR-1, GSTR-5, GSTR-6 and Import data received from ICEGATE)

Year	YYYY-YY
Month	

1. GSTIN	
2(a). Legal name of the registered person	
2(b). Trade name, if any	
2(c). Date of generation	DD/MM/YYYY HH:MM

**3. ITC Available Summary**

(Amount in ₹ in all sections)

S.no.	Heading	GSTR-3B table	Integrated Tax (₹)	Central Tax (₹)	State/UT tax (₹)	Cess (₹)	Advisory
<b>Credit which may be availed under FORM GSTR-3B</b>							
<b>Part A</b>	<b>ITC Available - Credit may be claimed in relevant headings in GSTR-3B</b>						
I	<b>All other ITC - Supplies from registered persons other than reverse charge</b>	4(A)(5)					If this is <b>positive</b> , credit may be availed under Table 4(A)(5) of FORM GSTR-3B. If this is <b>negative</b> , credit shall be reversed under Table 4(B)(2) of FORM GSTR-3B.
Details	B2B - Invoices						
	B2B - Debit notes						
	B2B - Invoices (Amendment)						
	B2B - Debit notes (Amendment)						
II	<b>Inward Supplies from ISD</b>	4(A)(4)					If this is <b>positive</b> , credit may be availed under Table 4(A)(4) of FORM GSTR-3B. If this is <b>negative</b> , credit shall be reversed under Table 4(B)(2) of FORM GSTR-3B.
Details	ISD - Invoices						
	ISD - Invoices (Amendment)						
III	<b>Inward Supplies liable for reverse charge</b>	3.1(d) 4(A)(3)					These supplies shall be <b>declared</b> in Table 3.1(d) of FORM GSTR- 3B for payment of tax. Credit may be <b>availed</b> under Table 4(A)(3) of FORM GSTR-3B on payment of tax.
Details	B2B - Invoices						
	B2B - Debit notes						
	B2B - Invoices (Amendment)						
	B2B - Debit notes (Amendment)						
IV	<b>Import of Goods</b>	4(A)(1)					If this is <b>positive</b> , credit may be availed under Table 4(A)(1) of FORM GSTR-3B. If this is <b>negative</b> , credit shall be reversed under Table 4(B)(2) of FORM GSTR-3B.
Details	IMPG - Import of goods from overseas						
	IMPG (Amendment)						
	IMGSEZ - Import of goods from SEZ						
	IMGSEZ (Amendment)						

Part B	ITC Reversal - Credit shall be reversed in relevant headings in GSTR-3B						
I	Others	4(B)(2)					If this is <b>positive</b> , Credit shall be reversed under Table 4(B)(2) of FORM GSTR-3B. If this is <b>negative</b> , then credit may be reclaimed subject to reversal of the same on an earlier instance.
Details	B2B - Credit notes						
	B2B - Credit notes (Amendment)						
	B2B - Credit notes (Reverse charge)						
	B2B - Credit notes (Reverse charge) (Amendment)						
	ISD - Credit notes						
	ISD - Credit notes (Amendment)						

#### 4. ITC Not Available Summary

(Amount in ₹ in all sections)

S.no.	Heading	GSTR-3B Table	Integrated Tax (₹)	Central Tax (₹)	State/UT tax (₹)	Cess (₹)	Advisory
<b>Credit which may not be availed under FORM GSTR-3B</b>							
<b>Part A ITC Not Available</b>							
I	All other ITC - Supplies from registered persons other than reverse charge	NA					Such credit shall not be taken in FORM GSTR-3B
Details	B2B - Invoices						
	B2B - Debit notes						
	B2B - Invoices (Amendment)						
	B2B - Debit notes (Amendment)						
II	Inward Supplies from ISD	NA					Such credit shall not be taken in FORM GSTR-3B
Details	ISD - Invoices						
	ISD Amendment - Invoices						
III	Inward Supplies liable for reverse charge	3.1(d)					These supplies shall be declared in Table 3.1(d) of FORM GSTR-3B for payment of tax. However, credit will not be available on the same.
Details	B2B - Invoices						
	B2B - Debit notes						
	B2B - Invoices (Amendment)						
	B2B - Debit notes (Amendment)						
<b>Part B ITC Reversal</b>							
I	Others	4(B)(2)					Credit shall be reversed under Table 4(B)(2) of FORM GSTR-3B.
Details	B2B - Credit notes						
	B2B - Credit notes (Amendment)						
	B2B - Credit notes (Reverse charge)						
	B2B - Credit notes (Reverse charge) (Amendment)						
	ISD - Credit notes						
	ISD - Credit notes (Amendment)						

## Instructions:

## 1. Terms Used :-

- a. ITC – Input tax credit
- b. B2B – Business to Business
- c. ISD – Input service distributor
- d. IMPG – Import of goods
- e. IMPGSEZ – Import of goods from SEZ

## 2. Important Advisory:

- a) FORM GSTR-2B is a statement which has been generated on the basis of the information furnished by your suppliers in their respective FORMS GSTR-1,5 and 6. It is a static statement and will be made available once a month. The documents filed by the supplier in any FORMS GSTR-1,5 and 6 would reflect in the next open FORM GSTR-2B of the recipient irrespective of supplier's date of filing. Taxpayers are advised to refer FORM GSTR-2B for availing credit in FORM GSTR-3B. However, in case for additional details, they may refer to their respective FORM GSTR-2A (which is updated on near real time basis) for more details.
- b) Input tax credit shall be indicated to be non-available in the following scenarios: -
  - i. Invoice or debit note for supply of goods or services or both where the recipient is not entitled to input tax credit as per the provisions of sub-section (4) of Section 16 of CGST Act, 2017.
  - ii. Invoice or debit note where the Supplier (GSTIN) and place of supply are in the same State while recipient is in another State.

However, there may be other scenarios for which input tax credit may not be available to the taxpayers and the same has not been generated by the system. Taxpayers, should self-assess and reverse such credit in their FORM GSTR-3B.

3. It may be noted that FORM GSTR-2B will consist of all the FORM GSTR-1s, 5s and 6s being filed by your suppliers, generally between the due dates of filing of two consequent GSTR-1 or furnishing of IFFs, based on the filing option (monthly or quarterly) as chosen by the corresponding supplier. The dates for which the relevant data has been extracted is specified in the CGST Rules and is also available under the

—View Advisoryl tab on the online portal. For example, FORM GSTR-2B for the month of February will consist of all the documents filed by suppliers who choose to file their FORM GSTR-1 monthly from 00:00 hours on 12th February to 23:59 hours on 11th March.

- 4. It also contains information on imports of goods from the ICEGATE system including data on imports from Special Economic Zones Units / Developers.
- 5. It may be noted that reverse charge credit on import of services is not part of this statement and will be continued to be entered by taxpayers in Table 4(A)(2) of FORM GSTR-3B.
- 6. Table 3 captures the summary of ITC available as on the date of generation of FORM GSTR-2B. It is divided into following two parts:
  - A. Part A captures the summary of credit that may be availed in relevant tables of FORM GSTR-3B.
  - B. Part B captures the summary of credit that shall be reversed in relevant table of FORM GSTR-3B.
- 7. Table 4 captures the summary of ITC not available as on the date of generation of FORM GSTR-2B. Credit available in this table shall not be availed as credit in FORM GSTR-3B. However, the liability to pay tax on reverse charge basis and the liability to reverse credit on receipt of credit notes continues for such supplies.
- 8. Taxpayers are advised to ensure that the data generated in FORM GSTR-2B is reconciled with their own records and books of accounts. Tax payers shall ensure that
  - a. No credit shall be taken twice for any document under any circumstances.



- b. Credit shall be reversed wherever necessary.
- c. Tax on reverse charge basis shall be paid.
9. Details of invoices, credit notes, debit notes, ISD invoices, ISD credit and debit notes, bill of entries etc. will also be made available online and through download facility.
10. There may be scenarios where a percentage of the applicable rate of tax rate may be notified by the Government. A separate column will be provided for invoices / documents where such rate is applicable.
11. Table wise instructions:

<b><u>Table No. and Heading</u></b>	<b><u>Instructions</u></b>
Table 3 Part A Section I All other ITC - Supplies from registered persons other than reverse charge	<ul style="list-style-type: none"> <li>i. This section consists of the details of supplies (other than those on which tax is to be paid on reverse charge basis), which have been declared and filed by your suppliers in their <b>FORM GSTR-1 and 5</b>.</li> <li>ii. This table displays only the supplies on which input tax credit is available.</li> <li>iii. Negative credit, if any may arise due to amendment in B2B- Invoices and B2B – Debit notes. Such credit shall be reversed in Table 4(B)(2) of <b>FORM GSTR-3B</b>.</li> </ul>
Table 3 Part A Section II Inward Supplies from ISD	<ul style="list-style-type: none"> <li>i. This section consists of the details of supplies, which have been declared and filed by an input service distributor in their <b>FORM GSTR-6</b>.</li> <li>ii. This table displays only the supplies on which ITC is available.</li> <li>iii. Negative credit, if any, may arise due to amendment in ISD Amendments – Invoices. Such credit shall be reversed in table 4(B)(2) of <b>FORM GSTR-3B</b>.</li> </ul>
Table 3 Part A Section III Inward Supplies liable for reverse charge	<ul style="list-style-type: none"> <li>i. This section consists of the details of supplies on which tax is to be paid on reverse charge basis, which have been declared and filed by your suppliers in their <b>FORM GSTR-1</b>.</li> <li>ii. This table provides only the supplies on which ITC is available.</li> <li>iii. These supplies shall be declared in Table 3.1(d) of <b>FORM GSTR-3B</b> for payment of tax. Credit may be availed under Table 4(A)(3) of <b>FORM GSTR-3B</b> on payment of tax.</li> </ul>
Table 3 Part A Section IV Import of Goods	<ul style="list-style-type: none"> <li>i. This section provides the details of IGST paid by you on import of goods from overseas and SEZ units / developers on bill of entry and amendment thereof. These details are updated on near real time basis from the ICEGATE system.</li> <li>ii. This table shall consist of data on the imports made by you (GSTIN) in the month for which <b>FORM GSTR-2B</b> is being generated for.</li> <li>iii. The ICEGATE reference date is the date from which the recipient is eligible to take input tax credit.</li> <li>iv. The table also provides if the Bill of entry was amended.</li> <li>v. Information is provided in the tables based on data received from ICEGATE. Information on certain imports such as courier imports may not be available.</li> </ul>
Table 3 Part B Section I Others	<ul style="list-style-type: none"> <li>i. This section consists of the details of credit notes received and amendment thereof which have been declared and filed by your suppliers in their <b>FORM GSTR-1 and 5</b></li> <li>ii. Such credit shall be reversed under Table 4(B)(2) of FORM GSTR-3B. If this value is negative, then credit may be reclaimed subject to reversal of the same on an earlier instance.</li> </ul>
Table 4 Part A Section I All other ITC - Supplies from registered persons other than reverse charge	<ul style="list-style-type: none"> <li>i. This section consists of the details of supplies (other than those on which tax is to be paid on reverse charge basis), which have been declared and filed by your suppliers in their <b>FORM GSTR-1 and 5</b>.</li> <li>ii. This table provides only the supplies on which ITC is not available.</li> <li>iii. This is for information only and such credit shall not be taken in <b>FORM GSTR-3B</b>.</li> </ul>

<p>Table 4 Part A Section II Inward Supplies from ISD</p>	<ul style="list-style-type: none"> <li>i. This section consists of the details supplies, which have been declared and filed by an input service distributor in their <b>FORM GSTR-6</b>.</li> <li>ii. This table provides only the supplies on which ITC is not available.</li> <li>iii. This is for information only and such credit shall not be taken in <b>FORM GSTR-3B</b>.</li> </ul>
<p>Table 4 Part A Section III Inward Supplies liable for reverse charge</p>	<ul style="list-style-type: none"> <li>i. This section consists of the details of supplies liable for reverse charge, which have been declared and filed by your suppliers in their <b>FORM GSTR-1</b>.</li> <li>ii. This table provides only the supplies on which ITC is not available.</li> <li>iii. These supplies shall be declared in Table 3.1(d) of <b>FORM GSTR-3B</b> for payment of tax. However, credit will not be available on such supplies.</li> </ul>
<p>Table 4 Part B Section I Others</p>	<ul style="list-style-type: none"> <li>i. This section consists details the credit notes received and amendment thereof which have been declared and filed by your suppliers in their <b>FORM GSTR-1 and 5</b></li> <li>ii. This table provides only the credit notes on which ITC is not available.</li> <li>iii. Such credit shall be reversed under Table 4(B)(2) of <b>FORM GSTR-3B</b>.</li> </ul>

## **CLASSIFICATION OF GOODS AND SERVICES**

**Question: Write a Note on Classification of Goods and Services under GST.**

**Answer: Classification Of Goods And Services Under GST Harmonised System Of Nomenclature (HSN)**

All goods are divided in 98 broad categories which are called chapters and all services are covered in chapter 99.

1. Live Animals
2. Meat and edible meat offal
3. Fish and crustaceans, molluscs and other aquatic invertebrates
4. Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
5. Products of animal origin, not elsewhere specified or included
6. Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
7. Edible vegetables and certain roots and tubers
8. Edible fruit and nuts; peel of citrus fruit or melons
9. Coffee, tea, mate and spices
10. Cereals
11. Products of the milling industry; malt; starches; inulin; wheat gluten.
12. Oil seeds and oleaginous fruits, miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder.
13. Lac; gums, resins and other vegetable saps and extracts.
14. Vegetable plaiting materials; vegetable products, not elsewhere specified or included.
15. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
16. Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates
17. Sugar and sugar confectionery.
18. Cocoa and cocoa preparations
19. Preparations of cereals, flour, starch or milk; pastry cooks' products
20. Preparations of vegetables, fruit, nuts or other parts of plants.
21. Miscellaneous edible preparations
22. Beverages, vinegar and spirits
23. Residues and wastes from the food industries; prepared animal fodder
24. Tobacco and manufactured tobacco substitutes
25. Salt; sulphur; earths and stone; plastering materials, lime and cement
26. Ores, slag and ash
27. Mineral fuels, mineral oils and products of their distillation; bituminous substances, mineral waxes
28. Inorganic chemicals; organic or inorganic compounds of precious metals, of rare earth metals, of radioactive elements or of isotopes
29. Organic chemicals
30. Pharmaceutical products
31. Fertilizers
32. Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter, paints and varnishes; putty and other mastics; inks
33. Essential oils and resinoids; perfumery, cosmetics or toilet preparations
34. Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, "dental waxes" and dental preparations with a basis of plaster
35. Albuminoidal substances; modified starches; glues; enzymes
36. Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations
37. Photographic or cinematographic goods
38. Miscellaneous chemical products

39. Plastics and articles thereof
40. Rubber and articles thereof
41. Raw Hides and Skins (other than Fur skins) and Leather
42. Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)
43. Furskins and artificial fur; manufacturers thereof
44. Wood and articles of wood, wood charcoal
45. Cork and articles of cork
46. Manufactures of straw, of esparto or of other plaiting materials; Basket-ware and wickerwork
47. Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard
49. Printed books, newspapers, pictures and other products of the printing industry, manuscripts, typescripts and plans
50. Silk
51. Wool, fine or coarse animal hair; horse hair yarn and woven fabric
52. Cotton
53. Other vegetable textile fibres; paper yarn, woven fabrics of paper yarns
54. Man-made filaments; strip and the like of man-made textile materials
55. Man-made staple fibres
56. Wadding, felt and non-wovens; special yarns; twine, cordage, ropes and cables and articles thereof
57. Carpets and other textile floor coverings
58. Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
59. Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use.
60. Knitted or crocheted fabrics
61. Articles of apparel and clothing accessories, knitted or crocheted
62. Articles of apparel and clothing accessories, not knitted or crocheted
63. Other made up textile articles, sets, worn clothing and worn textile articles; rags
64. Footwear gaiters and the like; parts of such articles
65. Headgear and parts thereof
66. Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof
67. Prepared feathers and down and articles made of feather or of down - artificial flowers; articles of human hair
68. Articles of stone, plaster, cement, asbestos, mica or similar materials
69. Ceramic products
70. Glass and glassware
71. Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin.
72. Iron and steel
73. Articles of iron or steel
74. Copper and articles thereof
75. Nickel and articles thereof
76. Aluminium and articles thereof
77. [\*\*\*]
78. Lead and articles thereof
79. Zinc and articles thereof
80. Tin and articles thereof
81. Other base metals; cermets; articles thereof
82. Tools, implements, cutlery, spoons and forks of base metal; parts thereof of base metal
83. Miscellaneous articles of base metal
84. Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
85. Electrical machinery and equipment and parts thereof; sound recorders and re-producers, television

- image and sound recorders and reproducers, and parts and accessories of such articles
86. Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds
  87. Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof
  88. Aircraft; spacecraft and parts thereof
  89. Ships, boats and floating structures
  90. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
  91. Clocks and watches and parts thereof
  92. Musical instruments; parts and accessories of such articles
  93. Arms and ammunition; parts and accessories thereof
  94. Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings
  95. Toys, games and sports requisites; parts and accessories thereof
  96. Miscellaneous manufactured articles
  97. Works of art, collectors' pieces and antiques
  98. Project imports; laboratory chemicals; passengers' baggage, personal importations by air or post; ship Stores.
  99. All Services.

## CHAPTER 42

**ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILK-WORM GUT)****Notes:**

1. For the purposes of this Chapter, the term "leather" includes chamois (including combination chamois) leather, patent leather, patent laminated leather and metallised leather.
2. This Chapter does not cover :
  - (a) sterile surgical catgut or similar sterile suture materials (heading 3006);
  - (b) articles of apparel or clothing accessories (except gloves, mittens and mitts), lined with furskin or artificial fur or to which furskin or artificial fur is attached on the outside except as mere trimming (heading 4303 or 4304);
  - (c) made up articles of netting (5608);
  - (d) articles of Chapter 64;
  - (e) headgear or parts thereof of Chapter 65;
  - (f) whips, rigid-crops or articles of heading 6602;
  - (g) cuff-links, bracelets or other imitation jewellery (heading 7117);
  - (h) fittings or trimmings for harness, such as stirrups, bits, horse, brasses and buckles, separately presented (generally Section XV);
  - (ij) strings, skins for drums or the like, or other parts of musical instruments (heading 9209);
  - (k) articles of Chapter 94 (for example, furniture, lamps and lighting fittings);
  - (l) articles of Chapter 95 (for example, toys, games, sports requisites); or
  - (m) buttons, press-fasteners, snap-fasteners, press-studs, button moulds or other parts of these articles, button blanks, of heading 9606.
3. (A) In addition to the provisions of Note 2 above, heading 4202 does not cover :
  - (a) bags made of sheeting of plastics, whether or not printed, with handles, not designed for prolonged use (heading 3923);
  - (b) articles of plaiting materials (heading 4602).
 (B) Articles of headings 4202 and 4203 which have parts of precious metal or metal clad with precious metal, of natural or cultured pearls, of precious or semi-precious stones (natural, synthetic or reconstructed) remain classified in those headings even if such parts constitute more than minor fittings or minor ornamentation, provided that these parts do not give the articles their essential character. If, on the other hand, the parts give the articles their essential character, the articles are to be classified in Chapter 71.
4. For the purposes of heading 4203, the expression "articles of apparel and clothing accessories" applies, *inter alia*, to gloves, mittens and mitts (including those for sport or for protection), aprons and other protective clothing, braces, belts, bandoliers and wrist straps, but excluding watch straps (heading 9113).

<b>Tariff Item</b>	<b>Description of goods</b>	<b>Unit</b>	<b>CGST</b>	<b>SGST/UTGST</b>	<b>IGST</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>
4201 00 00	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material	kg.	14%	14%	28%
4202	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags,		18% IGST/9% CGST/9% SGST or UTGST : 4202 : School satchels and bags other than of leather or composition leather		
			18% IGST/9% CGST/9% SGST or UTGST : 4202 12 10 : Toilet cases		
			18% IGST/9% CGST/9% SGST or		

	<b>toilet bags, rucksacks, handbags, shopping-bags, wallets, purses, map-cases, cigarette-cases, tobacco-pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper</b>		UTGST : 4202 22 10 : Hand bags and shopping bags, of artificial plastic material
	- <i>Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels and similar containers :</i>		18% IGST/9% CGST/9% SGST or UTGST : 4202 22 20 : Hand bags and shopping bags, of cotton
4202 11	-- <i>With outer surface of leather or of composition leather:</i>		18% IGST/9% CGST/9% SGST or UTGST : 4202 22 30 : Hand bags and shopping bags, of jute
4202 11 10	--- Travel goods (trunks, suit-cases, sports bags and other similar items ) of leather	u	18% IGST/9% CGST/9% SGST or UTGST : 4202 22 40 : Vanity bags
4202 11 20	--- Toilet-bags and cases, of leather	u	18% IGST/9% CGST/9% SGST or UTGST : 4202 29 10 : Handbags of other materials excluding wicker work or basket work
4202 11 30	--- Satchels	u	28% IGST/14% CGST/14% SGST or UTGST : 4202 : Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping bags, wallets, purses, map-cases, cigarette-cases, tobacco- pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper [other than School satchels and bags other than of leather or composition leather, Toilet cases, Hand bags and shopping bags, of artificial plastic material, of cotton, or of jute, Vanity bags, Handbags of other materials excluding wicker work or basket work]
4202 11 40	--- Brief-cases	u	
4202 11 50	--- Executive-cases	u	
4202 11 60	--- Vanity-cases	u	
4202 11 70	--- Attache-cases	u	
4202 11 90	--- Other	u	
4202 12	-- <i>With outer surface of plastic or of textile materials :</i>		
4202 12 10	--- Toilet-cases	u	
4202 12 20	--- Plastic moulded suit-cases	u	
4202 12 30	--- Plastic moulded brief-cases	u	
4202 12 40	--- Satchels	u	
4202 12 50	--- Other travel-goods	u	
4202 12 60	--- Brief-cases	u	
4202 12 70	--- Executive-cases other than plastic moulded	u	
4202 12 80	--- Vanity-cases	u	
4202 12 90	--- Other	u	
4202 19	-- <i>Other:</i>		
4202 19 10	--- Travel goods (trunks, suit-cases, sports bags, and other similar items) of leather	u	
4202 19 20	--- Toilet-cases	u	
4202 19 30	--- Satchels	u	
4202 19 40	--- Brief-cases (other than plastic moulded)	u	
4202 19 50	--- Executive-cases	u	
4202 19 60	--- Vanity-cases	u	
4202 19 90	--- Other	u	
	- <i>Hand-bags, whether or not with</i>		

	<i>shoulder strap, including those without handle:</i>				
4202 21	-- <i>With outer surface of leather or of composition leather:</i>				
4202 21 10	--- Hand-bags for ladies	u			
4202 21 20	--- Vanity-bags	u			
4202 21 90	--- Other	u			
4202 22	-- <i>With outer surface of sheeting of plastics or of textile materials:</i>				
4202 22 10	--- Hand-bags and shopping bags, of artificial plastic material	u			
4202 22 20	--- Hand-bags and shopping bags, of cotton	u			
4202 22 30	--- Hand-bags and shopping bags, of Jute	u			
4202 22 40	--- Vanity-bags	u			
4202 22 90	--- Other	u			
4202 29	-- <i>Other :</i>				
4202 29 10	--- Hand bags of other materials excluding wicker-work or basket work	u			
4202 29 90	--- Other - <i>Articles of a kind normally carried in the pocket or in the handbag :</i>	u			
4202 31	-- <i>With outer surface of leather or of composition leather:</i>				
4202 31 10	--- Jewellery box	u			
4202 31 20	--- Wallets and purses, of leather	u			
4202 31 90	--- Other	u			
4202 32	-- <i>With outer surface of sheeting of plastics or of textile materials :</i>				
4202 32 10	--- Jewellery box	u			
4202 32 90	--- Other	u			
4202 39	-- <i>Other:</i>				
4202 39 10	--- Jewellery box	u			
4202 39 90	--- Other - <i>Other:</i>	u			
4202 91 00	-- With outer surface of leather or of composition leather	u			
4202 92 00	-- With outer surface of sheeting of plastics or of textile materials	u			
4202 99 00	-- Other	u			
<b>4203</b>	<b>Articles of apparel and clothing accessories, of leather or of composition leather</b>				
4203 10	- <i>Articles of apparel:</i>				
4203 10 10	--- Jackets and jerseys	kg.	14%	14%	28%
4203 10 90	--- Other - <i>Gloves, mittens and mitts :</i>	kg.	14%	14%	28%
4203 21	-- <i>Specially designed for use in sports :</i>				
4203 21 10	--- Gloves	kg.	6%	6%	12%



4203 21 20	--- Mittens and mitts	kg.	14%	14%	28%
4203 29	-- <i>Other:</i>				
4203 29 10	--- Gloves for use in industry	kg.	14%	14%	28%
4203 29 20	--- Other gloves	kg.	14%	14%	28%
4203 29 30	--- Mittens and mitts	kg.	14%	14%	28%
4203 30 00	- Belts and bandoliers	kg.	14%	14%	28%
4203 40	- <i>Other clothing accessories:</i>				
4203 40 10	--- Aprons	kg.	14%	14%	28%
4203 40 20	--- Semi-chrome grain garments	kg.	14%	14%	28%
4203 40 90	--- Other	kg.	14%	14%	28%
<b>4204</b>	[***]				
<b>4205</b>	<b>Other articles of leather or of composition leather</b>				
4205 00	- <i>Other articles of leather or of composition leather:</i>				
	--- <i>Straps other than for machinery or harness :</i>				
4205 00 11	---- Welt	kg.	14%	14%	28%
4205 00 19	---- Other	kg.	14%	14%	28%
4205 00 20	--- Leather sofa cover	kg.	14%	14%	28%
4205 00 90	--- Other	kg.	14%	14%	28%
<b>4206</b>	<b>Articles of gut (other than silk-worm gut), of goldbeater's skin, of bladders or of tendons</b>				
4206 00 10	--- For rackets	kg.	14%	14%	28%
4206 00 90	--- Other	kg.	14%	14%	28%

## CASE LAWS/DEPARTMENTAL CLARIFICATIONS

<i>Name of product</i>	<i>Heading No.</i>	<i>Citation</i>
Belt waist of webbing cloth	63.07	<i>MKU Pvt. Ltd. v. CCE 2013 (295) ELT 488 (CESTAT)</i>
Transmission Belts of Nylon and Leather	4201.90	<i>NTB International (P.) Ltd. v. CCE 2015 (319) ELT 545 (SC)</i>
Composite transmission belts made of nylon and leather	42.01	<i>Kamal Kacholia v. CCE 2004 (174) ELT 87 (CEGAT)</i>
Suitcase even if having external locking arrangement	4201.10	<i>Safari Industries (India) Ltd. v. CCE 2000 (115) ELT 137 (CEGAT)</i>
Unsterilised Absorbable Sutures	Catgut 4201.90	<i>Johnson &amp; Johnson Ltd. v. CCE 2003 (154) ELT 729 (CEGAT)</i>

## **CONSTITUTIONAL PROVISIONS**

### **245. Extent of laws made by Parliament and by the Legislatures of States.-**

(1) Subject to the provisions of this Constitution, Parliament may make laws for the whole or any part of the territory of India, and the Legislature of a State may make laws for the whole or any part of the State.

(2) No law made by Parliament shall be deemed to be invalid on the ground that it would have extra-territorial operation.

### **246. Subject-matter of laws made by Parliament and by the Legislatures of States.-**

(1) Notwithstanding anything in clauses (2) and (3), Parliament has exclusive power to make laws with respect to any of the matters enumerated in List I in the Seventh Schedule (in this Constitution referred to as the "Union List").

(2) Notwithstanding anything in clause (3), Parliament, and, subject to clause (1), the Legislature of any State also, have power to make laws with respect to any of the matters enumerated in List III in the Seventh Schedule (in this Constitution referred to as the "Concurrent List").

(3) Subject to clauses (1) and (2), the Legislature of any State has exclusive power to make laws for such State or any part thereof with respect to any of the matters enumerated in List II in the Seventh Schedule (in this Constitution referred to as the "State List").

(4) Parliament has power to make laws with respect to any matter for any part of the territory of India not included [in a State] notwithstanding that such matter is a matter enumerated in the State List.

### **246A. Special provision with respect to goods and services tax**

(1) Notwithstanding anything contained in articles 246 and 254, Parliament, and, subject to clause (2), the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.

(2) Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

Explanation.—The provisions of this article, shall, in respect of goods and services tax referred to in clause (5) of article 279A, take effect from the date recommended by the Goods and Services Tax Council.’’.

### **265. Taxes not to be imposed save by authority of law.-**

No tax shall be levied or collected except by authority of law.

### **268. Duties levied by the Union but collected and appropriated by the States.-**

(1) Such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected-

(a) in the case where such duties are leviable within any [Union territory], by the Government of India, and

(b) in other cases, by the States within which such duties are respectively leviable.

(2) The proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall be assigned to that State.

### **269. Taxes levied and collected by the Union but assigned to the States.-**

(1) Taxes on the sale or purchase of goods and taxes on the consignment of goods shall be levied [except as provided in article 269A] and collected by the Government of India but shall be assigned and shall be deemed to have been assigned to the States on or after the 1st day of April, 1996 in the manner provided in clause (2).

Explanation-For the purposes of this clause, -

(a) the expression “taxes on the sale or purchase of goods” shall mean taxes on sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce;

(b) the expression “taxes on the consignment of goods” shall mean taxes on the consignment of goods (whether the consignment is to the person making it or to any other person), where such consignment takes place in the course of inter-State trade or commerce;

(2) The net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the State within which that tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law.]

[ (3) Parliament may by law formulate principles for determining when a [sale or purchase of, or consignment of, goods] takes place in the course of inter-State trade or commerce.]

**269A. Levy and collection of goods and services tax in course of inter-State trade or commerce.**

(1) Goods and services tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council. Explanation.—For the purposes of this clause, supply of goods, or of services, or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce.

(2) The amount apportioned to a State under clause (1) shall not form part of the Consolidated Fund of India.

(3) Where an amount collected as tax levied under clause (1) has been used for payment of the tax levied by a State under article 246A, such amount shall not form part of the Consolidated Fund of India.

(4) Where an amount collected as tax levied by a State under article 246A has been used for payment of the tax levied under clause (1), such amount shall not form part of the Consolidated Fund of the State.

(5) Parliament may, by law, formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.’’.

**276. Taxes on professions, trades, callings and employments.-**

(1) Notwithstanding anything in article 246, no law of the Legislature of a State relating to taxes for the benefit of the State or of a municipality, district board, local board or other local authority therein in respect of professions, trades, callings or employments shall be invalid on the ground that it relates to a tax on income.

(2) The total amount payable in respect of any one person to the State or to any one municipality, district board, local board or other local authority in the State by way of taxes on professions, trades, callings and employments shall not exceed [two thousand and five hundred rupees] per annum.

(3) The power of the Legislature of a State to make laws as aforesaid with respect to taxes on professions, trades, callings and employments shall not be construed as limiting in any way the power of Parliament to make laws with respect to taxes on income accruing from or arising out of professions, trades, callings and employments

**279A. Goods and Services Tax Council.-**

(1) The President shall, within sixty days from the date of commencement of the Constitution (One Hundred and First Amendment) Act, 2016, by order, constitute a Council to be called the Goods and Services Tax Council.

(2) The Goods and Services Tax Council shall consist of the following members, namely:-

(a) the Union Finance Minister..... Chairperson;

(b) the Union Minister of State in charge of Revenue or Finance..... Member;

(c) the Minister in charge of Finance or Taxation or any other Minister nominated by each State Government..... Members.

(3) The Members of the Goods and Services Tax Council referred to in sub-clause (c) of clause (2) shall, as soon as may be, choose one amongst themselves to be the Vice-Chairperson of the Council for such period as they may decide.

(4) The Goods and Services Tax Council shall make recommendations to the Union and the States on-

(a) the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;

(b) the goods and services that may be subjected to, or exempted from the goods and services tax;

(c) model Goods and Services Tax Laws, principles of levy, apportionment of Goods and Services Tax levied on supplies in the course of Inter-State trade or commerce under article 269A and the principles that govern the place of supply;

(d) the threshold limit of turnover below which goods and services may be exempted from goods and services tax;

(e) the rates including floor rates with bands of goods and services tax;

(f) any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;

- (g) special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; and
- (h) any other matter relating to the goods and services tax, as the Council may decide.
- (5) The Goods and Services Tax Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.
- (6) While discharging the functions conferred by this article, the Goods and Services Tax Council shall be guided by the need for a harmonised structure of goods and services tax and for the development of a harmonised national market for goods and services.
- (7) One half of the total number of Members of the Goods and Services Tax Council shall constitute the quorum at its meetings.
- (8) The Goods and Services Tax Council shall determine the procedure in the performance of its functions.
- (9) Every decision of the Goods and Services Tax Council shall be taken at a meeting, by a majority of not less than three-fourths of the weighted votes of the members present and voting, in accordance with the following principles, namely:-
- (a) the vote of the Central Government shall have a weightage of onethird of the total votes cast, and
- (b) the votes of all the State Governments taken together shall have a weightage of two-thirds of the total votes cast, in that meeting.
- (10) No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of-
- (a) any vacancy in, or any defect in, the constitution of the Council; or
- (b) any defect in the appointment of a person as a member of the Council; or
- (c) any procedural irregularity of the Council not affecting the merits of the case.
- (11) The Goods and Services Tax Council shall establish a mechanism to adjudicate any dispute-
- (a) between the Government of India and one or more States; or
- (b) between the Government of India and any State or States on one side and one or more other States on the other side; or
- (c) between two or more States, arising out of the recommendations of the Council or implementation thereof.

### **285. Exemption of property of the Union from State taxation.-**

- (1) The property of the Union shall, save in so far as Parliament may by law otherwise provide, be exempt from all taxes imposed by a State or by any authority within a State.
- (2) Nothing in clause (1) shall, until Parliament by law otherwise provides, prevent any authority within a State from levying any tax on any property of the Union to which such property was immediately before the commencement of this Constitution liable or treated as liable, so long as that tax continues to be levied in that State.

### **243W. Powers, authority and responsibilities of Municipalities, etc-**

Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow-

- (a) The Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to
- (i) The preparation of plans for economic development and social justice;
- (ii) The performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule;
- (b) the Committees with such powers and authority as may be necessary to enable them to carry out the responsibilities conferred upon them including those in relation to the matters listed in the Twelfth Schedule.

### **243G. Powers, authority and responsibilities of Panchayats –**

Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority and may be necessary to enable them to function as institutions of self government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats, at the appropriate level, subject to such conditions as may be specified therein, with respect to

- (a) the preparation of plans for economic development and social justice;

(b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule

**[FIRST SCHEDULE**

*[Articles 1 and 4]*

**I. THE STATES**

1. Andhra Pradesh
2. Assam
3. Bihar
4. Gujarat
5. Kerala
6. Madhya Pradesh
7. Tamil Nadu
8. Maharashtra
9. Karnataka
10. Odisha
11. Punjab
12. Rajasthan
13. Uttar Pradesh
14. West Bengal
15. Nagaland
16. Haryana
17. Himachal Pradesh
18. Manipur
19. Tripura
20. Meghalaya
21. Sikkim
22. Mizoram
23. Arunachal Pradesh
24. Goa
25. Chhattisgarh
26. Uttarakhand
27. Jharkhand
28. Telangana

**II. THE UNION TERRITORIES**

1. Delhi
2. The Andaman and Nicobar Islands
3. Lakshadweep
4. Dadra and Nagar Haveli and Daman and Diu
5. Puducherry
6. Chandigarh
7. Jammu and Kashmir
8. Ladakh

**SEVENTH SCHEDULE***[Article 246]**LIST I - UNION LIST*

1. Defence of India and every part thereof including preparation for defence and all such acts as may be conducive in times of war to its prosecution and after its termination to effective demobilisation.
2. Naval, military and air forces; any other armed forces of the Union.
- 2A. Deployment of any armed force of the Union or any other force subject to the control of the Union or any contingent or unit thereof in any State in aid of the civil power; powers, jurisdiction, privileges and liabilities of the members of such forces while on such deployment.
3. Delimitation of cantonment areas, local self-government in such areas, the constitution and powers within such areas of cantonment authorities and the regulation of house accommodation (including the control of rents) in such areas.
4. Naval, military and air force works.
5. Arms, firearms, ammunition and explosives.
6. Atomic energy and mineral resources necessary for its production.
7. Industries declared by Parliament by law to be necessary for the purpose of defence or for the prosecution of war.
8. Central Bureau of Intelligence and Investigation.
9. Preventive detention for reasons connected with Defence, Foreign Affairs, or the security of India; persons subjected to such detention.
10. Foreign affairs; all matters which bring the Union into relation with any foreign country.
11. Diplomatic, consular and trade representation.
12. United Nations Organisation.
13. Participation in international conferences, associations and other bodies and implementing of decisions made thereat.
14. Entering into treaties and agreements with foreign countries and implementing of treaties, agreements and conventions with foreign countries.
15. War and peace.
16. Foreign jurisdiction.
17. Citizenship, naturalisation and aliens.
18. Extradition.
19. Admission into, and emigration and expulsion from, India; passports and visas.
20. Pilgrimages to places outside India.
21. Piracies and crimes committed on the high seas or in the air; offences against the law of nations committed on land or the high seas or in the air.
22. Railways.
23. Highways declared by or under law made by Parliament to be national highways.
24. Shipping and navigation on inland waterways, declared by Parliament by law to be national waterways, as regards mechanically propelled vessels; the rule of the road on such waterways.
25. Maritime shipping and navigation, including shipping and navigation on tidal waters; provision of education and training for the mercantile marine and regulation of such education and training provided by States and other agencies.
26. Lighthouses, including lightships, beacons and other provision for the safety of shipping and aircraft.
27. Ports declared by or under law made by Parliament or existing law to be major ports, including their delimitation, and the constitution and powers of port authorities therein.
28. Port quarantine, including hospitals connected therewith; seamen's and marine hospitals.
29. Airways; aircraft and air navigation; provision of aerodromes; regulation and organisation of

- air traffic and of aerodromes; provision for aeronautical education and training and regulation of such education and training provided by States and other agencies.
30. Carriage of passengers and goods by railway, sea or air, or by national waterways in mechanically propelled vessels.
  31. Posts and telegraphs; telephones, wireless, broadcasting and other like forms of communication.
  32. Property of the Union and the revenue therefrom, but as regards property situated in a State subject to legislation by the State, save in so far as Parliament by law otherwise provides.
  33. [\*\*\*]
  34. Courts of wards for the estates or Rulers of Indian States.
  35. Public debt of the Union.
  36. Currency, coinage and legal tender; foreign exchange.
  37. Foreign loans.
  38. Reserve Bank of India.
  39. Post Office Savings Bank.
  40. Lotteries organised by the Government of India or the Government of a State.
  41. Trade and commerce with foreign countries; import and export across customs frontiers; definition of customs frontiers.
  42. Inter-State trade and commerce.
  43. Incorporation, regulation and winding up of trading corporations, including banking, insurance and financial corporations but not including co-operative societies.
  44. Incorporation, regulation and winding up of corporations, whether trading or not, with objects not confined to one State, but not including universities.
  45. Banking.
  46. Bills of exchange, cheques, promissory notes and other like instruments.
  47. Insurance.
  48. Stock exchanges and futures markets.
  49. Patents, inventions and designs; copyright; trade marks and merchandise marks.
  50. Establishment of standards of weight and measure.
  51. Establishment of standards of quality for goods to be exported out of India or transported from one State to another.
  52. Industries, the control of which by the Union is declared by Parliament by law to be expedient in the public interest.
  53. Regulation and development of oilfields and mineral oil resources; petroleum and petroleum products; other liquids and substances declared by Parliament by law to be dangerously inflammable.
  54. Regulation of mines and mineral development to the extent to which such regulation and development under the control of the Union is declared by Parliament by law to be expedient in the public interest.
  55. Regulation of labour and safety in mines and oilfields.
  56. Regulation and development of inter-State rivers and river valleys to the extent to which such regulation and development under the control of the Union is declared by Parliament by law to be expedient in the public interest.
  57. Fishing and fisheries beyond territorial waters.
  58. Manufacture, supply and distribution of salt by Union agencies, regulation and control of manufacture, supply and distribution of salt by other agencies.
  59. Cultivation, manufacture, and sale for export, of opium.
  60. Sanctioning of cinematograph films for exhibition.
  61. Industrial disputes concerning Union employees.
  62. The institutions known at the commencement of this Constitution as the National Library, the Indian Museum, the Imperial War Museum, the Victoria Memorial and the Indian War Memorial, and any other like institution financed by the Government of India wholly or in

- part and declared by Parliament by law to be an institution of national importance.
63. The institutions known at the commencement of this Constitution as the Benares Hindu University, the Aligarh Muslim University and the [Delhi University; the University established in pursuance of article 371E;] any other institution declared by Parliament by law to be an institution of national importance.
  64. Institutions for scientific or technical education financed by the Government of India wholly or in part and declared by Parliament by law to be institutions of national importance.
  65. Union agencies and institutions for—
    - (a) professional, vocational or technical training, including the training of police officers; or
    - (b) the promotion of special studies or research; or
    - (c) scientific or technical assistance in the investigation or detection of crime.
  66. Co-ordination and determination of standards in institutions for higher education or research and scientific and technical institutions.
  67. Ancient and historical monuments and records, and archaeological sites and remains, [declared by or under law made by Parliament] to be of national importance.
  68. The Survey of India, the Geological, Botanical, Zoological and Anthropological Surveys of India; Meteorological Organisations.
  69. Census.
  70. Union Public Services; All-India Services; Union Public Service Commission.
  71. Union pensions, that is to say, pensions payable by the Government of India or out of the Consolidated Fund of India.
  72. Elections to Parliament, to the Legislatures of States and to the offices of President and Vice-President; the Election Commission.
  73. Salaries and allowances of members of Parliament, the Chairman and Deputy Chairman of the Council of States and the Speaker and Deputy Speaker of the House of the People.
  74. Powers, privileges and immunities of each House of Parliament and of the members and the Committees of each House; enforcement of attendance of persons for giving evidence or producing documents before committees of Parliament or commissions appointed by Parliament.
  75. Emoluments, allowances, privileges, and rights in respect of leave of absence, of the President and Governors; salaries and allowances of the Ministers for the Union; the salaries, allowances, and rights in respect of leave of absence and other conditions of service of the Comptroller and Auditor-General.
  76. Audit of the accounts of the Union and of the States.
  77. Constitution, organisation, jurisdiction and powers of the Supreme Court (including contempt of such Court), and the fees taken therein; persons entitled to practise before the Supreme Court.
  78. Constitution and organisation [(including vacations)] of the High Courts except provisions as to officers and servants of High Courts; persons entitled to practise before the High Courts.
  79. Extension of the jurisdiction of a High Court to, and exclusion of the jurisdiction of a High Court from, any Union territory.
  80. Extension of the powers and jurisdiction of members of a police force belonging to any State to any area outside that State, but not so as to enable the police of one State to exercise powers and jurisdiction in any area outside that State without the consent of the Government of the State in which such area is situated; extension of the powers and jurisdiction of members of a police force belonging to any State to railway areas outside that State.
  81. Inter-State migration; inter-State quarantine.
  82. Taxes on income other than agricultural income.
  83. Duties of customs including export duties.
  84. *Duties of excise on the following goods manufactured or produced in India, namely:—*
    - (a) *petroleum crude;*



- (b) *high speed diesel;*
- (c) *motor spirit (commonly known as petrol);*
- (d) *natural gas;*
- (e) *aviation turbine fuel; and*
- (f) *tobacco and tobacco products.*
- 85. Corporation tax.
- 86. Taxes on the capital value of the assets, exclusive of agricultural land, of individuals and companies; taxes on the capital of companies.
- 87. Estate duty in respect of property other than agricultural land.
- 88. Duties in respect of succession to property other than agricultural land.
- 89. Terminal taxes on goods or passengers, carried by railway, sea or air; taxes on railway fares and freights.
- 90. Taxes other than stamp duties on transactions in stock exchanges and futures markets.
- 91. Rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts.
- 92. [\*\*\*]
- 92A. Taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce.
- 92B. Taxes on the consignment of goods (whether the consignment is to the person making it or to any other person), where such consignment takes place in the course of inter-State trade or commerce.
- 92C. [\*\*\*]
- 93. Offences against laws with respect to any of the matters in this List.
- 94. Inquiries, surveys and statistics for the purpose of any of the matters in this list.
- 95. Jurisdiction and powers of all courts, except the Supreme Court, with respect to any of the matters in this List; admiralty jurisdiction.
- 96. Fees in respect of any of the matters in this List, but not including fees taken in any court.
- 97. Any other matter not enumerated in List II or List III including any tax not mentioned in either of those lists.

#### ***LIST II - STATE LIST***

- 1. Public order (but not including [the use of any naval, military or air force or any other armed force of the Union or of any other force subject to the control of the Union or of any contingent or unit thereof] in aid of the civil power).
- 2. Police (including railway and village police) subject to the provisions of entry 2A of List I.
- 3. [\*\*\*] Officers and servants of the High Court; procedure in rent and revenue courts; fees taken in all courts except the Supreme Court.
- 4. Prisons, reformatories, Borstal institutions and other institutions of a like nature, and persons detained therein; arrangements with other States for the use of prisons and other institutions.
- 5. Local government, that is to say, the constitution and powers of municipal corporations, improvement trusts, district boards, mining settlement authorities and other local authorities for the purpose of local self-government or village administration.
- 6. Public health and sanitation; hospitals and dispensaries.
- 7. Pilgrimages, other than pilgrimages to places outside India.
- 8. Intoxicating liquors, that is to say, the production, manufacture, possession, transport, purchase and sale of intoxicating liquors.
- 9. Relief of the disabled and unemployable.
- 10. Burials and burial grounds; cremations and cremation grounds.
- 11. [\*\*\*]
- 12. Libraries, museums and other similar institutions controlled or financed by the State; ancient and historical monuments and records other than those [declared by or under law made by Parliament] to be of national importance.

13. Communications, that is to say, roads, bridges, ferries, and other means of communication not specified in List I; municipal tramways; ropeways; inland waterways and traffic thereon subject to the provisions of List I and List III with regard to such waterways; vehicles other than mechanically propelled vehicles.
14. Agriculture, including agricultural education and research, protection against pests and prevention of plant diseases.
15. Preservation, protection and improvement of stock and prevention of animal diseases; veterinary training and practice.
16. Pounds and the prevention of cattle trespass.
17. Water, that is to say, water supplies, irrigation and canals, drainage and embankments, water storage and water power subject to the provisions of entry 56 of List I.
18. Land, that is to say, rights in or over land, land tenures including the relation of landlord and tenant, and the collection of rents; transfer and alienation of agricultural land; land improvement and agricultural loans; colonization.
19. [\*\*\*]
20. [\*\*\*]
21. Fisheries.
22. Courts of wards subject to the provisions of entry 34 of List I; encumbered and attached estates.
23. Regulation of mines and mineral development subject to the provisions of List I with respect to regulation and development under the control of the Union.
24. Industries subject to the provisions of [entries 7 and 52] of List I.
25. Gas and gas-works.
26. Trade and commerce within the State subject to the provisions of entry 33 of List III.
27. Production, supply and distribution of goods subject to the provisions of entry 33 of List III.
28. Markets and fairs.
29. [\*\*\*]
30. Money-lending and money-lenders; relief of agricultural indebtedness.
31. Inns and inn-keepers.
32. Incorporation, regulation and winding up of corporations, other than those specified in List I, and universities; unincorporated trading, literary, scientific, religious and other societies and associations; co-operative societies.
33. Theatres and dramatic performances; cinemas subject to the provisions of entry 60 of List I; sports, entertainments and amusements.
34. Betting and gambling.
35. Works, lands and buildings vested in or in the possession of the State.
36. [\* \* \*]
37. Elections to the Legislature of the State subject to the provisions of any law made by Parliament.
38. Salaries and allowances of members of the Legislature of the State, of the Speaker and Deputy Speaker of the Legislative Assembly and, if there is a Legislative Council, of the Chairman and Deputy Chairman thereof.
39. Powers, privileges and immunities of the Legislative Assembly and of the members and the committees thereof, and, if there is a Legislative Council, of that Council and of the members and the committees thereof; enforcement of attendance of persons for giving evidence or producing documents before committees of the Legislature of the State.
40. Salaries and allowances of Ministers for the State.
41. State public services; State Public Service Commission.
42. State pensions, that is to say, pensions payable by the State or out of the Consolidated Fund of the State.
43. Public debt of the State.
44. Treasure trove.
45. Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenues.

46. Taxes on agricultural income.
47. Duties in respect of succession to agricultural land.
48. Estate duty in respect of agricultural land.
49. Taxes on lands and buildings.
50. Taxes on mineral rights subject to any limitations imposed by Parliament by law relating to mineral development.
51. Duties of excise on the following goods manufactured or produced in the State and countervailing duties at the same or lower rates on similar goods manufactured or produced elsewhere in India:—
  - (a) alcoholic liquors for human consumption;
  - (b) opium, Indian hemp and other narcotic drugs and narcotics, but not including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry.
52. [\*\*\*]
53. Taxes on the consumption or sale of electricity.
54. *Taxes on the sale of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption, but not including sale in the course of inter-State trade or commerce or sale in the course of international trade or commerce of such goods.*
55. [\*\*\*]
56. Taxes on goods and passengers carried by road or on inland waterways.
57. Taxes on vehicles, whether mechanically propelled or not, suitable for use on roads, including tramcars subject to the provisions of entry 35 of List III.
58. Taxes on animals and boats.
59. Tolls.
60. Taxes on professions, trades, callings and employments.
61. Capitation taxes.
62. *Taxes on entertainments and amusements to the extent levied and collected by a Panchayat or a Municipality or a Regional Council or a District Council.*
63. Rates of stamp duty in respect of documents other than those specified in the provisions of List I with regard to rates of stamp duty.
64. Offences against laws with respect to any of the matters in this List.
65. Jurisdiction and powers of all courts, except the Supreme Court, with respect to any of the matters in this List.
66. Fees in respect of any of the matters in this List, but not including fees taken in any court.

**LIST III - CONCURRENT LIST**

1. Criminal law, including all matters included in the Indian Penal Code at the commencement of this Constitution but excluding offences against laws with respect to any of the matters specified in List I or List II and excluding the use of naval, military or air forces or any other armed forces of the Union in aid of the civil power.
2. Criminal procedure, including all matters included in the Code of Criminal Procedure at the commencement of this Constitution.
3. Preventive detention for reasons connected with the security of a State, the maintenance of public order, or the maintenance of supplies and services essential to the community; persons subjected to such detention.
4. Removal from one State to another State of prisoners, accused persons and persons subjected to preventive detention for reasons specified in entry 3 of this List.
5. Marriage and divorce; infants and minors; adoption; wills, intestacy and succession; joint family and partition; all matters in respect of which parties in judicial proceedings were immediately before the commencement of this Constitution subject to their personal law.
6. Transfer of property other than agricultural land; registration of deeds and documents.
7. Contracts, including partnership, agency, contracts of carriage, and other special forms of

- contracts, but not including contracts relating to agricultural land.
8. Actionable wrongs.
  9. Bankruptcy and insolvency.
  10. Trust and Trustees.
  11. Administrators-general and official trustees.
  - 11A. Administration of justice; constitution and organisation of all courts, except the Supreme Court and the High Courts.
  12. Evidence and oaths; recognition of laws, public acts and records, and judicial proceedings.
  13. Civil procedure, including all matters included in the Code of Civil Procedure at the commencement of this Constitution, limitation and arbitration.
  14. Contempt of court, but not including contempt of the Supreme Court.
  15. Vagrancy; nomadic and migratory tribes.
  16. Lunacy and mental deficiency, including places for the reception or treatment of lunatics and mental deficient.
  17. Prevention of cruelty to animals.
  - 17A. Forests.
  - 17B. Protection of wild animals and birds.
  18. Adulteration of foodstuffs and other goods.
  19. Drugs and poisons, subject to the provisions of entry 59 of List I with respect to opium.
  20. Economic and social planning.
  - 20A. Population control and family planning.
  21. Commercial and industrial monopolies, combines and trusts.
  22. Trade unions; industrial and labour disputes.
  23. Social security and social insurance; employment and unemployment.
  24. Welfare of labour including conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old age pensions and maternity benefits.
  25. Education, including technical education, medical education and universities, subject to the provisions of entries 63, 64, 65 and 66 of List I; vocational and technical training of labour.
  26. Legal, medical and other professions.
  27. Relief and rehabilitation of persons displaced from their original place of residence by reason of the setting up of the Dominions of India and Pakistan.
  28. Charities and charitable institutions, charitable and religious endowments and religious institutions.
  29. Prevention of the extension from one State to another of infectious or contagious diseases or pests affecting men, animals or plants.
  30. Vital statistics including registration of births and deaths.
  31. Ports other than those declared by or under law made by Parliament or existing law to be major ports.
  32. Shipping and navigation on inland waterways as regards mechanically propelled vessels, and the rule of the road on such waterways, and the carriage of passengers and goods on inland waterways subject to the provisions of List I with respect to national waterways.
  33. Trade and commerce in, and the production, supply and distribution of,—
    - (a) the products of any industry where the control of such industry by the Union is declared by Parliament by law to be expedient in the public interest, and imported goods of the same kind as such products;
    - (b) foodstuffs, including edible oilseeds and oils;
    - (c) cattle fodder, including oilcakes and other concentrates;
    - (d) raw cotton, whether ginned or unginned, and cotton seed; and
    - (e) raw jute.
  - 33A. Weights and measures except establishment of standards.
  34. Price control.
  35. Mechanically propelled vehicles including the principles on which taxes on such vehicles are to

- be levied.
- 36. Factories.
- 37. Boilers.
- 38. Electricity.
- 39. Newspapers, books and printing presses.
- 40. Archaeological sites and remains other than those declared by or under law made by Parliament to be of national importance.
- 41. Custody, management and disposal of property (including agricultural land) declared by law to be evacuee property.
- 42. Acquisition and requisitioning of property.
- 43. Recovery in a State of claims in respect of taxes and other public demands, including arrears of land revenue and sums recoverable as such arrears, arising outside that State.
- 44. Stamp duties other than duties or fees collected by means of judicial stamps, but not including rates of stamp duty.
- 45. Inquiries and statistics for the purposes of any of the matters specified in List II or List III.
- 46. Jurisdiction and powers of all courts, except the Supreme Court, with respect to any of the matters in this List.
- 47. Fees in respect of any of the matters in this List, but not including fees taken in any court.

#### **ELEVENTH SCHEDULE**

##### **(Article 243G)**

- 1. Agriculture, including agricultural extension.
- 2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
- 3. Minor irrigation, water management and watershed development.
- 4. Animal husbandry, dairying and poultry.
- 5. Fisheries.
- 6. Social forestry and farm forestry.
- 7. Minor forest produce.
- 8. Small scale industries, including food processing industries.
- 9. Khadi, village and cottage industries.
- 10. Rural housing.
- 11. Drinking water.
- 12. Fuel and fodder.
- 13. Roads, culverts, bridges, ferries, waterways and other means of communication.
- 14. Rural electrification, including distribution of electricity.
- 15. Non-conventional energy sources.
- 16. Poverty alleviation programme.
- 17. Education, including primary and secondary schools
- 18. Technical training and vocational education.
- 19. Adult and non-formal education.
- 20. Libraries.
- 21. Cultural activities.
- 22. Markets and fairs.
- 23. Health and sanitation, including hospitals, primary health centres and dispensaries.
- 24. Family welfare.
- 25. Women and child development.
- 26. Social welfare, including welfare of the handicapped and mentally retarded.
- 27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
- 28. Public distribution system.
- 29. Maintenance of community assets.

**TWELFTH SCHEDULE**  
**(Article 243W)**

1. Urban planning including town planning.
2. Planning of land- use and construction of buildings.
3. Planning for economic and social development.
4. Roads and bridges.
5. Water supply for domestic, industrial and commercial purposes.
6. Public health, sanitation conservancy and solid waste management.
7. Fire services.
8. Urban forestry, protection of the environment and promotion of ecological aspects.
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10. Slum improvement and upgradation.
11. Urban poverty alleviation.
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13. Promotion of cultural, educational and aesthetic aspects.
14. Burials and burial grounds; cremations, cremation grounds and electric crematoriums.
15. Cattle pounds; prevention of cruelty to animals.
16. Vital statistics including registration of births and deaths.
17. Public amenities including street lighting, parking lots, bus stops and public conveniences.
18. Regulation of slaughter houses and tanneries.