

*For CA Intermediate*

**ADDITIONAL QUESTION AND ANSWERS**

**TAXATION**  
**INDIRECT TAXES**  
**G S T Compiler**

**(Descriptive Q & A, Case Scenario and MCQ's)**

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He is famous for **concepts linkage** from the very beginning till the end which helps in understanding the topic, acing the exams and in post CA life as well. **His unique use of GST portal during the class** to link theory with Practical makes him stand apart from the crowd. His **classes are practical, conceptual and concise**. He is also the author of bestselling titles 'GST Compact Book'.



## **Part I**

# **DESCRIPTIVE – Questions and Answers**





1

## Introduction and Constitution

**Question 1: Discuss the concept and scope of GST.**

**Answer:** GST is consumption based Value Added Tax which is imposed on Supply of Goods or Services or both.

- It is levied at all stages right from initial stage up to final consumption with credit of taxes paid at previous stages available as set off.
- Only value addition will be taxed and burden of tax is to be borne by the final consumer.
- It is applicable to whole of India including the States of Jammu & Kashmir. It came into force on 1<sup>st</sup> July, 2017.
- In the GST Regime, Major indirect taxes have been subsumed in the one ambit and it is a comprehensive tax structure covering both goods and services.

**Question 2: What exactly is the concept of destination based tax on consumption?**

**Answer:** The tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply. In other words TAX to be accrued to the state in which supply of goods or service or both are destined/consumed.

**Question 3: 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.

The taxable events under the old indirect tax laws such as manufacture, sale or provision of services shall stand subsumed in the taxable event known as "**supply**".

**Question 4: Describe the Need for GST in India.**

Or

**Discuss the deficiencies in the existing indirect tax regime.**

**Answer: Multiple taxes:** Despite the introduction of the principle of taxation of value added in India – at the Central level in the form of CENVAT and at the State level in the form of State VAT – its application has remained limited because of the following reasons:

- several local levies in State VAT such as luxury tax, entertainment tax, etc
- Cascading of taxes on account of levy of CST, inclusion of CENVAT/excise duty in the value for imposing VAT
- No CENVAT credit after manufacturing stage.
- Non- integration of VAT & service tax.

**Cascading effect:** In the old regime, a manufacturer of excisable goods charges excise duty and value added tax (VAT) on intra- State sale of goods and the VAT dealer on his subsequent intra-State sale of goods charges VAT (as per prevalent VAT rate as applicable in the respective state) on value comprising of (basic value + excise duty charged by manufacturer + profit by dealer) which creates cascading effect.

**Double taxation:** Double taxation of a transaction was exist prior to introduction of GST ie a particular transaction chargeable to tax by treating it service as well as goods but after introduction of GST such kinds of composite supplies shall be treated only as service e.g.- Services by a Restaurant, works contract service, service provided by job worker etc.

**No Uniformity:** Multiple taxes- Multiple Procedure. Under old laws there was multiple taxes therefore multiple taxable events, multiple registrations, multiple returns ie no uniformity in earlier.

**Question 5: Write a short note on the Benefits of GST.**

**Answer:** GST brings benefits to all the stakeholders 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. GST is a win- win situation for the entire country.

The significant benefits of GST are discussed hereunder:

**No multiple taxes:** GST has subsumed majority of existing indirect taxes levies both at Central and State level into one tax i.e., GST which is levied with uniformly in taxation system.

**No cascading effect:** 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 business.

**No double taxation:** GST makes doing business easier and also tackle the highly disputed issues relating to double taxation of a transaction as both goods and services as for example in case of Services by a Restaurant, works contract service, service provided by job worker etc. but after introduction of GST such kinds of composite supplies shall be treated only as service.

**Uniformity in provision:** 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 ie one nation, one tax, one law, one 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 by way of pruning number of exemption, by way of threshold limit etc.

**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.

**Question 6: Which commodities are kept outside the purview of GST?**

Or

**Supply of all goods and/or services is taxable under GST. Discuss the validity of the statement.**

**Answer:** As per article 366: Goods and Services tax (GST) is a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. So, alcohol for human consumption is kept out of GST by way of definition of GST on constitution.

As per explanation to article number 246A: Five petroleum products namely petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out and GST Council shall decide the date from which they shall be included in GST.

**Question 7: Write a short note on Goods and Services Tax Council.**

**Answer:** 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 12th 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. The GST Council has recommended the threshold exemption, composition threshold, GST rates, GST legislations including rules and notifications.

**Question 8: What is GSTN?**

**Answer:** GSTN stands for Goods and Service Tax Network (GSTN). A Special Purpose Vehicle called the GSTN has been set up to cater to the needs of GST. The GSTN shall provide a shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders for implementation of GST.

- Facilitating registration
- Forwarding the returns to Central & State authorities
- Computation & settlement of IGST
- Matching of tax payment details with banking network
- Providing various MIS reports to the Central & the State Governments based on the taxpayer return information
- Providing analysis of taxpayers profile or compliance rating.
- Running the matching engine for matching, reversal & reclaim of input tax credit.
- Etc.

**Question 9: Bring out the salient features of cross utilization of Input Tax Credit (ITC) under the GST law?**

**Answer:** Input Tax Credit (ITC) of CGST and SGST/UTGST, IGST is available throughout the supply chain and it can be cross utilised in the following manner as per section 49(5) subject to some restrictions

The amount of input tax credit available in the electronic credit ledger of the registered person on account of--

- 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 that order;
- 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;
- 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;

- 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;

**However**

- The central tax shall not be utilised towards payment of State tax or Union territory tax; and
- The State tax or Union territory tax shall not be utilised towards payment of central tax.

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## Definitions

### Question 1: Define the following terms

- (i) Person      (ii) Supplier      (iii) Recipient

**Answer: (i) As per section 2(84) of CGST Act, 2017, "person" includes –**

"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 or a body of individuals, whether incorporated or not, in India or outside India;
- (g) Any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in section 2(45) of the Companies Act, 2013.
- (h) Anybody-corporate incorporated by or under the laws of a country outside India;
- (i) A co-operative society registered under any law relating to co-operative societies;
- (j) A local authority;
- (k) Central Government or a State Government;
- (l) Society as defined under the Societies Registration Act, 1860.
- (m) Trust; and
- (n) Every artificial juridical person, not falling within any of the above.

**(ii) As per section as per section 2(105) of CGST Act, the term '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.

**(iii) As per section 2(93) of CGST Act, "Recipient" of supply of goods or services or both, means –**

- (a) Where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
- (b) 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;
- (c) 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.

**Question 2: Define the following term as in accordance with GST**

**(i) Goods      (ii) Services**

**Answer: As per section 2(52) of CGST Act, 2017 as under:-**

**(i) Goods:- "Goods" means every kind of movable property -**

- Other than money & securities
- **but includes** - actionable claim, and growing crops, grass and things attached to or forming part of the land which are agreed to be served before supply or under a contract of supply.

**(ii) As per section 2(102) of CGST Act, 2017 "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.
- For the removal of doubts, it is hereby clarified that the expression "services" includes facilitating or arranging transactions in securities.

**Question 3: Define the term 'Works Contract'**

**Answer:** As per **section 2(119)** of CGST Act, "**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.**

In simple wordings contract of supply of goods and services at consolidated (indivisible) price and resultant property is an immovable property.



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## Supply

### Meaning of Supply

**Question 1: Define "Supply" in the context of GST Act.**

**Answer:** Supply is the taxable event in GST. As per section 7 of the CGST Act, 2017, Supply includes-

- (a) **All forms of supply** of goods or services or both Such as Sale, Transfer, Barter, Exchange, License, 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.
- (c) The activities specified in **Schedule I**, made or agreed to be made without a consideration, (Related party, deemed distinct, permanent transfer of business assets, transaction between principal and agent, import of service by a person from the related person and
- (d) The activities to be treated as supply of goods OR supply of services as referred to in **Schedule II** ie this schedules clarifies whether a particular supply will be supply of goods or supply of service.

**Question 2: What are the necessary elements that constitute supply under CGST/ SGST Act?**

**Answer:** In order to constitute a supply, the following elements are required to be satisfied:

1. The activity involves supply of goods or services or both.
2. The supply is for a consideration unless otherwise specifically provided for.
3. The supply is made in the course or furtherance of business
4. The supply is made in the taxable territory
5. The supply is a taxable supply
6. The supply is made by a taxable person.

**Question 3: State the types of supplies under the GST law?**

**Answer:** The different types of supplies under GST law are as follows:-

- (i) Taxable & exempt supplies
- (ii) Inter-state & Intra-state supplies
- (iii) Composite & mixed supplies
- (iv) Zero rated supplies
- (v) Inward supplies and inward supplies.

**Question 4: Can a transaction in which any one or more of the given criteria is not fulfilled be still considered as supply under GST?**

**Answer:** Yes.

- Under certain circumstances such as import of services for a consideration whether or not in the course of business still called supply or
- Supplies made without consideration, specified under schedule 1 (Related person, deemed distinct person etc.) of CGST/SGST Act still called supply.

**Question 5: Myntra was amalgamated with Flipkart on account of amalgamation Mr. Puneet a shareholder received 10,000 shares of Flipkart in exchange of 5000 shares of Myntra. Does it qualify as supply?**

**Answer:** Transaction in securities is neither supply of goods nor services. Securities are excluded from the definition of both goods as well as services. Hence, such transaction will not qualify as supply.

**Question 6: Whether goods supplied on hire purchase basis will be 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, at a future date. To qualify as supply of goods, title as well as possession both has transferred for a transaction.

In hire purchase transaction, there is an agreement where possession is transferred immediately but title is transferred at a future date upon payment of full consideration, then it is termed as supply of goods.

### Business Activity

**Question 7: An individual buys a car for personal use and after a year sells it to a car dealer. Will the transaction be a supply in terms of CGST/SGST Act? Give reasons for the answer.**

**Answer:** No. Because supply is not made by the individual in the course or furtherance of business. Further, no input tax credit was admissible on such car at the time of its acquisition as it was meant for non-business use.

### Import of Service

**Question 8: Discuss the taxability of import of services under GST.**

**Answer:** As per section 7(1)(b) of CGST Act, 2017 supply includes **the importation of services for a consideration** whether or not in the course or furtherance of business.

Thus, import of services with consideration is taxable in both of the following situations:

- (a) in course or furtherance of business
- (b) not in course or furtherance of business

Further, Schedule I of CGST Act, stipulates that import of services by a person from a **related person** or from his establishments located outside India is treated as "supply" even if made without consideration if it is **provided in the course or furtherance of business**.

**Question 9: Will import of services without consideration be taxable under GST?**

**Answer:**

- As a general principle, import of services without consideration will not be considered as supply under GST in terms of Section: 7
- However, import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business, even without consideration will be treated as supply under GST.

**Question 10: Mr. Santosh (an unregistered person) plans to pursue his higher education in Canada. He receives career consultancy services from Mr. Prakash a Canada based consultant for ₹10,00,000. Does it qualify as a supply?**

**Answer:** Yes.

As per section 7(1)(b) of CGST Act, 2017, supply includes import of services for a consideration **whether or not in the course or furtherance of business**. Hence, in the above case it will be treated as supply. However it would be exempted as per exemption notification no. 9/2017 (IGST).

**Question 11: Jacky Shroff Constructions Ltd. (a registered taxable person) receives architectural design supplied by a foreign architect to design a residential house to be built in Kashmir for a consideration of ₹50,00,000. Does it qualify as supply?**

**Answer:** As per section 7 of CGST Act, 2017, Importation of services for a consideration whether or not in the course or furtherance of business is covered under supply. In the above case it will be treated as supply.

### Related Person and Deemed Distinct

**Question 12: Krishna Ltd. provides Patency services without charge to Rama Ltd. in which Krishna Ltd. has controlling rights. The said consultancy has been provided for benefit of entire group. Does it qualify as a supply?**

**Answer:** As per section 7(1)(c) read with schedule I of CGST Act, 2017, supply of goods or services between related persons is treated as supply even if it is without consideration. As per Explanation to Section 15 of CGST Act, 2017, persons shall be deemed to be "Related Persons" if "one of them directly or indirectly controls the other".

Since, Krishna Ltd. has controlling rights of Rama Ltd., they will be treated as related person and the said transaction will qualify as supply.

**Question 13: Employer provides bus service, meal coupon, telephone at residence, gives vehicle for official and personal use, uniform and shoes, to employee. Explain implication of GST?**

**Answer:** As per Sec 7(2) of CGST Act read with Schedule III any service provided by an employee to employer in the course of or in relation to employment then it is not called as supply.

Also as per Schedule I para 2 any gift given by the employer to an employee upto ₹50,000 in a financial year does not qualify as a supply.

In given case bus, service, meal coupon etc. are provided by the employer in course or in relation to employment then no GST is payable, But if it is provided as a gift & not as a part of employment then GST is payable if value thereof exceed ₹50,000 in a financial year.

**Question 14: "Coop", a cooperative gives Diwali Gifts to employee worth ₹5,00,000. Does it qualify as a supply? Would your answer be different if gifts of ₹40,000 has been given to employee?**

**Answer:** As per section 7(1)(c) read with schedule I of CGST Act, 2017, supply of goods or services between related persons is treated as supply even if it is without consideration. As per Explanation to Section 15 of CGST Act, 2017, persons shall be deemed to be "relating persons" if such persons

are employer and employee. Thus, Diwali gifts to employee worth ₹5,00,000 will qualify as supply and such supply would be liable to GST.

If gifts of ₹40,000 is given instead of ₹5,00,000, the answer will not qualify as supply since it has been specifically provided that gifts not exceeding ₹50,000 in value in a financial year by an employer shall not be treated as supply of goods and services or both.

**Question 15: ABC Associates received management consultancy services from its head office located in Malaysia. The head office has rendered such services free of cost to its branch office. Does it qualify as supply?**

**Answer:** As per section 7(1)(c) read with schedule I of CGST Act, 2017, Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business will be treated as supply even if made without consideration.

Thus, management consultancy services received by ABC Associates will qualify as supply even though the head office has not charged anything from it and will be liable to GST.

**Question 16: Modest Ltd., registered in Delhi dealing in supply of electronic items transferred some of its stock to its unit located in Haryana (inter-state transfer). Whether such self-supplies are taxable under GST?**

**Answer:** As per section 7 of CGST Act:

- Supply of goods or services or both between related persons or **between distinct persons as specified in section 25 of the CGST Act**, is taxable under GST.
- Further, where a person who has obtain registration in two different States in respect of his two establishment then such establishments shall be treated as establishments of distinct persons [Section 25 of the CGST Act].
- In view of the same, two different units of Modest Ltd. are deemed as establishments of two distinct persons. It is further assumed that goods supplied are not exempted goods.
- Therefore, supply of goods/stock transfer from Delhi Unit of Modest Ltd. to Haryana Unit in course/furtherance of business, is deemed supply as per section 7 of the CGST Act and hence taxable under GST.

**Question 17: Examine whether the following activities would amount to supply under section 7 of the CGST Act:**

- (a) Selecta 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, pin Delhi to the Mumbai depot without consideration so that the same can be sold.

- (b) Raman is an Electronic Commerce Operator 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) Management consultancy services by Mr. Ramlal but not in course or furtherance of business

**Answer:**

- (a) Schedule II of CGST Act, stipulates that supply of goods or services or both between **related persons or between distinct persons as specified in section 25 of the CGST Act**, is supply even without consideration, provided it is made in the course or furtherance of business.

Further, where a person who has obtain registration in two different States in respect of his two establishment then such establishments shall be treated as establishments of distinct persons [Section 25 of the CGST Act].

In view of the same, factory and depot of Selecta Manufacturers are deemed as 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.

- (b) Schedule I of CGST Act, stipulates that import of services by a 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.

In the given case, Raman has received legal services from his brother **free of cost** in a personal matter and **not in course or furtherance of business** Hence, services provided by Raman's brother to him would not be treated as supply under section 7 of the CGST Act.

- (c) Section 7 of the CGST Act, 2017 stipulates that in order to qualify as supply.
- (i) Supply should be of goods and/or services.
  - (ii) Supply should be made for a consideration
  - (iii) Supply should be made in the course or furtherance of business.

As in the given case, Services provided are **not in course or furtherance of business**

Hence, services provided by Mr. Ramlal would not be treated as supply under section 7 of the CGST Act.

### Permanent Transfer

**Question 18:** PQR and Co. a manufacturer of technical equipment donated such equipment to charitable schools on account of renovation of office. The company has taken input tax credit on the computers so donated. Does it qualify as a supply?

**Answer:** As per section 7(1)(c) read with schedule I of CGST Act, 2017, Permanent transfer or disposal of business assets where input tax credit has been availed shall be treated as supply even made without consideration. Hence, donation equipment to charitable schools shall qualify as supply since input tax credit has been availed by XYZ and Co.

**Question 19:** A dealer of air-conditioners permanently transfers an air conditioner from his stock in trade, for personal use at his residence. Will the transaction constitute a supply?

**Answer:** Yes.

Permanent transfer or disposal of business assets where input as credit has been availed on such assets shall constitute a supply under GST even where no consideration is involved.

### Agency Activity

**Question 20:** ABC Shoeshines Ltd. engages "Easy-Beezee Ltd" as an agent to sell Shoes on its behalf. For this purpose, ABC shoeshines Ltd. has supplied 500 shoes to the showroom of "easy-Beezee ltd." located in Jaipur. Does it qualify as supply.

**Answer:** As per section 7(1)(c) read with schedule I of CGST Act, 2017, supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal shall be treated as supply even if made without consideration. In view of the same supply of shoes by Abc Shoeshines Ltd. to Easy-Beezee Ltd. will qualify as supply.

### Supply of Goods or Service?

**Question 21:** A professional training institute gets its training material printed from a printing press. The content of the material is provided by the training institute who owns the usage rights of the same while the physical inputs including paper used for printing belong to the printer.

**Ascertain whether supply of training material by the printing press constitutes supply of goods or supply of services.**

**Answer:** Circular No. 11/11/2017 has clarified that supply of books printed with contents supplied by the recipient of such printed goods, is composite supply and the question, whether such supplies constitute supply of goods or services would be determined on the basis of what constitutes the principal supply.

Principal supply has been defined in section 2(90) of the CGST Act as 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.

In the case of printing of books where content is supplied by the publisher or the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore, such supplies would constitute supply of service.

**Question 22: ABC Consultancy, registered in Mumbai, supplies technical consultancy services to its clients It has been providing technical services to XY Ltd, Mumbai since past two years Consideration is settled by XY Ltd assignment wise. XY Ltd paid ₹45 lakh to ABC Consultancy on 10th January, 20XX on ABC consultancy agreeing to not provide similar technical services to any other business entity in India or abroad for a period of 8 years. ABC Consultancy is of the view that ₹45 lakh is not chargeable to GST.**

**You are required to examine whether the view taken by ABC Consultancy is valid in law. Calculate GST liability of ABC Consultancy, if any. The technical services provided by ABC consultancy is otherwise chargeable to GST at the rate of 18% it may be noted that XY Ltd is not ready to pay any further amount to ABC Consultancy in addition to the amount already agreed.**

**Answer:** The view taken by ABC Consultancy is not valid in law The scope of supply is defined by section 7(1) of CGST Act, 2017. It includes deemed supply given under Schedule II\_ The paragraph 5(e) of Schedule II provides that agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act is treated as supply of service.

Thus, any consideration received for agreeing to the obligation to refrain from an act, is subject to GST Consideration received for non-compete agreement is deemed as consideration for supply of services Consideration of ₹45 lakh received on the promise of ABC consultancy of not providing similar services to any other person, is consideration for supply which is chargeable to GST.

Since GST is not separately collected, it will be assumed that it is included in ₹45 lakh. Rule 35 of CGST Rules, 2017 provides that where the value of supply is inclusive of GST, the tax amount is determined in the following manner.

**Tax amount = (Value inclusive of taxes x GST rate in %) [IGST or CGST, SGST / UTGST] / (100 + sum of GST rates in %)**



Consequently, value of taxable supply will be ₹38,13,559 (i.e. ₹45,00,000 x 100/118). GST liability on ₹38,13,559 will be calculated as follows-

Particulars	₹
Taxable value of supply	38,13,559
Add CGST @ 9% of ₹38,13,559	3,43,220
SGST @ 9% of ₹38,13,559	<u>3,43,320</u>
Total GST liability	6,86,440

**Question 23: Whether the following will be treated as supply of goods or services?**

- (a) Works contracts and Catering services
- (b) Supply of software
- (c) Goods supplied on hire purchase basis

**Answer:**

- (a) Works contracts and Catering services shall be treated as supply of services.
- (b) Development, design, programming, customisation, adaption, upgradation, enhancement, implementation of information technology software shall be treated as supply of services.
- (c) Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title at a future date.

**Question 24: State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of the CGST Act:**

Supply	Nature of Supply
Renting of immovable property	Supply of services
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.	Supply of goods
Transfer of right in goods without transfer of title in goods.	Supply of services
Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.	Supply of goods

Supply	Nature of Supply
Leasing or License to occupy immovable property	Supply of services
Sale of Under Construction Property	Supply of services
Transfer of right in goods as well as title in goods.	Supply of goods
Any Treatment or Process applied on another person's goods	Supply of services
Temporary Transfer of use of any Intellectual Property Right	Supply of services
Agreeing to the obligation to refrain from an act or to do an act	Supply of services
Supply of goods by any unincorporated association to a member thereof	Supply of goods
Works contracts	Supply of services

**Question 25: Aspire Ltd enters into contract with Beta Ltd for execution of works contract for ₹50,00,000 excluding taxes for following activities pertaining to construction of a complex. Determine whether the following activities fall under the ambit of 'works contract'**

- (i) **Erection & installation of structural designs to the complex which involved material.**
- (ii) **Fabrication works relating to the structure of complex no material is involved.**
- (iii) **Assembling of units pertaining to movable property which involved material and goods.**
- (iv) **Tiling & painting work of the entire building which involved material.**

**Answer:** As per section 2(119) of CGST Act, defining the term works contract. Only if the activities fall under the definition it shall be considered as a works contract ie goods and service are supplied at single composite price and the resultant property is an immovable property.

- (i) **Yes**, the given activity is in relation to an immovable property thus qualifies as a works contract
- (ii) **No**, even though the given activity of fabrication is in relation to immovable property thus it does not qualifies as works contract because material is not involved.
- (iii) **No**, the activity of assembling units will not qualify as works contract as it is relation to a movable property.
- (iv) **Yes**, the given activity is in relation to building which is immovable property & thus qualifies as works contract.

**Question 26: Based on Composite Supply**

“Diligent Force” a professional training institute gets its training material of “Aptitude Quotient” printed from “Durga printing House” a printing press. The content of the material is provided by the Diligent Force who owns the usage rights of the same while the physical inputs including paper used for printing belong to the Durga Printing House.

Ascertain whether supply of training material by the Durga Printing House constitutes supply of goods or supply of services.

**Answer:** Circular No. 11/11/2017 GST dated 20.10.2017 has clarified that supply of books printed with contents supplied by the recipient of such printed goods, is composite supply and the question, whether such supplies constitute supply of goods or services would be determined on the basis of what constitutes the principal supply.

Principal supply has been defined in section 2(90) of the CGST Act as 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.

In the case of printing of books where content is supplied by the publisher or the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore, such supplies would constitute supply of service.

Thus, in view of the above-mentioned provisions, the supply of training material by the Durga Printing House would constitute supply of services.

**Neither supply of goods nor service**

**Question 27: Whether actionable claims are liable to GST?**

**Answer:**

- As per sec. 2(52) of the CGST/ SGST Act, actionable claims are to be treated as goods.
- Schedule 3 read with sec.7 of the CGST/ SGST Act lists the activities or transactions which shall be treated neither as supply of goods nor supply of services.
- The schedule lists actionable claims other than lottery, betting and gambling as one of such transactions.
- Thus only lottery, betting and gambling shall be treated as supplies under the GST regime.
- All other actionable claims shall not be liable to GST.

**Question 28: DLFP Ltd., an NBFC transfers bad loans (unsecured) to Kanjoos Capital Advisors Ltd. Does it qualify as supply.**

**Answer:** Actionable claims are covered in definition of goods. However, schedule III excludes actionable claims other than lottery, gambling and betting from the scope of supply. Transfer of unsecured loans, therefore, would not amount to supply.

### Composite or Mixed Supply

**Question 29: Agrawal Carriers is a Goods Transport Agency (GTA) engaged in transportation of goods by road. As per the general business practice, Agrawal Carriers also provides intermediary and ancillary services like loading/unloading, packing/unpacking, transshipment and temporary warehousing, in relation to transportation of goods by road.**

**With reference to the provisions of GST law, analyze whether such services are to be treated as part of the GTA service, being a composite supply, or as separate supplies.**

**Answer:** 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 [Section 2(30) of the CGST Act].

The GTA provides 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.

**Question 30: What do you mean by composite supply & mixed supply? Briefly discuss the manner in which the tax liability on composite supplies and mixed supplies is determined?**

**Answer:** As per section 8 of CGST Act, 2017

**Composite supply means**

- a supply made by a taxable person to a recipient and:
- Comprises 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.

This means that in a composite supply, goods or services or both are bundled owing to natural necessities. The elements in a composite supply are dependent on the 'principal supply'.

**Determination of tax liability on composite supplies:**

A composite supply comprising of two or more taxable supplies, one of which is a principal supply, shall be treated as a supply of such principal supply.

*Illustration: Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply.*

**Mixed supply means:**

- Ñ two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person
- Ñ For a single price where such supply does not constitute a composite supply.

The individual supplies are independent of each other and are not naturally bundled

**Determination of tax liability on mixed supplies:**

A mixed supply comprising of two or more supplies shall be treated as supply of that particular supply that attracts highest rate of tax.

*Illustration: A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks 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 however It shall not be a mixed supply if these items are supplied separately. GST in case of mixed supplies shall be determined on the basis of that element which attracts highest tax rate.*

**Question 31: Determine whether the following supplies amount to composite supplies:**

- (a) A hotel provides 4 days-3 night's package wherein the facility of breakfast and dinner is provided along with the room accommodation.
- (b) A toothpaste company has offered the scheme of free toothbrush along with the toothpaste

**(c) A package consisting of canned foods, sweets, chocolates, dry fruits supplied for a single price.**

**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 toothbrush along with the toothpaste are not naturally bundled, said supplies do not qualify as 'composite supply'.
- (c) Since these items can be supplied separately and are not naturally bundled said supplies do not qualify as 'composite supply'.

**Question 32: Mahajan Ltd. is a manufacturer of gift items and other related products, supplied a "FAMILY PACKAGE" consisting of toys (GST rate- 18%), beauty cream (GST rate- 28%), baby-care products (GST rate-28%) and cosco balls (GST rate- 12%). The price per package is ₹1,000 (exclusive of taxes). 25000 packages are supplied by the company to its dealers. Determine the nature of supply and its tax liability.**

**Answer:** This supply would be regarded as mixed supply, since in this case each of the goods in the package have individual identity and can be supplied separately, but are deliberately supplied conjointly for a single consolidated price.

The tax rates applicable in case of mixed supply would be the rate of tax attributable to that one supply (goods or services) which suffers the highest rate of tax from amongst the supplies forming part of the mixed supply. Therefore, the package will be chargeable to 28% GST.

The tax liability will be arrived as under:

Value of taxable supply per package	1000
No. of packages	25,000
Total taxable value of supply	25,000,000
Applicable GST rate	28%
<b>Total tax liability</b>	<b>7,000,000</b>

**Question 33:** Mr. Zombi, a supplier registered in Hyderabad (Telangana), procures goods from China and directly supplies the same to a customer in US. With reference to the provisions of GST law, examine whether the said activity of supply of goods by Mr. Zombi to customer in US is taxable under GST. If yes, determine the place of supply of the same.

**Answer:** Schedule III to the CGST Act specifies transactions/activities which shall be neither treated as supply of goods nor supply of services. One of such activity/transaction is 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. Thus, it seeks to exclude from the tax net such transactions which involve movement of goods, caused by a registered person, from one non-taxable territory to another non-taxable territory.

Therefore, in view of the above-mentioned provisions, the said activity is not a supply. Hence, it is not leviable to GST since “supply” is the taxable event for chargeability of GST. Therefore, since the transaction is not leviable to GST, the question of place of supply does not arise in the given case.

# 4

## Taxable Person

**Question 1:** (i) **Prakriti Enterprises** - a sole proprietorship firm - started an air-conditioned restaurant in Indore, Madhya Pradesh in the month of January wherein the customers are served cooked food as well as cold drinks/non-alcoholic beverages. In February, the firm opened a liquor shop in Nagaland for trading of alcoholic liquor for human consumption.

Determine whether **Prakriti Enterprises** is liable to be registered under GST law with the help of the following information:

Particulars	January	February
	(₹)*	(₹)*
Cooked food and cold drinks/non-alcoholic beverages served in restaurant in Madhya Pradesh	6,16,000	7,28,000
Alcoholic liquor for human consumption sold in Nagaland		5,60,000
Interest received from banks on the fixed deposits	1,12,000	1,12,000
Packed food items supplied from restaurant in Madhya Pradesh	1,68,000	2,24,000

\* Excluding GST

You are required to provide reasons for treatment of various items given above.

**Answer:** (a) (i) 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 or services or both, if his aggregate turnover in a financial year exceeds .

However, if such taxable supplies are made from any of the specified special category States, namely, Manipur, Mizoram, Nagaland, Tripura, he shall be liable to be registered if his aggregate turnover in a financial year exceeds ₹10 lakh.



In the given question, since Prakriti Enterprises is engaged in making taxable supplies from Madhya Pradesh which is not a specified Special Category State, the threshold limit for obtaining registration is ₹20 lakh.

The threshold limit is not reduced to ₹ 10 lakh in this case, as sale of alcoholic liquor for human consumption from Nagaland (one of the specified Special Category States) are non-taxable supplies in terms of section 9(1) of CGST Act, 2017.

As per section 2(6) of the CGST Act, 2017, 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. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

In the light of the afore-mentioned provisions, the aggregate turnover of Prakriti Enterprises is computed as under:

**Computation of aggregate turnover of Prakriti Enterprises**

Particulars	Turnover of January (₹)	Cumulative turnover of January & February (₹)
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Madhya Pradesh	6,16,000	13,44,000 [₹6,16,000 + ₹7,28,000]
Add: Sale of alcoholic liquor for human consumption in Nagaland [Note-1]		5,60,000
Add: Interest received from banks on the Fixed Deposits [Note-2]	1,12,000	2,24,000 [₹1,12,000 + ₹1,12,000]

Particulars	Turnover of January (₹)	Cumulative turnover of January & February (₹)
Add: Supply of packed food items from restaurant in Madhya Pradesh	1,68,000	3,92,000 [₹1,68,000 + ₹2,24,000]
Aggregate Turnover	8,96,000	25,20,000

**Notes:**

1. As per section 2(47) of the CGST Act, 2017, exempt supply includes non-taxable supply. Thus, supply of alcoholic liquor for human consumption in Nagaland, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.
2. Services by way of 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) is exempt vide *Notification No. 12/2017*. Thus, interest received from banks on the fixed deposits is an exempt supply and is, therefore, includible while computing the aggregate turnover.

Prakriti Enterprises was not liable to be registered in the month of January since its aggregate turnover did not exceed ₹20 lakh in that month. However, since its aggregate turnover exceeds ₹20 lakh in the month of February, it should apply for registration within 30 days from the date on which it becomes liable to registration.

**Question 2: 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 ₹20 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 becomes liable to registration if his turnover exceeds 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 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.

**Question 3:** With the help of the following information in the case of M/s. Jayant Enterprises, Jaipur (Rajasthan) for the year 2017-18, determine the aggregate turnover for the purpose of registration under the CGST Act, 2017.

S. No.	Particulars	Amount (₹)
(i)	Sale of diesel on which Sale Tax (VAT) is levied by Rajasthan Government.	1,00,000
(ii)	Supply of goods, after completion of job work, from the place of Jayant Enterprises directly by principal.	3,00,000
(iii)	Export supply to England (U.K.).	5,00,000
(iv)	Supply to its own additional place of business (under same Registration) in Rajasthan	5,00,000
(v)	Outward supply on which GST is to be paid by recipient under reverse charge.	1,00,000

All the above amounts are excluding GST.

You are required to provide reasons for treatment of various items given above.

**Answer:** Computation of aggregate turnover of M/s. Jayant Enterprises for the FY 2017-18

Particulars	₹
Supply of diesel on which Sales Tax (VAT) is levied by Rajasthan Government [Note-1]	1,00,000
Supply of goods, after the completion of job work, from the place of Jayant Enterprises, directly by the principal [Note-2]	Nil
Export supply to England [Note-3]	5,00,000
Supply to its own additional place of business in Rajasthan [Note-4]	Nil
Outward supply on which GST is to be paid by recipient under reverse charge [Note-5]	<u>1,00,000</u>
<b>Aggregate turnover</b>	<b>7,00,000</b>

**Notes:-**

1. As per section 2(47) of the COST Act, 2017, exempt supply includes non-taxable supply. Thus, supply of diesel, being a non-taxable supply, is an exempt supply and exempt supply is specifically includible in aggregate turnover in terms of section 2(6) of the CGST Act, 2017.
2. Supply of goods after completion of job work by a registered job worker shall be treated as the supply of goods by the principal in terms of explanation (ii) to section 22 of the CGST Act, 2017.
3. Export supplies are specifically includible in the aggregate turnover in terms of section 2(6) of the CGST Act, 2017.
4. Supply made without consideration to units within the same State (under same registration) is a not a supply and hence not includible in aggregate turnover.
5. Outward supplies taxable under reverse charge would be part of the "aggregate turnover" of the supplier of such supplies. Such turnover is not included as turnover in the hands of recipient.

Section 22(1) of the CGST Act, 2017 provides that a supplier whose aggregate turnover in a financial year exceeds ₹20 lakh [₹10 lakh in Four Special Category States] in a State/UT is liable to be registered.

The applicable turnover limit for registration, in the given case, will be ₹20 lakh as Rajasthan is not a Special Category State. Although, the aggregate turnover of M/s Jayant Enterprises does not exceed ₹20 lakh, it is compulsorily required to register in terms of section 24(i) of the CGST Act, 2017 irrespective of the turnover knit as it is engaged in making inter-State supplies in the form of exports to England.

**Question 4: Mr. X of DL has effected following supplies within the state of Delhi. Determine whether he is required to obtain registration under GST or not:**

<b>(1) Intra state supply of goods wholly exempt from GST u/s 11 of CGST Act, 2017</b>	<b>5,00,000</b>
<b>(2) Intra state supply of goods chargeable with GST @ 5%</b>	<b>7,00,000</b>
<b>(3) Intra state transfer of goods to job worker</b>	<b>16,00,000</b>
<b>(4) Inter state supply of services</b>	<b>5,00,000</b>
<b>Total value</b>	<b>33,00,000</b>

**Answer:** Computation of Aggregate value of taxable supplies:

(1) Intra state supply of goods wholly exempt from GST u/s 11 of CGST Act, 2017	5,00,000
(2) Intra state supply of goods chargeable with GST @ 5%	7,00,000
(3) Intra state transfer of goods to job worker	NIL
<b>(4) Inter state supply of services</b>	<b>5,00,000</b>
Total value of taxable supplies	<u>17,00,000</u>

Since value of taxable supplies is less than 20,00,000 so Mr. X is not required to obtain registration under GST.

Working Notes:

- (1) Intra state transfer of goods to job worker is not a supply.
- (2) Intra state supply of goods which are wholly exempt from GST u/s 11 and those which are chargeable to GST, both are included for determination of aggregate turnover.

**Question 5: From the following information you are required to determine whether ABC Ltd incorporated in Rajasthan is liable to be registered under GST law if the company has effected following supplies within the state of Rajasthan.**

Particulars	₹
(1) Intra state supply of goods chargeable to GST @ 12%	5,25,000
(2) Intra state supply of goods chargeable with NIL rate	8,00,000
(3) Intra state supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017	6,25,000
<b>Total value of supplies</b>	<b>19,50,000</b>

**Answer:** Computation of aggregate turnover

Particulars	₹
(1) Intra state supply of goods chargeable to GST @ 12%	6,25,000
(2) Intra state supply of goods chargeable with NIL rate	8,00,000

Particulars	₹
(3) Intra state supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017	7,25,000
<b>Total value of taxable supplies</b>	<b>19,50,000</b>

Since aggregate turnover of ABC Ltd is less than 20,00,000, so, registration is not required.

**Question 6: Presume in the above case, ABC Ltd was incorporated in MANIPUR. Will the registration now be required?**

**Answer:** Since MANIPUR is a special category state, so registration is required since value of taxable supplies exceeds 10,00,000.

**Question 7: PQR Ltd of Kalkaji, Delhi has effected intra state supplies of taxable goods amounting ₹14,00,000 till 31-12-2017. On 1-1-2018 it has effected inter-state supply of taxable goods amounting to ₹2,00,000. PQR Ltd is of the view that it is not required to get registered under GST law since its aggregate turnover is not likely to exceed 20,00,000 during financial year 2017-18. As a consultant of the company you are required to advise the company relating to registration requirements.**

**Answer:** The opinion of PQR Ltd is not correct.

As per **Sec 24**, persons making inter- state taxable supply are compulsorily required to obtain registration. Thus, Section 24 is an overriding section that makes it mandatory to obtain registration by certain prescribed persons even though the conditions prescribed u/s 22 are not met. Hence, PQR ltd is mandatorily required to obtain registration.

As per **Sec 25** of CGST Act,2017, every person who is liable to be registered u/s 22 or 24 shall apply for registration in every state or UT in which he is so liable within 30 days from the date on which he becomes liable for registration, in such manner & subject to such conditions as may be prescribed. Thus, PQR ltd. is required to obtain registration upto 31-1-2018.

**Question 8: Mr. Neerav Kothari of Jaipur often participates in the jewellery exhibition at Trade Fair in Delhi, which is organised every year in the month of February. Mr. Neerav Kothari applied for registration in January. The proper officer demanded an advance deposit of tax in an amount equivalent to the estimated tax liability of Mr. Neerav Kothari.**

**You are required to examine whether any advance tax is to be paid by Mr. Neerav Kothari at the time of obtaining registration?**

**Answer:** Yes, advance tax is to be paid by Mr. Neerav Kothari at the time of obtaining registration. Since Mr. Neerav Kothari occasionally undertakes supply of goods in the course or furtherance of business in a State where he has no fixed place of business, thus he qualifies as casual taxable person in terms of section 2(20) of CGST Act, 2017.

While a normal taxable person does not have to make any advance deposit of tax to obtain registration, a casual taxable person shall, at the time of submission of application for registration is required. The person required to make an advance deposit of tax in an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought. If registration is to be extended beyond the initial period of 90 days an advance additional amount of tax equivalent to the estimated tax liability is to be deposited for the period for which the extension beyond 90 days is being sought.

**Question 9: State the persons who are not liable for registration as per provisions of Central Goods and Service Tax Act, 2017.**

**Answer:** As per provisions of CGST Act, 2017, the persons who are not liable for registration are as under –

- (a) Person engaged exclusively in supplying goods/services/both that are wholly exempt from tax.
- (b) Person engaged exclusively in supplying goods/services/both that are not liable to tax.
- (c) Agriculturist to the extent of supply of produce out of cultivation of land.
- (d) Persons only engaged in making supplies of taxable goods or services or both liable to reverse charge.
- (e) Persons making inter-State supplies of taxable services up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of 4 special category States).

- (f) Casual Taxable Persons making taxable supplies of specified handicraft goods up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of 4 special category States ) subject to specified conditions.
- (g) Persons making inter-State supplies of specified handicraft goods up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of 4 special category States) subject to specified conditions.
- (h) Job workers making inter-State supply of services to a registered person up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of 4 special category States) subject to specified conditions.
- (i) Persons making supplies of services through an electronic commerce operator (**other than supplies specified under section 9(5) of the CGST Act**) up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of 4 special category States).

**Question 10: Rajesh Dynamics, having its head office in Chennai, Tamil Nadu carries on the following activities with respective turnovers in a financial year:**

	₹
Supply of petrol at Chennai, Tamil Nadu	18,00,000
Value of inward supplies on which tax is payable on reverse charge basis	9,00,000
Supply of transformer oil at Chennai, Tamil Nadu	2,00,000
Value of branch transfer from Chennai, Tamil Nadu to Bengaluru, Karnataka without payment of consideration	1,50,000
Value of taxable supplies at Manipur branch	11,50,000

It argues that it does not have taxable turnover crossing threshold limit of ₹40,00,000 either at Chennai, Tamil Nadu or Bengaluru, Karnataka and including turnover at Manipur branch. It believes that the determination of aggregate turnover is not required for the purpose of obtaining registration, but is required for determining composition levy.

Decide based on the above facts:

- (i) The aggregate turnover of Rajesh Dynamics.



- (ii) All conditions that fulfil the requirements for registration under CGST Act, 2017 in the given circumstances.

**Answer:**

**Computation of aggregate turnover of Rajesh Dynamics:**

Particulars	₹
Supply of petrol at Chennai, Tamil Nadu [Being a non-taxable supply, it is an exempt supply and thus, includible in aggregate turnover vide section 2(6) of CGST Act, 2017]	
Value of inward supplies on which tax is payable on reverse charge basis	Nil
Supply of transformer oil at Chennai, Tamil Nadu	2,00,000
Value of branch transfer from Chennai, Tamil Nadu to Bengaluru, Karnataka without payment of consideration [Being a taxable supply, it is includible in aggregate turnover]	1,50,000
Value of taxable supplies of Manipur Branch	11,50,000
<b>Aggregate turnover</b>	<b>33,00,000</b>

Rajesh Dynamics is not liable to be registered in Chennai, Tamil Nadu, if his aggregate turnover in a financial year does not exceeds ₹ 40 lakh. However, since Rajesh Dynamics also makes supplies from Manipur, a specified Special Category State, the threshold exemption gets reduced to ₹ 10 lakh in terms of section 22(1) of CGST Act, 2017 [Notification No.10/2019-CT dated. 07.03.2019].

Rajesh Dynamics' argument that it is not liable to registration since the threshold exemption of ₹ 40 lakh is not being crossed either at Chennai, Tamil Nadu, Bengaluru, Karnataka or Manipur is not correct as firstly, the aggregate turnover to be considered in its case is ₹ 10 lakh and not ₹ 40 lakh and secondly, the same is computed on all India basis and not State - wise.

Further, Rajesh Dynamics is also wrong in believing that aggregate turnover is computed only for the purpose of determining the eligibility limit for composition levy since the aggregate turnover is required for determining the eligibility for both registration and composition levy.

Further, Rajesh Dynamics is compulsorily required to register under section 24 of the CGST Act, 2017 irrespective of the turnover limit as it is liable to pay tax on inward supplies under reverse charge and it also makes inter-State taxable supply.

**Question 16:**

- (a) Fair Oils, Delhi has supplied machine oil and high -speed diesel in the month of April as per the taxable person details given in table below. Fair Oils is not yet registered.

Sl. No.	Particulars	Amount (Rs.)*
(i)	Supply of machine oil in Delhi	9,00,000
(ii)	Supply of high speed diesel in Delhi	18,00,000
(iii)	Supply of machine oil made in Punjab by Fair Oils from its branch located in Punjab	12,00,000

\*excluding GST

Determine whether Fair Oils is liable for registration.

- (b) Narayan Singh, a registered supplier, has received advance payment with respect to services to be supplied to Shelly. 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 Narayan Singh regarding the same.

**Answer:**

- (a) As per section 22 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) Rs. 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) Rs. 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

- (c) Rs. 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

- (a) Rs. 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) Rs. 20 lakh for the rest of India.

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. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

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 non-taxable supply. Thus, supply of high speed diesel in Delhi, being a non-taxable 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 Fair Oils for the month of April is computed as under:

S. No.	Particulars	Amount (in Rs.)
(i)	Supply of machine oils in Delhi	9,00,000
(ii)	Add: Supply of high speed diesel in Delhi	18,00,000
(iii)	Add: Supply of machine oil made by Fair Oils from its branch located in Punjab	<u>12,00,000</u>
	<b>Aggregate Turnover</b>	<b>39,00,000</b>

Fair Oils is making exclusive supply of goods and hence the threshold limit for registration would be Rs. 40,00,000. Since the aggregate turnover does not exceed Rs. 40,00,000, Fair Oils is not liable to be registered.

- (b) Narayan Singh is required to issue a receipt voucher at the time of receipt of advance payment with respect to services to be supplied to Shelly. 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 Narayan Singh, and no tax invoice is issued in pursuance thereof, Narayan Singh may issue a refund voucher against such payment to Shelly

**Question 17:**

- (a) **Examine whether the supplier is liable to get registered in the following independent cases: -**
- (i) **Aadi of Assam is exclusively engaged in intra -State supply of taxable services. His aggregate turnover in the current financial year is Rs. 25 lakh.**
- (ii) **Atri of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is Rs. 30 lakh.**
- (b) **SBS Ltd., has availed input tax credit for Rs. 54,000/- IGST during February, 2020 on a particular purchase. Accounting records for the above purchase, indicate that IGST paid to the supplier is Rs. 45,000/- as per the bill received. GSTR-1 uploaded by the supplier for the above supply indicates Rs. 45,000/- as tax paid. Examine as per GST provisions, what value shall be updated in the ledgers maintained on behalf of SBS Ltd., on the common portal**

**Answer:**

- (a) 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 taxable supply of services or supply of both goods and services is as under: -

- (a) Rs. 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) Rs. 20 lakh for the rest of India.
  - (i) Though Aadi is dealing in Assam, he is not entitled for his higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods and he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is Rs. 20 lakh and hence, Aadi is liable to get registered under GST.
  - (ii) Since Atri is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is Rs. 20 lakh. Thus, Atri is liable to get registered under GST as his turnover is more than the threshold limit.

- (b) SBS Ltd., have accounted and paid Rs. 45,000/- as IGST to the supplier concerned. However, availment of input tax credit has been made for Rs. 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 SBS Ltd., shall be updated with a value of Rs. 54,000/- as per self-assessed return to be filed for February 2020, though the input tax credit shown by the supplier is only Rs. 45,000/-.

**Question 18: 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.**

**Answer:**

- (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.

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## Exemptions

**Question 1:** Determine whether GST is payable in case of each of the following independent services provided by the registered persons:

- (1) Fees charged from office staff for in-house personality development course conducted by Markanday College - ₹ 80,000. Markanday College provides education as a part of a curriculum for obtaining an engineering degree recognised by law.
- (2) Bus fees collected from students by Starward College - ₹ 3,500 per month. Starward College provides education as a part of a curriculum for obtaining an engineering degree recognised by law.
- (3) Housekeeping service provided in the Smart Kids school, a play school by M/s. Spick & Span - ₹ 25,000 per month.
- (4) Global link supplied "T racing Alphabets", an online educational journal, to Kidzee School - ₹ 4,000. The Kidzee School used the same for its students of UKG class.

**Answer:** (1) As per Notification No. 12/2017 CT (R) dated 28.06.2017, services provided by an educational institution to its students, faculty and staff are exempt from GST. Educational Institution has been defined to mean, *inter alia*, an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

Since Markanday College provides education as a part of a curriculum for obtaining an engineering degree recognised by law, the services provided by it to its staff by way of conducting personality development course would be exempt from GST.

(2) As Starward College is an educational institution, the transport services provided by it to its students would be exempt from GST.

(3) As per Notification No. 12/2017 CT (R) dated 28.06.2017, services provided to an educational institution, by way of, *inter alia*, house-keeping services performed in such educational institution are exempt from GST. However, such an exemption is available only when the said services are provided to a pre-school education and a higher secondary school or equivalent.

Therefore, house-keeping services provided to Smart Kids Play School would be exempt from GST.

(4) As per *Notification No. 12/2017 CT (R) dated 28.06.2017*, services provided to an educational institution by way of supply of online educational journals or periodicals is exempt from GST. However, such an exemption is available only when the said services are provided to an educational institution providing education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

Therefore, GST is payable in case of supply of online journal to students of UKG class of Kidzee School.

**Question 2: Rahul Agri Millers Ltd., located in Haryana, is engaged in customs milling of paddy into rice. It does not pay GST on the same as it is of the view that the process of milling of paddy into rice is exempt under GST since is an intermediate production process in relation to cultivation of plants. However, Department demands tax on said activity contending that it is not eligible for said exemption. You are required to determine the veracity of the Department's contention.**

**Answer:** Yes, the contention of the Department is correct. As per *Notification No. 12/2017 CT (R) dated 28.06.2017*, 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 is exempt under GST.

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 by CBIC that milling of paddy into rice is not eligible for exemption under said notification. Thus, GST is payable on the said activity

**Question 3: Wisdom Public School, a higher secondary school in Delhi, is of the view that no tax is payable on the education provided by it to its students as education plays a significant and remedial role in balancing the socio-economic fabric of the country.**

**Examine whether GST law provides any scope of exemption to supply of goods or services with particular reference to the contention raised by school?**

**Answer:** Yes, GST law provides the scope of exemption to supply of goods and services. Section 11 of CGST Act, 2017 provides that in the public interest, the Central or the State Government can



exempt either wholly or partly, on the recommendations of the GST council, the supplies of goods or services or both from the levy of GST either absolutely or subject to conditions. Further, the Government can exempt, under circumstances of an exceptional nature, by special order any goods or services or both.

As regards the contention raised by Wisdom Public School, the same is valid in law since Notification No 12/2017 specifically wholly exempts services provided by an educational institution to its students, faculty and staff.

**Question 4: M/s. TRANS Ltd. Is engaged in providing service of transportation of passengers by following modes in the month of November, 2018:**

1. Service of transportation of passengers by vessels in National Waterways: ₹ 4,00,000;
2. Service of transportation of passengers by Air conditioned Stage carriage: ₹ 25,00,000;
3. Service of transportation of passengers by non - air conditioned Stage carriage: ₹ 6,00,000;
4. Service of transportation of passengers by contract carriage for tourism : ₹ 20,00,000;
5. Service of transportation of passengers for Mumbai to Chennai port in a vessel and such service is not for tourism purpose : ₹ 8,50,000;
6. Service of transportation of passengers in Metered Cab: ₹ 5,00,000;
7. Service of transportation of passengers in Radio Taxis: ₹ 10,00,000;
8. Service of transportation of passengers in non-Air conditioned contract carriages ₹ 6,00,000;
9. Service of transportation of passengers in Air conditioned contract carriages ₹ 15,00,000.

**Compute the value of taxable supply if all charges are exclusive of GST.**

**Answer:** Computation of Value of taxable supply:

S.No	Particulars	₹
1	Transportation of passengers by national Waterways [since national waterways are covered in definition of inland Waterways - Exempt from GST vide Entry 17 of Notification No. 12/2017-] CT (Rate)]	Nil
2	Transportation of passengers by Air conditioned Stage carriages (Liable to GST)	25,00,000
3	Transportation of passengers by Non Air conditioned Stage carriages [Exempt from GST vide Entry 15 of Notification No. 12/2017-] CT (Rate)]	Nil

S.No	Particulars	₹
4	Transportation of passengers contract carriages for tourism (Liable to GST)	20,00,000
5	Transportation of passengers Mumbai to Chennai port in a vessel [Being a public transport in a vessel sailing in India and not for tourism - Exempt from GST vide Entry 17 of Notification No. 12/2017-] CT (Rate)]	Nil
6	Transportation of passenger in Metered Cab [Exempt from GST vide Entry 17 of Notification No. 12/2017-] CT (Rate)]	Nil
7	Service of Transportation of passengers in Radio Taxis (Liable to GST)	10,00,000
8	Service of Transportation of passengers in non - Air conditioned carriages [Exempt from GST vide Entry 15 of Notification No. 12/2017-] CT (Rate)]	Nil
9	Service of Transportation of passengers in Air conditioned contract carriages (Liable to GST)	15,00,000
	Value of Taxable Supply	70,00,000

**Question 5: Discuss whether GST is payable in respect of each of the following independent cases:**

Particulars	Reason
Fees charged for yoga camp conducted by a charitable trust	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.
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	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

Particulars	Reason
Amount charged by cord blood bank for preservation of stem cells	Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempted from GST.
Amount charged for service provided by commentator to a recognized sports body	Service 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.

**Question 6:** 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	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 for ₹ 2000	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 for ₹ 700	Exempt. Transportation of goods where consideration for transportation of all goods for a single consignee does not exceed ₹ 750 is exempt.

**Question 7:** Mr. Nagarjun, a registered supplier of Chennai, has received the following amounts in respect of the activities undertaken by him during the month ended on 30th September, 2017:

S. No.	Particulars	Amount in (₹)
(i)	Amount charged for service provided to recognized sports body as selector of national team	50,000

S. No.	Particulars	Amount in (₹)
(ii)	Commission received as an insurance agent from insurance company.	65,000
(iii)	Amount charged as business correspondent for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts.	15,000
(iv)	Service to foreign diplomatic mission located in India.	28,000
(v)	Funeral services.	30,000

He received the services from unregistered goods transport agency for his business activities relating to serial numbers (i) to (iii) above and paid freight of ₹ 45,000 (his aggregate turnover of previous year was ₹9,90,000).

**Note:** All the transactions stated above are intra-State transactions and also are exclusive of GST.

You are required to calculate gross value of taxable supply on which GST - is to be paid by Mr. Nagarjun for the month of September, 2017. Working notes should form part of your answer.

**Answer:**

Computation of gross value of taxable supply on which GST is to be paid by Mr. Nagarjun

Particulars	₹
<b>Supplies on which Mr. Nagarjun is liable to pay GST under forward charge</b>	
Amount charged for service provided to recognized sports body as selector of national team [Note 1]	50,000
Commission received as an insurance agent from insurance company [Note 2]	Nil
Amount charged as business correspondent for the services provided to the urban branch of a nationalised bank with respect to savings bank accounts [Note 3]	15,000
Services provided to foreign diplomatic mission located in India [Nate 4]	28,000
Funeral services [Note 5]	Nil
<b>Supplies on which Mr. Nagarjun is liable to pay GST under reverse charge</b>	
Services received from GTA [Note 6]	45,000
<b>Value of taxable supply on which GST is to be paid</b>	<b>1,38,000</b>

**Notes:**

1. Services provided to a recognized sports body by an individual only 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 vide Exemption Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, service provided as selector of team is liable to GST.
2. Though commission for providing insurance agent's services is liable to GST, the tax payable thereon is to be paid by the recipient of service i.e., insurance company, under reverse charge in terms of Notification No. 13/2017 CT(R) dated 28.06.2017. Thus, Mr. Nagarjun will not be liable to pay GST on such commission.
3. Services provided by business correspondent to banking company with respect to accounts in its rural area branch are exempt from GST vide Exemption Notification No. 12/2017. Thus, such services provided in respect of urban area branch will be taxable.
4. While services provided by a foreign diplomatic mission located in India are exempt from GST vide Exemption Notification No. 12/2017, services provided to such mission are taxable.
5. Funeral services being covered in entry 4 of Schedule III to CGST Act, 2017 are not a supply and thus, are outside the ambit of GST.
6. GST on services provided by a GTA (not paying tax @ 12%) to inter alia a registered person is payable by the recipient of service i.e., the registered person, under reverse charge in terms of Notification No. 13/2017. The turnover of previous year is irrelevant in this case.

**Question 8: Kesar Maharaj, a registered supplier, gave a classical dance performance in an auditorium. The consideration charged for the said performance is ₹ 1,48,500. Is Kesar Maharaj liable to pay GST on the consideration received for the said performance if such performance is not for promotion of any product/services? If yes, determine his GST liability (CGST and SGST or IGST as the case may be). Will your answer be different if:**

- (i) Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product?
- (ii) The dance performance given by Kesar Maharaj is not a classical dance performance, but a contemporary Bollywood style dance performance?
- (iii) Consideration charged by Kesar Maharaj for the classical dance performance is ₹ 1,60,000?

**Notes:**

1. **Services provided by Kesar Maharaj are intra-State supplies.**
2. **Wherever applicable, GST has been charged separately.**
3. **Rates of CGST SGST and IGST are 9%, 9% and 18% respectively.**

**Answer:** Notification No. 12/2017 exempts services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre. If the consideration charged for such performance is not more than ₹ 1,50,000. However, exemption will not apply to service provided by such artist as a brand ambassador.

In view of the aforesaid provisions, services provided by Kesar Maharaj are exempt from GST as consideration for the classical dance performance has not exceeded ₹ 1,50,000. Therefore, his GST liability is nil. If Kesar Maharaj is-a brand ambassador of a food product and aforesaid performance is for the promotion of such food product, he will be liable to pay GST as aforesaid exemption is not applicable to service provided by an artist as a brand ambassador. His CGST and SGST liability would, therefore, be ₹ 13,365 (₹ 1,48,500 × 9%) and ₹ 13,365 (₹ 1,48,500 × 9%) respectively.

- (i) If Kesar Maharaj gives a contemporary Bollywood style dance performance, such performance will not be eligible for aforesaid exemption. The reason for the same is that although the consideration charged does not exceed ₹ 1,50,000, said performance is not in folk or classical art forms of dance. Hence, GST would be payable on the same. His CGST and SGST liability would, therefore, be ₹ 13,365 (₹ 1,48,500 × 9%) and ₹ 13,365 (₹ 1,48,500 × 9%) respectively.
- (ii) If the consideration charged for the classical dance performance by Kesar Maharaj is ₹ 1,60,000, he will be liable to pay GST on the same as although the performance is by way of classical art form of dance, consideration charged for such performance has exceeded ₹ 1,50,000. His CGST and SGST liability would, therefore, be ₹ 14,400 (₹ 1,60,000 × 9%) and ₹ 14,400 (₹ 1,60,000 × 9%) respectively.

**Question 9: 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 he is required to pay any GST?**

**Answer:** Services provided to a recognized sports body by an individual 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.

but, when he acts as a referee in a charity football match organized by a local sports club, he would not be entitled to same exemption as a local sports club is not a recognized sports body and thus, GST will be payable in this case.

**Question 10: RXL Pvt. Ltd. manufactures 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 ₹ 7,20,000 will be donated to a charitable organization.**

**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 music, or dance, or 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 to the exemption.

**Question 11: 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.
- (iii) Services by way of transfer of an independent part of Going Concern.

**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.
- (iii) **YES.** Services by way of transfer of Going Concern, as a whole or an independent part thereof are exempted from GST.

**Question 12: Examine whether GST is payable in the following independent cases:-**

- (i) Ekta Charitable trust, registered under section 10(23C)(v) of the Income-tax Act 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.
- (ii) Speed post services by Department of Post to Union Territory of Daman & Diu.
- (iii) 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.

**Answer:**

- (i) Renting of community hall by Ekta charitable trust is exempt from GST, as rent is less than ₹10,000 per day. The Exemption Notification No. 12/2017 CT (R) dated 28.06.2017/ Notification No. 9/2017 IT (R) dated 28.06.2017 has exempted the said service wholly from GST.

The said notification provides exemption to services by a person inter alia 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 . However, this exemption does not apply where renting charges of premises, community halls, kalyanmandapam or open area are ₹ 10.000 or more per day.

- (ii) GST is not payable in case of speed post services by Department of Post to Union territory of Daman & Diu. The Exemption Notification No. 12/2017 CT (R) dated 28.06.2017/ Notification No. 9/2017 IT (R) dated 28.06.2017 has exempted the said service wholly from GST.

Exemption Notification inter alia provides exemption to services by the Department of Posts by way of speed post, express parcel post. life insurance, and agency services provided to the Central Government, State Government, Union territory. Therefore GST is payable. if such service is provided to a person other than Central Government/State Government/ Union Territory.

- (iii) GST is not payable in case of hiring of trucks to Titu Transporters. The Exemption Notification No. 12/2017 CT (R) dated 28.06.2017/Notification No. 9/2017 IT (R) dated 28.06.2017 provides exemption to services by way of giving on hire a means of transportation of goods , to a goods transport agency,



**Question 13:** List the services provided by Department of Posts which are not exempt from GST?

- Answer:** (a) Speed posts  
 (b) Life Insurance  
 (c) Express parcel posts  
 (d) Agency services

Provided to non - Government

**Question 14:** Comment on the applicability of GST in the following independent cases.

Transportation of Agricultural produce, Organic manure, Milk by a GTA in a goods carriage.	Exempt
Transportation of passengers by Metro.	Exempt
Transportation of passengers by air, terminating in Nagaland airport.	Exempt
Transport facility provided by an unregistered school to its students through buses and cabs owned by the school	Exempt
Services of giving the vehicle on hire (motor vehicle meant to carry 8 passengers) to state transport undertaking.	taxable

**Question 15:** Examine whether GST is payable in the following independent cases--

- (i) Amar Jyoti Charitable trust, registered under section 10(23C)(v) of the Income-tax Act manages a temple in Shandara, Delhi It has given on rent a community hall, located within temple premises, to public for celebration of new year evening Rent charged is ₹9,500.
- (ii) Speed post services by Department of Post to Union Territory of Lakshadweep.
- (iii) XY Ltd has given on hire 7 trucks to Jaggi Transporters of Delhi (a goods transport agency) for transporting goods in Central and West Delhi The hiring charges for the trucks are ₹6,200 per truck per day.

**Answer:** (i) Renting of community hall by Amar Jyoti charitable trust is exempt from GST, as rent is less than ₹10,000 per day. The Exemption Notification No 12/2017/Notification No 9/2017 has exempted the said service wholly from GST.

The said notification provides exemption to services by a person inter alia 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. However, this exemption does not apply where renting charges of premises, community halls, kalyanmandapam or open area are ₹ 10,000 or more per day.

**(ii)** GST is not payable in case of speed post services by Department of Post to Union territory of Lakshadweep The Exemption Notification No 12/2017/Notification No. 9/2017 has exempted the said service wholly from GST.

Exemption Notification inter alia provides exemption to services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to the Central Government, State Government, Union territory. Therefore GST is payable, if such service is provided to a person other than Central Government/State Government/Union Territory.

**(iii)** GST is not payable in case of hiring of trucks to Jaggi Transporters. The Exemption Notification No. 12/2017 CT (R) dated 28 06 2017/Notification No 9/2017 1T (R) dated 28 06 2017 provides exemption to services by way of giving on hire inter alia to a goods transport agency, a means of transportation of goods.

**Question 16: Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:**

Particulars	Gross amount charged (₹)
Amount charged for loading, unloading, packing and warehousing of potato chips	25,000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961	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	6,00,000

**Answer: Computation of value of taxable supply**

Particulars	(₹)
Amount charged for loading, unloading, packing and warehousing of potato chips [Note-1]	25,000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 [Note-2]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-3]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-4]	Nil
Service provided by commentator to a recognized sports body [Note-5]	6,00,000

**Notes:**

1. Services by way of loading, unloading, packing, storage or warehousing of agricultural produce are exempt from GST. Further, potato chips are manufactured through processes which alter the essential characteristic of agricultural produce, thus is not covered under definition of agricultural produce.
2. 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.
3. 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.
4. 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.
5. 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.

**Question 17: Determine taxable value of supply under the GST law with respect to each of the following independent services provided by the registered persons:**

- (1) Fees charged from office staff for in-house personality development course conducted by M.V. College - ₹ 10,000.

- (2) Bus fees collected from students by M.V. College - ₹ 2,500 per month.
- (3) Housekeeping service provided by M/s. Clean well to Himavarsha Montessori school, a play school - ₹ 25,000 per month.
- (4) Info link supplied "Tracing Alphabets", an online educational journal, to students of UKG class of Sydney Montessori School - ₹ 2,000.

**Answer:**

(1) As per Notification No. 12/2017 CT (R) dated 28.06.2017, services provided by an educational institution to its students, faculty and staff are exempt from GST. Educational Institution has been defined to mean, inter alia, an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

Assuming that M. V. College provides education as a part of a curriculum for obtaining a qualification recognised by a law, the services provided by it to its staff by way of conducting personality development course would be exempt from GST.

(2) As assumed above that M. V. College provides education as a part of a curriculum for obtaining a qualification recognised by a law, the transport services provided by it to its students would be exempt from GST.

(3) As per Notification No. 12/2017 CT (R) dated 28.06.2017, services provided to an educational institution, by way of, inter alia, house-keeping services performed in such educational institution are exempt from GST. However, such an exemption is available only when the said services are provided to a pre-school education and a higher secondary school or equivalent.

Therefore, house-keeping services provided to Himavarsha Montessori Play School would be exempt from GST on the presumption that housekeeping services have been performed in such play school itself.

(4) As per Notification No. 12/2017 CT (R) dated 28.06.2017, services provided to an educational institution by way of supply of online educational journals or periodicals is exempt from GST. However, such an exemption is available only when the said services are provided to an educational institution providing education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

Therefore, supply of online journal to students of UKG class of Sydney Montessori School will not be exempt from GST. Hence, the taxable value in this case will be ₹ 2,000.

**Question 18: Shiva Medical Centre, a Multi speciality hospital, is a registered supplier in Mumbai. It hires senior doctors and consultants independently, without entering into any employer -employee agreement with them. These doctors and consultants provide consultancy**

to the in-patients - patients who are admitted to the hospital for treatment - without there being any contract with such patients. In return, they are paid the consultancy charges by Shiva Medical Centre.

However, the money actually charged by Shiva Medical Centre from the in-patients is higher than the consultancy charges paid to the hired doctors and consultants. The difference amount retained by the hospital, i.e. retention money, includes charges for providing ancillary services like nursing care, infrastructure facilities, paramedic care, emergency services, checking of temperature, weight, blood pressure, etc.

Further, Shiva Medical Centre has its own canteen - Annapurna Bhawan - which supplies food to the in-patients as advised by the doctor/nutritionists as also to other patients (who are not admitted) or their attendants or visitors.

The Department took a stand that senior doctors and consultants are providing services to Shiva Medical Centre and not to the patients. Hence, their services are not the health care services and must be subject to GST. Further, GST is applicable on the retention money kept by Shiva Medical Centre as well as on the services provided by its canteen - Annapurna Bhawan alleging that such services are not the health care services.

You are required to examine whether the stand taken by the Department is correct provided the services provided by Shiva Medical Centre are intra-State services.

**Answer:** As per Notification No. 12/2017 CT (R) dated 28.06.2017, services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST.

Health care services have been defined to mean 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.

Circular No. 32/06/2018 GST dated 12.02.2018 has clarified that in view of the above definition, 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 from GST. In view of the same, GST is not applicable on the retention money kept by Shiva Medical Centre.

The circular also clarified that services provided by senior doctors/ consultants/ technicians hired by the hospitals, whether employees or not, are also healthcare services exempt from GST. Hence, services provided by the senior doctors and consultants hired by Shiva Medical Centre, being healthcare services, are also exempt from GST.

The circular further explained 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 not applicable on the food supplied by Annapurna Bhawan to in-patients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or their attendants/visitors are taxable.

**Question 19:** Sarva Sugam Charitable Trust, a trust registered under section 12AA of the Income Tax Act, 1961, provides the following information relating to supply of its services for the month of August 20XX:

	₹
Renting of residential dwelling for use as a residence	18,00,000
Renting of rooms for pilgrims (Charges per day ₹ 1,200)	8,00,000
Renting of rooms for devotees (Charges per day ₹ 750)	6,00,000
Renting of kalyanamandapam (Charges per day ₹ 15,000)	12,00,000
Renting of halls and open space (Charges per day ₹ 7,500)	10,75,000
Renting of shops for business (Charges per month ₹ 9,500)	4,75,000
Renting of shops for business (Charges per month ₹ 12,000)	7,50,000

Compute the total taxable value of supply for the month of August 20XX assuming that the above amounts are exclusive of GST and the rooms/ Kalyan Mandapam/ Halls/ Open space/ shops owned by the trust are located within the precincts of the religious place meant for general public.

**Answer:** Notification No. 12/2017 CT (R) dated 28.06.2017/Notification No. 9/2017 IT (R) dated 28.06.2017[exemption notification] provides exemption to renting of precincts of a religious place meant for general public, owned/managed by, inter alia, an entity registered as a charitable trust under section 12AA of the Income-tax Act. However, exemption is not available if:

- (i) charges for rented rooms are ₹ 1,000 per day or more;
- (ii) charges for rented community halls, Kalyan mandapam, open area are ₹10,000 per day or more;
- (iii) charges for rented shops are ₹10,000 per month or more.

In view of the aforesaid provisions, value of supply of Sarva Sugam Charitable Trust for August, 20XX has been computed as under:

**Computation of value of supply of Sarva Sugam Charitable Trust for August, 20XX**

Particulars	Amount (₹)
Renting of residential dwelling for use as residence [Exempt vide exemption notification]	Nil
Renting of rooms for pilgrims* [Since charges per day are not below ₹1,000]	8,00,000
Renting of rooms for devotees [Since charges per day are below ₹1,000]	Nil
Renting of Kalyana Mandapam [Since charges per day are not below ₹10,000]	12,00,000
Renting of halls and open spaces [Since charges per day are below ₹ 10,000]	Nil
Renting of shops for business [Since charges per month are below ₹10,000]	Nil
Renting of shops for business [Since charges per month are not below ₹ 10,000]	<u>7,50,000</u>
Value of taxable supply	27,50,000

Note: It is also possible to take a view that renting of rooms for pilgrims/devotees is a charitable activity relating to advancement of religion. In that case, said activity will be exempt under Entry 1 of Notification No. 12/2017 CT (R) dated 28.06.2017 (in case services are intra- State supplies)/Entry 14(b) of Notification No. 9/2017 IT (R) dated 28.06.2017 (in case services are inter-State supplies).

**Question 20:** Parikshit Ltd., engaged in providing a bouquet of services, is registered under GST law. It furnishes the following information for the month of March in relation to various services provided by it:

Particulars	₹
Fees from prospective employers for campus interview in its college	5,20,000
Five buses each with seating capacity of 40 passengers given on hire to State Transport Undertaking	6,50,000
Receipts of 'Shiny', a commercial coaching institute providing coaching in the field of commerce (a certificate was awarded to each trainee after completion of the training)	1,82,000
Interest received on fixed deposits of the company with Dhanvarsha Bank	6,50,000
Receipts from running a Boarding School (including receipts for providing residential dwelling service of ₹ 18,20,000)	39,00,000
Receipts of 'Sikshit Samudai' - an Industrial Training Institute (ITI) affiliated to the National Council for Vocational Training (NCVT). Courses run by said ITI are in designated trades	2,60,000
Receipts of 'Pratibha Institute', an institute registered with Directorate General of Employment and Training (DGET), Union Ministry of Labour and Employment, running a Modular Employable Skill Course (MESC) approved by the National Council for Vocational Training (NCVT)	1,30,000
Professional services provided to foreign diplomatic mission located in India	1,04,000

Compute the GST payable by Parikshit Ltd. assuming that all the above receipts are exclusive of GST wherever applicable and the rate of GST applicable on all the supplies is 18%.

**Answer:**

**Computation of GST payable by Parikshit Ltd. for the month of March**

Particulars	Value (₹)	GST @ 18% (₹)
Fees from prospective employers for campus interview in its college [Taxable since such services are not specifically exempt]	5,20,000	93,600



Particulars	Value (₹)	GST @ 18% (₹)
<p>Five buses each with seating capacity of 40 passengers given on hire to State Transport Undertaking</p> <p>[Services by way of giving on hire to a State transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers, are exempt vide <i>Notification No. 12/2017 CT(R) dated 28.06.2017</i> (hereinafter referred to as exemption notification).]</p>	Nil	Nil
<p>Receipts of Shiny- a coaching institute</p> <p>[Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. However, coaching institute is not an educational institution.]</p>	1,82,000	32,760
<p>Interest received on fixed deposits of the company with Dhanvarsha Bank</p> <p>[Services by way of 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) are exempt vide exemption notification.]</p>	Nil	Nil
<p>Receipts from Boarding School including receipts for residential dwelling service</p> <p>[Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. Boarding School providing education up to higher secondary school or equivalent is an educational institution since it provides composite supply of education service coupled with other services like providing dwelling units for residence and food wherein the principal supply is supply of education service.]</p>	Nil	Nil
<p>Receipts of Sikshit Samudai</p> <p>[Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. Sikshit Samudai is an educational institution running approved vocational education course.]</p>	Nil	Nil

**Chapter 5**

*Exemptions*

<b>Particulars</b>	<b>Value (₹)</b>	<b>GST @ 18% (₹)</b>
Receipts of 'Pratibha Institute' running Modular Employable Skill Course  [Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. Pratibha Institute is an educational institution running approved vocational education course.]	Nil	Nil
Professional services provided to foreign diplomatic mission located in India  [While services provided by a foreign diplomatic mission located in India are exempt from GST vide exemption notification, no such exemption is available to the services provided to such mission.]	1,04,000	18,720
<b>GST payable</b>	8,06,000	1,45,080

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## Computation of GST

**Question 1:** Dushyant rents out a commercial building owned by him to Bharat for the month of December, for which he charges a rent of ₹19,50,000. Dushyant pays the maintenance charges of ₹ 1,00,000 (for the December month) as charged by the local society. These charges have been reimbursed to him by Bharat. Further, Bharat had given ₹ 2,50,000 to Dushyant as interest free refundable security deposit. Further, Dushyant has paid the municipal taxes of ₹ 2,85,000 which he has not charged from Bharat. You are required to determine the value of supply and the GST liability of Dushyant for the month of December assuming CGST and SGST rates to be 9% each.

**Note:** All the amounts given above are exclusive of GST.

**Answer:** Computation of the value of supply and the GST liability of Dushyant for the month of December

Particulars	Amount (₹)
Rent of the commercial building	19,50,000
Maintenance charges paid to the local society, reimbursed by Bharat [Being reimbursed by the tenant - Bharat, such charges ultimately form part of the rent paid by Bharat to Dushyant and thus, will form part of the value]	1,00,000
Interest free refundable security deposit [Being refundable, the security deposit does not constitute consideration in terms of section 2(31) of the CGST Act, 2017 and thus, is not includible in the value]	Nil
Municipal taxes paid by Dushyant [Being an expenditure incurred by the supplier, the same is not includible in the value since such taxes are not charged to the recipient.]	<u>Nil</u>

Particulars	Amount (₹)
Value of supply	20,50,000
CGST @ 9%	1,84,500
SGST @ 9%	1,84,500

**Question 2:** Royal Manufacturers, a registered supplier of machinery, supplied a special purpose machine to Dharam Furnishers for which it charges a price of ₹ 9,00,000. Further, it charged the following additional amounts in relation to said supply:

S. No.	Particulars	₹
(i)	Transit insurance	16,500
(ii)	Packing charges	13,500
(iii)	Extra charges for designing the machine	30,000
(iv)	Freight	18,000

Following additional information is also available -

- (a) Cash discount @ 2% on price of machinery has been allowed to Dharam Furnishers at the time of supply and also recorded in invoice.
- (b) GST rate - 18%.

Calculate value of supply of the special purpose machine.

**Answer:**

**Computation of value of the special purpose machine**

Particulars	₹
Price of machinery	9,00,000
Add: Transit insurance [Note 1]	16,500
Packing charges [Note 2]	13,500
Extra design charges [Note 3]	30,000
Freight [Note 1]	<u>18,000</u>
Total	9,78,000

Particulars	₹
Less: 2% cash discount on price of machinery [₹ 9,00,000 × 2%] [Note 4]	<u>18,000</u>
Value of taxable supply	9,60,000

**Notes:**

- (1) The given supply is a composite supply involving supply of goods (special machine) 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.
- (2) All incidental expenses including packing charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.
- (3) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.
- (4) Cash discount was given at the time of supply and also recorded in invoice, so the same is not to be included while computing value of supply in terms of section 15(3)(a) of CGST Act, 2017.

**Question 3: 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(2) mandates the addition of certain elements to transaction value to arrive at taxable value. Clause (c) of section 15(2) 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.

**Question 4: Ayushman Medical Centre, a clinical establishment, offers the following services:**

S.No.	Particulars	₹*
(i)	Reiki healing treatments. Such therapy is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010.	10,00,000
(ii)	Plastic surgeries. [One such surgery was conducted to repair cleft lip of a new born baby. Consideration of ₹ 1,00,000 was charged for the same]	20,00,000
(iii)	Air ambulance services to transport critically ill patients from distant locations to Ayushman Medical Centre.	1,00,000
(iv)	Alternative medical treatments by way of Ayurveda. Such therapy is a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010.	2,50,000

\*Given values are excluding GST

Ayushman Medical Centre also operates a cord blood bank which provides services in relation to preservation of stem cells. You are required to compute the value of supply and GST liability [CGST & SGST or IGST] of Ayushman Medical Centre, if any, in the light of relevant GST provisions.

**Note – All the services provided by Ayushman Medical Centre are intra-State supplies. Assume the rates of CGST, SGST and IGST to be 9%, 9% and 18% respectively.**

**Answer:** Health care services provided by, inter alia, a clinical establishment in India are exempt from GST vide Notification No. 12/2017. The definition of 'health care services' stipulates that such services must be provided in any recognized system of medicines.

As per section 2(h) of Clinical Establishments Act, 2010 recognised system of medicine means allopathy, yoga, Naturopathy, ayurveda, homeopathy, siddha and unani system of medicines or any other system of medicines as may be recognised by the Central Government. Accordingly, value of supply and GST liability of Ayushman Medical Centre will be computed as follows:

S. No.	Particulars	₹
(i)	Reiki healing treatments [Not a recognized system of medicines]	10,00,000
(ii)	Plastic surgeries [₹ 20,00,000 - ₹ 1,00,000] ['Health care services' specifically excludes, inter alia, cosmetic or plastic surgery except when undertaken to restore/reconstruct anatomy/functions of body affected due to congenital defects, developmental abnormalities. injury or trauma]	19,00,000
(iii)	Air ambulance services to transport critically ill patients from distant locations to the Medical Centre ['Health care services' specifically includes services by way of transportation of the patient to and from a clinical establishment]	NIL
(iv)	Alternative medical treatments by way of Ayurveda [Being a recognized system of medicines]	NIL
	<b>Value of Supply</b>	<b>29,00,000</b>
	<b>CGST @ 9%</b>	<b>2,61,000</b>
	<b>SGST @ 9%</b>	<b>2,61,000</b>

**Note:** 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. Therefore, services provided in relation to preservation of stem cells by the cord blood bank operated by Ayushman Medical Centre will be exempt from GST.

**Question 5: Quantum Plast Private Limited, Delhi supplies plastic granulation machine to Capscom Ltd. Delhi. It furnishes the following details in respect of such supply:**

Particulars	₹
List price of the machine (exclusive of taxes and discounts)	1,00,000
Corrugated Boxes used for packing the machine (not included in price above)	1,000
Subsidy received from Delhi Government on sale of such machine (considered in price above)	5,000
Discount @ 2% is offered on list price of the machine (recorded in the invoice for the machine)	

**Determine the value of taxable supply made by Quantum Plast Private Limited.**

**Answer:**

Computation of value of taxable supply	
Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discounts)	1,00,000
Add: Corrugated Boxes used for packing the machine [Includible in the value as per section 15(2)(c)]	1,000
Add: Subsidy received from Delhi Government on sale of such machine [Subsidy received from State Government is not included the value in terms of section 15(2)(e)]	-----
Total:	1,01,000
Less: Discount @ 2% on ₹ 1,00,000 [Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a)]	2,000
<b>Value of taxable supply</b>	<u>99,000</u>

**Question 6: Shiv 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. Shiv Shankar Ltd. has furnished the following details for the current month:**

S. No.	Particulars	Narad Traders (₹)	Nandi Motors (₹)
(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 Shiv Shankar Ltd. for the given month. Assume the rates of taxes to be as under:

Central tax (CGST)	9%
State Tax	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary.

Note: The supply made to Narad Traders is an inter-State supply.

**A**nswer:

**Computation of GST liability**

S. No.	Particulars	Narad Traders (₹)	Nandi Motors (₹)
(i)	Price of the 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)	— -	<u>1,000</u>
	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:**

- 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.

**Question 7: A philanthropic association makes a substantial donation each year to a reputed private management institution to subsidize 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(2)(e), 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 8: 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.

**Question 9: 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).

**Question 10:** Rajesh & Co. provides financial and management consultancy to a group of companies for an annual retainership fee of ₹ 15 lakh. It is given a room in the head office of the group for its exclusive use. Rajesh & Co. pays GST on the amount of ₹ 15 lakh. Is the value for the service provided by Rajesh & Co., correct under GST laws? If not, please elaborate.

**Answer:** Rajesh & Co. gets an office room free of cost, which is an additional non-monetary consideration for its services. The market value of the rent of the room must be added to the retainer fee (₹ 15 lakh) in order to arrive at the value of the taxable service provided by Rajesh & Co, as per rule 27 of the CGST Rules relating to valuation.

**Question 11:** Singhal Brothers, registered in Uttarakhand has supplied 30 tons of a chemical @ ₹ 50,000 per ton (excluding taxes) to P of Uttarakhand on September, 20XX. Invoice for the supply has also been issued on the same date. Further, following additional amounts were also charged from P:-

Particulars	₹
Freight	1,80,000
Packing charges	1,10,000
Weighing charges	20,000
Cost of instrument specially purchased by Singhal Brothers to manufacture the chemical.	3,10,000

As per the terms of the contract of supply, Singhal Brothers is required to get the chemical inspected by an independent testing agency before the delivery of the same to P. P has paid such inspection charges amounting to ₹ 12,000 directly to the testing agency Singhal Brothers has also received ₹ 50,00,000 as a subsidy from State Government for setting up chemical manufacturing plant in Uttarakhand

P is required to make payment within 15 days of supply in terms of the contract. However, P delayed the payment of consideration and made payment in November, 20XX thus paid ₹ 15,000 as interest. You are required to calculate the GST liability in this case and due date of deposit. Assume the rate of GST to be 18%.

**Note:-** Singhal Brothers and P are not related and price is the sole consideration for the supply.

**Answer:** Computation of GST liability of Singhal Brothers

Particulars	₹
Price of chemicals (₹ 50,000 x 30 tons) [Note-1]	15,00,000
Freight [Note-2]	1,80,000
Packing charges [Note-3]	1,10,000
Weighing charges [Note-3]	20,000
Cost of special instrument [Note-4]	3,10,000
Inspection charges [Note-5]	12,000
Government subsidy [Note-6]	--
Interest for late payment [Note 7] (₹ 15,000 x 100/118)	<u>12,712</u>
Value of taxable supply	21,44,712
<b>Tax liability for the month of September 20XX</b>	
Value of taxable supply (₹ 21,44,712- ₹ 12,712) [Note-8]	21,32,000
CGST @ 9%	1,91,880
SGST @ 9%	1,91,880
<b>Tax liability for the month of November 20XX</b>	
Interest for late consideration [Note-9]	12,712
CGST payable @ 9%	1,144
SGST payable @ 9%	1,144

**Due date of deposit of GST**

Particulars	Time of Supply	Due date of deposit [Note-11]
GST liability of ₹3,83,760 for the taxable supply made by Singhal Brothers [Note-10]	September 8, 20XX	October 20, 20XX
Interest amounting to ₹ 2,288 [Note-9]	November, 20XX	December 20, 20XX

**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 when the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply
2. The given supply is a composite supply involving supply of goods (chemical) and services (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 thus, tax rate applicable to the goods (chemical) has been considered.

3. All incidental expenses including packing charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.
4. Any amount charged for anything done by the supplier in respect of the supply of goods at the time of or before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.
5. Any amount that the supplier is liable to pay in relation to supply but incurred by the recipient of supply and not included in the price actually paid for the goods is includible in the value of supply in terms of section 15(2)(b) of CGST Act, 2017.
6. Subsidies not directly linked to the price and provided by the Central Government and State Governments are not includible in the value of supply in terms of section 15(2)(e) of the CGST Act, 2017.
7. Interest for the delayed payment of any consideration for any supply is includible in the value of supply in terms of section 15(2)(d) of the CGST Act, 2017. The interest has to be considered as cum tax value and tax payable thereon has to be computed by making back calculations in terms of rule 35 of CGST Rules, 2017.
8. The tax liability for the month of September, 20XX will not include the tax payable on the amount of interest as the tax liability for the delayed payment of interest arises on the date of receipt of interest in terms of section 12(6) of CGST Act, 2017.
9. As per section 12(6) of the CGST Act, 2017, the time of supply in case of addition in value by way of interest for delayed payment of consideration for goods is the date on which the supplier receives such addition in value. Thus, the time of supply of interest received on account of delayed payment of consideration is the date of receipt of interest.
10. The time of supply will be the time of issue of invoice. Thus in the present case, the time of supply would be date of issue of invoice i.e. September 8, 20XX.

11. As per section 39(1) of CGST Act, 2017 every person registered under regular scheme of payment of tax has to furnish the prescribed return on or before 20th of the succeeding month. Further, section 39(7) provides that every regular registered person is liable to pay tax due to the Government by the last date on which he is required to furnish such return. Thus, GST is liable to be paid on or before 20th of the succeeding month.

**Question 12: A manufacturer of machinery supplied a special machine to LM Furnishers. Following details are provided in relation to amounts charged:**

S. No.	Particulars	₹
(i)	Price of machinery excluding taxes (before cash discount)	6,00,000
(ii)	Transit insurance	11,000
(iii)	Packing charges	9,000
(iv)	Extra charges for designing the machine	20,000
(v)	Freight	12,000

Charges mentioned in (ii) to (v) are not included in (i) above. Other information furnished is -

- (a) Cash discount @ 2% on price of machinery has been allowed to the customer at the time of supply and also recorded in invoice.
- (b) GST rate - 18%

Calculate value of supply of the special machine

**Answer:** Computation of value of special machine

Particulars	₹
Price of machinery	6,00,000
Add. Transit insurance [Note 1]	11,000
Packing charges [Note 2]	9,000
Extra design charges [Note 3]	20,000
Freight [Note 1]	<u>12,000</u>
Total:	6,52,000
Less 2% cash discount on price of machinery [₹ 6,00,000 × 2%] [Note 4]	<u>12,000</u>
Value of taxable supply	6,40,000

**Notes:**

1. The given supply is a composite supply involving supply of goods (special machine) 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 thus, tax rate applicable to the goods (special machine) has been considered.
2. All incidental expenses including packing charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.
3. Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.
4. Cash discount was given at the time of supply and also recorded in invoice, so the same is not to be included while computing value of supply in terms of section 15(3)(a) of CGST Act, 2017.

**Question 13: Ms. Radhika a perfuming artist provides the following information relating to December, 2017.**

**Receipts from:**

Particulars	₹
Performing classical dance	98,000
Performing in television serial	2,80,000
Services as brand ambassador	12,00,000
Coaching in recreational activities relating to arts	2,10,000
Activities in sculpture making	3,10,000
Performing western dance	90,000

**Determine the value of taxable supply and GST payable by Ms. Radhika for December, 2017. GST @ 18% has been charged separately, wherever applicable.**

**Answer:** Computation of Value of taxable supply and GST liability -

Particulars	₹
Classical dance performance	Nil
Performance in television serial [Taxable since not covered in folk or classical art forms]	2,80,000
Service as brand ambassador	12,00,000
Coaching in recreational activities relating to arts	Nil
Sculpture making activities [Taxable as it is an activity in still art form]	3,10,000
Western dance performance [Taxable since not covered in folk or classical art forms]	90,000
<b>Value of taxable supply</b>	<b>18,80,000</b>
GST payable @ 18%	3,38,400

**Question 14:** Tasty Foods Pvt. Ltd. Gets an order for supply of processed food from Resto Ltd. Wants the consignment tested for gluten for specified chemical residues Foods Pvt. Ltd. Does the testing and charges a testing fee of ₹ 15,000 from the Resto Ltd. Tasty Foods Pvt. Ltd. Argues that such testing fee should not form part of the consideration for the as it is a separate activity. Is its argument correct in the light of section 15?

**Answer:** Section 15(2) mandates the addition of certain elements of transaction value to arrive at taxable value. Section 15(2) 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 service shall be included in taxable value.

Since Tasty Foods Pvt. Ltd. does the testing before the delivery of goods, the charges therefore will be included in the taxable value. Therefore Tasty Foods Pvt. Ltd.'s argument is not correct. The testing fee of ₹ 15,000 should be added to the price to arrive at taxable value of the consignment.



**Question 15:** Dr. LAL Nursing Home has received the following amounts in the month of November in lieu of various service rendered by it in the same month. You are requested to determine in GST liability for November from the details furnished below:

S. No	Particulars	₹ In lacs
1	Palliative care for terminally ill patient's home (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 not to cure the disease)	30
2	Service provide by cord blood bank unit of the nursing by way of preservation of stem Cells	24
3	Hair transplant service for care	100
4	Ambulance service to transport critically ill patients from various locations to nursing home	12
5	Naturopathy treatments. Such treatment is a recognized system of medicine in terms of Section 2(h) of the Clinical Establishment Act, 2010	80
6	Plastic surgery to restore anatomy of a child affected due to an accident	30
7	Pranic healing treatments. Such treatment is not a recognized system of medicine in terms of section 2 (h) of the clinical Establishments Act,2010	120
8	Mortuary service	10

**Answer:** All the amounts given above are exclusive of GST. Rate of GST - 18%

S. No	Particulars	₹ In lacs
1	Palliative care for terminally ill patient's home	-
2	Service provide by cord blood bank unit of the nursing by way of preservation of stem Cells	-
3	Hair transplant service	100
4	Ambulance service to transport critically ill patients from various locations to nursing home	-

S. No	Particulars	₹ In lacs
5	Naturopathy treatments.	-
6	Plastic surgery to restore anatomy of a child affected due to an accident	-
7	Pranic healing treatments. Such treatment is not a recognized system of medicine in terms of section 2 (h) of the clinical Establishments Act,2010	120
8	Mortuary service	-
	<b>Total Taxable value of supply</b>	<b>220</b>
	<b>GST payable @ 18%</b>	<b>39.60</b>

**Question 16: A manufacturer of machinery supplied a special machine to Texco Furnishers. Following details are provided in relation to amounts charged:**

S. No.	Particulars	(₹)
(i)	Price of machinery excluding taxes (before cash discount)	5,00,000
(ii)	Packing charges	10,000
(iii)	Extra charges for designing the machine	17,000
(iv)	Freight	13,000

Charges mentioned in (ii) to (iv) are not included in (i) above. Other information furnished is -

- (a) Cash discount @ 2% on price of machinery has been allowed to the customer at the time of supply and also recorded in invoice.
- (b) GST rate – 18%. Calculate value of supply of the special machine.

**Answer:** Computation of value of special machine

Particulars	₹
Price of machinery	5,00,000
Add: Packing charges [Note 1]	10,000
Extra design charges [Note 2]	17,000
Freight [Note 3]	<u>13,000</u>
Total	5,40,000
Less: 2% cash discount on price of machinery [₹ 5,00,000 x 2%] [Note 4]	<u>10,000</u>
Value of taxable supply	5,30,000

**Notes:**

- (1) All incidental expenses including packing charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.
- (2) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of or before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.
- (3) Cash discount was given at the time of supply and also recorded in invoice, so the same is not to be included while computing value of supply in terms of section 15(3)(a) of CGST Act, 2017.
- (4) The given supply is a composite supply involving supply of goods (special machine) and services (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. Thus, tax rate applicable to the goods (special machine) has been considered.

**Question 17: Vayu Ltd. provides you the following particulars relating to goods supplied by it to Agni Ltd.:**

Particulars	₹
List price of the goods (exclusive of Taxes and discounts).	76,000
Special packing at the request of customer to be charged to the customer.	5,000
Duty levied by local authority on the sale of such goods.	4,000
CGST and SGST charged in invoice.	14,400
Subsidy received from a NGO (The price of ₹ 76,000 given above is after considering the subsidy)	5,000

Vayu Ltd. offers 3% discount of the list price of the goods which is recorded in the invoice for the goods.

**Determine the value of taxable supplies made by Vayu Ltd.**

**Answer:** Computation of value of taxable supplies by Vayu Ltd.

Particulars	₹
List price of the goods	76,000
Add: Special packing [Note 1]	5,000
Duty levied by local authority on sale of goods [Note 2]	4,000
CGST and SGST charged [Note 2]	-
Subsidy received from a NGO [Note 3]	5,000
Less: Discount offered = 3% of List price = ₹ 76,000 × 3% [Note-4]	<u>(2,280)</u>
Value of taxable supplies	<b>87,720</b>

**Notes:**

1. Being incidental expenses charged by the supplier to the recipient of supply, packing charges are includible in the value as per section 15(2)(c) of the CGST Act, 2017.
2. Taxes, duties, etc. levied under any law for the time being in force other than CGST, SGST/UTGST, IGST are includible in the value as per section 15(2)(a) of CGST Act, 2017. Duty levied by local authority on sale of goods has been assumed to be recovered from Agni Ltd. and not included in the list price of the goods.
3. Subsidy directly linked to the price received from a non-Government body is includible in the value in terms of section 15(2)(e) of CGST Act, 2017.
4. Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a) of CGST Act, 2017

**Question 18: Determine the value of supply and the GST liability, to be collected and paid by the owner, with the following particulars:**

	₹
<b>Rent of the commercial building</b>	<b>18,00,000</b>
<b>Maintenance charges collected by local society from the owner and reimbursed by the tenant</b>	<b>2,50,000</b>

	₹
<b>Owner intends to charge GST on refundable advance, as GST is applicable on advance</b>	<b>6,00,000</b>
<b>Municipal taxes paid by the owner</b>	<b>3,00,000</b>

**GST rates applicable on renting of business premises are as follows: CGST 9%**

**SGST 9%**

**Provide suitable explanations where required.**

**Answer:**

**Computation of Value of Supply and GST liability:**

Particulars	Amount (₹)
Rent of the commercial building	18,00,000
Maintenance charges collected by the local society from the owner and reimbursed by the tenant [Being reimbursed by the tenant, such charges ultimately form part of the rent paid by the tenant to the owner and thus, will form part of the value]	2,50,000
Refundable advance [Being refundable, the advance is in the nature of security deposit which does not constitute consideration in terms of section 2(31) of the CGST Act, 2017 and thus, is not includible in the value]	Nil
Municipal taxes paid by the owner [Being an expenditure incurred by the supplier, the same is not includible in the value, assuming that such taxes are not charged to the recipient.]	Nil
<b>Value of supply</b>	<b>20,50,000</b>
<b>CGST @ 9%</b>	<b>1,84,500</b>
<b>SGST @ 9%</b>	<b>1,84,500</b>

**Question 35:**

- (a) Hangover 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 (Rs.)
(i)	List price of taxable goods supplied inter -State (exclusive of taxes)	24,00,000
(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)	3,36,000
(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)	80,000
(iv)	Tax levied by Municipal Authority	32,000
(v)	Packing charges	24,000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay Rs. 9,600 in lump sum and no additional amount is payable by him)	9,600

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 Hangover Ltd. during the month of March. Rate of IGST is 18%.

- (b) M/s Shubhank Associates, a partnership firm, provided recovery agent services to Neelkanth Credits Ltd., a non-banking financial company and a registered supplier, on 15<sup>th</sup> January. Invoice for the same was issued on 7<sup>th</sup> February and the payment was made on 18<sup>th</sup> April by Neelkanth Credits Ltd. Bank account of the company was debited on 20<sup>th</sup> April.

Determine the following:

- (i) Person liable to pay GST
- (ii) Time of supply of service

**Answer:**

**(a) Computation of total value of taxable supplies made by Hangover Ltd. during the month of March**

Particulars	Amount (Rs.)
List price of the goods	24,00,000
Subsidy amounting to Rs.3,36,000 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 ]	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]	80,000
Tax levied by the Municipal Authority [Includible in the value as per section 15 ]	32,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15]	24,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15 - As the amount of interest received is a lump sum amount, the same has to be taken as inclusive of GST] [Rs.9,600 x 100/118] rounded off	<u>8,136</u>
<b>Total value of taxable supplies</b>	<b>25,44,136</b>

(b) (i) Tax on services supplied by a recovery agent to, *inter alia*, a non- banking financial company (NBFC) is payable under reverse charge by such non -banking financial company.

Therefore, in the given case, person liable to pay GST is the NBFC - Neelkanth Credits Ltd.

(ii) As per section 13(3) of the CGST Act, the time of supply of service on which GST is payable under reverse charge is earlier of the following: -

- Date of payment as entered in the books of account of the recipient (18 th April) or the date on which the payment is debited in his bank account (20 th April), whichever is earlier;
- Date immediately following 60 days since issue of invoice by the supplier, i.e. 9 th April.

Thus, time of supply of service is 9th April.

**Question 36:**

- (a) Kavya Ltd., a registered supplier, has supplied machinery to Ayesha Ltd. (a supplier registered in the same State). It provides following particulars regarding the same:

S. No.	Particulars	Amount (Rs.)
(i)	Price of machinery (exclusive of taxes and discounts)	5,50,000
(ii)	Part fitted in the machinery at the premises of Ayesha Ltd. [Amount has been paid by Ayesha Ltd. directly to the supplier. However, it was Kavya Ltd.'s liability to pay the said amount. The said amount has not been recorded in the invoice issued by Kavya Ltd.]	20,000
(iii)	Installation and testing charges for machinery, not included in price	25,000
(iv)	Discount @ 2% on price of the machinery mentioned at S. No. (i) above (recorded in the invoice)	
(v)	Kavya Ltd. provides additional discount @ 1% at year end, based on additional purchase of other machinery for which adjustment is made at the end of the financial year without any change in individual transactions.	

Determine the value of taxable supply made by Kavya Ltd. to Ayesha Ltd. (6 Marks)

- (b) Kashi Enterprises, an event organizer, provided services to Briskn Frisk Ltd. by way of organizing business exhibition in New Delhi as part of Make in India initiative. Kashi 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 Kashi Enterprises, in the given case. (4 Marks)



**Answer:**

**(a) Computation of value of taxable supply made by Kavya Ltd. to Ayesha Ltd.**

Particulars	Amount (Rs.)
Price of machinery (exclusive of taxes and discounts)	5,50,000
Amount paid by Ayesha Ltd. directly to the supplier for the part fitted in the machinery [Any amount that the supplier is liable to pay in relation to a 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 is includible in the value of supply in terms of section 15(2)(b) of the CGST Act, 2017.]	20,000
Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of the CGST Act, 2017.]	25,000
Less: Discount @ 2% on the price of machinery [Rs.5,50,000 x 2%] [Since discount is given at the time of supply of machinery and recorded in the invoice, the same is deductible from the value of the supply in terms of section 15(3)(a) of the CGST Act, 2017.]	11,000
Less: Additional 1% discount at year end [Though the additional discount is established before/at the time of supply, it is not deductible from the value of supply in terms of section 15(3)(b) of the CGST Act, 2017 as the same is not linked to any specific transaction and is adjusted by the parties at the end of the financial year.]	<u>Nil</u>
<b>Value of taxable supply</b>	<b>5,84,000</b>

- (b)** No, the claim made by Kashi 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 Kashi Enterprises will not be exempt from GST.

**Question 37:** 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. Namo Shankar 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 Namo 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.

**Answer**

**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)	<u>      -</u>	<u>  1,000</u>
	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.

# 6A

## Composition Scheme

**Question 9:** Enumerate the persons who are not eligible to opt for Composition Scheme under section 10(2) of the CGST Act, 2017.

**Answer:** A registered person shall not be eligible to opt for composition scheme if:-

- (i) he is engaged in supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II.
- (ii) he is engaged in supply of goods not leviable to tax
- (iii) he is engaged in inter-State outward supplies of goods/services
- (iv) he is engaged in supply of goods/services through an electronic commerce operator
- (v) he is a manufacturer of notified goods, namely, manufacturer of ice cream, pan masala and tobacco.

**Question 10:** Mr. Zafar of Assam, provides the following information for the preceding financial year 2018-19. 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. 2019-20.

Particulars	Amount (₹ in lakh)
Value of taxable outward supplies (out of above, ₹ 10 lakh was in course of inter-state transactions).	50.00
Value of exempt supplies (which include ₹ 30 lakh received as 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.	

**Answer:** Computation of aggregate turnover of Mr. Zafar for FY 2018-19 for the purpose of eligibility of composition levy scheme

Particulars	Amount in lakh (₹)
Value of taxable outward supplies [Value of all taxable supplies including inter-State supplies are includible in aggregate turnover]	50
Value of exempt supplies [Value of exempt supplies is includible in aggregate turnover. However, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, though exempt, is not includible in aggregate turnover for determining eligibility for composition scheme]	40
Value of inward supplies on which Mr. Zafar is liable to pay tax under reverse charge [Excludible from aggregate turnover]	Nil
Value of exports [Includible in aggregate turnover]	<u>5</u>
<b>Aggregate turnover for determining eligibility for composition scheme</b>	<b>95</b>

A registered person of Assam is eligible to opt for composition levy if his aggregate turnover does not exceed ₹ 1.5 crore in the preceding financial year provided he is not engaged in inter-State outward supplies of goods. Therefore, in the given case, assuming that he is not engaged in making any inter-State outward supply of goods in FY 2019-20, Mr. Zafar is eligible to opt for composition levy for FY 2019-20 since his aggregate turnover does not exceed ₹ 1.5 crore in FY 2018-19.

**Question 11:** 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 as per the provisions of section 10 (2A).

**Answer:** The registered person desirous of availing the option to pay concessional tax @ 3% (effective rate 6%) under Notification No. 2/2019 CT (R) dated 7-3-2019 should -

- (i) not be engaged in making any supply which is not leviable to tax.
- (ii) not be engaged in making any inter-State outward supply of goods and/or services.

- (iii) neither be a casual taxable person nor a non-resident taxable person.
- (iv) not be engaged in making any supply through an electronic commerce operator who is required to collect tax at source.
- (v) not be engaged in making supplies of notified goods.
- (vi) neither collect any tax from the recipient nor be entitled to any input tax credit.
- (vii) issue a bill of supply instead of tax invoice.
- (viii) not have the aggregate turnover in the preceding financial year exceeding ₹ 50 lakh
- (ix) not be eligible for composition scheme u/s 10 (1), (2) @ Goods focused.

Note: Any five conditions may be mentioned out of the above mentioned nine conditions.

### Question 12

- (a) Chanchal started providing beauty and grooming services and inaugurated “Care & Care Beauty Centre” in Janak Puri, Delhi on 01<sup>st</sup> April, 20XX. 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 30<sup>th</sup> June, 20XX was ₹ 20 lakh. Further, for the half year ending 30<sup>th</sup> September, 20XX, the turnover reached ₹ 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹ 70 lakh by the end of October, 20XX. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 20XX.
- (b) Care & Care Beauty Centre wishes to opt for composition scheme from the next financial year. You are required to advise it whether it can do so?

Note: Rate of GST applicable on such services is 18%.

### Answer:

- (a) *Section 10(2A)* provides an option to a registered person to pay CGST @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] on first supplies of goods and/or services upto an aggregate turnover of ₹ 50 lakh made on/after 1<sup>st</sup> April in any financial year, subject to specified conditions.

It is clarified in the notification that first supplies of goods or services or both shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from 1<sup>st</sup> April of a FY 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 notification, 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 this notification 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)]	30 Lakh [(50-20) lakh]	1,80,000
For the month of October, 20XX	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>

- (b) No, Care & Care Beauty Centre cannot opt for composition scheme from the next financial year. Fundamentally, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. As regards services other than restaurant services are concerned, only marginal supply of the such services for a specified value along with the supply of goods and/or restaurant service, as the case may be, is permitted under section 10(1) of CGST Act, 2017. Therefore, a person engaged exclusively in supply of services other than restaurant services is not eligible to opt for composition scheme.

**Question 13: "Wedding Bells", a wedding photographer, has commenced providing pre-wedding shoot services in Jaipur from the beginning of current financial year 2020-2021. It has provided the following details of turnover for the various quarters till December, 2020 :-**

S. No.	Quarter	Amount (₹ in lakh)
1	April,2020-June,2020	20
2	July,2020-September,2020	30
3	October,2020-December,2020	40

**You may assume the applicable tax rate as 18%. Wedding Bells wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter?**

**A**nswer: Section 10(2A) of the CGST Act, 2017 provides the turnover limit of ₹ 50 lakh in the preceding financial year for becoming eligible for composition levy for services. Wedding Bells has started the supply of services in the current financial year (FY), thus, its aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, Wedding Bells is eligible for composition scheme for services. A registered person opting for composition levy for services shall pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State.

Further, Wedding Bells becomes eligible for the registration when the aggregate turnover exceeds ₹ 20 lakh (the threshold limit of obtaining registration). While registering under GST, Wedding Bells can opt for composition scheme for services.

The option of a registered person to avail composition scheme for services shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of ₹ 50 lakh.

However, for the purposes of determining the tax payable under composition scheme, the expression "turnover in State" shall not include the value of supplies from the first day of April of a FY up to the date when such person becomes liable for registration under this Act.

Thus, for determining the turnover of the State for payment of tax under composition scheme for services, turnover of April, 2020 – June, 2020 quarter [₹ 20 lakh] shall be excluded. On next ₹ 30 lakh [turnover of July, 2020 – September, 2020 quarter], it shall pay tax @ 6% [3% CGST and 3% SGST].

For the purposes of computing aggregate turnover of a registered person for determining his eligibility to pay tax under this section, aggregate turnover includes value of supplies from the 1<sup>st</sup> April of a FY up to the date of his becoming liable for registration.

Thus, while computing aggregate turnover for determining Wedding Bells'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 it becomes liable for registration under this Act (i.e. turnover of April, 2020 – June, 2020 quarter), are included.

By the end of July, 2020 – September, 2020 quarter, the aggregate turnover reaches ₹ 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 2020 – September, 2020 quarter and thereafter, it is required to pay tax at the normal rate of 18%.



Considering the above provisions, the tax payable for each quarter is as under:-

S. No.	Quarter	GST rate [CGST + SGST]	Turnover (₹ in lakh)	GST payable (₹ in lakh)
1	April, 2020 - June, 2020	-	20	-
2	July, 2020 - September, 2020	6%	30	1.8
3	October, 2020 - December, 2020	18%	40	7.2

**Question 14:** Shubhlaxmi Foods is engaged in supplying restaurant service in Maharashtra. In the preceding financial year, it has a turnover of ₹ 140 lakh from the restaurant service. You are required to advise Shubhlaxmi Foods whether it is eligible for composition scheme in the current year assuming that in the current financial year, his turnover is expected to be ₹ 130 lakh from supply of restaurant services and ₹ 10 lakh from the supply of farm labour in said State. Further, it also expects to earn bank interest of ₹ 20 lakh from the fixed deposits.

**Also compute the estimated tax payable by Shubhlaxmi Foods in the current FY.**

**Answer:** As per section 10(1) of the CGST Act, 2017 read with *Notification No. 14/2019 CT dated 7.03.2019*, 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 if, *inter alia*, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.

It is important to note that the exempt services are included in the definition of aggregate turnover [Section 2(6) of the CGST Act, 2017]. However, *Order No. 01/2019 CT dated 01.02.2019* has been issued to clarify that the value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account –

- (i) for determining the eligibility for composition scheme under second proviso to section 10(1) i.e. supplying services of value not exceeding 10% of the turnover in the preceding financial

year in a State or ₹ 5 lakh, whichever is higher;

(ii) in computing aggregate turnover in order to determine eligibility for composition scheme.

Thus, exempt services shall also be considered for determining the eligibility for composition scheme under second proviso to section 10(1) and in computing aggregate turnover in order to determine eligibility for composition scheme. The only exception is interest received from deposits, loans etc.

In the given case, the aggregate turnover of Shubhlaxmi Foods from restaurant services in the preceding FY is ₹ 140 lakh. Therefore, it is eligible to opt for composition scheme in the current FY.

Further, apart from restaurant services, it can provide services upto ₹ 14 lakh [i.e. 10% of ₹ 140 lakh or ₹ 5 lakh, whichever is higher], in the current FY. As already seen, bank interest of ₹ 20 lakh from fixed deposits will not be considered while determining this limit.

Further, Shubhlaxmi Foods is expected to provide the exempt services of supply of farm labour worth ₹ 10 lakh in current financial year. Thus, turnover of supply of farm labour [₹ 10 lakh] alongwith the turnover of restaurant services [₹ 130 lakh] will be eligible for composition scheme, in the current financial year.

Tax rate applicable for restaurant services under composition scheme is 5% [2.5% CGST and 2.5% SGST]. Estimated tax payable by Shubhlaxmi Foods is as under:

$$= ₹ 140 \text{ lakh } [₹ 130 \text{ lakh } + ₹ 10 \text{ lakh}] \times 5\%$$

$$= ₹ 7 \text{ lakh } [\text{CGST} = ₹ 3.5 \text{ lakh and SGST} = ₹ 3.5 \text{ lakh}]$$

**Question 15: Bansal and Chandiook started a partnership firm of Chartered Accountants in Jaipur (Rajasthan) on 1.04.20XX. The firm specializes in providing audit services to banks, in Rajasthan. It provided the following details of its turnover:**

Quarter	Amount (in ₹)
Apr-Jun	10 lakh
Jul-Sep	20 lakh

**It crossed the threshold limit of ₹ 20 lakh on 1.08.20XX. Bansal and Chandiook wishes to opt to pay tax at concessional rate under Notification No. 2/2019 CT (R) dated 07.03.2019. Examine whether the firm is eligible for this scheme? If yes, then determine the tax payable by it in quarters (i) Apr-Jun & (ii) Jul-Sep?**

**Answer:** Section 10(2A) provides an option to a registered person whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition

scheme, to pay tax @ 6% [CGST @ 3% and SGST @ 3%] on first supplies of goods and/or services upto an aggregate turnover of ₹ 50 lakh made on or after 1st April in any financial year, subject to specified conditions.

Further, for the purposes of this notification, the expression “first supplies of goods or services or both” shall, for the purposes of determining eligibility of a person to pay tax under this notification, 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 said Act but for the purpose of determination of tax payable under this notification 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.

In the given case, Bansal and Chandiook Firm is eligible to opt for the scheme to pay tax at concessional rate since his turnover in the preceding financial year was nil and he is not eligible to opt for composition scheme since he is dealing exclusively in services other than restaurant services.

**Tax payable by the firm is as follows:**

- (i) **Apr-Jun quarter:** Tax payable by the firm in first quarter is nil since the firm’s turnover [₹ 10 lakh] has not yet exceeded the threshold limit of ₹ 50 lakh.
- (ii) **July-Sep quarter:** While computing the tax payable by the firm in second quarter, the turnover from 01.04.20XX to the date from which he becomes liable for registration under the Act is to be excluded. Tax payable will be computed as under-

Total Turnover	₹ 30,00,000/-
Less: Threshold Limit for registration	₹ 20,00,000/-
Taxable Turnover	₹ 10,00,000/-
Tax @ 6%	₹ 60,000/-*

\*CGST = ₹ 30,000 and SGST = ₹ 30,000

**Question 16: Mr. Prem is running a restaurant in New Delhi. In the preceding financial year, it has turnover of ₹ 120 lakh from the restaurant services. In the current financial year, apart from restaurant service, he also wants to provide food delivery services to other restaurants. He estimated the turnover of such services upto ₹ 5 lakh.**

**Mr. Prem wishes to opt for composition scheme in the current financial year. You are required to advise him for same. Further, also advise the documents to be issued by him for billing the restaurant services as well as food delivery services in case he opts for composition scheme.**

**Answer:** As per section 10(1) of the CGST Act, 2017 read with *Notification No.14/2019 CT dated 07.03.2019*, 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 if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.

In the present case, since the turnover of Mr. Prem is ₹ 120 lakh in preceding financial year, he is eligible for composition scheme in the current financial year. Further, in the current financial year, he can also supply services other than restaurant services for a value upto ₹ 12 lakh (10% of ₹ 120 lakh) or ₹ 5 lakh, whichever is higher. Thus, till the time his turnover from food delivery services does not exceed ₹ 12 lakh, he is eligible for the scheme.

In terms of section 31(3)(c) of the CGST Act, 2017, Mr. Prem is required to issue Bill of Supply in both the cases i.e. while providing restaurant services and food delivery services. He shall also mention the words “composition taxable person, not eligible to collect tax on supplies” at the top of the bill of supply issued by him.

**Question 17: M/s Heeralal and Sons registered in Karnataka has opted to avail the benefit of composition scheme. It has furnished the following details for the tax period ended on 30-06-20XX.**

S. No.	Items	₹
(i)	Taxable turnover of goods within the State	15,00,000
(ii)	Exempted turnover of goods within the State	17,00,000
	<b>Total Turnover</b>	<b>32,00,000</b>

**Using the above information, calculate tax to be paid by the firm for the tax period ended on 30.06.20XX in following independent situations:**

- (i) M/s Heeralal and Sons is a manufacturer
- (ii) M/s Heeralal and Sons is a trader

**Answer:** Computation of amount payable under composition scheme

- (i) If M/s Heeralal and Sons is a manufacturer:

Tax is to be paid @ 1% (CGST+ SGST) of the turnover in the State as under:

$$\begin{aligned}
 & 1\% \text{ of } ₹ 32,00,000 [₹ 15,00,000 + 17,00,000] \\
 & = ₹ 32,000 [\text{CGST} = ₹ 16,000 \text{ and SGST} = ₹ 16,000]
 \end{aligned}$$

**(ii) If M/s Heeralal and Sons is a trader:**

Tax is to be paid @ 1% (CGST+ SGST) of the turnover of taxable supplies of goods and services in the State as under:

$$\begin{aligned}
 & = 1\% \text{ of } ₹ 15,00,000 \\
 & = ₹ 15,000 [\text{CGST} = ₹ 7,500 \text{ and SGST} = ₹ 7,500]
 \end{aligned}$$

**Question 18:** MN Ltd. has two registered places of business in the State of Haryana. Its aggregate turnover during the previous financial year for both the places of business was ₹ 62 lakh. It wishes to opt for composition levy for one of the place of business in the current year and wants to continue with registration and pay taxes at the normal rate for the other place of business. Can MN Ltd. do so? Explain with reason.

**Answer:** As per proviso to section 10(2) of the CGST Act, 2017, where more than one registered persons are having the same PAN issued under the Income-tax Act, 1961, the registered person shall not be eligible to opt for the composition scheme unless all such registered persons opt to pay tax under composition scheme.

In the given case, since MN Ltd. has two places of business (they are not separate entities under Income-tax Act, 1961), they would be registered under the same PAN. Therefore, MN Ltd. cannot opt for composition levy for only one of the places of business and pay tax under regular scheme for other place of business.

**Question 19:** Mr. X, a manufacturer (eligible for composition scheme), submit the following details for CFY 19 -20. Determine the GST liability for current Financial Year.

1. Value of intra state supply under NCM chargeable to GST @ 18%	55,00,000
2. Intra state nil rated supply	13,00,000
3. Intra state supply covered under 100% E/N	32,00,000
4. Value of inward supplies covered under RCM chargeable to GST @ 18%	2,50,000
5. value of inward supplies covered under NCM chargeable to GST @ 5%	3,00,000

**Answer: Computation of GST**

Particulars	Turnover	Tax rate	Amount of GST under composition scheme
1. Value of intra state supply under NCM chargeable to GST @ 18%	55,00,000	Composite rate 1%	55,000
2. Intra state nil rated supply	13,00,000	Composite rate 1%	13,000
3. Intra state supply covered under 100% E/N	32,00,000	Composite rate 1%	32,000
4. Value of inward supplies covered under RCM chargeable to GST @ 18%	2,50,000	Normal rate 18%	45,000
5. value of inward supplies covered under NCM chargeable to GST @ 5%	3,00,000	-	To be paid by supplier

**Question 20: Prem is running a consulting firm and also a fancy store, registered under the same PAN number. Turnover of the fancy store is ₹ 115,00,000 and receipt of consultancy firm is ₹10,00,000 in the preceding financial year.**

**You are required to provide answers with supporting explanatory note for each answer to the following questions:**

- (i) Is Prem eligible for composition scheme under CGST Act?**
- (ii) Whether it is possible for Prem to opt for composition scheme only for fancy store?**
- (iii) If Pram is running a restaurant with turnover of ₹65,00,000 instead of consultancy firm as well as a fancy store, would he be eligible for composition scheme?**

**Answer:**

- (i) No, Prem is not eligible for composition scheme as he is providing services as a consulting firm. Section 10(2)(a) of the CGST Act, 2017 provides that a registered person cannot opt for composition scheme if he is engaged in the supply of services other than restaurant services and specified small value services.
- (ii) No, it is not possible for Prem to opt for composition scheme only for fancy store. All the registrations under the same PAN have to opt for composition scheme in terms of proviso

to section 10(2) of the CGST Act, 2017. Since the supply of consultancy service is ineligible for composition scheme, supply of goods in fancy store too becomes ineligible for composition scheme.

- (iii) No, Prem is not eligible for composition scheme if he is running a restaurant with turnover of ₹ 115,00,000 instead of consultancy firm as well as fancy store. Section 10(1) of the CGST Act, 2017 provides that an eligible registered person whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore may opt to pay tax under composition levy.

Therefore, even though Prem provides restaurant service, which is an eligible service for composition levy, since his aggregate turnover [₹ 115 lakh for fancy store + ₹ 65 lakh for restaurant service] in the preceding financial year exceeds ₹ 1.5 crore, Prem is not eligible for composition levy.

**Question 21: Trend Footwear, a registered supplier in Jaipur dealing in local supply of loafers and wedges, wants to opt for composition scheme with effect from 01 April, 20XX. Its aggregate turnover in the preceding financial year is ₹ 78 lakh. Besides dealing in supply of loafers and wedges, he also has a rental income of ₹ 1,35,000 per month from the basement of a commercial building located in Jaipur. You are required to discuss, whether Trend Footwear can opt for composition scheme?**

**Answer:** No, Trend Footwear cannot opt for composition scheme Section 10 of CGST Act, 2017 inter alia provides that registered person, whose aggregate turnover in the preceding financial year does not exceed one crore and fifty lakh rupees, can opt to pay tax under composition scheme in the current year.

However, section 10(2) inter alia provides that registered person is eligible to opt for composition scheme if he is not engaged in the supply of services other than restaurant services. In the present case, Trend Footwear is engaged in the supply of services other than restaurant services, as Trend Footwear has rental income from the basement of a commercial building, so it cannot opt for composition scheme irrespective of its aggregate turnover in the preceding financial year.

**Question 22: Examine whether the suppliers are eligible for composition scheme in the following independent cases. Is there any other option available for concessional tax payment with any of these suppliers, wherever composition scheme cannot be availed?**

- (a) M/s Devlok, a registered dealer, is dealing in intra-State trading of electronic appliances in Jaipur (Rajasthan). It has turnover of ₹ 130 lakh in the preceding financial year. In the current financial year, it has also started providing repairing services of electronic appliances.

- (b) M/s Narayan & Sons, a registered dealer, is running a “Khana Khazana” Restaurant near City Palace in Jaipur. It has turnover of ₹ 140 lakh in the preceding financial year. In the current financial year, it has also started dealing in intra-State trading of beverages in Jaipur (Rajasthan).
- (c) M/s Indra & bro, a registered dealer, is providing restaurant services in Uttarakhand. It has turnover of ₹ 70 lakh in the preceding financial year. It has started providing intra-State interior designing services in the current financial year and discontinued rendering restaurant services.
- (d) M/s Him Naresh, a registered dealer, is exclusively providing intra-state architect services in Uttarakhand. It has turnover of ₹ 40 lakh in the preceding financial year.

**Answer:** As per section 10 of the CGST Act, 2017, the following registered persons, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay tax under composition levy.

- (a) Manufacturer,
- (b) Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and
- (c) Any other supplier eligible for composition levy.

Thus, essentially, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.

Further, the registered person should not be engaged in making any inter-State outward supplies of goods.

Furthermore, an option of availing benefit of concessional payment of tax has been provided to a registered person whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme. Said person can pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] on first supplies of goods and/or services up to an aggregate turnover of ₹ 50 lakh made on/after 1st April in any financial year (FY), subject to specified conditions vide *section 10(2A)*. One of such condition is that the registered person should not be engaged in making any inter-state outward taxable supplies.



In view of the above-mentioned provisions, the answer to the given independent cases is as under:-

- (a) The turnover limit for composition scheme in case of Jaipur (Rajasthan) is ₹1.5 crore. Thus, M/s Devlok can opt for composition scheme as its aggregate turnover is less than ₹1.5 crore. Further, since the registered person opting for composition scheme 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, M/s Devlok can supply repair services up to a value of ₹13 lakh [10% of ₹130 lakh or ₹5 lakh, whichever is higher] in the current financial year.
- (b) In the given case: –
- (i) the turnover in the preceding year is less than the eligible turnover limit, i.e. ₹ 1.5 crore.
  - (ii) the supplier is engaged in providing restaurant service which is an eligible supply under composition scheme.
  - (iii) the supplier wants to engage in trading of goods which is also an eligible supply under composition scheme.

Thus, M/s Narayan & Sons is eligible for composition scheme.

- (c) The turnover limit for composition scheme in case of Uttarakhand is ₹ 75 lakh. Further, a registered person who is exclusively engaged in supplying services other than restaurant services are not eligible for composition scheme. Thus, M/s Indra & bro cannot opt for composition scheme.

Further, the benefit of concessional tax payment under *section 10(2A)* is available in case of a registered person whose aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.

Thus, in view of the above- mentioned provisions, M/s Indra & bro cannot avail the benefit of concessional tax payment as its aggregate turnover in the preceding financial year is more than ₹ 50 lakh.

- (d) An exclusive service provider can opt for the composition scheme only if he is engaged in supply of restaurant services. The composition scheme permits supply of marginal services for a specified value, but only when the same are supplied along with goods and/or restaurant service.

Since M/s Him Naresh is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme even though its turnover in the preceding year is less than ₹ 75 lakh, the eligible turnover limit for Uttarakhand.

However, since M/s Him Naresh is not eligible to opt for composition scheme, its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh and it is exclusively engaged in supply of services other than restaurant services, M/s Him Naresh is entitled to avail benefit of concessional payment of tax under *section 10(2A.)*

**Question 23:**

(i) Examine whether the suppliers are eligible for composition levy under section 10 of the CGST Act, 2017 in the following independent cases in the beginning of the current financial year.

(a) Technology Enterprises, registered in Jalandhar, Punjab, is engaged in manufacturing computer systems. Its aggregate turnover in the preceding financial year is ₹ 125 lakh. Technology Enterprises supplies the computer systems manufactured by it within the State of Punjab only. With a view to expand its business operations, it will also start providing the repairing services of computer systems in the current financial year.

(b) M/s. Siddharth & Sons, registered in Delhi, owns a restaurant 'Tasty Foods' with a turnover of ₹ 112 lakh in the preceding financial year. In view of the growing customer demand, it will also start intra-State trading of beverages in Delhi.

(c) Sitaram Associates, registered in Sikkim, is engaged in running a food chain 'Veg Kitchen' in the State. It has a turnover of ₹ 73 lakh in the preceding financial year. In the current financial year, it decides to shut down the food chain owing to huge losses being incurred in the said business. Instead, it will start providing intra-State architect services.

(d) Deepti Services Ltd., registered in Uttarakhand, is exclusively providing hair styling services. It has turnover of ₹ 34 lakh in the preceding financial year.

Will your answer be different, if Deepti Services Ltd. also start supplying beauty products alongwith providing hair styling services in the current financial year?

(ii) Varun & Arun Associates started a partnership firm of architects in Bhopal (Madhya Pradesh) on 01.04.2020. The firm provides architecture services, in Madhya Pradesh. It provided the following details of its turnover:

April - June	₹ 20 lakh
July - Sept	₹ 30 lakh
Oct - Dec	₹ 20 lakh

**The firm has obtained the registration under section 22 of the CGST Act, 2017 and pays tax under composition scheme. Determine the tax liability of Varun & Arun Associates for the quarters: Apr-Jun, Jul-Sept and Oct-Dec.**

**Note: The rates of tax on architectural services are CGST- 9% and SGST-9%.**

**Answer:**

(i) As per section 10(1) of the CGST Act, 2017, the following registered persons, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay tax under composition levy:

- (i) Manufacturer,
- (ii) Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and
- (iii) Any other supplier eligible for composition levy.

The composition scheme under sub-sections (1) and (2) of section 10 can essentially be availed in respect of goods and only one service namely, restaurant service. However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher. Further, the registered person should not be engaged in making any inter-State outward supplies of goods.

Furthermore, newly inserted section 10(2A) of the CGST Act, 2017 provides an option to a registered person, who is not eligible to pay tax under section 10(1) and 10(2), of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto ₹ 50 lakh. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of ₹ 50 lakh, subject to specified conditions. One of such condition is that the registered person should not be engaged in making any inter-State outward supplies of goods or services.

In view of the above-mentioned provisions, the answer to the given independent cases is as under:-

(a) The turnover limit for being eligible for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 for Jalandhar (Punjab) is ₹ 1.5 crore in the preceding financial year. Thus, Technology Enterprises can opt for said composition scheme as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is making intra-State supplies. Further, since the registered person opting for

composition scheme 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. Thus, Technology Enterprises can supply repair services up to a value of ₹ 12.5 lakh [10% of ₹125 lakh] in the current financial year.

**(b)** In the given case:-

- (i) the turnover in the preceding year is less than the eligible turnover limit under composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 for Delhi, i.e. ₹ 1.5 crore.
- (ii) the supplier is engaged in providing restaurant service which is an eligible supply under said composition scheme.
- (iii) the supplier wants to engage in trading of goods which is also an eligible supply under said composition scheme.

Thus, M/s. Siddharth & Sons is eligible for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017.

**(c)** The turnover limit for being eligible for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 for Sikkim is ₹ 75 lakh in the preceding financial year. However, a registered person who is exclusively engaged in supplying services other than restaurant services are not eligible for said composition scheme. Thus, Sitaram Associates cannot opt for composition scheme under sub-sections (1) and (2) of section 10.

However, the benefit of composition scheme under section 10(2A) of the CGST Act, 2017 is available in case of a registered person who is not eligible to pay tax under sub-sections (1) and (2) of section 10 provided its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.

Thus, in view of the above-mentioned provisions, Sitaram Associates cannot avail the benefit of composition scheme under section 10(2A) also as its aggregate turnover in the preceding financial year is more than ₹ 50 lakh.

**(d)** A service provider can opt for the composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 only if he is engaged in supply of restaurant services. Said scheme permits supply of marginal services for a specified value, but only when the same are supplied along with goods and/ or restaurant service.

Since Deepti Services Ltd. is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme sub-sections (1) and (2) of section 10 even

though its turnover in the preceding year is less than ₹ 75 lakh, the eligible turnover limit for Uttarakhand.

However, since Deepti Services Ltd. is not eligible to opt for composition scheme under sub-sections (1) and (2) of section 10 and its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh, Deepti Services Ltd. is entitled to avail benefit of composition scheme under section 10(2A) of the CGST Act, 2017 in the current financial year.

Further, the answer will remain the same even if Deepti Services Ltd. also start supplying beauty products along with providing hair styling services in the current financial year since it fulfils the conditions laid down for availing the benefit of composition scheme under section 10(2A) of the CGST Act. It can avail the benefit of composition scheme under section 10(2A) till the time its aggregate turnover in the current year doesn't exceed ₹ 50 lakh.

- (ii)** The composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 is available in case of goods and restaurant service. Further, marginal services upto specified limit can be provided along with the supply of goods or restaurant service, as the case may be. Since, in the given case, Varun & Arun Associates is supplying services other than restaurant services, it is not eligible to pay tax under sub-sections (1) and (2) of section 10. However, section 10(2A) of the CGST Act, 2017 provides an option to a registered person, who is not eligible to pay tax under sub-sections (1) and (2) of section 10, of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto ₹ 50 lakh. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of ₹ 50 lakh, subject to specified conditions.

In the given case, Varun & Arun Associates has started the supply of services in the current financial year. Therefore, its aggregate turnover in the preceding financial year is Nil. Consequently, it is eligible to avail the benefit of composition scheme under section 10(2A) of the CGST Act in the current financial year. It becomes eligible for the registration when its aggregate turnover exceeds ₹ 20 lakh. While registering under GST, it has to opt for composition scheme under section 10(2A).

For determining its 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], it 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, its aggregate turnover reaches ₹ 50 lakh\*.

Consequently, its option to avail composition scheme under section 10(2A) shall lapse by the end of July-Sept quarter and thereafter, it is required to pay tax at the normal rate. Thus, the tax payable for Oct-Dec quarter is ₹ 20 lakh × 9%, i.e. CGST - ₹ 1,80,000 and SGST - ₹ 1,80,000.

\*Note - While computing aggregate turnover for determining Varun & Arun Associates' 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.

7

## Reverse Charge Mechanism

**Question 1: State 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 having turnover of ₹50 Lakh in PFY.
- (b) Sponsorship services provided by a company to an individual.
- (c) Renting of immovable property service provided by the Central Government to a business entity having GSTN.
- (d) Services provided by the Director to the Company located in Kashmir.
- (e) Services by members of overseeing committee to Reserve Bank of India.

**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 anybody 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 provided or agreed to be provided by the Central Government, State Government, Union Territory, or local authority to any business entity located in the taxable territory is payable under reverse charge. In case of, renting of immovable property service RCM is applicable only if providing to registered person. Therefore, in the given case, reverse charge provisions will be attracted. GST is payable under Reverse charge by the **Recipient**.
- (d) Since GST on services provided or agreed to be provided by a Director to any Company located in the taxable territory is payable under reverse charge. GST is applicable on whole

of India including the States of Jammu & Kashmir. In the given case GST is payable by the **recipient - Company.**

- (e) Since GST on services provided or agreed to be provided by members of Overseeing Committee to Reserve Bank of India is payable under reverse charge, in the given case, GST is payable by the **recipient - Reserve Bank of India.**

**Question 2: Can any person other than the supplier or recipient be liable to pay tax under GST?**

**Answer:** Yes, the Government has specified categories of services on which tax 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.

For this purpose, services by way of transportation of passengers by a radio-taxi, motorcab, maxicab and motor cycle and 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) supplied through ECO have been notified.

**Question 3: 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:** Government may notify [on the recommendations of the GST Council] specific categories of services the tax on supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, 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.

Cool Trips does not have a physical presence in India, person liable to pay tax is the person representing the Electronic Commerce Operator -Cool Trips for any purpose in India.

**Question 10: Mr. Priyam, director of Sun Moon Company Private Limited, provided service to the company for remuneration of ₹ 1,25,000. Briefly answer whether GST is applicable in the below mentioned independent cases? If yes, who is liable to pay GST?**

- (i) **Mr. Priyam is an independent director of Sun Moon Company Private Limited and not an employee of the company.**



**(ii) Mr. Priyam is an executive director, i.e. an employee of Sun Moon Company Private Limited. Out of total remuneration amounting to ₹ 1,25,000, ₹ 60,000 has been declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, ₹ 65,000 has been declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services.**

**Answer:** (i) As per Para I of Schedule III of the CGST Act, services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. Services provided by the independent directors 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. Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis.

Thus, GST is applicable in this case and Sun Moon Company Private Limited is liable to pay GST.

(ii) The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), is 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. The recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis.

In lieu of the above provisions, ₹ 60,000 declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), is 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, ₹ 65,000 declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

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## Invoices

**Question 1: Patel & Sons is a manufacturer of goods who has opted for composition levy under section 10. What document is issued by the Patel & Sons to the buyer?**

**Answer** It will issue a Bill of Supply to the buyers of goods and not the tax invoice.

**Question 2:**

- (a) What kinds of invoice details of outward supplies are required to be furnished in GSTR-1 for outward supplies?**
- (b) Discuss the provisions relating to issuance of credit notes and debit notes under CGST Act and rules there under.**

**Answer**

- (a)** The invoice details of outward supplies required to be furnished in GST R-1 are - name of Buyer, GST N of buyer, invoice no., date, value, taxable value, rate of tax, amount of tax, HSN code in respect of supply of goods, accounting code in respect of supply of services and place of supply.

Further, following invoice details of outward supplies are required to be furnished invoice-wise in GST R-1 -

- (i) intra-State supplies made to the registered persons
- (ii) inter-State supplies made to the registered persons;
- (iii) inter-State supplies made to unregistered persons with invoice value exceeding ₹ 2,50,000

**Note:** The question may be answered either on the basis of invoice details of outward supplies required to be furnished in GST R-1 or on the basis of invoice details of outward supplies required to be furnished invoice-wise in GST R-1.

**(b) Credit note is required to be issued:-**

- (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**

- (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

**Question 3: 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.

**Question 4: MBM Caretakers, a registered person, provides the services of repair and maintenance of electrical appliances. On April 7, it has entered into an annual maintenance contract with P 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 MBM Caretakers issue the invoice for the services rendered?**

**Answer:** Continuous supply of service means, inter alia, 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 MBM 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, MBM Caretakers should issue quarterly invoices on or before April 1, July 1, October 1, and January 1.

**Question 5: The aggregate turnover of Sangri Services Ltd. exceeded ₹20 lakh on 12th August. He applied for registration on 3rd September and was granted the registration certificate on 6th September. You are required to advice 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 certificate of registration. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies affected 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 (12<sup>th</sup> August) till the date of issuance of certificate of registration (6<sup>th</sup> September) within 1 month from the date of issuance of certificate of registration, i.e. on or before 6<sup>th</sup> October.

**Question 6: Discuss the time-limit for issuance of invoice in case of taxable supply of goods.**

**Answer:** In case of taxable supply of goods, invoice shall be issued 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.

In case of continuous supply of goods, where successive statements of accounts/successive payments are involved, the invoice shall be issued before/at the time each such statement is issued or each such payment is received [Section 31 of the CGST Act].

**Question 7: 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 [Section 31(3)(c) read with CGST Rules, 2017].

Therefore, in the given case, Shyam Fabrics cannot issue tax invoice. Instead, it shall issue a Bill of Supply.

**Question 8: Jai, a registered supplier, runs a general store in Ludhiana, Punjab. Some of the goods sold by him are exempt whereas some are taxable. You are required to advise him on the following issues:**

- (i) Whether Jai is required to issue a tax invoices in all cases, even if he is selling the goods to the end consumers?**
- (ii) Jai sells some exempted as well as taxable goods valuing ₹ 5,000 to a school student. Is he mandatorily required to issue two separate GST documents?**
- (iii) Jai wishes to know whether it's necessary to show tax amount separately in the tax invoices issued to the customers. You are required to advise him.**

**Answer:**

- (i)** No, he is not required to issue tax invoice in all cases. As per section 31(1) of the CGST Act, 2017, every registered person supplying taxable goods is required to issue a 'tax invoice'. Section 31(3)(c) of the CGST Act, 2017 stipulates that every registered person supplying exempted goods is required to issue a bill of supply instead of tax invoice.

Further, rule 46A of the CGST Rules, 2017 provides that a registered person supplying taxable as well as exempted goods or services or both to an un-registered person may issue a single 'invoice-cum-bill of supply' for all such supplies.

However, as per section 31(3)(b) of the CGST Act, 2017 read with rule 46 of the CGST Rules, 2017, a registered person may not issue a tax invoice if:

- (i) value of the goods supplied < ₹ 200,
- (ii) the recipient is unregistered; and
- (iii) the recipient does not require such invoice.

Instead, such registered person shall issue a Consolidated Tax Invoice for such supplies at the close of each day in respect of all such supplies.

- (ii) As per rule 46A of the CGST Rules, 2017, 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. Thus, there is no need to issue a tax invoice and a bill of supply separately to the school student in respect of supply of the taxable and exempted goods respectively.
- (iii) As per section 33 of the CGST Act, 2017 read with rule 46(m) of the CGST Rules, 2017, 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. Hence, Jai has to show the tax amount separately in the tax invoices issued to customers.

**Question 9: Discuss the provisions relating to issue of an invoice/document in the following circumstances:**

- (i) **Advance payment is received against a supply, but subsequently no supplies are made.**
- (ii) **Goods are sent on approval for sale or return and are removed before the supply takes place.**
- (iii) **Mr. Mohan provides continuous supply of services to his client, where the due date of payment for such services is not ascertainable. No advance has been received in this behalf.**

**Answer:**

- (i) As per section 31(3)(e) of CGST Act, 2017, where advance payment is received against a supply for which receipt voucher has been issued, but subsequently no supplies are made and no tax invoice is issued in pursuance thereof, a refund voucher has to be issued to the person who had made the advance payment.
- (ii) As per section 31(7) of CGST Act, 2017, where the goods are sent on approval for sale or return and are removed before the supply takes place, the invoice shall be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier.
- (iii) As per section 31(5)(b) of CGST Act, 2017, in case of continuous supply of services, 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.

### Additional Practice Questions

**Question 24:** Bali Limited, a registered taxpayer, provides security services to registered persons from Mumbai office and Delhi office. The aggregate turnover of Mumbai office and Delhi office in the preceding financial year is ₹ 300 crore and ₹ 250 crore respectively. For the month of November in the current financial year, Bali Limited prepares duplicate invoices and does not issue e-invoice as it is of the view that it's aggregate turnover does not cross the threshold limit to make it liable for issuing e-invoices.

Briefly explain whether the view taken by Bali Limited is correct in law? Also explain the advantages of e-invoicing, if any.

**Answer:** The view taken by Bali Limited is not correct in law.

All notified registered businesses (except specified class of persons) with an aggregate turnover (based on PAN) in the preceding financial year greater than ₹ 500 crore are required to issue e-invoices.

The eligibility is based on aggregate annual turnover on the common PAN. Thus, the aggregate total turnover of Bali Limited is more than ₹ 500 crores (considering both the GSTINs) and is required to issue e-invoices.

Further, where e-invoicing is applicable, there is no need of issuing invoice copies in triplicate/duplicate.

E-invoice has many advantages for businesses, which have been given as under:-

- (i) **Auto-reporting of invoices into GST return and auto-generation of e-way bill (wherever required).** 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.
- (ii) **Accuracy/Reconciliation.** Since same data is reported to tax department as well as to the buyer to prepare his inward supplies (purchase) register, transcription errors are reduced. On receipt of information through GST System, buyer can do reconciliation with his Purchase Order.
- (iii) **Early payment.** E-invoicing facilitates standardisation and inter-operability leading to reduction of disputes among transacting parties and thus, improving payment cycles.
- (iv) **Cost reduction.** E-invoicing helps in reducing processing costs and thus, leads to improvement of overall business efficiency.
- (v) **Reduction of tax evasion.** 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.

**(vi) Elimination of fake invoices.** E-invoicing eliminates 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 helps to curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities have access to data in real-time.

**(vii) Paper Elimination.** E-invoicing helps in paper elimination and thereby it is eco-friendly.

### Question 25:

**Determine in which of the following independent cases, e-invoicing is applicable?**

- (i) 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.**
- (ii) Rich & Poor Bank, registered under GST has an aggregate turnover of ₹ 75 crore in the preceding financial year.**

### Answer:

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:-

- (a) Special Economic Zone units
- (b) Insurer or banking company or financial institution including NBFC
- (c) GTA supplying services in relation to transportation of goods by road in a goods carriage
- (d) Supplier of passenger transportation service
- (e) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens

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:-

- (i) 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.

- (ii) 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.

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## Time of Supply

**Question 1:** With each purchase of a large pizza during the Christmas week from Perfect Pizza, one can buy a voucher for ₹ 20 which will be redeemable till 5th Jan for a small pizza. What is the TOS for such pizza voucher?

**Answer:** the supply against which the voucher will be redeemed is known on the date of issue of the vouchers, the time of supply is the date of issue of the voucher.

**Question 2:** Radha Traders sold goods to Shyam Sales on 6th June with a condition that interest @ 2% per month will be charged if Shyam Sales failed to make payment within 15 days of the delivery of the goods. Goods were delivered as also the invoice was issued on 6th June. Shyam Sales paid the consideration for the goods on 6th July along with applicable interest. What is the time of supply in such transaction.

**Answer:** Time of supply for the goods sold is the date of issue of invoice i.e., 6th June and the time of supply for addition in value by way of interest is the date when such addition in value is received by Radha Traders i.e., 6th July.

**Question 3:** A Ltd. enters into an agreement with B Ltd. to supply 100 kg of raw material. However, A Ltd. supplies only 80 kg of raw material and issues the invoice for the same. For which quantity the provisions of time of supply is applicable?

**Answer:** Here the supply would be deemed to have been made in respect of 80 kg of raw material, i.e. to the extent covered by the invoice. Therefore, the provisions relating to time of supply will also be applicable to supply of 80 kg of raw material and not for entire 100 kg of raw material.

**Question 4:** 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:

17th September	Purchase order with advance of ₹ 50,000 is received for machine worth ₹ 12 lakh and entry duly made in the seller's books of account
20th October	The machine is assembled, tested at site, and accepted by buyer

23rd October	Invoice raised
4th November	Balance payment of ₹ 11,50,000 received

**Determine the time of supply(ies) in the above scenario for the purpose of payment of tax.**

**Answer:** As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to 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, the time of supply for the purpose of payment of tax for the entire amount of ₹ 12,00,000 is 20th October which is the date on which the goods were made available to the recipient as per section 31(1)(b), and the invoice should have been issued on this date [Section 12(2)(a)].

**Question 5: Gas is supplied by a pipeline. Monthly payments are made by the recipient as per contract. Every quarter, invoice is issued by the supplier supported by a statement of the goods dispatched and payments made, and the recipient has to pay the differential amount, if any. The details of the various events are:**

August 5, September 5, October 6	Payments of ₹ 2 lakh made in each month
October 3	Statement of accounts issued by supplier, with invoice for the quarter July - September
October 17	Differential payment of ₹ 56,000 received by supplier for the quarter July - September as per statement of accounts

**Determine the time of supply for the purpose of payment of tax.**

**Answer:** As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to 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.

As per section 31(4), in case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice is issued before or at the time of each such statement is issued or, as the case may be, each such payment is received. Therefore, invoice should be issued on August 5, September 5 and October 6 when monthly payments of ₹ 2 lakh are received.

Thus, the time of supply for the purpose of payment of tax will be August 5, September 5 and October 6 respectively for goods valued at ₹ 2 lakh each. For goods valued at ₹ 56,000, the time of supply for the purpose of payment of tax will be October 3, the date of issuance of invoice.

**Question 6: 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(2) 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(2)(b), 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 15th September which is the date of provision of service.

**Question 7: Determine time of supply where a telephone company receives ₹ 5000 against an invoice of ₹ 4800.**

**Answer:** The excess amount of ₹ 200 can be adjusted against next invoice. The company has the option to take date of next invoice as the time of supply of service in relation to the amount of ₹ 200 received in excess against earlier invoice.

**Question 8: Explain the meaning of the term "date of receipt of payment" as per section 13 of the CGST Act, 2017.**

**Answer:** Date of receipt of payment" in terms of section 13 of CGST Act, 2017 refers to the

- (a) date on which the payment is recorded in the books of account of the entity (supplier of service) that receives the payment, or
- (b) the date on which the payment is credited to the entity's bank account,

(whichever is earlier)

**Question 9: What is the time of supply of Goods if the invoice is issued within 30 days from the supply of the goods?**

**Answer:**

**As per section number 12:** The time of supply of goods shall be the earliest of -

(a) Date of issue of invoice by the supplier OR DUE DATE OF ISSUANCE OF INVOICE (In case invoice is not issued on time)

OR

(b) Date on which the supplier receives payment i.e. the date on which the payment is entered in his books of account or the date on which the payment is credited to his bank account, whichever is earlier with respect to the supply.

However as per N/N: 66/2017 condition given under Point (b) has been relaxed so in nutshell TIME OF SUPPLY WILL BE THE Date of issue of invoice by the supplier OR DUE DATE OF ISSUANCE OF INVOICE (In case invoice is not issued on time)

**Question 10: Determine the time of supply in the following cases assuming that GST is payable under reverse charge:**

**Answer:**

S. No.	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services	Date immediately following 60 days from invoice	Time of supply of goods [Earlier of (1) & (3)]
(i)	August 10	June 29	August 29	August 10
(ii)	August 10	June 1	August 1	August 1
(iii)	Part payment made on June 30 and balance amount paid on September 1	June 29	August 29	June 30 for part payment and August 29 for balance amount
(iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1	August 29	June 28 (i.e. when payment is entered in the books of account of the recipient)

S. No.	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services	Date immediately following 60 days from invoice	Time of supply of goods [Earlier of (1) & (3)]
(v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26 June	June 29	August 29	June 26 (i.e. when payment is debited in the recipient's bank account)

**Question 11:** Mehra Sons, a registered supplier, is a wholesale supplier of ready-made garments located in Bandra, Mumbai, on 5th September, 20XX, Subhadra, owner of Aura Boutique located in Dadar, Mumbai, approached Mehra Sons for supply of a consignment of customised dresses for ladies and kids.

Mehra Sons gets the consignment ready by 2nd December, 20XX and informs Subhadra about the same.

The invoice for the consignment was issued the next day, 3rd December, 20XX. Due to some reasons, Subhadra could not collect the consignment immediately. So, she collects the consignment from the premises of Mehra Sons on 18th December, 20XX and hands over the cheque for payment on the same date. The said payment is entered in the accounts on 20th December, 20XX and amount is credited in the bank account on 21st December, 20XX.

You are required to determine the time of supply of the readymade garments supplied by Mehra Sons to Subhadra elaborating the relevant provisions under the GST law. (4 Marks)

**Answer:** Time of supply of goods is the earlier of the following two dates:

- Date of issue of invoice/last date on which the invoice is required to be issued
- Date of receipt of payment.

However as per N/N: 66/2017 condition given under Point (b) has been relaxed so in nutshell TIME OF SUPPLY WILL BE THE Date of issue of invoice by the supplier OR DUE DATE OF ISSUANCE OF INVOICE (In case invoice is not issued on time)

**Date of invoice:** 3rd December, 20XX as invoice is issued on time.

**Question 12:** Kabira Industries Ltd engaged the services of a transporter for road transport of a consignment on 7th June and made advance payment for the transport on the same date, i.e., 7th 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:** As per Section 13(3) Time of supply of service taxable under **reverse charge** is the earlier of the following dates:

- Date after 60 days from the date of invoice ie 20th September.
- Date of payment ie 7th June.

In this case, the date of payment precedes the date immediately after 60 days from invoice date. Hence, the date of payment, that is 7th June, will be treated as the time of supply of service.

**Question 13:** 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. What will be the time of supply of service?

**Answer:** When 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(2):

- Date of provision of service ie 23<sup>rd</sup> April.
- Date of receipt of payment ie 5<sup>th</sup> January.

The payment was received on 5th January and the service was provided on 23rd April. Therefore, the date of payment, i.e., 5th January is the time of supply of the service in this case.

**Question 14:** Mr. P supplied Goods for the value of ₹ 10,000 to its customer Miss Prem on 01.01.20XX on the condition that payment for the same will be made within a week. However, Miss Prem made payment for the said goods on 02.02.20XX and thus paid interest amounting to ₹ 500. 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 15, GST shall be payable on Interest received from Miss Prem and time of supply as per section 12 for such interest is the date on which the supplier receives such addition in value.

**Question 15:** 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 7th December and hands over the payment on the same date, which is entered in the accounts on the next day, 8th 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(2):

- Date of issue of invoice/last date on which the invoice is required to be issued
- Date of receipt of payment However as per N/N: 66/2017 this condition has been relaxed so in nutshell TIME OF SUPPLY WILL BE THE Date of issue of invoice by the supplier OR DUE DATE OF ISSUANCE OF INVOICE (In case invoice is not issued on time)

In this case, **Date of invoice:** 2nd December

The time of supply will be 2nd December.

**Question 16:** 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:** The time of supply of vouchers when the supply with respect to the voucher is not identifiable shall be the Date of redemption of voucher 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(4).

**Question 17:** An income-tax and money laundering case against Mr. XYZ, working in a multi-national company, reveals a large volume of undisclosed assets, which he claims as service income. On this basis, the GST authorities investigate the GST liability. Dates of provision of service, whether in the first half or the second half of the financial year being scrutinized by income-tax authorities, are not known, Mr. XYZ voluntarily pays GST during the investigation.

**What is the time of supply of the services?**

**Answer:** It is case where it is not possible to determine the time of supply in terms of date of invoice or date of provision of service or date of receipt of payment or date of receipt of services in the books of account of the recipient,



And where periodical returns are not filed because Mr. XYZ, being an employee in a multi-national company, is not a registered person, then the date of payment of tax is taken as the time of supply. Therefore, the date when Mr. XYZ pays the GST will be the time of supply.

**Question 18: What is the time of supply of service where services are received from an associated enterprise located outside India?**

**Answer:** Time of Supply of Service in such case shall be the earliest of the following-

- (a) Date of entry of services in the books of account of recipient of service,
- (b) Date of payment.

**Question 19: Flex advertising, an advertising firm gives an interest-free credit period of 30 days for payment by the customer. One of its customers paid for the supply 40 days after the supply of service. Flex advertising waived the interest payable for delay of ten days. The department wants to add interest for ten 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 to 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.

**Question 20: An online Portal, raises invoice for database access on 20th March 2017 on ABC Ltd. The payment is made by ABC Ltd. By a demand draft sent on 24th March 2017, which is received and entered in the accounts of online Info on 28th March 2017. Online info encashes the demand draft and thereafter, gives access to the database to ABC Ltd. from 4th April. In the meanwhile, the rate of tax is changed from 1st April 2017. What is the time supply of the service of database access by Online Info?**

**Answer:** As issuance of invoice and receipt of payment (entry of the payment in online Info's accounts) occurred before the change in rate of tax, the time of supply of service by the online portal is earlier of the date of issuance of invoice (20th March 2017) or date of receipt of payment (24th March) i.e 20th March 2017. This would be so even though the service commences after the change in rate of tax [Section 14(b) (ii)].

**Question 21: Mr. A buys a motor car from a car dealer. Mr. A has made payment for the same and car dealer has issued an invoice in respect of the same on 25th October, 2017. The car was to be delivered on 1st November 2017 on occasion of his birthday. On 26th October 2017, the rate of tax applicable to motor car was revised upward, and the Department demanded from car dealer the differential amount of tax. Is this correct on department part?**

**Answer:** No the department is not correct in demanding differential amount of tax. The revised rate of tax is not applicable to the transaction, as the time of supply is earlier of the two events namely, issuance of invoice or receipt of payment, both of which are before the change in rate of tax, and thus, the old rate tax remains applicable.

**Question 22:** From the following information determine the time of supply if there is continuous supply of goods:

S. No	Invoice date	Removal of goods	Statement of account	Receipt of payment
1	01-12-2017	15-11-2017 25-11-2017	05-12-2017	02-12-2017
2	21-01-2018	18-01-2018 31-01-2018	05-01-2018	10-02-2018
3	08-02-2018	14-01-2018 23-01-2018	05-02-2018	01-02-2018

**Answer:** Time of supply of goods in each the above cases has been given in follow table-

S. No	Invoice date	Removal of goods	Statement of account	Receipt of payment	Time of supply	Reason
1	01-12-2017	15-11-2017 25-11-2017	05-12-2017	02-12-2017	01-12-2017	TOS is date of invoice since invoice is issued before statement of account.
2	21-01-2018	18-01-2018 31-01-2018	05-01-2018	10-02-2018	05-01-2018	TOS is date of statement of account since invoice is issued after the date of statement of account and payment is also received after that date.

S. No	Invoice date	Removal of goods	Statement of account	Receipt of payment	Time of supply	Reason
3	08-02-2018	14-01-2018 23-01-2018	05-02-2018	01-02-2018	01-02-2018	TOS is date of payment as statement of account and invoice is issued after date.

**Question 23:** Chiku Traders is a registered supplier of plastic goods. On 10<sup>th</sup> April, 20XX, Chiku Traders received an order from Neelu Traders for supply of a consignment of plastic goods. Chiku Traders gets the consignment ready by 15<sup>th</sup> April, 20XX. The invoice for the consignment was issued the next day, 16<sup>th</sup> April, 20XX. Neelu Traders collects the consignment from the godown of Chiku Traders on 25<sup>th</sup> April, 20XX and hands over the cheque towards payment on the same date. The said payment is entered in the books of accounts of Chiku Traders on 26<sup>th</sup> April, 20XX and amount is credited in their bank account on 27<sup>th</sup> April, 20XX.

**Determine the time of supply of the plastic goods supplied by Chiku Traders to Neelu Traders as per the provisions of CGST Act, 2017.**

**Answer:** In terms of section 12(2) of the CGST Act, the time of supply of goods is the earlier of the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment. However, *Notification No. 66/2017 CT dated 15.11.2017* specifies that a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

As per section 31(1), the invoice in case of supply of goods needs to be issued either before or at the time of removal/delivery of goods.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, time of supply is the date of issue of invoice, which is 16<sup>th</sup> April, 20XX.

**Question 24:** Hodu Ltd., Mumbai, holds 51% of shares of Wanky Inc., a USA based company. Wanky Inc. provides business auxiliary services to Hodu Ltd. From the following details, determine the time of supply of service provided by Wanky Inc:

<b>Agreed consideration</b>	<b>US \$1,00,000</b>
<b>Date on which services are provided by Wanky Inc.</b>	<b>16th June</b>
<b>Date on which invoice is issued by Wanky Inc.</b>	<b>19th August</b>
<b>Date of debit in the books of account of Hodu Ltd.</b>	<b>30th September</b>
<b>Date on which payment is made by Hodu Ltd.</b>	<b>23rd December</b>

**Answer:** Since Hodu Ltd. holds 51% shares of Wanky Inc., Hodu Ltd. and Wanky Inc. are 'associated enterprises' as per section 92A of the Income-tax Act, 1961. As per second proviso to section 13(3) of the CGST Act, 2017, in case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply is the earlier of the following two dates:

Date of entry in the books of account of the recipient of supply [which is Hodu Ltd. in the present case]	30th September
OR	
Date of payment [by Hodu Ltd. in the present case]	23rd December

Thus, time of supply is 30th September.

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## Registration

**Question 1:** The aggregate turnover of Sangri Services Ltd., Delhi exceeded ₹ 20 lakh on 12th August. He 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 certificate of registration. 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.

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## Input Tax Credit

**Question 1:** Ramoplast Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps – 'Forever Glow' in Mumbai. It has provided the following information pertaining to purchases made/services availed in the month of January, 20XX:

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

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

**Answer:**

### Computation of ITC available with Ramoplast Soap Factory

Particulars	Amount (₹)
Soap making machine [ITC in respect of goods used in course/furtherance of business is available in terms of section 16 of the CGST Act]	50,000
Motor vehicles for transportation of inputs	70,000
Membership of 'Fit and Fine' health and fitness centre for its employees [ITC in respect of membership of a club, health and fitness centre is blocked in terms of section 17(5) of the CGST Act]	NIL

Particulars	Amount (₹)
Inputs stolen from the factory [ITC in respect of goods stolen is blocked in terms of section 17(5) of the CGST Act]	<u>NIL</u>
Total ITC available	1,20,000

**Question 2:** Classic Textiles Ltd. purchased a needle detecting machine on 6th July, 2017 from Balaji Engineering Works Ltd. for ₹ 10,00,000 (excluding GST) paying GST @ 18% on the same. It availed the input tax credit of the GST paid on the machine and started using it for manufacture of goods. The machine was sold on 18th October, 2018 for ₹ 6, 00,000 (excluding GST), as second hand machine to AB. Pvt. Ltd. The GST rate on supply of machine is 18%.

**Compute the amount payable by Classic Textiles Ltd. in accordance with the statutory GST provisions on the sale of the second-hand machine.**

**Answer:** Section 18 of the CGST Act, 2017 read with the CGST Rules, 2017 provides that if capital goods or plant and machinery on which input tax credit has been taken are supplied outward by the registered person, he must pay an amount that is the higher of the following:

- (i) Input tax credit taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods (i.e., input tax credit pertaining to remaining useful life of the capital goods), or
- (ii) Tax on transaction value.

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

Particulars	₹	₹
Input tax credit taken on the machine (₹ 10,00,000 × 18%)		1,80,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine		
(i) For the year 2017-18 = (₹ 1,80,000 × 5%) × 3 quarters	27,000	
(ii) For the year 2018-19 = (₹ 1,80,000 × 5%) × 3 quarters	<u>27,000</u>	54,000
Amount required to be paid (A)		1,26,000
Duty leviable on transaction value (₹ 6,00,000 × 18%) (B)		1,08,000
Amount payable towards disposal of machine is higher of (A) and (B)		1,26,000

**Question 3:** A flying school imports an aircraft for use in its training activity, and takes ITC of the IGST paid on the import of Aircraft. The departmental audit raises an objection that aircrafts fall within the definition of "conveyance" in section 2(34) of the Act and that ITC is not allowed on conveyances. 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 by flying school.

**Question 4:** 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, he can not avail ITC in respect of GST paid on purchase of Motor vehicle for use of his Directors.

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**.

**Question 5:** Mr. A, a registered person was paying tax under Composition Scheme up to 30th July. However, w.e.f 31st July, Mr. A becomes liable to pay tax under regular scheme. Is he eligible for ITC?

**Answer:** As per Section 18(1)(c) of the CGST Act, 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 30th July.

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

**Question 6:** Comment on the Availability of ITC on following inward supplies in case of a company manufacturing shoes?

Food and beverages
Outdoor catering
Health services

**Answer:**

(a) Food and beverages	Not Available
(b) Outdoor catering	Not Available
(c) Health services	Not Available



**Question 7:** Siddhi Ltd. is a registered manufacturer engaged in taxable supply of goods. Siddhi Ltd. purchased the following goods during the month of January, 2019. The following particulars are provided:

S. No.	Particulars	Input tax (₹)
1.	Capital goods purchased on which depreciation has been taken on full value including input tax thereon	15,000
2.	Goods purchased from Ravi Traders (Invoice of Ravi Traders is received in month of January, 2019, but goods were received in month of March, 2019)	20,000
3.	Car purchased for making further supply of such car. Such car is destroyed in accident while being used for test drive by potential customers	30,000
4.	Goods used for setting up telecommunication towers being immovable property	50,000
5.	Goods purchased from Pooja Ltd. (Full payment is made by Siddhi Ltd. to Pooja Ltd. against such supply, but tax has not been deposited by Pooja Ltd.)	10,000
6.	Truck purchased for delivery of output goods	80,000

Determine the amount of input tax credit (ITC) available by giving necessary explanations for treatment of various items as per the provisions of the CGST Act, 2017. You may assume that all the necessary conditions for availing the ITC have been complied with by Siddhi Ltd.

**Answer:**

**Computation of ITC available with Siddhi Ltd.**

S. No.	Particulars	Input tax (₹)
1.	Capital goods [Since depreciation has been claimed on the tax component of the value of the capital goods, ITC of such tax cannot be availed in terms of section 16 of the CGST Act, 2017.]	Nil

S. No.	Particulars	Input tax (₹)
2.	Goods purchased from Ravi Traders [ITC in respect of goods not received cannot be availed (Section 16 of the CGST Act, 2017). Since the goods have been received in the month of March 2019, ITC thereon can be availed in March 2019 and not January 2019 even though the invoice for the same has been received in January 2019]	Nil
3.	Cars purchased for making further supply [Though ITC on motor vehicles used for further supply of such vehicles is not blocked, ITC on goods destroyed for whichever reason is blocked (Section 17(5) of the CGST Act, 2017).]	Nil
4.	Goods used for setting telecommunication towers [ITC on goods used by a taxable person for construction of immovable property on his own account is blocked even when such goods are used in the course or furtherance of business (Section 17 of the CGST Act, 2017).]	Nil
5.	Goods purchased from Pooja Ltd. [ITC can be claimed provisionally in January 2019 since all the conditions necessary for availing the same have been complied with (Section 16 of the CGST Act, 2017). However, the claim will get confirmed only when the tax charged in respect of such supply has been actually paid to the Government.]	10,000
6.	Trucks purchased for delivery of output goods [ITC on motor vehicles used for transportation of goods is not blocked (Section 17(5) of the CGST Act, 2017).]	80,000
	<b>Total ITC available with Siddhi Ltd.</b>	<b>90,000</b>

**Note:** The above answer is based on the assumption that the ITC available is to be computed for the month of January, 2019. However, since the question does not specify the period for which ITC available is to be computed, the question may also be answered without referring to any particular period.

**Question 8:** With reference to the provisions of section 17 of the CGST Act, 2017, examine the availability of input tax credit under the CGST Act, 2017 in the following independent cases:-

- (i) MBF Ltd., an automobile company, has availed works contract service for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently.
- (ii) Shah & Constructions procured cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients.
- (iii) ABC Ltd. availed maintenance & repair services from "Jaggi Motors" for a truck used for transporting its finished goods.

**Answer:**

- (i) Section 17(5)(c) of the CGST Act, 2017 blocks input tax credit in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service.

Further, the term "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 and/or services **and includes such foundation or structural support** but excludes land, building or other civil structures, telecommunication towers, and pipelines laid outside the factory premises.

Thus, in view of the above-mentioned provisions, ITC is available in respect of works contract service availed by MBF Ltd. as the same is used for construction of plant and machinery which is not blocked under section 17(5)(c) of the CGST Act, 2017.

- (ii) Section 17(5)(d) of the CGST Act, 2017 blocks ITC on goods and/or services received by a taxable person for construction of an immovable property (other than plant and machinery) **on his own account** even though such goods and/or services are used in the course or furtherance of business. Thus, ITC on goods and/or services used in the construction of an immovable property is blocked only in those cases where the taxable person constructs the immovable property for his own use even if the immovable property being constructed is used in the course or furtherance of his business.

In the given case, Shah & Constructions has used the goods and services for construction of immovable property for some other person and not on its own account. Hence, ITC in this case will be allowed.

- (iii) As per section 17(5) of the CGST Act, 2017, ITC is allowed on repair and maintenance services relating to motor vehicles, which are eligible for input tax credit. Further, as per section 17(5)(a) ITC is allowed on motor vehicles which are used for transportation of goods.

Thus, ITC on maintenance & repair services availed from “Jaggi Motors” for a truck used for transporting its finished goods is allowed to ABC Ltd.

**Question 9: Krishna Motors is a car dealer selling cars of an international car company. It also provides maintenance and repair services of the cars sold by it as also of other cars. It seeks your advice on availability of input tax credit in respect of the following expenses incurred by it during the course of its business operations:**

- (i) **Cars purchased from the manufacturer for making further supply of such cars. Two of such cars are destroyed in accidents while being used for test drive by potential customers.**
- (ii) **Works contract services availed for constructing a car shed in its premises**

**Answer:** As per section 16(1) of the CGST Act, 2017, every registered person can take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business. However, section 17(5) of CGST Act, 2017 specifies certain goods and services on which the input tax credit is not available.

In the light of the foregoing provisions, the availability of input tax credit (ITC) in respect of the various expenses incurred by Krishna Motors is discussed below:

- (i) Section 17(5)(a) specifically blocks ITC on motor vehicles for transportation of passengers having approved seating capacity of not more than thirteen persons. However, the same is allowed when the motor vehicles are used, *inter alia*, for further supply of such vehicles. Thus, ITC on cars purchased from the manufacturer for making further supply of such cars will be allowed.

However, ITC on the cars destroyed in accident will not be allowed as the ITC on goods destroyed for whichever reason is specifically blocked under section 17(5)(h) of CGST Act.

- (ii) Section 17(5)(c) specifically blocks ITC on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Since, in this case the car shed is not a plant and machinery and the works contract service is not used for further supply of works contract service, ITC thereon will not be allowed.

**Question 10:** PQR Company Ltd., a registered supplier of Bengaluru (Karnataka), is a manufacturer of goods. The company provides the following information pertaining to GST paid on input supplies during the month of April, 20XX:

Sl. No.	Items	GST paid in (₹)
(i)	Life Insurance premium paid by the company on the life of factory employees as per the policy of the company	1,50,000
(ii)	Raw materials purchased for which invoice is missing but delivery challan is available.	38,000
(iii)	Raw materials purchased which are used for zero rated outward supply.	50,000
(iv)	Works contractor's service used for repair of factory building which is debited in the profit and loss account of company.	30,000
(v)	Company purchased the capital goods for ₹ 4,00,000 and claimed depreciation of ₹ 44,800 (@ 10%) on the full amount of ₹ 4,48,000 under Income Tax Act, 1961.	48,000

**Other Information:-**

- (i) In the month of September, 20XX, of previous financial year, PQR Company Ltd. availed input tax credit of ₹ 2,40,000 on purchase of raw material which was directly sent to job worker's premises under a challan on 25-09-20XX of the same financial year. The said raw material has not been received back from the Job worker up to 30-04-20XX of the current financial year.
- (ii) All the above input supplies except (ii) above have been used in the manufacture of taxable goods.

Compute the amount of net input tax credit available for the month of April, 20XX with necessary explanations for your conclusion for each item. You may assume that all the other conditions necessary for availing the eligible input tax credits have been fulfilled.

**Answer:**

Particulars	₹
Life Insurance premium paid by the company on the life of factory employees [Note 1]	Nil
Raw materials purchased [Note 2]	Nil
Raw materials used for zero rated outward supply [Note 3]	50,000
Work contractor's service [Note 4]	30,000
Capital goods purchased wherein the depreciation is claimed on the tax component [Note 5]	Nil
<b>Total ITC available</b>	<b>80,000</b>

**Notes:**

- (1) ITC on life insurance service is available only when it is obligatory for an employer to provide said services to its employees under any law for the time being in force. In the absence of any information, it is assumed that such services are not obligatory for the employer in the instant case and thus, the ITC thereon is blocked [Proviso to section 17(5)(b) of the CGST Act, 2017].
- (2) ITC cannot be taken since invoice is missing and delivery challan is not a valid document to avail ITC [Section 16 of the CGST Act, 2017]
- (3) ITC can be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply - [Section 16 of the IGST Act, 2017]
- (4) ITC is blocked on works contract services when supplied for construction of an immovable property. However, "construction" includes only that repairs which are capitalized along with the said immovable property. In this case, since repairs of building is debited to P & L Account, the same does not amount to 'construction' and hence ITC thereon is available - [Section 17(5)(c) of the CGST Act, 2017].
- (5) ITC is not available when depreciation has been claimed on the tax component of the cost of capital goods under the Income-tax Act - [Section 16(3) of the CGST Act, 2017]
- (6) The principal is entitled to take ITC of inputs sent for job work even if the said inputs are directly sent to job worker. However, where said inputs are not received back by the principal within a period of 1 year of the date of receipt of inputs by the job worker, 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 received by the job worker - [Section 19 of the CGST Act, 2017].

Hence, the ITC taken by PQR Company Ltd. in September, 20XX is valid and since 1 year period has yet not lapsed in April, 20XX, there will be no tax liability on such inputs.

**Question 11:** Quanto Ltd. is not required to register under CGST Act, 2017, but it wishes to obtain voluntary registration, so it applied for voluntary registration on 17th September, 20XX and registration certificate has been granted to it on 25th September, 20XX. The CGST and SGST liability for the month of September, 20XX is ₹ 24,000 each.

Quanto Ltd. provides the following information of inputs and capital goods held in stock on 24<sup>th</sup> September, 20XX. It is not engaged in making inter-State outward taxable supplies.

Particulars	Amount (₹)
<b>Input procured on 02-09-20XX lying in stock</b>	
- CGST @ 6%	4,500
- SGST @ 6%	4,500
<b>Input received- on 21-07-20XX contained in semi- finished goods held in stock:</b>	
- CGST @ 6%	7,500
- SGST @ 6%	7,500
<b>Value of inputs contained in finished goods held in stock ₹ 2,00,000 were procured on 19-09-20XX (Last Year)</b>	
- IGST @ 18%	36,000
<b>Inputs valued at ₹ 50,000 procured on 13-09-20XX lying in stock:</b>	
- IGST @ 18%	9,000
<b>Capital goods procured on 12-09-20XX</b>	
-CGST @ 6%	12,000
-SGST @ 6%	12,000

You are required to compute the amount of tax to be paid in cash by Quanto Ltd. for the month of September, 20XX.

You are also required to mention reasons for treatment of all above items.

**Answer:**

**Computation of net GST liability (to be paid in cash) by Quanto Ltd. for the month of September, 20XX:**

Particulars	CGST (₹)	SGST (₹)
Output tax liability for the month	24,000	24,000
Less: Input tax credit (ITC) [Refer note-2 below]	<u>9,000 (IGST)</u>	<u>12,000 (SGST)</u>
	12,000 (CGST)	
<b>Net GST payable (in cash)</b>	<b>3,000</b>	<b>12,000</b>

**Notes:**

1. Credit of IGST shall be utilized towards payment of IGST, CGST and SGST in that order. Since Quanto Ltd. does not make any inter-State supply, credit of IGST has been utilized towards payment of CGST [Section 49(5) of the CGST Act, 2017].
2. As per section 18(1)(b) of the CGST Act, 2017-

*A person who takes voluntary registration is entitled to take credit of input tax in respect of:*

- ◆ inputs held in stock and
- ◆ inputs contained in semi-finished/ finished goods held in stock

*on the day immediately preceding the date of grant of registration.*

*However, he cannot take ITC in respect of capital goods held on the day immediately preceding the date of grant of registration.*

*ITC on inputs needs to be availed within 1 year from the date of issue of the invoice by the supplier [Section 18(2) of the CGST Act, 2017].*

*In this case, since Quanto Ltd. has been granted voluntary registration on 25.09.20XX, it will be entitled to ITC on inputs held in stock and inputs contained in semi-finished/ finished goods held in stock, on 24.09.20XX. In view of the said provisions, eligible ITC for Quanto Ltd. is computed as follows:*



Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Inputs held in stock since 02.09.20XX	4,500	4,500	
Inputs received on 21.07.20XX contained in semi-finished goods held in stock	7,500	7,500	
Inputs contained in finished goods held in stock which were procured on 19.09.20XX (Last Year) <sup>1</sup> [Procured prior to one year, hence ITC cannot be availed]			Nil
Inputs held in stock since 13.09.20XX			9,000
Capital goods procured on 12.09.20XX	<u>Nil</u>	<u>Nil</u>	
Total ITC	12,000	12,000	9,000

<sup>1</sup> It has been assumed that invoice for the said goods is also dated 19.09.20XX (Last Year).

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## Manner of Payment

**Question 1: Explain the order in which liability of taxable person has to be discharged under GST laws.**

**Answer:** Section 49(8) of CGST Act, 2017 prescribes the chronological order in which the liability of a taxable person has to be discharged:

- (a) self -assessed tax and other dues for the previous tax periods have to be discharged first.
- (b) self -assessed tax and other dues for the current tax period have to be discharged next.
- (c) Once these two steps are exhausted, thereafter any other amount payable including demand Assessed by officer is 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.

The expression “other dues” referred above mean interest, penalty, fee or any other amount payable under the Act or the rules made thereunder.

**Question 2: How many types of electronic ledger are there?**

**Answer:** Electronic Ledgers or E-Ledgers are statements of cash and input tax credit in respect of each registered taxpayer. In addition, each taxpayer shall also have an electronic tax liability register. Once a taxpayer is registered on Common Portal (GSTN), two e-ledgers (Cash & Input Tax Credit ledger) and an electronic tax liability register will be automatically opened and displayed on his dash board at all times.

Following are the main ledgers:

- (a) Electronic cash ledger
- (b) Electronic liability Register
- (c) Electronic credit Ledger.

**Question 3: What is the linkage between GSTN and the authorized Banks?**

**Answer:** There will be real time two-way linkage between the GSTN and the Core Banking Solution (CBS) of the Bank. CPIN is automatically routed to the Bank via electronic string for verification and receiving payment and a challan identification number (CIN) is automatically sent by the Bank to the Common Portal confirming payment receipt. No manual intervention will be involved in the process by any one including bank cashier or teller or the tax payer.

**Question 4: Can one use input tax credit for payment of interest, penalty, and payment under reverse charge?**

**Answer:** No, one cannot use input tax credit for payment of interest, penalty, and payment under reverse charge. As per Section 49 (4) 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) of the CGST Act 2017, output tax means, the CGST/SGST chargeable under this Act on taxable supply of goods and/or services made by him or by his agent and 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.

**Question 5: What is a CPIN?**

**Answer:** CPIN stands for Common Portal Identification Number (CPIN) given at the time of generation of challan. It is a 14-digit unique number to identify the challan. As stated above, the CPIN remains valid for a period of 15 days.

**Question 6: What is a CIN and what is its relevance?**

**Answer:** CIN stands for Challan Identification Number. 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.

**Question 7: What is an E-FPB?**

**Answer:** 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 Transactions. The E-FPB will have to open accounts under each major head for all governments. Total 38 accounts (one each for CGST, IGST and one each for SGST

for each State/UT Govt.) will have to be opened. Any amount received by such E-FPB towards GST will be credited to the appropriate account held by such EFPB.

For NEFT/RTGS Transactions, RBI will act as E-FPB.

**Question 8: Write a short note on Electronic Liability Register.**

**Answer:** This ledger has details of GST liability. The ledger contains the total GST liability and the manner in which it has been paid – in cash or through credit. The electronic liability register of the person shall be debited by:

- (a) the amount payable towards tax, interest, late fee or any other amount payable as per the return furnished by the said person;
- (b) 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;
- (c) the amount of tax and interest payable as a result of mismatch under section 42 or section 43 or section 50; or
- (d) Any amount of interest that may accrue from time to time.

**Question 9: A makes intra-State supply of goods valued at ₹ 50,000 to B within State of Karnatake. B makes inter-State supply to X Ltd. (located in Telangana) after adding 10% as its margin. Thereafter, X Ltd. sells it to Y in Telangana (Intra-State sale) after adding 10% as his margin.**

**Assume that the rate of GST chargeable is 18% (CGST 9% plus SGST 9%) and IGST chargeable is 18%. Calculate tax payable at each stage of the transactions detailed above. Wherever input tax credit is available and can be utilized, calculate the net tax payable in cash. At each stage of the transaction, indicate which Government will receive the tax paid and to what extent.**

**Answer:**

**I. Intra-State supply of goods by A to B**

	₹
Value charged for supply of goods	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	<u>4,500</u>
Total price charged by A from B	<u>59,000</u>

A is the first stage supplier of goods and hence, does not have credit of CGST, SGST or IGST (Assumed). Thus, the entire CGST(₹ 4,500) & SGST(₹ 4,500) charged will be paid in cash by A to the Central Government and Karnataka Government respectively.

**II. Inter-State supply of goods by B to X Ltd. - Margin @ 10%1**

	₹
Value charged for supply of goods (₹ 50,000 x 110%)	55,000
Add: IGST @ 18%	<u>9,900</u>
Total price charged by B from X Ltd.	64,900

**Computation of IGST payable by B to Central Government in cash**

	₹
IGST payable	9,900
Less: Credit of CGST	4,500
Less: Credit of SGST	<u>4,500</u>
IGST payable to Central Government in cash	900

Credit of CGST and SGST can be used to pay IGST [Section 49(5) of the CGST Act, 2017]. Karnataka Government will transfer SGST credit of ₹ 4,500 utilised in the payment of IGST to the Central Government.

**III. Intra-State supply of goods by X Ltd. to Y**

	₹
Value charged for supply of goods (₹ 55,000 x 110%)	60,500
Add: CGST @ 9%	5,445
Add: SGST @ 9%	<u>5,445</u>
Total price charged by X Ltd. from Y	71,390

**Computation of CGST and SGST payable by X Ltd in cash**

*It has been logically presumed that 10% margin is on the value of goods (exclusive of taxes).*

	₹
CGST payable	5,445
Less: Credit of IGST	<u>5,445</u>
CGST payable to Central Government in cash	<u>Nil</u>
SGST payable	5,445
Less: Credit of IGST [₹ 9,900 - ₹ 5,445]	<u>4,455</u>
SGST payable to Telangana Government in cash	<u>990</u>

Credit of IGST can be used to pay IGST, CGST and SGST in that order [Section 49(5) of the CGST Act, 2017]. Central Government will transfer IGST of ₹ 4,455 utilised in the payment of SGST to Telangana Government.

**TEST YOURSELF**

**Question 10:** Mr. X, 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	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 purchases of goods	2,00,000
Inter-State purchases of goods	50,000

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

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

**Note:**

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

Compute the minimum GST, payable in cash, by Mr. X during the tax period. Make suitable assumptions as required.

**Answer:**

**Computation of minimum GST payable in cash by Mr. X on outward supplies**

S.No.	Particulars	(₹)	GST (₹)
(i)	Intra-State supply of goods		
	CGST @ 9% on ₹8,00,000	72,000	
	SGST @ 9% on ₹8,00,000	<u>72,000</u>	1,44,000
(ii)	Inter-State supply of goods		
	IGST @ 18% on ₹3,00,000		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

**Chapter 12**

*Manner of Payment*

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 cash ledger**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable	72,000	72,000	54,000
Less: ITC	(Nil)-IGST	(25,000)-IGST	(54,000)-IGST
	(72,000)-CGST	(18,000) - SGST	
<b>Minimum GST payable in cash</b>	<b>Nil</b>	<b>29,000</b>	<b>Nil</b>

**Note :** Since sufficient balance of ITC of CGST is available for paying CGST liability 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.

**Additional Practice Questions**

**Question 27:** Hari & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward payment taxable supplies in a tax period:

Particulars	Amount (Rs.)
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 (Rs.)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000



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

Particulars	Amount (Rs.)
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 Hari & 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% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
(i)	Intra-State supply of goods for Rs. 10,00,000	90,000	90,000		1,80,000
(ii)	Inter-State supply of goods for Rs. 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% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	57,000	60,000	1,40,000
Add: ITC on Intra-State purchases of goods valuing Rs. 3,00,000	27,000	27,000	Nil
Add: ITC on Inter-State purchases of goods valuing Rs. 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% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
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
Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	<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 ( Rs. 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. To illustrate, IGST of Rs. 10,000 can be set off against SGST payable and IGST of Rs. 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 Rs. 25,000 and Rs. 7,000 (totalling to Rs. 32,000) respectively. However, if the entire ITC of Rs. 41,000 is set off against CGST payable, then SGST of Rs. 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.

**Question 28:** 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.

**Answer: 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><u>54,000</u></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>

**Question 29:** Bunty 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 (Rs.)
Intra-State supply of goods	11,20,000
Inter-State supply of goods	4,20,000

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

Particulars	Amount (Rs.)
Intra-State purchases of goods	2,80,000
Inter-State purchases of goods	70,000

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

Particulars	Amount (Rs.)
CGST	79,800
SGST	Nil
IGST	98,000

**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 Buntly Pvt. Ltd. for the tax period. Make suitable assumptions as required.

**Answer: Computation of GST payable on outward supplies**

S. No.	Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
(i)	Intra-State supply of goods for Rs. 11,20,000	1,00,800	1,00,800		2,01,600
(ii)	Inter-State supply of goods for Rs. 4,20,000			75,600	75,600
	<b>Total GST payable</b>				<b>2,77,200</b>

**Computation of total ITC**

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	79,800	Nil	98,000
Add: ITC on Intra-State purchases of goods valuing Rs. 2,80,000	25,200	25,200	Nil
Add: ITC on Inter-State purchases of goods valuing Rs. 70,000	Nil	Nil	12,600
<b>Total ITC</b>	<b>1,05,000</b>	<b>25,200</b>	<b>1,10,600</b>

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
GST payable	1,00,800	1,00,800	75,600	2,77,200
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	(35,000) IGST	(75,600) IGST	1,10,600
	(1,00,800) CGST	(25,200) SGST		1,26,000
<b>Minimum GST payable in cash</b>	<b>Nil</b>	<b>40,600</b>	<b>Nil</b>	<b>40,600</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.

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## Returns

**Question 1: Who is required to furnish Final Return under CGST Act, 2017 and what is the time limit for the same? discuss.**

**Answer:** Every registered person who is required to furnish a return u/s 39(1) of the CGST Act, 2017 and whose registration has been surrendered or cancelled shall file a Final Return electronically in the prescribed form through the common portal.

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

- (i) Effective date of cancellation or
- (ii) date of order of cancellation whichever is later.

**Question 2: What is the purpose of returns?**

**Answer:**

- (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; to declare tax liability for a given period;
- (d) Providing necessary inputs for taking policy decision;
- (e) Management of audit and anti-evasion programs of tax administration.

**Question 3: What are the key features of return mechanism in GST?**

**Answer:** The basic features of the return mechanism in GST includes

- Electronic filing of returns,
- Uploading of invoice level information and
- Auto-population of information relating to ITC from returns of supplier to that of recipient, invoice-level information matching and auto-reversal of ITC in case of mismatch.

*(The returns mechanism is designed to assist the taxpayer to file returns and avail ITC.)*

**Question 4: What kind of inward supplies are required to be furnished in GSTR-2?**

**Answer:** The details of inward supplies of goods or services or both furnished in GSTR-2 include the -

- (a) Invoice wise details of all inter-State and intra-State supplies received from registered persons or unregistered persons including supplies taxable under reverse charge;
- (b) Import of goods and services made; and
- (c) Debit and credit notes, if any, received by the registered person from suppliers in respect of above supplies

**Question 5: Mr. Anand Kumar, a regular taxpayer, filed his return of outward supply (GSTR-1) for the month of August, 2017 before the due date. Later on, in February, 2018 he discovered error in the GSTR-1 return of August 2017 already filed and wants to revise it.**

**You are required to advise him as to the future course of action to be taken by him according to statutory provisions.**

**Answer:** The mechanism of filing revised return for any correction of errors/omission is not available under GST. The rectification of errors/omission is allowed in the subsequent returns.

Therefore, Mr. Anand Kumar who discovered an error in GSTR-1 for August, 2017, cannot revise it. However, he should rectify said error in the GSTR-1 filed for February, 2018 and should pay the tax and interest, if any, in case there is short payment, in the return to be furnished for February, 2018. The error can be rectified by furnishing appropriate particulars in the 'Amendment Tables' contained in GSTR-1.

However, as per section 37(3) of the CGST Act, 2017, no rectification of details furnished in GSTR-1 shall be allowed after:

- (i) filing of monthly return! GSTR-3 for the month of September following the end of the financial year to which such details pertain or
- (ii) filing of the relevant annual return whichever is earlier.

**Question 6: Mr. X, a composition tax payer, did not render any taxable supply during the quarter July-September. Is he required to file, any goods and service tax return?**

**Answer:** Composition tax payer is required to furnish return u/s 39 for every quarter even if no supplies have been affected during such period. In other words, **filing of Nil return is also mandatory.**

Therefore, Mr. X is required to file quarterly return even if he did not render any taxable supply during the quarter July-September.



**Question 7:** Mr. A, a regular taxpayer, files his GSTR--1, GSTR-2 and GSTR-3 for the month of August, 2017 by the respective due dates. Mr. A receives a communication from the GST common portal on 28th September, 2017 that ITC of ₹75,000 claimed by him is in excess of the tax declared by Mr. B (supplier concerned) in his valid tax return. Mr. B has filed his Annual Return for financial year 2017-18 on 10th November, 2018.

**Answer the following questions:**

- (i) When is Mr. B required to rectify the discrepancy? Is there any maximum time limit beyond which the discrepancy cannot be rectified?
- (ii) What will happen if Mr. B does not rectify the discrepancy?

**Answer:** (i) Mr. B can rectify the discrepancy in valid GSTR-3 for the month of September, 2017 in terms of section 42(5).

As per section 39(9), the maximum time limit for the rectification of the discrepancy is the earlier of the following two dates:

- (a) Due date of filing of return for the month of September following the end of the financial year 2017-18 [i.e., 20th October, 2018] or
- (b) Actual date of filing of the relevant annual return i.e., 10th November, 2018.

Thus, Mr. B cannot rectify the discrepancy beyond 20th October, 2018.

- (iii) If Mr. B does not rectify the discrepancy in his valid return for September, 2017, the excess ITC claimed by Mr. A. will be added in the output tax liability of Mr. A in his GSTR-3 for the month of October, 2017. If Mr. B does not rectify the discrepancy by 20th October, 2018, Mr. A will never be able to reclaim ITC of ₹ 15,000.

### Additional Practice Questions

**Question 18:** (a) Briefly explain the leviability of GST or otherwise on petroleum crude, diesel, petrol, Aviation filing of return Turbine Fuel (ATF) and natural gas.

(b) If a return has been filed, how can it be revised if some changes are required to be made?

**Answer:**

- (a) Petroleum crude, diesel, petrol, ATF and natural gas are presently not 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.

- (b) In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/credit notes. Instead of revising the return already submitted, the system allows changing the details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR - 1 in the tables specifically provided for the purposes of amending previously declared details.

As per section 39(9), omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the month during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in "Amendment Tables" contained in GSTR -1.

**Question 19:**

- (a) Miss Kashi is a registered intra-State supplier of goods in Haryana. During the months of August and September, she was out of station on a religious pilgrimage with her family for 55 days. Thus, no business transaction was made during August. Miss Kashi is of the opinion that as there is no transaction, there is no need to file monthly return [GSTR-3B] for the month of August. However, her tax consultant has advised her to file nil GSTR-3B. Whether the advice given by tax consultant is correct? Explain.
- (b) Will your answer in (a) change, if Miss Kashi has placed an order for some purchases during August over her mobile phone, which has been received in her premises and she intends to take input tax credit on the same?
- (c) Assuming in (a) above, Miss Kashi does not have internet facility in her mobile and there is no facilitation centre notified by the Commissioner, whether no return is required to be filed in the absence of means to file return? Explain.

**Answer:**

- (a) The advice given by tax consultant is correct.

Under GST law, filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

Therefore, in the given case, even though Miss Kashi was out of station on a religious pilgrimage with her family for 55 days and thus, could not do any business transaction during the month of August, she is still required to file Nil GSTR-3B for that month.

- (b) Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case, Miss Kashi has received certain purchases, she cannot file Nil GSTR-3B, as the said purchases will need to be disclosed in the “Table for Eligible ITC” in GSTR-3B.

Thus, Miss Kashi is required to file monthly return, GSTR-3B for the month of August.

- (c) GSTR-3B can be submitted electronically on the common portal, either directly or through a Facilitation Centre notified by the Commissioner. Further, a Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer.

Thus, Miss Kashi is required to file Nil GSTR-3B for the month of August through an SMS using her registered mobile number even though there is no internet facility in her mobile and no Facilitation Centre notified by the Commissioner.

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## E-way Bill

### Question 1: When is an e-way bill required to be generated?

**Answer:** As per rule 138 of the CGST Rules, 2017, whenever there is a movement of goods of consignment value exceeding ₹ 50,000:

- (i) in relation to a supply; or
- (ii) for reasons other than supply; or
- (iii) due to inward supply from an unregistered person,

e-way bill needs to be generated prior to the commencement of transport of goods.

Further, in the following situations, e-way bill needs to be issued even if the value of the consignment is less than ₹ 50,000:

- (i) Where goods are sent by a principal located in one State/Union territory to a job worker located in any other State/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.
- (ii) Where specified handicraft goods are transported from one State/Union territory to another State/Union territory by a person who has been exempted from the requirement of obtaining registration under section 24 of the CGST Act, 2017, the e-way bill shall be generated by the said person irrespective of the value of the consignment.

**Question 2: Happy Company is a registered supplier of electric goods. It has three stores for electric goods in Jodhpur (Rajasthan) namely Ram Store, Shyam Store, Mohan Store. It receives an order for supply of electric goods worth ₹ 1,40,000 (exclusive of GST @ 18%) from Kishan Sons of Bhopal (Madhya Pradesh). Happy Company found that order worth ₹ 43,000 can be fulfilled from the company's Ram Store, order worth ₹ 45,000 can be fulfilled from its Shyam Store and remaining goods worth ₹ 52,000 can be sent from its Mohan Store. All three stores are instructed to issue separate invoices for the goods sent to Kishan Sons. The goods are transported to Kishan Sons in Bhopal in a single conveyance owned by Shiv Transporters.**

**You are required to advise Happy Company with regard to issuance of e-way bills as per the provisions of the CGST Act, 2017.**

**Answer:** Rule 138 of the CGST Rules, 2018 stipulates that e-way Bill is mandatorily required to be generated if the goods are moved, inter alia, in relation to a supply and the consignment value [including CGST, SGST/UTGST, IGST and cess charged] exceeds ₹ 50,000.

Further, the FAQs on E-way Bill issued by CBIC clarify that if multiple invoices are issued by the supplier to one recipient, multiple e-way bills have to be generated - one e-way bill

for each invoice. Each invoice is considered as separate consignment for the purpose of generating e-way bills.

In the given case, consignment value of goods supplied against separate invoices from Ram Store, Shyam Store and Mohan Store is ₹ 50,740 [₹ 43,000 × 118%], ₹ 53,100 [₹ 45,000 × 118%] and ₹ 61,360 [₹ 52,000 × 118%] respectively.

Thus, Happy Company is required to prepare 3 separate e-way bills since value of each invoice exceeds ₹ 50,000.

**Question 3: Mr. Bala, a registered person at Chennai wants to maintain proper accounts and records relating to GST. Advise him about the accounts and other records to be maintained under section 35(1) of the CGST Act, 2017.**

**Answer:** Mr. Bala, is required to maintain a true and correct account of following under section 35(1) of the CGST Act, 2017: –

- (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) other prescribed particulars

The records may be maintained electronically. Where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business should be kept at such places of business.

**Question 4:** Orip Electricals Ltd., a registered supplier of air-conditioners, is required to send from Mumbai (Maharashtra), a consignment of parts of air-conditioner to be replaced under warranty at various client locations in Gujarat. The value of consignment declared in delivery challan accompanying the goods is ₹ 60,000. Orip Electricals Ltd. claims that since movement of goods to Gujarat is caused due to reasons other than supply, e-way bill is not mandatorily required to be generated in this case.

**You are required to examine the technical veracity of the claim made by Orip Electricals Ltd.**

**Answer:** The goods to be moved to another State for replacement under warranty is not a 'supply'. However, rule 138(1) of the CGST Act, 2017, inter alia, stipulates that every registered person who causes movement of goods of consignment value exceeding ₹ 50,000:

- (i) in relation to a supply; or
- (ii) for reasons other than supply; or
- (iii) due to inward supply from an unregistered person,

shall, generate an electronic way bill (E-way Bill) before commencement of such movement.

CBIC vide FAQs on E-way Bill has also clarified that even if the movement of goods is caused due to reasons others than supply [including replacement of goods under warranty], e-way bill is required to be issued.

Thus, in the given case, since the consignment value exceeds ₹ 50,000, e-way bill is required to be mandatorily generated. Therefore, the claim of Orip Electricals Ltd. that e-way bill is not mandatorily required to be generated as the movement of goods is caused due to reasons other than supply, is not correct.

**Question 11:**

- (a) **GST is a simplified tax structure. Justify the statement.**
- (b) **Brief explain when is it not mandatory to furnish the details of conveyance in Part -B of the e-way bill?**

**Answer:**

- (a) 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.

- (b) E-way bill is valid for movement of goods by road only when the information in Part -B is furnished in terms of explanation 2 to rule 138(3) of the CGST Rules, 2017. However, details of conveyance may not be furnished in Part-B of the e-way bill where the goods are transported **for a distance of upto 50 km** within the State/Union territory:

from the place of business of the consignor to the place of business of the transporter for further transportation or

from the place of business of the transporter finally to the place of business of the consignee.





***NOTE: Solution Videos Available on  
YouTube channel: CA RAJKUMAR GST***

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## **Part II**

# **CASE SCENARIOS**



## CASE SCENARIO

1. Mr. Pasupathi, registered taxpayer under GST, is engaged in trading of various types of consumer goods. His turnover in the preceding financial year was below the threshold limit liable for registration.

He has issued various bill of exchange, unsecured debentures, and promissory notes in course of his business activity. Further, he is also engaged in betting activities.

During the month of April in the current year, he availed the following services-

- (a) GTA services from XYZ Transports (GST was charged @ 5 %) - ₹ 35,000
- (b) Renting of Godown premises from Local Municipality- ₹ 40,000
- (c) Legal service availed from a Firm of Advocates - ₹ 50,000

He sold a car used for his personal purposes for ₹ 1,00,000. He disposed off his old computers for ₹ 60,000 on which no ITC was claimed. He also gave away his stock of old consumer goods amounting to ₹ 75,000 (on which he had claimed ITC) to an Orphanage Home.

He received goods on 1st May that are liable to tax under reverse charge. Invoice was issued on 5th May and payment for the same was made on 6th June.

He paid repair expenses for truck used for transportation of goods of his business. GST component involved thereon was ₹ 13,000. He arranged for catering on Labour Day function and paid bill in which GST component was ₹ 15,000. He received first lot of certain goods having GST component of ₹ 25,000.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions necessary for claiming ITC have been fulfilled subject to the information given above.

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

- 1.1 Which of the following is not considered as a supply as per the provisions of CGST Act, 2017?
- (i) Bill of Exchange
  - (ii) Unsecured debentures

## Case Scenarios

(iii) Betting

(iv) Promissory Note

(a) (i), (ii)

(b) (i), (ii) and (iii)

(c) (ii), (iii) and (iv)

(d) (i), (ii) and (iv)

1.2 Determine the value of services taxable under reverse charge mechanism?

(a) ₹35,000

(b) ₹75,000

(c) ₹85,000

(d) ₹1,25,000

1.3 In respect of sale of personal car and disposal of computer and stock of goods, value of supply will be \_\_\_\_\_

(a) ₹ 60,000

(b) ₹ 75,000

(c) ₹ 1,35,000

(d) ₹ 2,35,000

1.4 Time of Supply of goods received by Mr. Pasupathi is \_\_\_\_\_

(a) 1st May

(b) 5th May

(c) 5th June

(d) 6th June

1.5 Compute the amount of input tax credit (except ITC on services taxable under reverse charge mechanism) that can be claimed by Mr. Pasupathi?

(a) ₹ 28,000

(b) ₹ 38,000

(c) ₹ 40,000

(d) ₹ 13,000

**Answers Key**

Question No.	Answer	
1.1	(d)	(i), (ii) and (iv)
1.2	(b)	₹ 75,000
1.3	(b)	₹ 75,000
1.4	(a)	1st May
1.5	(d)	₹ 13,000

2. M/s. Vittal & Co., a registered supplier under GST, is dealing in supply of taxable goods in the State of Karnataka.

The firm opted for Composition Scheme since April. It's turnover crossed ₹ 1.50 Crores on 9th May and has opted for withdrawal of composition scheme on the said date.

Vittal & Co. sent goods on 10th June to Suri & Co. on 'Sale or Return Basis'. Suri & Co. accepted the goods vide its confirmation mail dated 15th December.

The firm has paid GST for various items during the month of August. It comprised of the following-

- (a) GST paid on input services intended to be used for personal purposes - ₹ 12,000
- (b) GST paid on purchase of Motor Vehicle for business use (being a two-wheeler having engine capacity of 25CC) - ₹ 9,000
- (c) GST paid on purchase of computer - ₹ 19,000 (GST portion was included as part of cost to claim depreciation under Income-tax Act, 1961)

During May, Vittal and Co. had reversed ITC of ₹ 10,000 for not making payment to Vendors within the time prescribed under CGST Act, 2017. This pending payment was cleared in the month of August.

Out of purchases made and ITC availed during earlier months, the following information is made available as on September:

Supplier Name	Payment is due for (Number of days)	Related ITC Component
XYZ	165	₹ 13,000
ABC	199	₹ 15,000
PQR	99	₹ 20,000

## Case Scenarios

Vittal & Co received accounting services from Raghu & Co., an associated enterprise, located in Sri Lanka. Raghu & Co. issued invoice for the service on 1st September, which was entered by Vittal & Co. in its book on 10th October. But payment was made on 30th September.

All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

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

2.1 Vittal & Co. needs to furnish a statement containing details of stock of inputs/ inputs held in finished goods on the withdrawal of composition scheme by \_\_\_\_\_

- (a) 9th May
- (b) 23rd May
- (c) 8th June
- (d) 7th July

2.2 In respect of the goods sent on sale or return basis, Vittal & Co. shall issue the invoice by \_\_\_\_\_

- (a) 10th June
- (b) 10th September
- (c) 10th December
- (d) 15th December

2.3 Determine the amount of eligible input tax credit that can be availed by Vittal & Co for the month of August?

- (a) Nil
- (b) ₹ 19,000
- (c) ₹ 22,000
- (d) ₹ 50,000

2.4 Compute the amount of ITC to be reversed for the month of September?

- (a) Nil
- (b) ₹ 28,000

(c) ₹ 15,000

(d) ₹ 13,000

2.5 Time of supply in respect of service imported by Vittal & Co from its Associated Enterprise is \_\_\_\_\_

(a) 1st September

(b) 30th September

(c) 1st October

(d) 10th October

**Answer Key**

Question No.	Answer
2.1	(c) 8th June
2.2	(c) 10th December
2.3	(b) ₹ 19,000
2.4	(c) ₹ 15,000
2.5	(b) 30th September

3. M/s. Triambak & Co., a LLP registered dealer under GST is engaged in various types of business activities.

It provided GTA services to Government Department, registered under GST for providing various services.

The firm provided services of Direct Selling Agency (DSA Services) to NBFC located in Mumbai.

The firm also provided gift to each of its employees valuing ₹ 50,000 once in a financial year.

M/s Triambak & Co let out its warehouse to Mr. Grushnesh, who in turn let out to an Agriculturist for warehousing of agri produce. The firm also undertakes milling of paddy into rice for various agriculturists.

## Case Scenarios

The firm was served with an order by the GST authority demanding to pay GST on two counts-

- (a) Demand to pay GST of ₹ 45,000 for suppression of sales figures in monthly returns
- (b) Demand to pay GST ₹ 55,000 for fraudulently obtaining refund of GST.

Further, in a particular month, the GST liability of the firm was ₹ 20,000 IGST; ₹ 10,000 CGST; ₹ 10,000 SGST. The following credits were available in the said month-

IGST: ₹ 8,000

CGST: ₹ 12,000

SGST: ₹ 5,000

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions for availing ITC are fulfilled subject to the information given above.

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

3.1 Choose the correct statement(s).

- (i) For GTA services, Government is liable to pay GST under reverse charge
  - (ii) For DSA services, NBFC is liable to pay GST under reverse charge
  - (iii) For GTA services, Triambak & Co is liable to pay GST under forward charge
  - (iv) For DSA services, Triambak & Co is liable to pay GST under forward charge
- (a) (i) & (ii)
  - (b) (iii) & (iv)
  - (c) (i) & (iv)
  - (d) (ii) & (iv)

3.2 Gift of ₹ 50,000 in value provided by Triambak & Co to each of its employee will be

- (a) Supply of goods
- (b) Supply of services
- (c) Both supply of goods and services
- (d) Neither supply of goods nor supply of services



**3.3 Which of the following statement is correct:-**

- (i) Letting out of warehouse to Grushnesh is exempt
  - (ii) Milling of paddy into rice is exempt
  - (iii) Letting out of warehouse to Grushnesh is not exempt
  - (iv) Milling of paddy into rice is not exempt
- (a) i & ii  
 (b) iii & iv  
 (c) i & iv  
 (d) ii & iii

**3.4 M/s Triambak & Co is eligible to claim input tax credit of\_\_\_\_\_**

- (a) ₹ 45,000
- (b) ₹ 55,000
- (c) ₹ 1,00,000
- (d) Nil

**3.5 Compute the GST liability of the firm to be paid in cash?**

- (a) IGST: ₹ 10,000; CGST: Nil, SGST: ₹ 5000
- (b) IGST: ₹ 12,000; CGST: Nil; SGST: ₹ 5000
- (c) IGST: Nil; CGST: ₹ 10,000, SGST: ₹ 5000
- (d) IGST: 5,000; CGST: Nil , SGST: 10,000

**Answer Key**

Question No.	Answer	
3.1	(c)	i & iv
3.2	(d)	Neither Supply of goods nor supply of Services
3.3	(b)	iii & iv
3.4	(d)	Nil
3.5	(a)	IGST: ₹ 10,000; CGST: Nil, SGST: ₹ 5000

## Case Scenarios

4. Ms. Chanchala, 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. Chanchala 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 31st October of the next year, whereas due date for the said Annual return is 31st December of the next year.

Proper Officer of the department cancelled the registration certificate of Ms. Chanchala suo-motu on 31st July. Order of cancellation was served on 5th 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-

- 4.1 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
  - (iii) 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)
- 4.2 Compute the taxable value of supply of canteen service provided by Ms. Chanchala?**
- (a) ₹ 25,000
- (b) ₹ 35,000
- (c) ₹ 60,000
- (d) ₹ 80,000
- 4.3 Ms. Chanchala should have applied for revocation of cancellation of registration certificate by**
- (a) 5th August
- (b) 20th August
- (c) 30th August
- (d) 4th September
- 4.4 Maximum time permissible for rectification of error committed in monthly return of June is \_\_\_\_\_**
- (a) 20th July
- (b) 20th October of the next year
- (c) 31st October of the next year
- (d) 31st December of the next year
- 4.5 Determine which of the following services provided by Ms. Chanchala 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. Chanchala in other hospitals
- (a) (i), (ii) & (iv)
- (b) (i), (ii)
- (c) (ii) & (iv)
- (d) (i) & (iii)

## Case Scenarios

### Answer Key

Question No.	Answer
4.1	(a) (i) and (iv)
4.2	(c) ₹ 60,000
4.3	(d) 4th September
4.4	(b) 20th October of the next year
4.5	(c) (ii) & (iv)

5. M/s. Visali & Co, a Partnership firm, is engaged in manufacturing of equipments in the State of Kerala.

The firm became liable for registration on 10th July. It applied for registration on 10th August and was granted registration certificate by 14th August.

The firm received sponsorship services from "Leisure Treat Bay Private limited" for conducting a business expo. It received a consignment from M/s. Safe Logistics, a GTA, which charged 6 % each CGST and SGST for its services. It also received security services from Prompt Security Agency Pvt. Ltd.

The firm had opted for composition levy and its turnover for the quarter ending September was ₹ 14 lakh, out of which taxable supply amounted to ₹ 10 Lakh and exempt supply amounted to ₹ 4 Lakh.

The firm made a supply of equipments to an unrelated limited company in the month of October having market value of ₹ 12 Lakh, wholesale value of ₹ 13 Lakh and maximum retail price was ₹ 14 lakh. However, the transaction was made at ₹ 11 lakh.

The firm belatedly paid the tax amounting to ₹ 40,000 for the quarter ending December on 09th February of the succeeding year.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise.

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

- 5.1 The effective date of registration of M/s. Visali & Co is \_\_\_\_\_
- (a) 10th July
  - (b) 9th August
  - (c) 10th August
  - (d) 14th August
- 5.2 Amongst the services availed by M/s. Visali & Co, which of the following services are taxable under reverse charge mechanism?
- (i) Sponsorship services received from Leisure Treat Bay Pvt. Ltd. Co.
  - (ii) GTA Services received from Safe Logistics
  - (iii) Security Services received from Prompt Security Agency Pvt. Ltd.
- (a) (i)
  - (b) (i) & (ii)
  - (c) (i) & (iii)
  - (d) (ii) & (iii)
- 5.3 Determine the value of supply of equipments under section 15(1) of CGST Act, 2017 made by M/s. Visali & Co. in the month of October?
- (a) ₹ 14 lakh
  - (b) ₹ 13 lakh
  - (c) ₹ 12 lakh
  - (d) ₹ 11 lakh
- 5.4 Compute the tax payable by the firm for the quarter ending September under CGST and SGST?
- (a) ₹ 5,000 each
  - (b) ₹ 7,000 each
  - (c) ₹ 10,000 each
  - (d) ₹ 35,000 each
- 5.5 Compute the interest payable by the firm for the belated payment of tax?
- (a) ₹ 395
  - (b) ₹ 434

## Case Scenarios

(c) ₹ 414

(d) ₹ 552

### Answer Key

Question No.	Answer
5.1	(d) 14th August
5.2	(a) (i)
5.3	(d) ₹ 11 lakh
5.4	(b) ₹ 7,000 each
5.5	(b) ₹ 434

6. Mr Mandeep, a registered dealer, is engaged in the business of supplying construction material 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 lakh for his personal purposes.

He availed services which are liable to tax under reverse charge for which date of invoice was 1st September, payment date as per his books of account and as per his bank account was 15th November and 18th November respectively.

His turnover for the current financial year is as follows- Taxable supply of goods - ₹ 55 lakh

Exempt supply of goods - ₹ 16 lakh

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 under section 10(1) of the CGST Act, 2017. He also wishes to make supplies to the Government.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise.

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

- 6.1 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)
- 6.2 Determine the time of supply of services, received by Mr. Mandeep and taxable under reverse charge?
- (a) 1st September
  - (b) 1st November
  - (c) 15th November
  - (d) 18th November
- 6.3 Compute the aggregate turnover of Mr. Mandeep for the given financial year?
- (a) ₹ 63 lakh
  - (b) ₹ 79 lakh
  - (c) ₹ 71 lakh
  - (d) ₹ 55 lakh
- 6.4 Mr Mandeep will be eligible for composition scheme under section 10(1) of the CGST Act, 2017, in the next financial year, but he can supply services only upto \_\_\_\_\_
- (a) ₹ 5.00 lakh
  - (b) ₹ 6.3 lakh
  - (c) ₹ 7.90 lakh
  - (d) ₹ 7.10 lakh

## Case Scenarios

**6.5** 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 Key

Question No.	Answer
6.1	(c) ii & iii
6.2	(b) 1st November
6.3	(c) ₹ 71 lakh
6.4	(d) ₹ 7.10 lakh
6.5	(d) i & ii

**7.** Ms. Riya is a multi-faceted business personality. She is registered under GST from April, this year

She supplied a package consisting of stapler, calculator and charger at a single price of ₹ 300/. Rate of GST for stapler, calculator and charger is 5 %, 12 % and 18 % respectively.

She wants to opt for composition levy.

She received following payments during the month of May:

- earned ₹ 160,000 by performing a western music in a cultural event at a Resort
- earned ₹ 50,000 by providing services by way of renting of residential dwelling for use as boutique.



- received ₹ 70,000 by way of rent for letting of agro machinery

Ms. Riya made a supply during June, details of which are as follows-

- Basic price of the product before TCS under Income Tax Act, 1961- ₹ 45,000
- Tax collected at source under Income-tax Act, 1961 - ₹ 2,500
- She received a subsidy of ₹ 3,500 from Green Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to saving energy

Ms. Riya provides the following information regarding receipt of inward supply during July-

- received invoice for goods having GST component of ₹ 30,000. Goods were to be delivered in 5 lots, out of which three lots were received in the current month.
- purchased a car having GST component of ₹ 1,50,000 for the usage in a driving school owned by her
- availed health insurance service for her employees on her own and paid GST of ₹ 7,000 thereon

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions necessary for claiming input tax credit (ITC) have been fulfilled subject to the information given above.

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

7.1 What would be the nature of supply and the applicable rate of GST for the supply of package made by Ms. Riya (when not registered under composition scheme):-

- composite Supply & applicable rate 12 %
- mixed Supply & applicable rate 18 %
- composite Supply & applicable rate 18 %
- mixed Supply & applicable rate 12 %

7.2 Ms. Riya can opt for composition scheme if she does not undertake the supply of

- Aerated water
- Tobacco
- Pan masala
- Milk

### Case Scenarios

- (a) (i) & (ii)
- (b) (iii) & (iv)
- (c) (i), (ii) & (iii)
- (d) (ii), (iii) & (iv)

7.3 Out of payments received by Ms. Riya in month of May , exempt Supply amounts to\_\_\_\_\_

- (a) ₹ 50,000
- (b) ₹ 70,000
- (c) ₹ 1,20,000
- (d) ₹ 1,60,000

7.4 Compute the value of supply under section 15 of CGST Act, 2017 made by Ms Riya?

- (a) ₹ 45,000
- (b) ₹ 47,500
- (c) ₹ 48,500
- (d) ₹ 51,000

7.5 Compute the amount of input tax credit that can be claimed by Ms. Riya?

- (a) ₹ 30,000
- (b) ₹ 37,000
- (c) ₹ 1,50,000
- (d) ₹ 1,57,000

### Answer Key

Question No.	Answer
7.1	(b) mixed Supply & applicable rate 18 %
7.2	(c) i, ii & iii
7.3	(b) ₹ 70,000
7.4	(a) ₹ 45,000
7.5	(c) ₹ 1,50,000

8. 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:

8.1. 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/-

8.2 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

8.3 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.

## Case Scenarios

### Answer Key

Question No.	Answer
8.1	(a) ₹ 3,05,00,000/-
8.2	(a) CGST: ₹ 60,300/-, SGST: ₹ 60,300/-
8.3	(a) Shanky Consultants shall issue GST compliant tax invoice.

9. 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.

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:

9.1 With respect to "Buy One, Get One free" 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.
- 9.2 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
- 9.3 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 Key**

Question No.	Answer
9.1	(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.

### Case Scenarios

9.2	(b)	(i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - Nil, SGST - Nil
9.3	(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.

10. 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:

10.1 The effective date of registration for Mr. Kumar is-

- (a) 30th June
- (b) 15th July
- (c) 25th July
- (d) 16th July

10.2 Mr. Kumar can issue a revised tax invoice till-

- (a) 23rd October
- (b) 8th September
- (c) 25th September
- (d) 25th August

10.3 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

10.4 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

10.5 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 Key**

Question No.	Answer
10.1	(a) 30th June
10.2	(d) 25th August
10.3	(c) CGST ₹ 56,250 & SGST ₹ 56,250
10.4	(a) 7th August
10.5	(c) CGST ₹ 18,000 & SGST ₹ 18,000

11. Ms. Neha is engaged in supply of services. She is registered under GST and has opted to pay tax under composition scheme for service provider under section 10(2A) of the CGST Act. The turnover for the quarter ending June was ₹ 12,00,000.

## Case Scenarios

During July, she crossed the aggregate turnover of ₹ 50 lakh and opted out of composition scheme. She also started trading of goods in July.

She supplied an order to Breathe Well LLP on ex factory basis, the details of which are as follows-

- (i) Basic price of the product - ₹ 53,000
- (ii) Outward freight - ₹ 12,000
- (iii) Packing Charges - ₹ 5,000
- (iv) Discount given on receiving payment - ₹ 2,000 (not included in invoice)

For supplies, provided to Breathe Well LLP, she received half of the amount in advance on 22nd July. The goods were dispatched from her factory on 25th July and delivered on 28th July. She raised the invoice on 30th July and the balance payment was also received on the same date.

Ms. Neha received 25 invoices from various suppliers involving GST of ₹ 1,50,000 for the month of July. While filing GSTR-3B for the said month on 20th August, she found that only 20 invoices involving GST of ₹ 1,00,000 were uploaded by the suppliers.

Ms. Neha supplied goods to the following persons-

Sl. No.	Recipient	Value of Supply
1	Mr. Pawan - an unregistered person	₹ 150
2	Mr. Umesh, a registered person	₹ 110
3	Rains Trust, an unregistered entity	₹ 250

None of the above persons requires a tax invoice.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

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

11.1 Compute the tax liability for the quarter ending June under CGST and SGST?

- (a) ₹ 30,000 each
- (b) ₹ 12,000 each



(c) ₹ 6,000 each

(d) ₹ 36,000 each

**11.2 Compute the value of Supply made by Ms. Neha to Breathe Wall LLP?**

(a) ₹ 56,000

(b) ₹ 58,000

(c) ₹ 68,000

(d) ₹ 75,000

**11.3 Determine the amount of ITC that can be claimed by Ms. Neha for the month of July?**

(a) ₹ 1,00,000

(b) ₹ 1,10,000

(c) ₹ 1,20,000

(d) ₹ 1,50,000

**11.4 Determine the time of supply made to Breathe Wall LLP?**

(a) 22nd July

(b) 25th July

(c) 28th July

(d) 30th July

**11.5 Ms. Neha need not issue invoice to which of the following persons?**

(a) Mr. Pawan

(b) Mr. Pawan and Umesh

(c) Mr. Pawan and Rains Trust

(d) Need not issue invoice to all the three persons

**Answer Key**

Question No.	Answer
11.1	(d) ₹ 36,000 each
11.2	(b) ₹ 58,000
11.3	(c) ₹ 1,20,000

### Case Scenarios

11.4	(b) 25th July
11.5	(a) Mr Pawan

12. Poorva Logistics is a Goods Transport Agency registered under GST. It provided GTA services (taxable @ 5 %) to the following persons-

- (a) Kunal Traders, an unregistered Partnership firm
- (b) Mr. Amar, a casual taxable person, who is not registered under GST
- (c) Small Traders co-operative society registered under Societies Registration Act

In a particular consignment, Poorva Logistics transported the following-

- (a) Defence Equipments
- (b) Railway Equipments
- (c) Organic Manure

Poorva Logistics opted to charge GST @ 12% from October. It provided GTA Services to Bama Steels Pvt. Ltd. on 1st October and issued an invoice dated 5th November. Payment was received on 6th November.

It provided both inter-State and intra-State service to various registered as well as unregistered persons.

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

12.1 Which of the following persons are liable to pay GST on reverse charge in respect of the GTA services (taxable @ 5 %) provided by Poorva Logistics

- (i) Kunal Traders
  - (ii) Mr. Amar
  - (iii) Small Traders Co-operative society
- (a) (i) & (ii)
  - (b) (ii) & (iii)
  - (c) (i) & (iii)
  - (d) (i), (ii) & (iii)

**12.2 Out of items transported by Poorva Logistics, which of the following is/are exempt from GST?**

- (i) Defence Equipments
- (ii) Railway Equipments
- (iii) Organic Manure
- (a) (i)
- (b) (i) & (ii)
- (c) (i) & (iii)
- (d) (i) , (ii) & (iii)

**12.3 What will be the time of supply in respect of the services provided by Poorva Logistics to Bama Steels Pvt. Ltd.?**

- (a) 6th November
- (b) 5th November
- (c) 30th November
- (d) 1st October

**12.4 Which of the following statements is correct in respect of services provided by Poorva Logistics to Bama Steels Pvt. Ltd.**

- (a) Bama Steels Pvt. Ltd. is liable to pay GST
- (b) Poorva Logistics is liable to pay GST
- (c) Service provided by Poorva Logistics to Bama Steels Pvt. Ltd. is exempt under GST
- (d) Bama Steels Pvt. Ltd. is liable to pay 50 % GST and remaining 50 % will be paid by Poorva Logistics

**12.5 In respect of which of the following supplies, Poorva Logistics has to provide invoice-wise details in GSTR-1?**

- (i) Inter-State supplies to registered person with invoice value not exceeding ₹ 250,000
- (ii) Inter-State supplies to unregistered person with invoice value not exceeding ₹ 250,000
- (iii) Inter-State supplies to unregistered person with invoice value exceeding ₹ 250,000
- (iv) Intra-State supplies to registered person with invoice value not exceeding ₹ 2,50,000

### Case Scenarios

- (a) (i) & (iv)
- (b) (i) & (ii)
- (c) (ii) & (iii)
- (d) (i), (iii) & (iv)

### Answer Key

Question No.	Answer
12.1	(c) i & iii
12.2	(c) i & iii
12.3	(d) 1st October
12.4	(b) Poorva Logistics is liable to pay GST
12.5	(d) i, iii and iv

13. Vedanshi & Co., a partnership firm, is engaged in retail trade since 1st April. The firm became liable for registration on 1st October. However, it applied for registration on 10th October. It had inputs held in stock, semi finished and finished goods. The firm was granted certificate of registration on 5th November.

Vedanshi & Co. needs to transport one consignment to the transporter and then to the consignee. The distance between godown of the firm and the transporter is 20 kms and from the place of transporter to consignee is 99 kms.

In the month of November, the firm received 80 invoices for various inward supplies on which total GST paid was ₹ 8 lakh. However, only 60 invoices involving GST of ₹ 7.50 lakh was uploaded in GSTR-1 by the respective suppliers.

Also, while filing return for the month of November, the firm generated E-Challan on 5th December for making payment of GST through RTGS of their bank.

All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

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

**13.1 Determine the effective date of registration of Vedanshi & Co.?**

- (a) 1st April
- (b) 1st October
- (c) 10th October
- (d) 5th November

**13.2 Vedanshi & Co. is eligible to claim ITC in respect of inputs held in stock as on-**

- (a) 30th September
- (b) 1st October
- (c) 10th October
- (d) Not eligible to claim ITC

**13.3 Which of the following statements is true in respect of furnishing of details of conveyance in Part B of e way bill?**

- (a) Part B need not be filed in respect of transport of consignment from Godown to transporter location.
- (b) Part B need not be filed in respect of transport of consignment from transporter location to consignee's location.
- (c) Information in Part-B is neither required in transport of consignment from Godown to transporter location nor from transporter location to consignee's location.
- (d) Information in Part-B is mandatory in in transport of consignment from Godown to transporter location and from transporter location to consignee's location.

**13.4 Compute the amount of ITC that can be claimed by Vedanshi & Co for the month of November?**

- (a) ₹ 7,50,000
- (b) ₹ 8,00,000
- (c) ₹ 8,25,000
- (d) ₹ 6,75,000

## Case Scenarios

**13.5 Determine the validity of E-Challan generated by Vedanshi & Co. for payment of taxes for the month of November?**

- (a) 5th December
- (b) 15th December
- (c) 20th December
- (d) 31st December

### Answer Key

Question No.	Answer
13.1	(b) 1st October
13.2	(a) 30th September
13.3	(a) Part B need not be filed in respect of transport of consignment from Godown to transporter location.
13.4	(b) ₹ 8,00,000
13.5	(c) 20th December

**14. M/s. Safe Bank Ltd., a small finance bank, was incorporated in April this year. The bank got registered under GST immediately on its incorporation as a banking company.**

M/s. Safe Bank Ltd. received software support service from its Head office (HO) located in United Kingdom. No amount was charged by HO for the said service. Value of the said service was ₹ 4,10,000. M/s. Safe Bank Ltd. provided one high end laptop worth ₹ 50,000 to its new Managing Director as a gift for discharge of his duties.

Initially the bank opened 125 branches across India covering various States. In order to secure business, the bank appointed 'Quick Loan Providers LLP,' a direct selling agent, on PAN India basis. The bank was in need of services of recovery agents for various retail and personal loans granted by its branches. For this purpose, the bank appointed 'Fast Recovery Services Pvt. Ltd.', a recovery agent, on PAN India basis.

M/s. Safe Bank Ltd. provided the following details for the month of May-

Sl.no	Nature of receipt	Amount in ₹
(i)	Interest received on Term Loan	10,75,000
(ii)	Interest received on credit card transactions	6,20,000
(iii)	Interest received on Fixed Deposit held with SBI, Mumbai	25,00,000
(iv)	Commission received on Letter of Credit issued	3,00,000
(v)	Documentation charges collected from borrowers	1,25,000
(vi)	Sale of foreign exchange to Authorized dealers of Bank of Rajasthan	15,60,000

M/s. Safe Bank Ltd. had opted for optional method, under section 17(4) of CGST Act, 2017, for claiming input tax credit in respect of its operations. For the month of May, the relevant details are as follows-

- (i) GST paid on eligible input services - ₹ 12,00,000
- (ii) GST paid on eligible capital goods - ₹ 6,00,000
- (iii) GST paid on items whose credit is blocked under section 17(5) of CGST Act - ₹ 4,00,000
- (iv) GST paid on services availed from within the same Bank having distinct registration - ₹ 2,00,000

All the amounts given above are exclusive of taxes wherever applicable. All the supply referred above is intra-state unless specified otherwise.

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

14.1 Determine the value of deemed supply in the case study given above?

- (a) ₹ Nil
- (b) ₹ 50,000
- (c) ₹ 4,10,000
- (d) ₹ 4,60,000

**Case Scenarios**

**14.2 In respect of services availed by M/s. Safe Bank Ltd., the bank shall pay tax under reverse charge for which of the following services?**

- (a) Service availed from 'Quick Loan Providers LLP'
- (b) Service availed from 'Fast Recovery Services Pvt. Ltd.'
- (c) Both (a) and (b)
- (d) None of the services availed attracts RCM

**14.3 Compute the value of exempt supply provided by M/s. Safe Bank Ltd. for the month of May?**

- (a) ₹ 15,00,000
- (b) ₹ 41,95,000
- (c) ₹ 51,35,000
- (d) ₹ 66,95,000

**14.4 Compute the value of taxable supply made by M/s. Safe Bank Ltd. for the month of May?**

- (a) ₹ 10,45,000
- (b) ₹ 21,20,000
- (c) ₹ 36,80,000
- (d) ₹ 61,80,000

**14.5 Determine the amount of ITC that can be claimed by M/s. Safe Bank Ltd.?**

- (a) ₹ 11,00,000
- (b) ₹ 18,00,000
- (c) ₹ 20,00,000
- (d) ₹ 24,00,000

**Answer Key**

Question No.	Answer
14.1	(c) ₹ 4,10,000
14.2	(b) Service availed from 'Fast recovery services Pvt Ltd'
14.3	(c) ₹ 51,35,000



14.4	(a)	₹ 10,45,000
14.5	(a)	₹ 11,00,000

15. M/s. KBC Insurance Ltd., is an insurance company providing life and non-life products across India. The company is carrying on its business for the past three years with the approval of IRDA.

M/s. KBC Insurance Ltd. secure its business through various insurance agents spread across India. Those agents include individuals, firm, LLP and private limited company also. However, all of them are licensed under Insurance Act.

The company availed services of renting of motor vehicles for its employees in PAN India through 'RR Travels Private Limited', where cost of fuel is included in the consideration charged. The service provider charged 5 % GST and informed the company that it is claiming ITC only in respect of the same line of business.

M/s. KBC Insurance Ltd. provided the following details of insurance business for the month of May-

Sl. no	Nature of receipt	Amount in ₹
(i)	Premium received on Pradhan Mantri Jan Dhan Yojana	5,00,000
(ii)	Premium received on Aam Aadmi Bima Yojana	3,00,000
(iii)	Premium received on Life micro-insurance product having a sum assured of ₹ 2.50 lakh	4,00,000
(iv)	Premium received on reinsurance of Group Personal Accident Policy for Self-Employed Women	1,00,000
(v)	Premium received on Fire and Special perils policy of various business units	7,00,000
(vi)	Premium received on Money-back policies issued	12,00,000

M/s. KBC Insurance Ltd. received a proposal for Pandemic Insurance for IPL matches from the franchisees. Sum assured for said insurance was ₹ 250 Crores with a premium of ₹ 50 lakh. The company issued the said policy on 1st July. Invoice for the same was issued on 5th August. Premium was received on 14th August.

## Case Scenarios

Invoice dated 5th August issued by the company contained the following information,

- (i) Serial Number
- (ii) Name of the Recipient
- (iii) Address of the recipient
- (iv) Taxable value
- (v) Date of its issue
- (vi) Amount of tax charged

M/s. KBC Insurance Ltd. received the following supplies in the month of May and the details of GST paid on such supplies are as follows-

- (i) GST paid on purchase of car for use of Managing Director - ₹ 5,00,000
- (ii) GST paid on bus (seating capacity for 14 persons) purchased by the company for transportation of its employees from their residence to office and back - ₹ 3,00,000
- (iii) GST of ₹ 80,000 was paid on general insurance taken from Amity Insurance Ltd. for motor vehicles for transportation of persons with seating capacity  $\leq$  13 persons (including the driver) which were used in transportation of staff of the company.

All the amounts given above are exclusive of taxes wherever applicable. All the supply referred above is intra-State unless specified otherwise. Aggregate turnover of the company is not less than ₹ 10 crores for the past three years. Conditions necessary for availment of ITC are fulfilled subject to the information given.

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

15.1 Determine the services on which the company is liable to pay tax under reverse charge?

- (a) Service availed from insurance agents
- (b) Service availed from RR Travels Private Limited
- (c) None of the services availed attracts RCM
- (d) Both (a) & (b)

15.2 Compute the value of exempt supply provided by M/s. KBC Insurance Ltd. for the month of May?

- (a) ₹ 9,00,000
- (b) ₹ 13,00,000

(c) ₹ 20,00,000

(d) ₹ 32,00,000

**15.3 Compute the value of taxable Supply made by M/s. KBC Insurance Ltd. for the month of May?**

(a) ₹ 4,00,000

(b) ₹ 12,00,000

(c) ₹ 23,00,000

(d) ₹ 32,00,000

**15.4 Determine the amount of ITC that can be claimed by M/s. KBC Insurance Ltd?**

(a) ₹ 80,000

(b) ₹ 3,00,000

(c) ₹ 3,80,000

(d) ₹ 8,80,000

**15.5 Determine the time of supply of service provided to IPL franchisees?**

(a) 1st July

(b) 16th August

(c) 05th August

(d) 14th August

**15.6 Which of the following details are not mandatorily required to be mentioned in the invoice issued by the company?**

(a) (i) and (ii)

(b) (i) and (iii)

(c) (i), (ii) and (iii)

(d) (iv), (v) and (vi)

**Answer Key**

Question No.	Answer
15.1	(a) Service availed from Insurance Agents
15.2	(a) ₹ 9,00,000

### Case Scenarios

15.3	(c) ₹ 23,00,000
15.4	(c) ₹ 3,80,000
15.5	(c) 5th August
15.6	(b) i and iii

16. Explore Logistics, a Goods Transport Agency registered under GST provided GTA services (taxable @ 5%) to the following persons -

- (a) Sahil Traders, an unregistered Partnership firm .
- (b) Mr. Aadi, a casual taxable person, who is not registered under GST .
- (c) Small Traders co-operative society registered under Societies Registration Act.

In a particular consignment, Explore Logistics transported the following -

- (a) Defence Equipments
- (b) Railway Equipments
- (c) Organic Manure

Explore Logistics opted to charge GST @ 12% from October. It provided GTA Services to Mahajan Steels Pvt. Ltd. on 1st October and issued an invoice dated 5 th November. Payment was received on 6th November.

It provided both inter-State and intra-State service to various registered as well as unregistered persons.

Based on the information provided above, choose the most appropriate answer for the following questions 1.1 to 1.5-

16.1 Which of the following persons are liable to pay GST on reverse charge in respect of the GTA services (taxable @ 5%) provided by Explore Logistics

- (i) Sahil Traders
  - (ii) Mr. Aadi
  - (iii) Small Traders Co-operative society
- (a) (i) & (ii)
  - (b) (ii) & (iii)
  - (c) (i) & (iii)

- 16.2 Out of items transported by Explore Logistics, which of the following is/ are exempt from GST?**
- (i) Defence Equipments**
  - (ii) Railway Equipments**
  - (iii) Organic Manure**
- (a) (i)**
- (b) (i) & (ii)**
- (c) (i) & (iii)**
- (d) (i) , (ii) & (iii)**
- 16.3 What will be the time of supply in respect of the services provided by Explore Logistics to Mahajan Steels Pvt. Ltd.?**
- (a) 6th November**
  - (b) 5th November**
  - (c) 30th November**
  - (d) 1st October**
- 16.4 Which of the following statements is correct in respect of services provided by Explore Logistics to Mahajan Steels Pvt. Ltd.**
- (a) Mahajan Steels Pvt. Ltd. is liable to pay GST**
  - (b) Explore Logistics is liable to pay GST**
  - (c) Service provided by Explore Logistics to Mahajan Steels Pvt. Ltd. is exempt under GST**
  - (d) Mahajan Steels Pvt. Ltd. is liable to pay 50% GST and remaining 50% will be paid by Explore Logistics**
- 16.5 In respect of which of the following supplies, Explore Logistics has to provide invoice-wise details in GSTR-1?**
- (i) Inter-State supplies to registered person with invoice value not exceeding ₹ 2,50,000**
  - (ii) Inter-State supplies to unregistered person with invoice value not exceeding ₹ 2,50,000**

### Case Scenarios

- (iii) Inter-State supplies to unregistered person with invoice value exceeding ₹ 2,50,000
- (iv) Intra-State supplies to registered person with invoice value not exceeding ₹ 2,50,000
- (a) (i) & (iv)
- (b) (i) & (ii)
- (c) (ii) & (iii)
- (d) (i), (iii) & (iv)

### Answer Key

Question No.	Answer
16.1	(c) (i) & (iii)
16.2	(c) (i) & (iii)
16.3	(d) 1st October
16.4	(b) Explore Logistics is liable to pay GST
16.5	(d) (i), (iii) and (iv)

17. Ms. Anjali is engaged in supply of services. She is registered under GST and has opted to pay tax under composition scheme for service provider under section 10(2A) of the CGST Act. The turnover for the quarter ending June was ₹ 12,00,000.

During July, she crossed the aggregate turnover of ₹ 50 lakh and opted out of composition scheme. She also started trading of goods in July.

She supplied an order to Breathe Well LLP on ex -factory basis, the details of which are as follows -

- (i) Basic price of the product - ₹ 53,000
- (ii) Outward freight - ₹ 12,000
- (iii) Packing Charges - ₹ 5,000
- (iv) Discount given on receiving payment - ₹ 2,000 (not included in invoice)

For supplies, provided to Breathe Well LLP, she received half of the amount as advance on 22nd July. The goods were dispatched from her factory on 25 th July and delivered on 28th July. She raised the invoice on 30th July and the balance payment was also received on the same date.

Ms. Anjali received 25 invoices from various suppliers involving GST of ₹ 1,50,000 for the month of July. While filing GSTR-3B for the said month on 20th August, she found that only 20 invoices involving GST of ₹ 1,00,000 were uploaded by the suppliers.

Ms. Anjali supplied goods to the following persons -

Sl. No.	Recipient	Value of Supply
1	Mr. Pawan - an unregistered person	₹ 150
2	Mr. Umesh, a registered person	₹ 110
3	Rains Trust, an unregistered entity	₹ 250

None of the above persons requires a tax invoice.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

Based on the information provided above, choose the most appropriate answer for the following questions 1.1 to 1.5-

17.1 Compute the tax liability for the quarter ending June under CGST and SGST?

- (a) ₹ 30,000 each
- (b) ₹ 12,000 each
- (c) ₹ 6,000 each
- (d) ₹ 36,000 each

17.2 Compute the value of Supply made by Ms. Anjali to Breathe Wall LLP?

- (a) ₹ 56,000
- (b) ₹ 58,000
- (c) ₹ 68,000
- (d) ₹ 75,000

**Case Scenarios**

**17.3 Determine the amount of ITC that can be claimed by Ms. Anjali for the month of July?**

- (a) ₹ 1,00,000
- (b) ₹ 1,10,000
- (c) ₹ 1,20,000
- (d) ₹ 1,50,000

**17.4 Determine the time of supply made to Breathe Wall LLP?**

- (a) 22nd July
- (b) 25th July
- (c) 28th July
- (d) 30th July

**17.5 Ms. Anjali need not issue invoice to which of the following persons?**

- (a) Mr. Pawan
- (b) Mr. Pawan and Umesh
- (c) Mr. Pawan and Rains Trust
- (d) Need not issue invoice to all the three persons

**Answer Key**

Question No.	Answer
17.1	(d) ₹ 36,000 each
17.2	(b) ₹ 58,000
17.3	(b) ₹ 1,10,000
17.4	(b) 25th July
17.5	(a) Mr. Pawan

**18. M/s Aditi & Co, a partnership firm registered under GST, is undertaking various Government projects.**

**The firm has let out on hire the following vehicles-**

- (i) A motor vehicle to carry more than 15 passengers to a State Government Electricity Department



(ii) An electric motor vehicle to carry more than 12 passengers to Local Municipal Corporation

(iii) An electric motor vehicle to carry upto 12 passengers to State Transport Undertaking

The firm provided the following additional information for the month of October:

(i) Works contract services were availed for construction of immovable property being plant and machinery, where value of GST component was ₹ 1,10,000.

(ii) GST amounting to ₹ 70,000 was paid on account of demand of the Department due to fraud in returns filed.

(iii) Goods valuing ₹ 10,00,000, (GST on the same ₹ 1,00,000) were received 180 days ago (invoice also issued on the date of receipt of supply) for which payment has been made till date to an extent of ₹ 4,00,000 towards value, ₹ 40,000 towards tax.

The firm made two independent outward supplies in which value of supply was understated in one case by ₹ 75,000 and overstated by ₹ 45,000 in the other case.

The firm received certain supply of goods from registered persons on which tax was payable under reverse charge basis.

All the amounts given above are exclusive of taxes, wherever applicable. All transactions referred to above are intra-State. All the conditions for availing ITC have been fulfilled subject to the information given above.

From the information given above, choose the most appropriate answer for Q. 1 to Q. 5 given below:-

18.1 In respect of vehicles let out on hire by the firm, services that are exempt from GST are

- (i) Letting on hire a motor vehicle to State Electricity Department (>15 passengers)
  - (ii) Letting on hire an electric vehicle to Local Municipality (> 12 passengers)
  - (iii) Letting on hire an electric vehicle to State Transport Undertaking (<12 passengers)
- (a) (i)
  - (b) (ii)
  - (c) (i) and (iii)
  - (d) (ii) and (iii)

**Case Scenarios**

**18.2 Determine the amount of eligible ITC to be claimed by the firm for the month of October.**

- (a) ₹ 70,000
- (b) ₹ 1,10,000
- (c) ₹ 1,80,000
- (d) Nil

**18.3 Determine the amount of ITC to be added to the output tax liability.**

- (a) ₹ 40,000
- (b) ₹ 60,000
- (c) ₹ 1,00,000
- (d) Nil

**18.4 Which of the following is correct in respect of document to be issued by the firm for understatement and overstatement of invoice value?**

- (i) Debit note is to be issued for ₹ 75,000.
  - (ii) Credit note is to be issued for ₹ 75,000.
  - (iii) Debit note is to be issued for ₹ 45,000.
  - (iv) Credit note is to be issued for ₹ 45,000.
- (a) i & iii
  - (b) ii & iii
  - (c) i & iv
  - (d) ii & iv

**18.5 Which of the following statements is correct in respect of supply of goods received by the firm which are taxable under reverse charge?**

- (i) Firm shall issue a payment voucher at the time of making payment to supplier.
  - (ii) Firm shall issue invoice for supply of goods.
  - (iii) Firm shall issue receipt voucher at the time of making payment to supplier.
  - (iv) Firm is not required to issue any document in respect of such supply.
- (a) i
  - (b) i & ii

(c) ii & iii

(d) iv

**Answer Key**

Question No.	Answer
18.1	(b)
18.2	(b)
18.3	(b)
18.4	(c)
18.5	(a)

19. MM Charitable Trust is registered under section 12AA 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.

## Case Scenarios

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]-

19.1 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

19.2 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

19.3 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

19.4 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.

**19.5 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)

**Answer Key**

Question No.	Answer
19.1	(a)
19.2	(b)
19.3	(d)
19.4	(b)
19.5	(a)

