

# CA INTERMEDIATE Exam - Year 2024

**S A T C**  
SURAJ AGRAWAL TAX CLASS



## GST -12<sup>th</sup> Edition Practice Sets (Series B)

# GST Question Bank

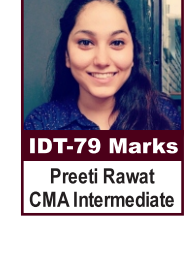
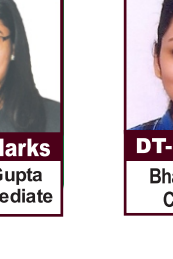
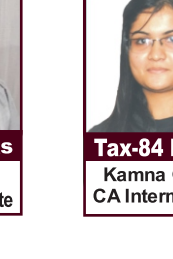
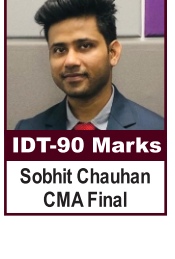
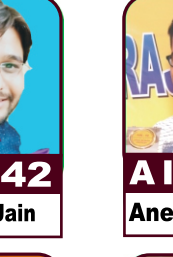
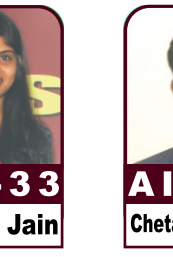
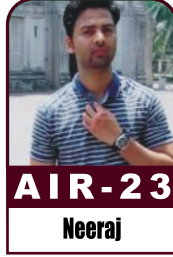
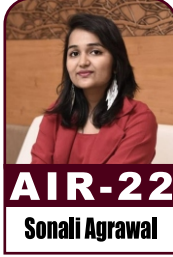
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**140+ Questions**  
**70+ MCQs**

**CA SURAJ AGRAWAL**  
CA Rank Holder, CPA (USA), B.Com (H)  
**EDUCATION IS A JOURNEY**



# 32 Rank Holder from Tax Batch of CA Suraj Agrawal Sir

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**THANKS TO MY FAMILY &  
STUDENTS FOR CONTINUOUS  
SUPPORT & LOVE.**

**CA SURAJ AGRAWAL**

**GST Practice Sets (Test Series) - Series B (12<sup>th</sup> Edition) [Total 15 Sets]  
For CA INTERMEDIATE - 2024 EXAM**

**Date: 15<sup>th</sup> April 2024**

## PREFACE

Taxation is a dynamic subject, which is not only a vast subject but also difficult to comprehend in view of frequent amendments. Yet it is the scoring subject of your syllabus. In addition, practice in the field of Taxation is also highly remunerative.

My association with the students has helped me to bring **this Question Bank** in its present form – simplified, comprehensive and easy to understand.

**12<sup>th</sup> edition - GST Question Bank [Series B]** incorporates the followings in various sets:

- ❖ **CA Inter RTP Questions (from May 2023 to May 2024 Exam)**
- ❖ **Past Exam questions with answer as suggested by ICAI (From May 2022 to Nov 2023)**
- ❖ **Past ICAI Mock Test Papers (from Nov 2022 to May 2024 Exam)**

Hope this **Question Bank** serves the purpose of the students. I shall be thankful to the readers for their suggestions, criticism and feedback if any.

**All questions/Solutions are updated as per current law applicable for 2024 exam**

**This question Bank is based on GST Book (12<sup>th</sup> Edition) issued to  
CA INTERMEDIATE Students**

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## ACKNOWLEDGEMENT

This **Question Bank** is a result of sincere efforts of our family members, colleagues, associates, well-wishers and students, whose contribution cannot go unacknowledged.

**Master Reyaan**, my wife **CA Monika Agrawal** and my mother deserve special mention for the time (on which they had the first right) they allowed me for this book.

I dedicate this book to my beloved late Grandparents & Papa.

**CA Suraj Agrawal**

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**“One more step towards success”**

# **PROFILE – CA SURAJ AGRAWAL**

CA Suraj Agrawal is a Commerce Graduate [B.Com (H)] from Kolkata University and has qualified CA in November 2005 in **First Attempt** from Kolkata. He has also secured All India **27<sup>th</sup> Rank in CA-Foundation** - 1<sup>st</sup> level (First Attempt).

Besides CA, he has completed **Certification Course of International Taxation** of the ICAI in 2009. He has also qualified **CPA (Certified Public Accountant) examination from AICPA (USA)** in 2009 with **more than 90 Marks in each of four papers** in First Attempt [**Presently, he is inspired to complete CIMA, London as well as LLM in International Taxation (UK)**]

He has started his career by joining Direct Tax Department of **Reliance Industries Limited, Mumbai** and worked for near 2 years in core tax team. He has also worked in Taxation Division of **Chaturvedi & Shah (Chartered Accountants), Delhi** followed by Tax Division of **Ernst & Young, Gurgaon, India** (A Leading Big 4 Firm having International Presence). During the working tenure of more than 4 years, he is exposed to in-depth theoretical and practical knowledge of Direct Taxation & has a consultancy exposure in various industries including Energy - Oil & Gas, Airlines, Retail, Infrastructure and Shipping Industries.

With the above academic and practical knowledge, he is in teaching profession since 2010 to serve professional students (taught **24,000 CA/CMA**s Students till date). **His in-depth coverage of legal provisions in Tax with practical approach is very well recognized among the students.** He is also an associate member of ICAI and is also providing services as Tax Consultant to various organisations.

**He was also a member in WTO, FEMA & International Tax Study Group of the NIRC of the ICAI for the year 2011-12** and was member of **International Taxation & FEMA Research Study Group of NIRC of the ICAI** for the year 2010-11. He is regularly contributing tax articles and various opinions on subjects of Direct Taxation including International Taxation in various leading magazines [Taxmann] and professional forums.

## **CA Suraj Agrawal**

**“CA Rank Holder, Qualified CPA (USA), B.Com (H)”**

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**Subjects:** DIRECT TAX & INDIRECT TAX

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# Inside [Series B - 15 Sets]

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**GST - PRACTICE TEST PAPER - SET 1 (Series B)**  
**(SATC GST TEST SERIES - 12<sup>th</sup> Edition)**  
**APPLICABLE FOR CA INTER - 2024 EXAM**

**SOURCE: CA INTERMEDIATE RTP - MAY 2023**  
**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

**1. Case Scenario based MCQ**

*Manavtaa Trust is a charitable trust registered under section 12AB of the Income-tax Act, 1961. The trust is well known for its educational, charitable and religious activities. The trust became liable to registration under GST in the current financial year since it exceeded the threshold limit for registration and thus, got itself registered in the State of Gujarat in the month of May.*

*In the month of June, a multinational company, Dhruvtara Ltd., gifted 500 laptops worth ₹ 50 lakh to the trust free of cost for the charitable purposes, without any intention of seeking any business promotion from the same. Manavtaa Trust distributed these laptops for free in the same month to the needy students for facilitating them in their higher studies.*

*Manavtaa Trust owns a higher secondary school – Manavtaa Higher Secondary School - in Gujarat. In the month of July, the trust availed security personnel services from 'Perfect Security Solutions', Gujarat, a proprietorship concern, for security of the school premises for a consideration of ₹ 2,00,000. It also received legal consultancy services from 'Maya & Co.' a firm of advocates for the issues relating to the said school for ₹ 1,20,000, in the same month.*

*Manavtaa Trust furnished the following information regarding the expenses incurred by it in the month of August; all transactions being inter-State:*

- (i) Services received and used for supplying taxable outward supplies – ₹ 3,50,000.
- (ii) Catering services received for students of Manavtaa Higher Secondary School – ₹ 2,00,000.
- (iii) Buses purchased with seating capacity of 25 persons including driver – ₹ 10,50,000 (Buses were delivered in the first week of September).

*Manavtaa Trust provided the following information in respect of the services provided by it during the month of August:*

- (i) It runs an old age home for senior citizens. Nominal monthly charges of ₹ 15,000 for boarding, lodging and maintenance are charged from each member. Total number of members is 20.
- (ii) It rents out a community hall situated within the precincts of a temple managed by it on 15<sup>th</sup> August for a religious function in first half for ₹5,000 and for an art exhibition in second half for ₹ 6,000.
- (iii) It rents out the rooms in the precincts of said temple to the devotees for a rent of ₹ 950 per room per day. Total rent collected in August amounts to ₹ 35,000.

*All the figures given above are exclusive of taxes wherever applicable. Aggregate turnover of Manavtaa Trust for the preceding financial year was ₹ 15 lakh. All the conditions necessary for availment of ITC are fulfilled subject to the information given. Manavtaa Trust intends to avail exemption from GST wherever applicable.*

**Based on the information given above, choose the most appropriate answer to the following questions-**

- A. Which of the following activities of Manavtaa Trust does not amount to supply under the GST law?**
- (a) Free laptops distributed to the needy students
  - (b) Boarding, lodging and maintenance of the senior citizens by the old age home run by the trust
  - (c) Renting of community hall situated within the precincts of the temple managed by the trust
  - (d) Renting of rooms in the precincts of the temple managed by the trust

- B. [Important]** Compute the value of inward supplies on which tax is payable by Manavtaa Trust under reverse charge, for the month of July.
- (a) ₹ 2,00,000  
 (b) ₹ 3,20,000  
 (c) ₹ 1,20,000  
 (d) Nil
- C.** Compute the value of exempt supply made by Manavtaa Trust for the month of August.
- (a) ₹ 3,00,000  
 (b) Nil  
 (c) ₹ 3,35,000  
 (d) ₹ 35,000
- D.** Compute the value of taxable supply made by Manavtaa Trust for the month of August.
- (a) ₹ 3,00,000  
 (b) ₹ 11,000  
 (c) Nil  
 (d) ₹ 35,000
- E.** Determine the amount of ITC that can be credited to the Electronic Credit Ledger of Manavtaa Trust, in the month of August assuming rate of GST to be 18%.
- (a) ₹ 36,000  
 (b) ₹ 63,000  
 (c) ₹ 1,89,000  
 (d) ₹ 2,88,000

Question No.	Answer	
A	(a)	Free laptops distributed to the needy students
B	(d)	Nil
C	(c)	₹ 3,35,000
D	(b)	₹ 11,000
E	(b)	₹ 63,000

2. **[Very Important] [ITC + Exemption + Reverse Charge]** Mr. Prithviraj, registered under GST, is engaged in supplying services (as discussed in the table below) in Maharashtra. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

S. No.	Particulars	Amount (₹)
(i)	<b>Carnatic music performance</b> given by Mr. Prithviraj to promote a brand of readymade garments (Intra-State transaction)	1,40,000
(ii)	Outdoor catering services availed for a marketing event organized <b>for his prospective customers (Intra-State transaction)</b>	50,000
(iii)	Services of transportation of students provided <b>to Subhaskar College</b> providing education as part of a curriculum for obtaining a recognised qualification (Intra-State transaction)	1,00,000
(iv)	Legal services availed for official purpose <b>from an advocate</b> located in Gujarat (Inter-State transaction)	1,75,000
(v)	Services provided to Wealth Bank <b>as a business correspondent</b> with respect to accounts in a branch of the bank located <b>in urban area</b> (Intra-State transaction)	2,00,000
(vi)	Recovery agent's services provided <b>to a car dealer</b> (Intra-State transaction)	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes (Intra-State transaction)	40,000

**Note:**

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- All inward and outward supplies are exclusive of taxes, wherever applicable.
- All the conditions necessary for availing the ITC have been fulfilled.
- The turnover of Mr. Prithviraj was ₹ 2.5 crore in the previous financial year.**

Compute the net GST payable in cash, by Mr. Prithviraj for the month of February.

**Solution:**

## Computation of GST payable

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>GST payable under forward charge</b>				
<b>Carnatic music performance given to promote a brand of readymade garments</b> [Carnatic music performance by Mr. Prithviraj is not exempt from GST even though the consideration charged does not exceed ₹ 1,50,000 since said performance has been made by him as a brand ambassador.]	1,40,000	12,600	12,600	Nil
<b>Services of transportation of students provided to Subhaskar College</b> [Services of transportation of students provided to an educational institution <b>other than</b> an institution providing pre- school education or education up to higher secondary school, <b>are not exempt.</b> ]	1,00,000	9,000	9,000	Nil
<b>Services provided to Wealth Bank as a business correspondent</b> [Services provided by a business correspondent to a banking company are <b>not exempt</b> when such services are provided with respect to accounts in <b>its urban area branch.</b> ]	2,00,000	18,000	18,000	Nil
<b>Services provided as a recovery agent</b> [Tax is payable under forward charge since recovery agent's services are being provided to a person <b>other than banking company/financial institution/ non-banking financial company.</b> ]	15,000	1,350	1,350	Nil
<b>Total GST payable under forward charge (A)</b>		<b>40,950</b>	<b>40,950</b>	<b>Nil</b>

GST payable under reverse charge				
<b>Legal services availed from an advocate</b> [Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (₹ 20 lakh) <b>are not exempt</b> and tax on the same is payable under reverse charge.]	1,75,000	Nil	Nil	31,500
<b>Total GST payable under reverse charge (B)</b>		<b>Nil</b>	<b>Nil</b>	<b>31,500</b>
<b>Total GST payable [(A)+(B)]</b>		<b>40,950</b>	<b>40,950</b>	<b>31,500</b>

## Computation of total ITC available

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>Outdoor catering services availed</b> [ITC on outdoor catering services is blocked except when such services are (i) <b>used by the taxpayer who is in the same line of business</b> or (ii) provided by the employer to its employees under a statutory obligation.]	50,000	Nil	Nil	Nil
<b>Legal services availed</b> [ITC is available as said services are used in course or furtherance of business.]	1,75,000	Nil	Nil	31,500
<b>General insurance taken on a car (seating capacity 5) used for official purposes</b> [ITC on motor vehicles for transportation of persons with <b>seating capacity ≤ 13 persons (including the driver) is blocked</b> except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. <b>Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.</b> ]	40,000	Nil	Nil	Nil
<b>Total ITC available</b>		<b>Nil</b>	<b>Nil</b>	<b>31,500</b>

## Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>GST payable under forward charge</b>	<b>40,950</b>	<b>40,950</b>	<b>Nil</b>
Less: ITC of IGST (₹ 31,500)	(15,750)	(15,750)	-
<b>Net GST Payable</b>	<b>25,200</b>	<b>25,200</b>	<b>Nil</b>
<b>Add: GST payable under reverse charge in cash</b> [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	<u>Nil</u>	<u>Nil</u>	<u>31,500</u>
<b>Net GST payable in cash [₹ 81,900]</b>	<b>25,200</b>	<b>25,200</b>	<b>31,500</b>

Note: CGST and SGST is payable on the intra-State transaction and IGST is payable on the inter-State transactions.

[ITC of IGST can be utilised towards payment of CGST and SGST **in any proportion and in any order**. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST liability and accordingly, in the given case, amount of net GST payable in cash under the heads of CGST and SGST will vary. **However, total amount of net GST payable in cash will be ₹ 81,900 in each case**]

**3. Important Determine whether GST is payable in each of the following independent transactions:**

- (i) **[Supply Chapter]** Dhruv Developers sold a plot of land in Greater Noida after levelling, laying down of drainage lines, water lines and electricity lines.

[Page 4.23 & 4.25 of GST 12<sup>th</sup> Edition Book]

**Solution:**

GST is not payable by Dhruv Developers on sale of plot of land. As per Schedule III of the CGST Act, 2017, 'sale of land' is neither a supply of goods nor a supply of services. Therefore, the sale of land does not attract GST.

Land may be sold either as it is or after some development such as levelling, laying down of drainage lines, water lines, electricity lines, etc. **It is clarified that sale of such developed land is also sale of land and is covered under Schedule III and accordingly, does not attract GST.**

- (ii) **[Exemption Chapter]** Deccan Shipping Pvt. Ltd., registered under GST in Andaman and Nicobar islands, provided the passenger transportation services to the local residents in the ferries owned by it from Neil Island to Havelock Island.

[Page 6.11 of GST 12<sup>th</sup> Edition Book]

**Solution:**

Transportation of passenger services provided by the private operator - Deccan Shipping Pvt. Ltd. - are exempt from GST. Transportation of passengers by public transport, other than predominantly for tourism purpose, in a vessel between places located in India is exempt from GST vide *Notification No. 12/2017 CT (R) dated 28.06.2017*. **It is clarified that this exemption would apply to tickets purchased for transportation from one point to another irrespective of whether the ferry is owned or operated by a private sector enterprise or by a PSU/Government.**

It is further clarified that, the expression 'public transport' used in the said exemption notification only means that **the transport should be open to public. It can be privately or publicly owned.**

Only exclusion is on transportation which is predominantly for tourism, such as services which may combine with transportation, sightseeing, food and beverages, music, accommodation such as in shikara, cruise etc.

**4. [Reverse Charge] State the person liable to pay GST in the following independent services provided:**

- (i) **[Recent Amendment]** Siddhi Builders, registered in Haryana, rented out 20 residential units owned by it in Sanskriti Society to Rudra Technologies, an IT based firm registered in the State of Haryana, for accommodation of its employees.

[Page 5.9 & Page 6.6 of GST 12<sup>th</sup> Edition Book]

**Solution:**

Services provided by way of renting of residential dwelling for use as residence is exempt from GST. **However, where the residential dwelling is rented to a registered person (other than to proprietor in his personal capacity), said exemption is not available.**

**Further, tax on service provided by way of renting of residential dwelling to a registered person is payable by the recipient under reverse charge.**

Therefore, in the given case, Rudra Technologies is liable to pay GST on the residential dwellings taken on rent by it from Siddhi Builders, under reverse charge mechanism.

- (ii) **M/s. Purohit Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of ₹ 70,000 at a seminar organized by a private NGO (a partnership firm) in Delhi.**

[Page 5.8 of GST 12<sup>th</sup> Edition Book]

**Solution:**

In case of services provided by any person by way of sponsorship to any body corporate or partnership firm, **GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory.**

Since in the given case, sponsorship services are being provided by the private NGO to a partnership firm – M/s. Purohit Consultants, **GST is payable by Purohit Consultants on said services under reverse charge.**

5. **Very Important [Registration Chapter]** Briefly enumerate the contraventions which make a registered person liable to cancellation of registration, as prescribed under rule 21 of the CGST Rules, 2017.

[Page 3.37 of GST 12<sup>th</sup> Edition Book]

**Solution:**

Rule 21 of the CGST Rules, 2017 prescribes the contraventions which make a registered person liable to cancellation of registration. As per said rule, the registration granted to a person is liable to be cancelled, if the said person -

- (a) does not conduct any business from the declared place of business.
- (b) issues invoice/bill without supply of goods/services in violation of the provisions of this Act, or the rules made thereunder.
- (c) violates the provisions of section 171 of the CGST Act. Section 171 contains provisions relating to anti-profiteering measure.
- (d) violates the provision of rule 10A of the CGST Rules relating to furnishing of bank account details.
- (e) avails input tax credit in violation of the provisions of section 16 of the CGST Act or the rules made thereunder.
- (f) furnishes the details of outward supplies in Form GSTR-1 under section 37 of the CGST Act for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods.
- (g) being a registered person required to file return under section 39(1) of the CGST Act for each month or part thereof (i.e. monthly return filer), has not furnished returns for a continuous period of 6 months.
- (h) being a registered person required to file return under proviso to section 39(1) of the CGST Act for each quarter or part thereof (i.e. quarterly return filer), has not furnished returns for a continuous period of 2 tax periods.

6. **[Payment of Tax Chapter]** State the order in which every taxable person discharges his tax and other dues under GST law, as provided under section 49 of the CGST Act, 2017.

[Page 2.4 of GST 12<sup>th</sup> Edition Book]

**Solution:**

Section 49 of the CGST Act, 2017 stipulates that every taxable person shall discharge his tax and other dues under the GST law in the following order, namely:–

- (a) self-assessed tax, and other dues related to returns of previous tax periods;
- (b) self-assessed tax, and other dues related to the return of the current tax period;
- (c) any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74.

# GST - PRACTICE TEST PAPER - SET 2 (Series B)

## (SATC GST TEST SERIES - 12<sup>th</sup> Edition)

### APPLICABLE FOR CA INTER - 2024 EXAM

**SOURCE: CA INTERMEDIATE MTP (SET 1) - MAY 2023**  
**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

1. **RECENT AMENDMENT Case Scenario based MCQ VERY IMPORTANT FOR EXAM**

**[Star Marked for Revision]** Poorva Logistics, a Goods Transport Agency, is registered under GST. It did not exercise the option to itself pay GST on the services supplied by it in the preceding financial year. It provided goods transport services (taxable @ 5%) to the following persons in February of preceding financial year-

- (a) Kunal Traders, an unregistered partnership firm
- (b) Mr. Amar, who is not registered under GST
- (c) Small Traders Co-Operative Society registered under Societies Registration Act

In a particular consignment in March of preceding financial year, Poorva Logistics transported the following-

- (a) Defence Equipments
- (b) Railway Equipments
- (c) Organic Manure

Poorva Logistics exercises the option to itself pay GST on services supplied by it @ 12% from April, of the current financial year. It provided goods transport services to Bama Steels Pvt. Ltd. on 1<sup>st</sup> April and issued an invoice dated 5<sup>th</sup> May. Payment was received on 6<sup>th</sup> May.

Based on the information provided above, choose the most appropriate answer for the following questions –

- A. Which of the following persons are liable to pay GST under reverse charge in respect of the GTA services provided by Poorva Logistics in February of the preceding financial year?
- (i) Kunal Traders
  - (ii) Mr. Amar
  - (iii) Small Traders Co-operative society

**Answer:**

- (a) i & ii
- (b) ii & iii
- (c) i & iii
- (d) i, ii & iii

- B. Transportation of \_\_\_\_\_ by Poorva Logistics is exempt from GST.

- (i) Defence Equipments
- (ii) Railway Equipments
- (iii) Organic Manure

**Answer:**

- (a) i
- (b) i & ii
- (c) i & iii
- (d) i, ii & iii

- C. What will be the time of supply in respect of the services provided by Poorva Logistics to Bama Steels Pvt. Ltd.?

- (a) 6<sup>th</sup> May
- (b) 5<sup>th</sup> May
- (c) 30<sup>th</sup> May
- (d) 1<sup>st</sup> April

2. Determine which of the following independent transactions even if made without consideration in terms of Schedule I of the CGST Act, 2017, will be deemed as supply?
- AB & Associates transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot.
  - Mr. Raghuvver, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle was blocked and therefore, was not availed.
  - Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth ₹ 21,000.

**Answer:**

- (i)
  - (ii)
  - (iii)
  - Both (i) and (ii)
3. PZY Ltd. is engaged in manufacturing of motor car. The company paid following amount of GST to its suppliers against the invoices raised to it. Compute the **amount of ineligible input tax credit** under GST law:-

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

- ₹ 9,50,000
  - ₹ 3,50,000
  - ₹ 1,31,00,000
  - ₹ 28,50,000
4. Ms. Pearl is a classical singer. She wants to organize a classical singing function, so she booked an auditorium on 10th August for a total amount of ₹ 20,000. She paid ₹ 5,000 as advance on that day. The classical singing function was organized on 10th October. The auditorium owner issued invoice to Ms. Pearl on 25th November amounting to ₹ 20,000. Pearl made balance payment of ₹ 15,000 on 30th November. Determine the time of supply in this case.
- Time of supply is 25th November for ₹ 20,000.
  - Time of supply is 25th November for ₹ 5,000 & 30th November for ₹ 15,000.
  - Time of supply is 10th August for ₹ 5,000 & 10th October for ₹ 15,000.
  - Time of supply is 10th October for ₹ 20,000.

**Solution:**

Question No.	Answer	
1 (A)	(c)	i & iii
(B)	(c)	i & iii
(C)	(d)	1 <sup>st</sup> April
2	(a)	(i)
3	(b)	₹ 3,50,000
4	(c)	Time of supply is 10th August for ₹ 5,000 & 10th October for ₹ 15,000.



5. [VERY IMPORTANT] M/s. Flow Pro, a registered supplier, is engaged in manufacturing heavy steel fabrication machine. The details pertaining to pricing of each such machine is as follows: [Star Marked for Revision]

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	25,00,000
(ii)	Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flow Pro.]	5,00,000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,00,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,00,000
(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

Note: Price of the machine is net of the subsidy received.

M/s. Flow Pro has supplied one such machine in the month of October. It also provided the following details pertaining to the purchases made/services availed during said month:

S. No.	Inward supplies	IGST (₹)	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which IGST payable was ₹ 10,000, is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two lots. First lot has been received in <u>October</u>
(iii)	Capital goods	1,20,000	M/s. Flow Pro has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice dated 20 <sup>th</sup> January of preceding financial year on which GST payable was ₹ 50,000 was missing <u>and has been found in October</u>

Compute the net GST payable in cash by M/s. Flow Pro for October assuming that all the inward supplies are inter-State supplies and all outward supplies are intra-State supplies. Assume the rates of taxes to be as under:

Particulars	Rates of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary. All the conditions necessary for availing the ITC have been fulfilled. Opening balance of the input tax credit for the relevant period is Nil. The annual return for the previous financial year was filed on 15<sup>th</sup> September of the current year.

**Solution:**

Computation of net GST payable by **Flow Pro** for the month of October

Particulars	CGST (₹)	SGST (₹)
GST payable on outward supplies (Refer Working note – 1)	2,83,500	2,83,500
Less: ITC (Refer Working note – 2) [ITC of IGST can be utilised for payment of CGST and SGST in any proportion and in any order.]	1,32,500	1,32,500
Net GST payable in cash	1,51,000	1,51,000

**Note:** ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST liability and accordingly, in the given case, amount of net GST payable in cash under the heads of CGST and SGST will vary. **However, total amount of net GST payable in cash will be ₹ 3,02,000 in each case**

## Working note – 1

Computation of GST payable on outward supply made by M/s. Flow Pro for the month of October

Particulars	Amount (₹)
<b>Price of the machine</b> [Since the subsidy is received from the State Government, the same is not includible in the value of supply in terms of section 15(2)(e)]	25,00,000
<b>Third party inspection charges</b> [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	5,00,000
<b>Freight charges for delivery of the machine</b> [Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	2,00,000
<b>Total</b>	<b>32,00,000</b>
<b>Less: Discount @ 2% on ₹ 25,00,000 being price charged to BP Ltd.</b> [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply in terms of section 15(3)(a)]	50,000
<b>Value of taxable supply</b>	<b>31,50,000</b>
<b>GST payable on outward supplies</b>	
CGST @ 9%	2,83,500
SGST @ 9%	2,83,500
[Since all the outward supplies are intra-State supplies, CGST and SGST are payable on the same.]	

## Working note – 2

Computation of ITC available with M/s Flow Pro for the month of October

S. No.	Inward supplies	ITC (₹)
(i)	<b>Inputs 'A'</b> [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC.]	90,000
(ii)	<b>Inputs 'B'</b> [When inputs are received in lots, ITC can be availed only on receipt of last lot.]	Nil
(iii)	<b>Capital goods</b> [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component.]	Nil
(iv)	<b>Input services</b> [RECENT AMENDMENT: ITC on an invoice <b>cannot be availed after 30<sup>th</sup> November following the end of financial year</b> to which such invoice pertains <b>or the date of filing annual return, whichever is earlier.</b>  Since the annual return for the previous financial year has been filed on 15 <sup>th</sup> September, ITC on the invoice pertaining to previous financial year <b>cannot be availed after 15<sup>th</sup> September.</b> ]	1,75,000
	<b>Total ITC (IGST)</b>	<b>2,65,000</b>

Note - CGST @ 9% and SGST @ 9% are payable on the outward supplies since they are intra-State supplies and IGST @ 18% is payable on the inward supplies since they are inter-State supplies.

6. [Exemption] State with reasons, whether GST is payable in the following independent cases:-

- a) Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.
- b) An RWA in a housing society, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member.

[Easy Level]

**Solution:**

- a) Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. **Food supplied to the in-patients by a canteen run by the hospital, as advised by the doctor/nutritionists, is a part of composite supply of healthcare and not separately taxable.**

Thus, said services are exempt from GST.

- b) Supply of service by a RWA (unincorporated body or a non-profit entity registered under any law) to its own members **by way of reimbursement of charges or share of contribution up to an amount of ₹ 7500 per month per member** for providing services and goods for the common use of its members in a housing society/a residential complex are exempt from GST.

Hence, in the given case, services provided by the RWA are exempt from GST since the maintenance charges collected per month per member do not exceed ₹ 7500.

7. [Registration] Determine the effective date of registration in following cases:

- a) The aggregate turnover of Dhampur Footwear Industries of Delhi has exceeded the applicable threshold limit of ₹ 40 lakh on 1<sup>st</sup> September. It submits the application for registration on 20<sup>th</sup> September. Registration certificate is granted to it on 25<sup>th</sup> September.
- b) Mehta Teleservices is an architect in Lucknow. Its aggregate turnover exceeds ₹ 20 lakh on 25<sup>th</sup> October. It submits the application for registration on 27<sup>th</sup> November. Registration certificate is granted to it on 5<sup>th</sup> December.

[Easy Level]

**Solution:**

- a) Every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit [₹ 40 lakh in this case] in a financial year. Since in the given case, the turnover of Dhampur Industries exceeded ₹ 40 lakh on 1<sup>st</sup> September, it becomes liable to registration on said date.

Further, since the application for registration has been submitted within 30 days from such date, the registration shall be effective from the date on which the person becomes liable to registration. Therefore, the effective date of registration is 1<sup>st</sup> September.

- b) Since in the given case, the turnover of Mehta Teleservices exceeds the applicable threshold limit [₹ 20 lakh] on 25<sup>th</sup> October, it becomes liable to registration on said date.

Further, since the application for registration has been submitted after 30 days from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration. Therefore, the effective date of registration is 5<sup>th</sup> December.

8. [Tax Invoice Chapter] Udai Singh, a registered supplier, has received advance payment with respect to services to be supplied to Sujamal. His accountant asked him to issue the receipt voucher with respect to such services to be supplied. However, he is apprehensive as to what would happen in case a receipt voucher is issued, but subsequently no services are supplied. You are required to advise Udai Singh regarding the same.

[Easy Level]

**Solution:**

Udai Singh is required to issue a receipt voucher at the time of receipt of advance payment with respect to services to be supplied to Sujamal. A receipt voucher is a document evidencing receipt of advance money towards a supply of goods and/or services or both. **A registered person, on receipt of advance payment with respect to any supply of goods or services or both, shall issue a receipt voucher or any other document, evidencing receipt of such payment.**

Where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a receipt voucher, **but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment.**

Therefore, in case subsequently no services are supplied by Udai Singh, and no tax invoice is issued in pursuance thereof, Udai Singh may issue a refund voucher against such payment to Sujamal.

9.

- a) **[Payment of Tax]** A registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. **State the exceptions to said rule.**
- b) **[Supply]** The goods supplied on **hire purchase basis** will be treated as supply of services. **Examine the validity of the statement.**
- c) **[Return]** Briefly elaborate the provisions relating to **NIL GSTR-3B.**

**Solution:**

- (a) **[Very Imp.]** The condition of payment of value of supply plus tax within 180 days does not apply in the following situations:
- Supplies on which tax is payable under reverse charge
  - Deemed supplies without consideration
  - Additions made to the value of supplies on account of supplier's liability, in relation to such supplies, being incurred by the recipient of the supply.
- (b) **The statement is not correct.** Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, although at a future date.
- (c) **[Very Imp.]** **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.

A Nil GSTR-3B does not have any entry in any of its tables. For example, a Nil GSTR-3B for a tax period cannot be filed, if the taxpayer has made any outward supply (including nil-rated, exempt or non-GST supplies) or has received any supplies which are taxable under reverse charge or it intends to take ITC etc.

A Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-3B submitted through SMS is verified by registered mobile number-based OTP facility.

A taxpayer may file Nil GSTR-3B, anytime on or after the 1st day of the subsequent month/quarter for which the return is being filed for.

10. **[Composition Scheme]** M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Its aggregate turnover in the preceding financial year by way of supply of appliances is ₹ 120 lakh.

The firm also expects to provide repair and maintenance service of such appliances from the current financial year.

With reference to the provisions of the CGST Act, 2017, examine:

- Whether the firm can opt for the composition scheme, under section 10(1) and 10(2), for the current financial year, as the turnover may include supply of both goods and services?
- If yes, up to what amount, the services can be supplied?

**[Answer is based on View 1 (as discussed in class) & as per CA-ICAI Module]**

**Solution:**

- (i) The registered person, whose aggregate turnover in the preceding financial year does not exceed ₹ 1.5 crore, may opt to pay tax under composition levy, under section 10(1) and 10(2).

The scheme can be availed by an intra-State supplier of goods and supplier of restaurant service.

However, the composition scheme permits supply of marginal services (other than restaurant services) for a specified value along with the supply of goods and restaurant service, as the case may be.

Thus, M/s United Electronics can opt for composition scheme for the current financial year as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is not engaged in inter-State outward supplies.

- (ii) The registered person opting for composition scheme, under section 10(1) and 10(2), can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher, in the current financial year.

Thus, M/s United Electronics can supply repair and maintenance services up to a value of ₹ 12 lakh [10% of ₹ 120 lakh or ₹ 5 lakh, whichever is higher] in the current financial year.

# GST - PRACTICE TEST PAPER - SET 3 (Series B)

## (SATC GST TEST SERIES - 12<sup>th</sup> Edition)

APPLICABLE FOR CA INTER - 2024 EXAM

SOURCE: CA INTERMEDIATE MTP (SET 2) - MAY 2023  
[Solutions are updated for exam in Year 2024 (Amended)]

For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)

### 1. Case Scenario based MCQ

Ms. Riya is engaged in providing various goods and services. She got registered under GST in the month of April of the current financial year under regular scheme.

She supplied a package to Dhruv Traders consisting of stapler, calculator and charger at a single price of ₹ 300 in the month of May. Rates of GST for stapler, calculator and charger are 5%, 12% and 18% respectively.

She received following payments during the month of May:

- earned ₹ 160,000 by performing 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 a boutique to Supriya, an unregistered person. [SATC Hint: Commercial use, hence taxable]
- 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 the units of energy and not aforesaid product. [SATC Hint: Subsidy will not be adjusted from Basic Price as it is not linked with the price]

Ms. Riya provides the following information regarding receipt of inward supplies during July-

- received invoice for goods having GST component of ₹ 30,000. Goods were to be delivered in 5 lots, out of which first three lots were received in the current month.
- purchased a car having GST component of ₹ 1,50,000 for imparting training on driving such motor vehicles.
- availed health insurance service for her employees and paid GST of ₹ 7,000 thereon. Health insurance service is being provided voluntarily by Ms. Riya and not mandated by any law.

All the amounts given above are exclusive of taxes, wherever applicable. Further, all the supplies referred above are intra-State supplies unless specified otherwise. Conditions necessary for claiming input tax credit (ITC) have been fulfilled subject to the information given above. The opening balance of input tax credit for the relevant tax period of Ms. Riya is Nil.

Based on the facts of the case scenario given above, choose the most appropriate answer below:-

- A. Supply of package made by Ms. Riya to Dhruv Traders is a \_\_\_\_\_ and is taxable under GST @ \_\_\_\_\_.  
(a) composite supply; 12%  
(b) mixed supply; 18%  
(c) composite supply; 18%  
(d) mixed supply; 12%
- B. Out of payments received by Ms. Riya in month of May, value of exempt supply is \_\_\_\_\_.  
(a) ₹ 50,000  
(b) ₹ 70,000  
(c) ₹ 1,20,000  
(d) ₹ 1,60,000
- C. Compute the value of supply under section 15 of the CGST Act, 2017 made by Ms Riya in the month of June.  
(a) ₹ 45,000  
(b) ₹ 47,500  
(c) ₹ 48,500  
(d) ₹ 51,000

- D. Compute the amount of input tax credit that can be claimed by Ms. Riya in July.
- ₹ 30,000
  - ₹ 37,000
  - ₹ 1,50,000
  - ₹ 1,57,000

2. Mr. Raghu avails services of Mr. Raja, an Accountant, as under-

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

All the above amounts are exclusive of taxes and the applicable rate of GST on these services is 18%. The accountant of Mr. Raghu has booked the entire expenses of ₹ 70,000 plus GST in the books of account.

Mr. Raghu is eligible to take input tax credit of -

- ₹ 13,500
- ₹ 11,700
- ₹ 9,900
- ₹ 1,800

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

- Inter-State sale of goods for ₹ 1,25,000 to JJ Enterprises registered in Haryana
- Inter-State purchases of goods from XYZ company, registered in Punjab, for ₹ 40,000
- Intra-State purchases of goods from RR Traders, registered in Rajasthan, for ₹ 65,000

All the above amounts are exclusive of taxes. The applicable rates of CGST, SGST and IGST are 9%, 9% and 18% respectively on inward as well as outward supplies. There is no opening balance of ITC.

GST liability payable in cash is-

- CGST ₹ 1,800 & SGST ₹ 1,800
- SGST ₹ 3,600
- IGST ₹ 3,600
- CGST ₹ 3,600

**Solution:**

Question No.	Answer	
1(A)	(b)	Mixed Supply; 18%
(B)	(b)	₹ 70,000
(C)	(a)	₹ 45,000
(D)	(c)	₹ 1,50,000
2	(b)	₹ 11,700
3	(c)	IGST ₹ 3,600

4. **Star Marked for Revision [ITC Chapter]** M/s. ABC & Co., an accountancy firm, has its office in Bengaluru and is registered under GST in the State of Karnataka. It submitted the following information for the month of April:

Sr. No.	Particulars	Amount excluding GST (₹)
1.	Statutory audit services provided (intra-State supplies)	1,20,000
2.	ITR filing services provided within Karnataka (intra-State supplies)	1,60,000
3.	Internal audit services provided to Mumbai client (inter-State supplies)	1,80,000

M/s. ABC & Co. had also incurred the following expenses in the month of April for the purpose of providing the taxable services:

Sr. No.	Particulars	CGST (₹)	SGST (₹)
1.	Car purchased by firm for the use of senior partner of the firm for official use	42,000	42,000
2.	Office rent paid to landlord who is registered in State of Karnataka	450	450
3.	Professional fee paid to Mr. Rajesh, a practicing Accountant, for professional services availed [TDS of ₹ 20,000 is deducted under section 194J of the Income-tax Act, 1961]	18,000	18,000
4.	Computer purchased for office purpose	3,000	3,000

Out of the above 4 suppliers/service providers, landlord of office to whom rent was paid did not upload his GSTR-1 within the specified time allowed under GST resulting in the GST amount not being reflected in GSTR-2B of M/s. ABC & Co.

Compute the net GST payable in cash by M/s. ABC & Co. for the month of April. Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively assuming that all the remaining conditions of utilisation of ITC are fulfilled.

**Solution:**

Computation of net GST payable by ABC &amp; Co. for the month of April

Particulars	Value of supply	CGST (₹)	SGST (₹)	IGST (₹)
Statutory audit services	1,20,000	10,800	10,800	
ITR filing services	1,60,000	14,400	14,400	
Internal audit services	1,80,000	-	-	32,400
<b>Total output tax liability</b>		<b>25,200</b>	<b>25,200</b>	<b>32,400</b>
Less: ITC [Refer Working Note] [CGST credit is set off against CGST liability and SGST credit is set off against SGST liability since CGST credit cannot be utilized towards payment of SGST liability and vice versa.]		<u>(21,000)</u>	<u>(21,000)</u>	
<b>Net GST payable</b>		<b>4,200</b>	<b>4,200</b>	<b>32,400</b>

**Working Note:**

Computation ITC that can be availed

Particulars	CGST (₹)	SGST (₹)
Car purchased for official use by senior partner [ITC on motor vehicles used for transportation of persons with seating capacity upto 13 persons (including driver) is blocked except when used for making specified outward supplies.]	Nil	Nil
Office rent paid to landlord [Reverse charge is not applicable in case of office] [No ITC since the supplier did not upload the details of invoice in his GSTR-1 and said details are not being reflected in GSTR-2B of recipient.]	Nil	Nil
Professional fee paid [ITC on services used in the course/furtherance of the business is allowed.]	18,000	18,000
Computer for office purpose [ITC on goods used in the course/furtherance of the business is allowed.]	3,000	3,000
<b>Total eligible ITC which can be availed</b> [ITC in respect of invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of recipient.]	<b>21,000</b>	<b>21,000</b>

5. [Value of Supply Chapter] Guru Enterprises (Delhi), a registered taxpayer, made a taxable supply to Y Ltd. (Delhi). The details of the said supply are as follows:

Particulars	Amount (₹)
Price of the goods (excluding any tax or discounts)	10,00,000
Tax levied by the Municipal Authority	10,000
Subsidy received from Jiva Enterprises Pvt Ltd. (The price above is after consideration of such subsidy amount)	1,00,000
Amount incurred by Y Ltd. for post delivery inspection. (Charges incurred post receipt of goods by Y Ltd.)	5,000

In respect of above supply, Guru Enterprises had procured some raw material from X Ltd., for which it owed ₹ 25,000. The said amount was directly paid by Y Ltd. to X Ltd. and was not included in the price of goods of ₹10,00,000 mentioned above.

The payment of consideration for above supply was delayed by Y Ltd. Hence, an interest amount of ₹ 20,000 (in lumpsum) was also charged by Guru Enterprises.

The applicable tax rates are - CGST - 6%, SGST - 6% and IGST - 12%. You are required to determine the taxable value as well as the applicable tax liability for the said supply transaction.

**Solution:**

## Computation of taxable value and tax liability

Particulars	Amount (₹)
Price of goods (exclusive of tax and discounts)	10,00,000
<b>Add: Tax levied by Municipal Authority</b> [Tax other than GST, if charged separately, are includible in the value.]	10,000
<b>Add: Subsidy received from Jiva Enterprises Pvt. Ltd.</b> [Subsidy provided by non-Government bodies and which is directly linked to the price is includible.]	1,00,000
<b>Add: Post-delivery inspection charges [Important]</b> [Anything done by the supplier in respect of the supply of goods after the delivery of goods is not includible in value.]	-
<b>Add: Amount directly paid by Y Ltd. to X Ltd.</b> [Liability of the supplier, in relation to the supply being valued, if discharged by the recipient of supply and not included in the price, is includible in the value.]	25,000
<b>Add: Interest</b> [Interest for delayed payment of consideration is includible in the value. Since interest is received in lumpsum, amount is inclusive of GST [₹ 20,000 x 100/112] (rounded off).]	17,857
<b>Value of taxable supply</b>	<b>11,52,857</b>
<b>CGST @ 6%</b>	<b>69,171</b>
<b>SGST @ 6%</b>	<b>69,171</b>

6. [Star Marked for Revision] Miss. P, a registered supplier of Rajasthan, has received the following amounts in respect of the activities undertaken by her during the month of April:

S. No.	Particulars	Amount (in ₹)
1	Amount received for warehousing of sugarcane	50,000
2	Commission received as business facilitator for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts	20,000
3	Amount received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex	10,000

All the transactions stated above are inter-State transactions and all amounts are exclusive of GST.

You are required to compute total GST payable by Miss. P for the month of April assuming the rate of GST to be 18%.



**Solution:** Computation of value of taxable supply on which GST is to be paid by Miss. P

Particulars	IGST* (₹)
<b>Amount received for warehousing of sugarcane</b> [Warehousing of agricultural produce <b>is exempt</b> from GST.]	Nil
<b>Commission received as business facilitator [IMPORTANT]</b> [Services provided by a business facilitator to a banking company with respect to accounts <b>only in its rural area branch are exempt</b> from GST. In the given case since services are being provided to urban branch of the bank, they are taxable.  <b>However, the tax payable thereon is to be paid by the recipient of services i.e. banking company, under reverse charge. Hence, Miss P will not be liable to pay GST on commission received for said services.]</b>	Nil
<b>Amount received for services by way of labour contracts</b> [Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt from GST. <b>Since such services are being provided for repairing the residential unit, they are not eligible for exemption.]</b>	1,800 [10,000 X 18%]
<b>Total IGST payable</b>	<b>1,800</b>

\*Note: IGST is payable on inter-State supply.

7. **[Star Marked for Revision] [Registration] B Enterprises** started its business activities in the month of January, in the State of Karnataka. It provides the following information:

Sr. No.	Particulars	Amount (₹)
1.	Value of intra-State outward taxable supply of goods	7,00,000
2.	Value of inter-State outward taxable supply of <b>services</b>	6,00,000
3.	Value of intra-State <b>outward supply</b> on which tax is payable under reverse charge mechanism.	1,00,000
4.	Value of <b>intra-State outward supply of exempted good</b> from its other place of business in the State of Manipur (under same PAN)	5,00,000

From the information given above, you are required to calculate the aggregate turnover of B Enterprises with necessary explanations and also, specify with reason whether it is liable to get registered under CGST Act or not.

**Solution:** Computation of aggregate turnover of B Enterprises, Karnataka, for January

Particulars	(₹)
<b>Intra-State outward taxable supply of goods</b> [Aggregate turnover includes value of all taxable supplies.]	7,00,000
<b>Inter-State outward taxable supply of services</b> [Aggregate turnover includes value of inter-State supplies.]	6,00,000
<b><u>Intra-State outward supply on which tax is payable under reverse charge mechanism</u></b> [Aggregate turnover includes value of all taxable supplies whether taxable under reverse charge or forward charge.]	<b>1,00,000</b>
<b>Intra-State outward supply of exempted goods from Manipur</b> [Aggregate turnover includes value of exempt supplies made in all the States under the same PAN]	5,00,000
<b>Aggregate turnover</b>	<b>19,00,000</b>
Persons making any inter-State taxable supply of goods are required to obtain compulsory registration, <b>but in case of inter-State supply of taxable services, threshold limit of ₹ 20 lakh is available.</b>  Such threshold limit gets reduced to ₹ 10 lakh in case of specified Special Category State <b>provided taxable supply is being made therefrom.</b>  <b>Since B Enterprises is making exempt supplies from Manipur - a specified Special Category State, the applicable threshold limit of registration for B Enterprises is ₹ 20 lakh.</b> Thus, it is not liable to be registered as its aggregate turnover does not exceed the threshold limit.	

8. [E-way Bill] Yash & Co., a manufacturer and supplier of plastic goods, is registered under GST in the State of Maharashtra. Yash & Co. sold plastic goods to a retail seller in Punjab, at a value of ₹ 43,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of such plastic goods to the retail seller in Punjab.

You are required to examine whether e-way bill is mandatorily required to be generated in respect of such movement of goods as per the provisions of the GST law.

[EASY LEVEL]

**Solution:**

E-way bill is mandatorily required to be generated whenever there is a movement of goods of consignment value exceeding ₹ 50,000, *inter alia*, in relation to a supply.

Consignment value of goods, *inter alia*, includes the central tax, State/Union territory tax, integrated tax and cess charged, if any.

The consignment value of goods, in the given case, will be ₹ 50,740 [₹ 43,000 + (₹ 43,000 × 18%)].

Thus, in the given case, since the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, e-way bill is mandatorily required to be generated in respect of movement of goods from Maharashtra to Punjab.

9. [E-way Bill] Explain the following terms regarding e-way bill under the relevant CGST Rules:

- (i) Consolidated e-way bill in case of road transport.
- (ii) Acceptance/rejection of e-way bill.

[EASY LEVEL]

**Solution:**

- (i) **Consolidated e-way bill in case of road transport**

Consolidated e-way bill (EWB) is a single document containing the details of multiple e-way bills (even with different validity periods) in respect of multiple consignments of various consignors and consignees **being transported in a single vehicle/ conveyance** generated by the transporter to carry a single document instead of carrying separate documents for each consignment in the conveyance.

- (ii) **Acceptance/rejection of e-way bill**

The details of the e-way bill generated **shall be made available to supplier (if registered)**, where the information in Part A of e-way bill is furnished by recipient/transporter, **or recipient (if registered)**, where the information in Part A of e-way bill is furnished by supplier/transporter, who shall communicate his acceptance or rejection of the consignment covered by the e-way bill.

If such person does not communicate the acceptance/rejection **within 72 hours** from the time of the details being made available to him on the common portal or the time of delivery of goods, whichever is earlier, it will be deemed that he has accepted the details.

10. [Tax Invoice] Briefly discuss the following with reference to GST law:

- (i) Revised Tax Invoice
- (ii) Bill of Supply

[EASY LEVEL]

**Solution:**

- (i) A 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 a revised tax invoice against the invoices already issued during said period, **within 1 month** from the date of issuance of certificate of registration in prescribed manner.

- (ii) A registered person supplying exempted goods and/or services or paying tax under composition levy, **shall issue in prescribed manner, a bill of supply instead of a tax invoice, containing prescribed particulars.**

# GST - PRACTICE TEST PAPER - SET 4 (Series B)

## (SATC GST TEST SERIES - 12<sup>th</sup> Edition)

**APPLICABLE FOR CA INTER - 2024 EXAM**

**SOURCE: CA INTERMEDIATE NOV 2022 - PAST EXAM**

**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

1. **[Star Marked for Revision] [Very Important]** Ajay Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. The company provided the following details for the month of January 2024:

Sl. No.	Particulars				Amount in ₹
(i)	Outward supply of goods made during the month to <b>various non-related persons</b> :				As given in particulars column
		Particulars	Market value	Transaction Value (₹)	
	a.	in the State of Bihar (Intra- State)	3,00,000	4,00,000	
	b.	to other States (Inter-State)	2,00,000	1,00,000	
(ii)	Services provided to the State Government of Karnataka for conducting a computer training programme for its employees. <b>Total expenditure incurred for the said programme was ₹ 90,000, of which ₹ 63,000 was borne by the State Govt. (Inter-State transaction) [Important]</b>				5,00,000
(iii)	Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTN for convenience of accounting and billing. <b>Value under section 15 - ₹20,000 (Intra -State)</b>				Nil
(iv)	Intra - State inward supply of various services for use in the course or furtherance of business (30 invoices)				6,50,000

**Additional Information:**

(a) All the amounts given above are exclusive of taxes.

(b) **[Important]** During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for ₹ 30,000 (excluding tax) **dated 02.12.2023** was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January 2024. **This invoice was issued by Mr. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra-State transaction).**

(c) **Rate of GST applicable on various supplies are as follows:**

Nature of supply	CGST	SGST	IGST
Car rental service	2.5%	2.5%	5%
All other inward and outward supplies	9%	9%	18%

(d) No opening balance of input tax credit exists in the beginning of the month.

(e) **[Very Important]** Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to ₹ 1,50,000 were e-invoices in which Invoice Reference Number (IRN) **was not mentioned**. However, all the invoices were duly reflected in GSTR 2B for the month of January 2024, since the suppliers had filed their GSTR-1.

(f) Subject to the information given above, conditions necessary for claiming ITC were complied with.

You are required to calculate the amount of net GST liability payable in cash by Ajay Limited for the month of January 2024. Brief notes for treatment given for each item should form part of your answer.

Answer:

Computation of net GST payable in cash by Ajay Ltd. for the month of January 2024

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
<b>Outward intra-State supply of goods made in the State of Bihar</b> [Value of supply is <b>the transaction value</b> of the goods.]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
<b>Outward supply of goods made to other States</b> [Value of supply is <b>the transaction value</b> of the goods.]			18,000 [1,00,000 × 18%]
<b>Inter-State services provided to State Government of Karnataka for conducting a computer training programme</b> [Not exempt since the State Government has borne less than 75% of total expenditure of the training programme.]			90,000 [5,00,000 × 18%]
<b>Intra-State stock transfer to Gaya Branch with separate registration</b> [Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.]	1,800 [20,000 × 9%]	1,800 [20,000 × 9%]	
<b>Total output tax</b>	<b>37,800</b>	<b>37800</b>	<b>1,08,000</b>
<b>Less: Input Tax Credit [Refer Working Note below]</b> [CGST credit should be utilized for payment of CGST and IGST in that order. Similarly, SGST credit should be utilized for payment of SGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST and <i>vice versa</i> .]	(37,800) (CGST)		(7,200) (CGST)
		(37,800) (SGST)	(7,200) (SGST)
<b>Net GST payable in cash</b>	<b>Nil</b>	<b>Nil</b>	<b>93,600</b>

Working Note:

Computation of ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
<b>Intra-State inward supply of services ₹ 6,50,000 – ₹1,50,000</b> <b>[ITC cannot be claimed on the e-invoices without IRN since an e-invoice without IRN is not treated as valid document for claiming ITC]</b>	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]	--
<b>Cars taken on rental basis from Mr. Mukesh</b> [Tax on renting of motor car services wherein cost of fuel is included in consideration provided <b>by a non-body corporate to a body corporate</b> and invoice is issued charging CGST/SGST @ 2.5% <b>is payable under reverse charge.</b>  <b>Time of supply of such services is 1<sup>st</sup> February</b> being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. <b>Since the time of supply of renting of motor car services in the given case does not fall in January, tax liability on the same does not arise in said month. Important</b>  Further, ITC on renting of motor car services received is blocked since the recipient - Ajay Ltd. is not in the same line of business.]	--	--	--
<b>Total ITC available</b>	<b>45,000</b>	<b>45,000</b>	<b>--</b>

2. **[Star Marked for Revision] [Important]** Charm Limited, registered under GST in the State of Jharkhand, manufactures cosmetic products and appointed Mr. Handsome of Mumbai, who is registered under GST in the State of Maharashtra, as their Del-credere agent (DCA) to sell their products. Being a DCA, he agrees to raise invoices in his own name and also guarantees for the realization of payments from customers to Charm Limited.

In order to realize the payments from customers on time, he extends short term transaction based loans to them and charges interest for the same.

Mr. Handsome provides you the following details of transactions carried out during the month of March 20XX:

Sl. No.	Particulars	Amount in (₹)
	<b>Outward supply:</b>	
i.	Goods sold by Mr. Handsome in his DCA capacity (intra-State transaction)	2,80,000
ii.	Interest earned from the above customers for short term credit facility provided for timely payment of dues (intra-State transaction)	20,000
iii.	Commission bill raised on Charm Limited (inter-State transaction) in respect of DCA services provided.	30,000
	<b>Inward supply:</b>	
iv	Inter-State supply of goods received from Charm Limited. Being a DCA, no consideration was paid. Value under section 15 - ₹ 2,00,000	Nil
v.	<b>Important</b> Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost. <i>Company charges ₹ 75,000 for such training when it provides the same to others.</i>	Nil

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amounts given above are exclusive of taxes wherever applicable. Subject to the information given above, necessary conditions are complied with for availment of input tax credit.

You are required to calculate the gross GST liability and eligible input tax credit for the month of March 20XX of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No. (i) to (v).

**Answer:**

**Computation of gross GST liability of Mr. Handsome for the month of March 20XX**

Particulars		CGST (₹)	SGST (₹)	IGST (₹)
Goods sold by Mr. Handsome in his DCA capacity	2,80,000			
Add: Interest earned for short term credit facility provided to above customers	<u>20,000</u>	27,000 [3,00,000 × 9%]	27,000 [3,00,000 × 9%]	
<b>[Interest included in the value of supply of the goods sold since where DCA is an agent under Schedule - I of the CGST Act, short term credit facility provided by DCA to the buyer is subsumed in the supply of the goods by the DCA to the buyer.]</b> <b>[Page 4.16 to 4.18 of GST 12th Edition Book] Important</b>				
Commission charged for DCA services [Being taxable supply of services.]				5,400 [30,000 × 18%]
<b>Gross GST liability</b>		<b>27,000</b>	<b>27,000</b>	<b>5,400</b>
<b>Note:</b> Since the invoice for goods sold is issued by the DCA – Mr. Handsome in his own name, he would fall under the ambit of an agent under Schedule – I of the CGST Act.				

**Computation of eligible ITC for the month of March 20XX**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
<b>Inward supply of goods from Charm Limited free of cost</b> [Supply of goods by principal – Charm Limited to the agent – Mr. Handsome qualifies as supply even though it is made without consideration.]			36,000 [2,00,000 × 18%]
<b>Training in marketing and distribution received from Charm Limited free of cost Important</b> [Since no consideration is charged for the services provided, said services do not qualify as supply. As no GST is paid on the same, ITC is not available] <b>[Schedule I is not applicable on Transfer of Services to Agent]</b>	--	--	--
<b>Total ITC available</b>	<b>Nil</b>	<b>Nil</b>	<b>36,000</b>

3. Answer the following, after reading the below given two paragraphs:

- (i) Briefly discuss the relevant provision
  - (ii) decide the correct conclusion and
  - (iii) determine the validity of the given advice (Correct/Incorrect)
- (I) Raju is engaged in the manufacture of 'Fly ash Bricks' in the State of Kerala. He started his activity in the month of April 20XX and deals only in intra-State. His tax consultant advised him to register under composition levy under GST as Raju's turnover is expected to be below ₹ 1 crore for the said financial year.
  - (II) Dharun provides service **as a business facilitator** to Zio Bank Limited by facilitating in opening of bank accounts to villagers in its rural branches in Punjab and earned a commission of ₹ 22 lakh in the month of April, 20XX. So far he is not registered under GST. Dharun's tax consultant advised him that he is liable for registration under GST as his gross receipts exceeded ₹ 20 lakh. Dharun has no other receipt / business activity other than the above.

**Solution:**

- (I) A registered person whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore in a State/UT may opt for composition scheme subject to fulfilment of specified conditions.

One of these conditions is that he must not be engaged in the manufacture of notified goods including fly ash bricks.

Therefore, in the given case, since Raju is engaged in manufacture of fly ash bricks, he cannot opt for composition levy even though his aggregate turnover in the preceding financial year is NIL.

Thus, the advice given by his tax consultant is not correct.

- (II) Services by a business facilitator to a banking company with respect to **accounts in its rural area branch** is exempt from GST.

Since in the given case, Dharun is engaged exclusively in providing the exempt services, it is not liable to obtain registration even though his aggregate turnover exceeds ₹ 20 lakh.

Thus, the advice given by his tax consultant is not correct.

4. [Registration Chapter] Neelmani started his business activities in the month of February 20XX in the State of Orissa. He provided the following details:

Particulars	Amount in ₹
(i) Outward supply of petrol (Intra-State)	4,00,000
(ii) Transfer of exempt goods to his branch in Rajasthan (Inter-State)	2,00,000
(iii) Outward supply of taxable goods by his branch in Uttar Pradesh (Intra-State)	5,00,000
(iv) <b>Outward supply of services on which tax is payable under RCM by the recipient of services (Intra-State)</b>	<b>6,00,000</b>
(v) Inward supply of services on which tax is payable under RCM (Intra-State)	2,00,000

From the information given above, compute the aggregate turnover of Neelmani and also decide whether he is required to get registration under GST. Assume that the amounts given above are exclusive of taxes.

**Solution:**

Particulars	Amount (₹)
<b>Computation of aggregate turnover of Neelmani</b>	
<b>Outward supply of petrol</b> [Supply of petrol being a non-taxable supply is an exempt supply. Value of exempt supply is includible in aggregate turnover.]	4,00,000
<b>Inter-State stock transfer of exempt goods</b> [Supply of taxable/exempt goods between distinct persons is includible.]	2,00,000
<b>Outward supply of taxable goods from Uttar Pradesh branch</b> [Value of outward supplies under same PAN are includible.]	5,00,000

Outward supply of services taxable under reverse charge [Includible in aggregate turnover.]	6,00,000
Inward supply of services taxable under reverse charge [Excludible from the aggregate turnover.]	--
Aggregate turnover	17,00,000

For a supplier engaged in supply of goods and services from the States of Orissa and Uttar Pradesh, the threshold limit of aggregate turnover to obtain registration is ₹ 20 lakh. **However, a person required to pay tax under reverse charge has to obtain registration compulsorily irrespective of the quantum of turnover.**

Since in the given case, Neelmani is required to pay tax under reverse charge, it is liable to obtain registration compulsorily irrespective of his quantum of turnover.

5. **[Payment of Tax Chapter]** Pranesh has deposited a sum of ₹ 5,000 under the head of 'Fee' column of Cess and ₹ 4,000 was lying unutilized under the head of 'Penalty' column of IGST. Both the deposits were made wrongly instead of depositing under the head of Fee column under SGST.

In the light of the provisions of section 49(10) & 49(11) of the CGST Act, 2017, briefly explain the relevant provisions as how can Pranesh rectify these errors?

[Easy Level]

**Solution:**

A registered person is allowed to make intra-head or inter-head transfer of amount, as available in electronic cash ledger, using specified form.

It can transfer any amount of tax, interest, penalty, fee or others, under one (major or minor) head to another (major or minor) head, as available in the electronic cash ledger.

Therefore, in the given case, amount of ₹ 5,000 available under minor head 'fee' of major head 'cess' and ₹ 4,000 available under minor head 'penalty' of major head 'IGST' can be transferred to minor head 'fee' of major head 'SGST' using specified form.

6. **Important [Payment of Tax Chapter / ITC Chapter]** Rule 86B restricts the use of Input Tax Credit (ITC) available in the Electronic Credit Ledger for discharging output tax liability. **List down the exceptions to the rule 86B.**

[Page 2.10 of GST 12<sup>th</sup> Edition Book]

**Solution:**

Rule 86B of the CGST Rules, 2017 restricts the use of ITC available in the Electronic Credit Ledger for discharging output tax liability by a registered person.

**Exceptions to rule 86B are as follows:**

- (1) Where the said person/proprietor/karta/managing director/any of its two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees, as the case may be, **have paid more than ₹ 1 lakh as income tax in each of the last 2 financial years.**
- (2) Where the registered person has received a refund of **more than ₹ 1 lakh in the preceding FY** on account of unutilised ITC in case of
  - (i) zero rated supplies made without payment of tax or
  - (ii) inverted duty structure.
- (3) Where the registered person has discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, **applied cumulatively, upto the said month in the current FY.**
- (4) Where the registered person is Government Department, Public Sector Undertaking, Local authority or Statutory body.

7. **[E-way Bill]** M/s Sakura Enterprises made an inter-State supply of taxable goods valued at ₹ 47,500 and exempt goods valued at ₹ 2,000. Rate of IGST for taxable supply was 6%. Determine, with brief reasons, whether e-way bill generation is mandatory for the above supply made by M/s Sakura Enterprises.

[Easy Level]

**Solution:**

In the given case, consignment value of goods (including GST and excluding value of exempt supply) is ₹ 50,350 (47,500 × 106%).

Since there is a movement of goods of **consignment value exceeding ₹ 50,000**, M/s Sakura Enterprises is mandatorily required to issue e-way bill.

**8. [TAX INVOICE CHAPTER] List any three situations that warrant issue of credit note. Briefly explain the time line to declare such credit note in the GST return.**

[Easy Level]

**Solution:**

Situations that warrant the issue of credit note are as follows:

- The supplier has erroneously declared a value which is more than the actual value of the goods or services provided.
- The supplier has erroneously declared a higher tax rate than what is applicable for the kind of the goods or services or both supplied.
- The quantity received by the recipient is less than what has been declared in the tax invoice.
- The quality of the goods or services or both supplied is not to the satisfaction of the recipient thereby necessitating a partial or total reimbursement on the invoice value.

**The details of credit note are declared in the GST return for the month during which such credit note has been issued but not later than:**

- i. **30<sup>th</sup> November** following the end of the financial year in which such supply was made, or
  - ii. the date of furnishing of the relevant annual return
- whichever is earlier

**9. Latest Amendment [Return Chapter] List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF). Also briefly list the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF.**

[Page 11.8 of GST 12<sup>th</sup> Edition Book]

**Solution:**

Details of outward supplies which can be furnished using IFF are as follows:

- (a) invoice wise details of inter-State and intra-State supplies made to the registered persons;
- (b) debit and credit notes, if any, issued during the month for such invoices issued previously.

**Cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/using IFF:**

- (i) A registered person is not allowed to furnish Form GSTR-1, if he has not furnished the return in Form GSTR-3B for the preceding month (one month).
- (ii) A registered person, opting for QRMP (Quarterly Return Monthly Payment) scheme is not allowed to furnish Form GSTR-1/using IFF, if he has not furnished the return in Form GSTR-3B for preceding tax period.
- (iii) A registered person, to whom an intimation has been issued on the common portal under the provisions of rule 88C(1) in respect of a tax period, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in GSTR-1 or using the IFF for a subsequent tax period, **unless he has either deposited the amount specified in the said intimation or has furnished a reply explaining the reasons for any amount remaining unpaid, as required under the provisions of rule 88C(2).**
- (iv) a registered person, to whom an intimation has been issued on the common portal under the provisions of rule 88D(1) in respect of a tax period or periods, **shall not be allowed to furnish the details of outward supplies of goods or services or both** under section 37 in FORM GSTR-1 or using the invoice furnishing facility for a subsequent tax period, **unless** he has **either paid the amount equal to the excess input tax credit** as specified in the said intimation **or has furnished a reply explaining the reasons** in respect of the amount of excess input tax credit that still remains to be paid, as required under the provisions of rule 88D(2);

[Effective from 04.08.2023]

- (v) a registered person shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1 or using the invoice furnishing facility, **if he has not furnished the details of the bank account as per the provisions of rule 10A.**

[Effective from 04.08.2023]



# GST - PRACTICE TEST PAPER - SET 5 (Series B)

## (SATC GST TEST SERIES - 12<sup>th</sup> Edition)

### APPLICABLE FOR CA INTER - 2024 EXAM

**SOURCE: CA INTERMEDIATE MTP (SET 1) - NOV 2022**  
**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

#### 1. Case Scenario based MCQ

Purvi, registered under GST in the State of Madhya Pradesh, is engaged in supplying a bouquet of taxable goods and services. She has undertaken following activities/transactions in the month of October in the current financial year:

- (i) Donated some money to Divyaprakash Charitable Trust, Madhya Pradesh, in the memory of her late father. The Divyaprakash Charitable Trust constructed a room in the school run by it from such donation and wrote "Donated by Miss. Purvi in the memory of her father" on the door of the room so constructed.
- (ii) Organized a seminar in Indore which was sponsored by WE-WIN Cricket Academy, an LLP. Purvi received a sponsorship fee of ₹1,50,000.
- (iii) Bindusar Public School intended to distribute gift packages consisting of fountain pen, calculator and tape dispenser to its students on the occasion of Children's Day. Therefore, it entered into a contract with Purvi on 28th October for supply of 2,000 packages at a single price of ₹ 250. Rates of GST for fountain pen, calculator and tape dispenser are 5%, 12% and 18% respectively.
- (iv) Received following payments during the month of October:
  - earned ₹ 160,000 by performing at a western music concert in Indore
  - earned ₹ 50,000 for renting of space for **use as a Textile Emporium**
  - received ₹ 70,000 for supply of farm labour
- (v) Supplied a machinery with a basic price of ₹ 45,000 (before TCS under Income Tax Act, 1961). Tax collected at source under Income-tax Act, 1961 on said machinery is ₹ 2,500. Further, a subsidy of ₹50,000 is received from Green Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to energy saved during the month.

All the amounts given above are exclusive of GST, wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer:-

- A. Donation made by Purvi to Divyaprakash Charitable Trust is \_\_\_\_\_.
  - (a) exempted from GST by way of a notification
  - (b) not a supply at all
  - (c) liable to GST under forward charge
  - (d) liable to GST under reverse charge
- B. Which of the following statements is correct with respect to the sponsorship fee received by Purvi?
  - (a) Tax on sponsorship services is payable by Purvi under forward charge.
  - (b) Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.
  - (c) Sponsorship services are exempt from GST since services provided to a sports academy are exempt.
  - (d) Tax on sponsorship services is payable by Purvi under reverse charge.
- C. Determine the nature of supply and the applicable rate of GST for the packages supplied by Purvi to Bindusar Public School.
  - (a) composite supply & applicable rate of GST is 12%
  - (b) mixed supply & applicable rate of GST is 18%
  - (c) composite supply & applicable rate of GST is 18%
  - (d) mixed supply & applicable rate of GST is 12%

D. Out of all the payments received by Purvi in the month of October, value of exempt supply amounts to \_\_\_\_\_.

- (a) ₹ 4,30,000
- (b) ₹ 70,000
- (c) ₹ 1,20,000
- (d) ₹ 2,20,000

E. The value of supply of machinery supplied by Purvi is \_\_\_\_\_.

- (a) ₹ 45,000
- (b) ₹ 47,500
- (c) ₹ 48,500
- (d) ₹ 51,000

2. Medhavi Industries, engaged in manufacturing of taxable goods, purchased cars for official use of its employees. Amount of GST paid on purchase of the cars amounted to ₹ 2,80,000. It also availed outdoor catering services for a marketing event organised for its prospective customers. Amount of GST paid on said services was ₹18,000. Compute the total amount of ITC that can be claimed by Medhavi Industries.

- (a) ₹2,98,000
- (b) ₹18,000
- (c) ₹2,80,000
- (d) Nil

**Solution:**

Question No.	Answer	
1(A)	(b)	not a supply at all
(B)	(b)	Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.
(C)	(b)	mixed supply & applicable rate of GST is 18%
(D)	(b)	₹ 70,000
(E)	(a)	₹ 45,000 [Subsidy is not linked with the price]
2	(d)	Nil

3. **[Important]** Prithviraj Pvt. Ltd., a registered supplier, is engaged in manufacturing heavy steel fabrication machine. The details pertaining to pricing of each such machine is as follows:

S. No.	Particulars	Amount (₹)
(i)	Price of the machine (exclusive of taxes and discounts)	5,50,000
(ii)	Part fitted in the machine at the premises of the recipient [Amount has been paid by recipient directly to the supplier. However, it was Prithviraj Pvt. Ltd.'s liability to pay the said amount.]	20,000
(iii)	Installation and testing charges at the premises of the recipient	25,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the price of the machine]	50,000

Items given in points (ii) to (iv) have not been considered while arriving at price of the machine given in point (i) above. The contract includes installation and testing of machine at the recipient's premises.

Prithviraj Pvt. Ltd. has made supply of 10 such machines in the month of July. It also provided the following details pertaining to the purchases made/services availed during said month:

Sr. No	Particulars	Amount (₹)
(1)	Raw material (to be received in September)	10,00,000
(2)	Membership of a club availed for employees working in the factory	6,00,000
(3)	Trucks used for transport of raw material	3,50,000
(4)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those two items is ₹ 18,000)	7,00,000

Compute the net GST payable in cash by Prithviraj Pvt. Ltd. for the given month assuming that all the inward and outward supplies are intra-State supplies. Assume the rates of taxes to be as under:

Particulars	Rates of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary. All the conditions necessary for availing the ITC have been fulfilled. Opening balance of the input tax credit for the relevant period is Nil.

### **Solution:**

Computation of net GST payable by Prithviraj Pvt. Ltd. for the month of July

Particulars	CGST (₹)	SGST (₹)
GST payable on outward supplies (Refer Working note – 1)	5,80,500	5,80,500
Less: ITC (Refer Working note – 2) [ITC of CGST is utilised for payment of CGST and ITC of SGST is utilised for payment of SGST.]	76,500	76,500
<b>Net GST payable in cash</b>	<b>5,04,000</b>	<b>5,04,000</b>

### Working note – 1

Computation of GST payable on outward supply made by Prithviraj Pvt. Ltd. for the month of July

Particulars	Amount (₹)
Price of machine (exclusive of taxes and discounts)	5,50,000
Amount paid by the recipient directly to the supplier (Prithviraj Pvt. Ltd.) for the part fitted in the machine [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.]	20,000

<b>Installation and testing charges</b> [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.]	25,000
<b>Subsidy received from Shri Ram Trust</b> [Since the subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply.]	50,000
<b>Value of taxable supply of 1 machine</b>	<b>6,45,000</b>
<b>Value of taxable supply of 10 machines [₹ 6,45,000 × 10]</b>	<b>64,50,000</b>
<b>GST payable on outward supplies</b> CGST @ 9% SGST @ 9% [Since all the outward supplies are intra-State supplies, CGST and SGST are payable on the same.]	5,80,500 5,80,500

**Working note – 2****Computation of ITC available with Prithviraj Pvt. Ltd. for the month of July**

Particulars	CGST (₹)	SGST (₹)
<b>Raw Material</b> [ITC not available as raw material is <b>not received</b> in July]	Nil	Nil
<b>Membership of a club availed for employees working in the factory</b> [Blocked credit]	Nil	Nil
<b>Trucks used for transport of raw material</b> [ITC of GST paid on motor vehicles used for transportation of goods is allowed]	31,500	31,500
<b>Capital goods</b> [ITC of GST paid on items for which invoice is missing is not available. So, ITC of ₹ 18,000 is not available] [₹ 63,000 - ₹ 18,000]	45,000	45,000
<b>Total ITC available</b>	<b>76,500</b>	<b>76,500</b>

Note - Since all the inward supplies are intra-State supplies, CGST @ 9% and SGST @ 9% are payable on the same.

**4. [Exemption Chapter] State with reasons, whether GST is payable in the following independent cases:-**

- (i) Services provided to recognized sports body **as selector** of national team.
- (ii) Services provided by way of transportation of passengers **in metered cab, through an electronic commerce operator.**

**Solution:**

- (i) Services provided to a recognized sports body by an individual **as a player, referee, umpire, coach or team manager for participation in a sporting event organized** by a recognized sports body are exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017.

**Thus, GST is payable in case of services provided to a recognized sports body as selector of national team.**

- (ii) Service of transportation of passengers, with or without accompanied belongings, inter alia, by metered cabs are specifically exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017.

**However, where such services are supplied through an electronic commerce operator, said services are not exempt. Thus, GST is payable in the given case.**

**5. [Composition Scheme] Swaminathan started the business of supplying shoes in the State of Kerala from 1st April. He makes only intra-State supplies. His turnover for April - June quarter was ₹ 20 lakh and for July - September quarter was ₹ 100 lakh. Further, one-fourth of his total turnover in each of the quarters was exempt from GST. Being eligible for composition scheme, Swaminathan got himself registered under the composition scheme with effect from 1st July.**

**You are required to compute the tax payable by Swaminathan under composition scheme assuming that he is a manufacturer. Will your answer be different if Swaminathan is trader.**

**Solution:**

A registered person opting for composition levy for goods pays tax at the rates mentioned below during the current FY, in lieu of the tax payable by him under regular scheme:

Manufacturers, other than manufacturers of notified goods	1% (½% CGST+ ½% SGST/UTGST) of the turnover in the State/ Union territory
Trader	1% (½% CGST+ ½% SGST/UTGST) of turnover of taxable supplies of goods & services in the State/ Union territory

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

Tax payable by Swaminathan under composition scheme is as follows:

$$\text{CGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

$$\text{SGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

In case where Swaminathan is a trader, tax payable by him under composition scheme will be as follows:

$$\text{CGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$

$$\text{SGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$

6. [Registration Chapter] Examine whether the supplier of goods is liable to get registered in the following independent cases:-

- Aryabhata of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 12 lakh. He has another showroom in Manipur with a turnover of ₹ 11 lakh in the current FY.
- Bharat of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.
- Vikramaditya of Himachal Pradesh is exclusively engaged in intra-State supply of bricks of fossil meals. His aggregate turnover in the current financial year is ₹ 24 lakh.

**Solution:**

A supplier is liable to get 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:-

- ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- ₹ 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:-

- Aryabhata is eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Aryabhata is engaged in supplying readymade garments from a specified Special Category State i.e. Manipur also, the threshold limit gets reduced to ₹ 10 lakh.

Thus, Aryabhata is liable to get registered under GST as his turnover exceeds ₹ 10 lakh. Further, he is required to obtain registration in both Assam and Manipur as he is making taxable supplies from both the States.

- The applicable threshold limit for registration for Bharat in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. Thus, he is not liable to get registered under GST as his turnover is less than the applicable threshold limit.

- Vikramaditya being exclusively engaged in supply of bricks of fossil meals is not eligible for enhanced threshold limit of ₹ 40 lakh. The applicable threshold limit for registration in this case is ₹ 20 lakh. Thus, Vikramaditya is liable to get registered under GST as his aggregate turnover exceeds the threshold limit for registration.

7. [Tax Invoice Chapter] Manmohan Textiles has to send cloth for dyeing to its job-worker. It wishes to know whether it needs to issue a tax invoice at the time of sending the goods to job-worker. You are required to advise it with reference to the provisions of the CGST Act.

**Solution:**

Manmohan Textiles **has to issue a delivery challan and not a tax invoice** at the time of sending the goods to job-worker.

For the purposes of transportation of goods for job work, the consignor may **issue a delivery challan, serially numbered, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following details, namely:-**

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

**The delivery challan shall be prepared in triplicate, in case of supply of goods.**

8. **Recent Amendment [ITC Chapter – Section 16]** Enumerate the conditions necessary for availing ITC under GST law.

**Solution:**

No registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless:

- (a) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
- (b) he has received the goods or services or both;
- (c) **the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted**
- (d) subject to section 41 of the CGST Act, the supplier has actually paid the tax charged in respect of the supply to the Government;
- (e) he has furnished the return under section 39; and
- (f) the details of the invoice/debit note in respect of said supply has been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such invoice/debit note in the manner specified under section 37.

9. [Return Chapter] Elaborate the provisions relating to annual return contained under section 44 of the CGST Act, 2017.

**Solution:**

Every registered person, **other than an input service distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person** shall furnish an annual return which may include a **self-certified reconciliation statement**, reconciling the value of supplies declared in the return furnished for the financial year, with the audited annual financial statement for every financial year electronically, within prescribed time, form and manner.

**However, the Commissioner may exempt any class of registered persons from filing annual return.**

# GST - PRACTICE TEST PAPER - SET 6 (Series B)

## (SATC GST TEST SERIES - 12<sup>th</sup> Edition)

### APPLICABLE FOR CA INTER - 2024 EXAM

**SOURCE: CA INTERMEDIATE MTP (SET 2) - NOV 2022**  
**[Solutions are updated for exam in Year 2024 (Amended)]**

For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)

#### 1. Case Scenario based MCQ

**IMPORTANT** Sarabhai & Sarabhai Associates, a partnership firm registered under GST, is engaged in various types of business activities. It has provided the details of the following activities undertaken by it in the current financial year:

- (i) It supplies taxable goods to Dhanush Enterprises at a price of ₹ 8,00,000 in the month of April, with a credit period of 1 month for payment. Thereafter, interest @ 12% p.a. is chargeable on the consideration. The payment is received from Dhanush Enterprises after the lapse of two months from the date of supply.
- (ii) It enters into a contract for supply of 100 office chairs @ ₹ 15,000 with Ashoka Mart on 21<sup>st</sup> August. Chairs are removed from the warehouse of Sarabhai & Sarabhai Associates on 5<sup>th</sup> September along with the invoice of said date. Ashoka Mart has paid 30% of the total contract value on 21<sup>st</sup> August; balance 70% is paid after delivery of chairs on 10<sup>th</sup> September.
- (iii) **[Important]** In the month of October, it provides services by way of transportation of goods in a goods carriage by road to Fisheries Department of Government of India, registered under GST for the purpose of deducting tax at source and not for making any taxable supply. Sarabhai & Sarabhai Associates is a registered goods transport agency and charges ₹ 1,20,000 for the said services.
- (iv) It also provides services of Direct Selling Agent to an NBFC located in Mumbai in the month of December for ₹ 50,000.
- (v) It organises a business exhibition in the month of December for which it receives a sponsorship fee of ₹ 3,00,000 from Dhara Ltd.
- (vi) It provides free gifts to each of its employees valuing ₹ 50,000 at the end of each financial year.
- (vii) It avails services of Dhruv Travel Agency for organizing a free vacation for its top performing employees in the month of December. GST of ₹ 50,000 is paid on the same. In the same month, it also pays GST of ₹ 20,000 on the membership of Rudraksh Fitness Centre taken for its CEO.

All the amounts given above are exclusive of taxes, wherever applicable. All 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-

- A.** Value of supply made to Dhanush Enterprises, assuming the interest on delayed payment to be exclusive of GST, is \_\_\_\_\_.
- (a) ₹ 8,00,000
  - (b) ₹ 8,08,000
  - (c) ₹ 7,92,000
  - (d) ₹ 8,16,000
- B.** The time of supply of advance money of ₹ 4,50,000 received for supply of office chairs to Ashoka Mart is \_\_\_\_\_. For balance payment of ₹ 10,50,000 received, the time of supply is \_\_\_\_\_.
- (a) 21<sup>st</sup> August; 5<sup>th</sup> September
  - (b) 5<sup>th</sup> September; 10<sup>th</sup> September
  - (c) 21<sup>st</sup> August; 10<sup>th</sup> September
  - (d) 5<sup>th</sup> September; 5<sup>th</sup> September

- C.** Determine the value of outward supplies made by Sarabhai & Sarabhai Associates on which tax is payable under reverse charge.
- (a) ₹ 1,20,000  
 (b) ₹ 50,000  
 (c) ₹ 1,70,000  
 (d) ₹ 3,00,000
- D.** Free gifts of value of ₹ 50,000 provided by Sarabhai & Sarabhai Associates to each of its employee is:
- (a) considered as supply of goods.  
 (b) considered as supply of services.  
 (c) exempt from GST.  
 (d) not a supply as per Schedule I of the CGST Act, 2017.
- E.** Sarabhai & Sarabhai Associates is eligible to claim input tax credit of \_\_\_\_\_ in the month of December.
- (a) ₹ 50,000  
 (b) ₹ 20,000  
 (c) ₹ 3,70,000  
 (d) Nil

**2. ITC on \_\_\_\_\_ is not blocked.**

- (a) trucks purchased by a company for transportation of its finished goods  
 (b) aircraft purchased by a manufacturing company for official use of its CEO  
 (c) general insurance taken on a car used by employees of a manufacturing company for official purposes  
 (d) cars purchased by a manufacturing company for official use of its employees

**Solution**

Question No.	Answer	
1(A)	(b)	₹ 8,08,000
(B)	(d)	5 <sup>th</sup> September; 5 <sup>th</sup> September
(C)	(d)	₹ 3,00,000 [DSA services are under reverse charge if provided by Individuals]
(D)	(d)	Not a supply as per Schedule I of the CGST Act, 2017
(E)	(d)	Nil
2	(a)	trucks purchased by a company for transportation of its finished goods



3. [Very Important] Sreshth Pvt. Ltd., a registered supplier of goods and services in Kolkata, has furnished the following information for the month of February:

S. No.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods	4,00,000
(ii)	Purchase of goods destroyed due to fire before being put into the production process (It is an intra-State transaction)	5,50,000
(iii)	Services provided to a foreign diplomatic mission located in India (It is an intra-State transaction)	1,00,000
(iv)	Intra-State purchase of food items for being served to the customers, free of cost. (It is an intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GST is payable @ 5% (It is an inter-State transaction). <b>GTA has not opted to pay GST under forward charge.</b>	2,00,000
(vi)	Inter-State services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi	10,000
(vii)	Inter-State security services provided to Torrent Higher Secondary School (unregistered under GST) for their annual day function organised in Katyani Auditorium outside the School campus	15,000
(vii)	Inputs to be received in 3 lots, out of which 2nd lot was received during the month	40,000

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

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	50,000

Note:

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unless otherwise mentioned.
- Both inward and outward supplies are exclusive of taxes, wherever applicable.
- All the conditions necessary for availing the ITC have been fulfilled.
- The turnover of Sreshth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Sreshth Pvt. Ltd. for the month of February. Make suitable assumptions as required.

### Solution

#### Computation of GST payable on outward supplies

S. No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Total (₹)
<b>GST payable under forward charge</b>					
(i)	Intra-State supply of goods [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services provided to a foreign diplomatic mission located in India [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to Torrent higher secondary school for their annual day function to be held in Katyani Auditorium. [Note-4]	Nil	Nil	2,700	2,700
<b>Total GST payable under forward charge</b>		<b>45,000</b>	<b>45,000</b>	<b>4,500</b>	<b>94,500</b>
<b>GST payable under reverse charge</b>					
<b>GTA services availed</b> [As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GTA has not opted to pay GST under forward charge.]		Nil	Nil	10,000	10,000

## Notes

- Intra-State supply of goods is leviable to CGST and SGST.
- Services by a foreign diplomatic mission located in India are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. **However, no exemption is available with respect to the services provided to a foreign diplomatic mission located in India.**
- Services by an organiser to any person in respect of a business exhibition are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017, **only if such business exhibition is held outside India.** Thus, in the given case, said service is taxable.
- Security services provided to Torrent higher secondary School for Annual Day function organised **outside** the school campus will be taxable **as only the security services performed within the premises of the higher secondary school are exempt** vide Notification No. 12/2017 CT(R) dated 28.06.2017.

## Computation of total ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
<b>Opening ITC</b>	<b>57,000</b>	<b>Nil</b>	<b>50,000</b>
<b>Add: Purchase of goods destroyed due to fire before being put into the production process</b> [ITC is blocked on lost goods, stolen goods, destroyed goods and goods that are written off]	Nil	Nil	Nil
<b>Add: Purchase of food items for being served to the customers, free of cost</b> [Blocked credit]	Nil	Nil	Nil
<b>Add: Goods transport services received from GTA</b> [ITC is available for the services received from GTA since it is used in course or furtherance of business.]	Nil	Nil	10,000
<b>Add: Inputs to be received in 3 lots, out of which 2nd lot was received during the month</b> [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
<b>Total ITC</b>	<b>57,000</b>	<b>Nil</b>	<b>60,000</b>

## Computation of minimum GST payable from electronic cash ledger

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Total (₹)
<b>GST payable under forward charge</b>	45,000	45,000	4,500	94,500
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]	(10,500) IGST (3)	(45,000) IGST (2)	(4,500) IGST (1)	60,000
	(34,500) CGST			34,500
<b>GST payable under reverse charge on GTA services</b> [Payable in cash since tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash]			10,000	
<b>Minimum GST payable in cash</b>	<b>Nil</b>	<b>Nil</b>	<b>10,000</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 first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow.

4. Determine the GST payable @ 18% with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (₹)
Fees charged for 'Swasthya Yoga Camp' conducted by Chandra Prakash Charitable Trust, registered under section 12AB of the Income-tax Act, 1961	98,000
Amount charged <b>by business correspondent</b> from Wealthy Banking Company for the services provided <b>to the rural branch</b> of a bank with respect to Savings Bank Accounts	1,00,000
<b>Amount charged by cord blood bank for preservation of stem cells</b>	<b>5,00,000</b>
Amount charged for service provided <b>by selectors</b> to a recognized sports body	5,20,000

**Solution**

## Computation of GST payable

Particulars	Amount (₹)	GST payable @ 18% (₹)
Fees charged for 'Swasthya Yoga Camp' conducted by Chandra Prakash Charitable Trust, registered under section 12AB of the Income-tax Act, 1961 [Note-1]	Nil	Nil
Amount charged by business correspondent from Wealthy Banking Company for the services provided <b>to the rural branch</b> of a bank with respect to Savings Bank Accounts [Note-2]	Nil	Nil
<b>Amount charged by cord blood bank for preservation of stem cells [Note-3]</b>	<b>5,00,000</b>	<b>90,000</b>
Service provided by selectors to a recognized sports body [Note-4]	5,20,000	93,600

**Notes:**

- Services by an entity registered under section 12AB 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.**
  - 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.
  - [Recent Amendment]** Services provided by cord blood banks by way of preservation of stem cells/any other service in relation to such preservation **are now taxable under GST.**
  - 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 selectors are liable to GST.
- 5. [Reverse Charge] Examine given cases and determine the persons liable to pay tax in each of the following independent cases:**
- Dharam Shastri, an independent director of Universe Pvt. Ltd., has received sitting fee amounting to ₹ 1 lakh from Universe Pvt. Ltd. for attending the Board meetings.
  - Chandan Associates provided sponsorship services to Virat Cricket Academy, an LLP.
  - Legal Fees is received by Gaba, an advocate, from M/s. Naveen Consultants having turnover of ₹ 50 lakh in preceding financial year.

**Solution**

- (i) GST on supply of services by director of a company to the said company located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., Universe Pvt. Ltd.

- (ii) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory.

Further, for the reverse charge purposes, Limited Liability Partnership formed and registered under the provisions of the Limited Liability Partnership Act, 2008 is also be considered as a partnership firm.

**Therefore, in the given case, Virat Cricket Academy is liable to pay GST under reverse charge.**

- (iii) GST on legal services supplied by an advocate [Mr. Gaba] to any business entity [M/s Naveen Consultants] located in the taxable territory **is payable on reverse charge basis.**

**Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Naveen Consultants.**

6. [Registration Chapter] Madhav Oils, Delhi has supplied machine oil and high-speed diesel in the month of April as per the details given in table below. Madhav Oils is not yet registered.

Sl. No.	Particulars	Amount (₹)*
(i)	Supply of machine oil in Delhi	15,00,000
(ii)	Supply of high-speed diesel in Delhi	10,00,000
(iii)	Supply of machine oil made in Punjab by Madhav Oils from its branch located in Punjab	10,00,000

\*excluding GST

Determine whether Madhav Oils is liable for registration.

[Repetitive in nature, can be ignored at the time of revision]

### Solution

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:-

- ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- ₹ 40 lakh for rest of India except persons engaged in making supplies of notified products.

Aggregate turnover includes the aggregate value of:

- all taxable supplies,
- all exempt supplies,
- exports of goods and/or services and
- all inter-State supplies of persons having the same PAN.

CGST is not leviable on five petroleum products i.e. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. 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 Madhav Oils for the month of April is computed as under:

S. No.	Particulars	Amount (in ₹)
(i)	Supply of machine oils in Delhi	15,00,000
(ii)	Add: Supply of high speed diesel in Delhi	10,00,000
(iii)	Add: Supply of machine oil made by Madhav Oils from its branch located in Punjab	10,00,000
	<b>Aggregate Turnover</b>	<b>35,00,000</b>

Madhav Oils is making exclusive supply of goods and hence the threshold limit for registration would be ₹ 40,00,000.

Since the aggregate turnover does not exceed ₹ 40,00,000, Madhav Oils is not liable to be registered.

7. [Payment of Tax chapter] Rajul is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid ₹ 75,000 to various vendors. The total input tax involved on the goods and services procured by her is ₹ 13,500. Out of the total bills paid by her, one bill for ₹ 15,000 relates to security services availed for security of her office, tax on which is payable under reverse charge. Input tax involved in such bill is ₹ 2,700.

Rajul is of the opinion that for the month of October, no GST is payable from electronic cash ledger as she has sufficient balance of ITC for payment of GST under reverse charge on security services.

Do you think Rajul is right? Explain with reasons.

**Solution**

The amount available in the electronic credit ledger, i.e. ITC may be used for making any payment towards output tax. Output tax in relation to a taxable person, means the tax chargeable on taxable supply of goods or services or both made by him or by his agent **but excludes tax payable by him on reverse charge basis.**

**Therefore, ITC cannot be used to pay the tax liability under reverse charge.** The same is always required to be paid through electronic cash ledger and not electronic credit ledger.

**Thus, Rajul is wrong and she will need to pay the GST of ₹ 2,700 on security service through electronic cash ledger.**

**8. [ITC Chapter – Section 18(1)] Discuss the ITC entitlement of a newly registered person under GST law.****Solution**

A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi- finished or finished goods held in stock on the day immediately preceding the date of grant of registration. If the person was liable to take registration and he has applied for registration within 30 days from the date on which he became liable to registration, then ITC of inputs held in stock and inputs contained in semi- finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

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

**9. [Return chapter] If a return has been filed, how can it be revised if some changes are required to be made?****Solution**

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 amendment in the details of those individual 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.

Omission or incorrect particulars discovered in the returns filed under section 39 of the CGST Act, 2017 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.

However, no such rectification of any omission or incorrect particulars is allowed **after 30<sup>th</sup> November following the end of financial year** to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier



# GST - PRACTICE TEST PAPER - SET 7 (Series B)

## (SATC GST TEST SERIES - 12<sup>th</sup> Edition)

**APPLICABLE FOR CA INTER - 2024 EXAM**

**SOURCE: CA INTERMEDIATE MAY 2022 - PAST EXAM**

**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

1. **[Important]** Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand, is engaged in the manufacturing of washing machines & mixer grinders. It provides you the details of various activities undertaken during the month of September, 20XX as follows:

Sl. No.	Particulars		Amount(₹)	
(i)	Outward supplies made during the month		29,00,000	
	a.	Within Jharkhand		₹ 24,00,000
	b.	Outside Jharkhand		₹ 5,00,000
(ii)	Purchase of raw materials from registered dealers within Jharkhand which includes materials worth ₹ 2,00,000 purchased from Mr. Krishna, a registered person who is paying tax under composition scheme.		7,00,000	
(iii)	Bus purchased from a registered dealer in Tatanagar, Jharkhand. Bus used to ferry its 25 workers to and from factory.		12,00,000	

Assume the rates of GST applicable on various supplies as follows:

Nature of supply	CGST	SGST	IGST
Composition supplies	0.5%	0.5%	-
Bus	14%	14%	28%
Raw material	6%	6%	12%
Washing machines & mixer grinders	9%	9%	18%

Opening balances of input tax credit as on 01/09/20XX were as follows:

CGST (₹)	SGST (₹)	IGST (₹)
20,000	5,000	95,000

Note:

- (i) All the figures mentioned above are exclusive of taxes.
- (ii) Both inward & outward supplies within the State of Jharkhand are to be considered intra-State supplies and outside the State of Jharkhand are inter-State supplies.
- (iii) Subject to information given above, all the other conditions necessary for availing ITC have been fulfilled.

Calculate the amount of net minimum GST payable in cash by Zeon Ltd. for the month of September, 20XX. Brief and suitable notes should form part of your answer.

**Answer:**

Computation of minimum net GST payable in cash by Zeon Ltd. for the month of September 20XX

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward supplies made within Jharkhand	2,16,000 [24,00,000 × 9%]	2,16,000 [24,00,000 × 9%]	
Outward supplies made outside Jharkhand			90,000 [5,00,000 × 18%]
<b>Total output tax</b>	<b>2,16,000</b>	<b>2,16,000</b>	<b>90,000</b>
Less: Input Tax Credit [Refer Working Note below]	-	5,000 (IGST)	(90,000) (IGST)
[IGST credit be first utilized for payment of IGST liability. Remaining IGST credit has been utilized for payment of SGST liability since the SGST liability is to be kept at minimum.	2,16,000 (CGST)		
After exhausting IGST credit, CGST and SGST credit to be utilized. CGST credit to be utilized for payment of CGST and SGST credit to be utilized for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.]		2,03,000 (SGST)	
<b>Minimum net GST payable in cash</b>	<b>Nil</b>	<b>8,000</b>	<b>Nil</b>
<b>ITC to be carried forward next month</b>	<b>2,000</b>		

**Working Note:**

Computation of ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	20,000	5,000	95,000
<b>Purchase of raw materials from registered dealers within Jharkhand [7,00,000 – 2,00,000]</b> [ITC on purchases of goods worth ₹ 2,00,000 on which tax has been paid under composition scheme is blocked. ITC on remaining purchases worth ₹ 5,00,000 is available, being supply of goods used/intended to be used in the course/furtherance of business.]	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]	
<b>Bus purchased from dealer in Jharkhand used to ferry 25 workers to and from factory</b> [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,68,000 [12,00,000 × 14%]	1,68,000 [12,00,000 × 14%]	
<b>Total ITC available</b>	<b>2,18,000</b>	<b>2,03,000</b>	<b>95,000</b>



**2. [Value of Supply Chapter]**

XYZ Pvt. Ltd. provided the following particulars relating to goods sold by it to ABC Pvt. Ltd.:

Particulars	Amount(₹)
List price of the goods (exclusive of taxes and discount)	50,000
Tax levied by the Municipal Authority on the sale of such goods	6,000
Packing charges (not included in the list price above)	2,500
Subsidy received from a NGO, directly linked to price (included in the list price above)	3,000
Paid to one of the vendors by ABC Pvt. in relation to the service provided by the vendor to XYZ Pvt. Ltd. (not included in the list price above)	2,000

XYZ Pvt. Ltd. offers 2% turnover discount on the list price after reviewing the performance of ABC Pvt. Ltd. The discount was not known at the time of supply.

ABC Pvt. Ltd. delayed the payment and paid ₹ 5,000 (including GST of 18%) as interest to XYZ Pvt. Ltd.

Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law.

**Answer:**

Computation of value of taxable supply made by XYZ Pvt. Ltd.

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Taxes other than GST, if charged separately, are includible in the value of supply.]	6,000
Packing charges [Being incidental expenses, same are includible in the value of supply.]	2,500
Subsidy received from NGO [Since subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply.]	Nil
Payment made by ABC Pvt. Ltd. in relation to service provided by vendor to XYZ Pvt Ltd. [Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.]	2,000
Turnover discount [Since discount is not known at the time of supply, it is not deductible from the value of supply.]	-
Interest for delayed payment (rounded off) [Includible in the value of supply]	4,237 [5,000 × 100/118]
<b>Value of taxable supply</b>	<b>64,737</b>

**3. [Supply chapter] Examine whether the following activities would amount to "supply" under GST law?**

- (i) *Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of ₹ 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd.*
- (ii) *Mr. Swamy of Chennai is working as a manager with ABC Bank. He consulted M/s. Jacobs and Company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import of service.*

**Answer:**

- (i) An activity qualifies as supply under GST only if it is for a consideration and is in course/furtherance of business. **Donations received by the charitable organizations are treated as consideration only when there's an obligation on part of the recipient of the donation to do anything.**

Since in the given case, the display of products sold by the donor – Glory Ltd. - in charitable organization's premises aims at advertising/promotion of its business, **it is supply for consideration in course/furtherance of business and thus, qualifies as supply under GST law.**

- (ii) Supply includes importation of services, for a consideration whether or not in the course/furtherance of business. **Thus, in the given case, the import of services by Mr. Swamy amounts to supply although it is not in course/furtherance of business.**

4. **[Tax Invoice Chapter]** M/s. Xing Trans of Kolkata is engaged in the trading of transmitters. On 20/05/20XX, M/s. Xing Trans has sent 500 units of transmitters for exhibition at Chennai on sale or return basis. Out of the said 500 units, 300 units have been sold on 28/07/20XX at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25/11/20XX and balance 50 units have neither been sold nor brought back.

**Explain the provisions under GST law relating to issue of invoices with exact dates on which tax invoices need to be issued by M/s. Xing Trans.**

**Answer:**

Where the goods being sent for sale or return are removed before the supply takes place, the tax invoice shall be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier.

In the given case, 500 units of transmitters have been sent for exhibition on sale or return basis out of which 300 units are sold before 6 months from the date of removal. Thus, tax invoice for said 300 units needs to be issued before or at the time of supply of such goods, i.e. upto 28/07/20XX.

Remaining 200 (150+ 50) units have neither been sold nor brought back till the expiry of 6 months from the date of removal goods, i.e. 20/11/20XX. **Thus, tax invoice for said 200 units needs to be issued upto 20/11/20XX.**

5. **[E-way bill]** "One consolidated e-way bill can be generated for multiple invoices". Comment on the validity of the above statement with reference to GST law.

**Answer:**

**The statement is invalid.**

Multiple invoices cannot be clubbed to generate one e-way bill. If multiple invoices are issued by the supplier to recipient, for movement of such goods, multiple e-way bills have to be generated.

Thus, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved.

However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.

6. **[Return Chapter]** "All taxpayers are required to file GSTR-1 only after the end of the current tax period." Comment on the validity of the above statement with reference to GST law.

**Answer:**

**The statement is partially valid.**

A taxpayer cannot file Form GSTR-1 before the end of the current tax period. **However, following are the exceptions to this rule:**

- (a) Casual taxpayers, after the closure of their business
- (b) Cancellation of GSTIN of a normal taxpayer.

**A taxpayer who has applied for cancellation of registration will be allowed to file Form GSTR-1 after confirming receipt of the application.**

7. **[New Amendment] Reverse Charge:** "Under the GST law, taxes on taxable services supplied by the Central Government or the State Government to a business entity in India are payable by recipient of services". State the exceptions of the above statement.

**Answer:**

Tax on following services supplied by the Central Government or State Government to a business entity in India is payable by the supplier of services:

- (1) services by the Department of Posts **and the Ministry of Railways.**
- (2) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.
- (3) services of transport of goods or passengers.
- (4) services of renting of immovable property provided **to an unregistered business entity.**



8. **[Payment of Tax Chapter]** Mr. B, a registered supplier of Uttar Pradesh, is doing the trading of taxable goods. He approaches you to understand the manner of utilisation of available Input Tax Credit (ITC). With reference to provisions of payment of tax, state the manner of utilisation of ITC under GST law.

**Answer:**

**The manner of utilisation of ITC under GST law is as under:**

1. IGST credit should first be utilized towards payment of IGST.
2. Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.
3. Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
4. Subsequently, ITC of CGST should be utilized for payment of CGST and IGST in that order.
5. ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order.
6. ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.
7. ITC of SGST/UTGST cannot be utilized for payment of CGST and vice versa.

9. **[Star Marked for Revision] [Registration Chapter]** State any 5 circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017.

**Answer:**

**Circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017:**

- (i) A registered person has contravened any of the following prescribed provisions of the GST law:
  - (a) he does not conduct any business from the declared place of business.
  - (b) he issues invoice/bill without supply of goods/services in violation of the provisions of GST law.
  - (c) he violates the provisions of anti-profiteering.
  - (d) he violates the provisions relating to furnishing of bank details.
  - (e) he avails ITC in violation of the provisions of the GST law.
  - (f) furnishes the details of outward supplies in GSTR-1 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return for the said tax periods.
  - (g) he violates the provision relating to restrictions on use of amount available in electronic credit ledger
  - (h) **being a registered person required to file monthly return under section 39(1), has not furnished returns for a continuous period of 6 months;**
  - (i) **being a registered person required to file quarterly return, has not furnished returns for a continuous period of 2 tax periods;**
- (ii) A person paying tax under composition levy has **not furnished the return for a financial year beyond 3 months from the due date.**
- (iii) Voluntarily registered person has not commenced the business within 6 months from the date of registration.
- (iv) Registration was obtained by means of fraud, wilful misstatement or suppression of facts.



# GST - PRACTICE TEST PAPER - SET 8 (Series B)

## (SATC GST TEST SERIES - 12<sup>th</sup> Edition)

**APPLICABLE FOR CA INTER - 2024 EXAM**

**SOURCE: CA INTERMEDIATE MAY 2023 - PAST EXAM**

**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

1. **[Star Marked for Revision [Supply under GST & Input Tax credit]** Jino Enterprises, a partnership firm is a regular taxable person registered in Guwahati, Assam and is engaged in supply of Air conditioners and its accessories as well as air conditioned repairing services. Details of their various activities for the month of October 2023 are as follows:

- (i) Intra State supply of Air conditioner to customers in Assam. Freight is separately charged in invoices **for delivery of goods at customer's doorstep.**

	₹
Value of goods	4,00,000
Value of freight charges charged separately in above invoices.	1,00,000

- (ii) Intra State supply of repairing services wherein apart from charging service charges, cost of parts/spares provided to customers is also charged and consideration for the same is separately mentioned in the invoices.

	₹
Value of services component of invoices	3,00,000
Value of parts / spares component in invoices	50,000

- (iii) In order to enhance their sales and to clear the stock of old models of air - conditioner, Jino Enterprises made combo offers to customers wherein, if a customer purchases an Air-conditioner along with a stabilizer, the same is offered at a combo price of ₹ 20,000 as against the original price of ₹ 30,000 (Air-conditioner ₹ 22,000 & stabilizer ₹ 8,000) if these are purchased separately. During October, 2023, Jino Enterprises had made inter-State supply of 10 numbers of such combo products.

- (iv) Purchased **business class air tickets** for intra State travel from Guwahati Airport, Assam to Dibrugarh Airport, Assam for its executive employees relating to business of the concern. Basic air fare was ₹ 40,000 and airlines charges GST @ 2.5% CGST, SGST each on basic freight, in case the same is applicable.

- (v) Additional Information:

- (a) All the figures mentioned above are exclusive of taxes.
- (b) **[Important]** In respect of few of the invoices relating to F.Y. 2022-23, involving ITC of CGST ₹ 20,000, SGST of ₹ 20,000, IGST ₹ 80,000 was not taken earlier. Jino Enterprises now want to avail credit in respect of such invoices in the current month.
- (c) The rates of GST applicable on various supplies are as follows:

Nature of Supply	CGST	SGST	IGST
Air-Conditioner, Parts and accessories (Except Stabilizers)	6%	6%	12%
Services	9%	9%	18%
Stabilizers	9%	9%	18%
Freight	6%	6%	12%

Calculate the amount of minimum CGST, SGST & IGST tax payable in cash by Jino Enterprises for the month of October, 2023.

Note: Working Notes (legal provisions) should form part of your Answer.

**Solution:**

Computation of minimum CGST, SGST and IGST payable in cash by Jino Enterprises for the month of October, 2023

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b>Intra-State supply of air-conditioners</b> [Since goods are agreed to be delivered at customer's doorsteps, <u>supply of air- conditioners along with transportation thereof is a composite supply</u> which is treated as the supply of the principal supply (viz. air-conditioners). Accordingly, rate of principal supply, i.e. air-conditioners will be charged.]	5,00,000 [4,00,000 + 1,00,000]	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]	
<b>Intra-State supply of repairing services</b> [Since parts/ spares and repair services are <u>not naturally bundled</u> , they are taxable separately at the applicable rates.]	3,00,000	27,000 [3,00,000 × 9%]	27,000 [3,00,000 × 9%]	
<b>Intra-State supply of parts / spares</b>	50,000	3,000 [50,000 × 6%]	3,000 [50,000 × 6%]	
<b>Inter-State supply of 10 combos of air- conditioners and stabilizers</b> [Since supplies are not naturally bundled and a single price is being charged, it is a mixed supply. It is treated as supply of that particular supply which attracts highest tax rate (i.e., stabilizers).]	2,00,000 [20,000 × 10]			36,000 [2,00,000 × 18%]
<b>Total output tax</b>		<b>60,000</b>	<b>60,000</b>	<b>36,000</b>
<b>Less: Input Tax Credit [Refer Working Note below]</b> [IGST credit is first utilized for payment of IGST liability. Remaining IGST credit has been utilised for payment of CGST and SGST in such proportion to keep the liability at its minimum. After exhausting IGST credit, CGST and SGST credits have been utilized. CGST credit is utilized for payment of CGST and SGST credit is utilised for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.]		(22,000) (IGST)	(22,000) (IGST)	(36,000) (IGST)
		(21,000) (CGST)	(21,000) (SGST)	
<b>Minimum net GST payable in cash</b>		<b>17,000</b>	<b>17,000</b>	<b>Nil</b>

**Working Note:****Computation of ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
<b>Purchase of business class air tickets for travel from Assam</b> [Not exempt, since air travel embarking from Assam is not being undertaken in economy class. Further, ITC is available since service is used in the course/furtherance of business.]	1,000 [40,000 × 2.5%]	1,000 [40,000 × 2.5%]	
<b>Invoices relating to FY 2022-23</b> [ITC in respect of any invoice can be taken <u>upto 30th November following the end of FY</u> to which such invoice relates or furnishing of the relevant annual return, whichever is earlier.]	20,000	20,000	80,000
<b>Total ITC available</b>	<b>21,000</b>	<b>21,000</b>	<b>80,000</b>

2. [Star Marked for Revision Important [Supply + Reverse Charge + Exemption] Mr. Jayesh, a registered supplier of Mumbai, received the following amounts in respect of the various activities undertaken by him during the month of October, 20XX.

S. No	Particulars	Amount (₹)
(i)	Commission received as a recovery agent <u>from a Non-Banking Finance Company (NBFC)</u>	80,000
(ii)	Actionable claim received from normal business debtors	10,50,000
(iii)	Amount received from ABC Ltd. for performance of classical dance in one program.	1,74,500
(iv)	Business assets (old computers) given to a friend free of cost, the market value of all the computers was ₹ 51,000. No input tax credit has been availed on such computers when used for business.	No amount Charged
(v)	Consideration received for one month rent from a registered individual person for renting of residential dwelling for use as residence.	15,200

**Details of Input services:**

S. No.	Particulars	Amount (₹)
	Paid to <u>an unregistered Goods Transport agency</u> for various consignments of transportation of goods by road. (Each individual consignment in a single carriage was of <u>less than ₹ 1,450.</u> )	15,100

**Notes:**

- (i) All the amount stated above in both the tables are exclusive of GST, wherever applicable.  
(ii) Aggregate turnover of Mr. Jayesh in previous year was ₹ 42,00,000.

You are required to compute Gross value of supplies, on which GST to be paid by Mr. Jayesh for the month of October, 20XX.

**Solution:**

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

Particulars	Amount (₹)
<b>Commission received as a recovery agent from Non-Banking Financial Company</b> [Tax is payable by NBFC under reverse charge.]	-
<b>Actionable claim received from normal business debtors</b> [No tax is payable as actionable claims other than lottery, betting, <b>casino, horse racing, online money gaming</b> and gambling are covered under Schedule III, i.e. they are neither supply of goods nor supply of services.]	-
<b>Amount received from ABC Ltd. for performance of classical dance</b> [Taxable since consideration for classical dance performance exceeds ₹ 1,50,000.]	1,74,500
<b>Business assets given free of cost</b> [Not a supply as it is made without consideration and not covered in Schedule I because ITC is not availed on the same.]	-
<b>Rent from registered individual person</b> [Tax is payable by the registered individual person under reverse charge]	-
<b>Services from unregistered GTA</b> [Tax on services provided by unregistered GTA is payable under reverse charge by Mr. Jayesh being a registered person.]	15,100
<b>Gross value of taxable supply on which GST is to be paid by Mr. Jayesh</b>	<b>1,89,600</b>

3. **[Exemption] Important** Mr. Shyam Das was admitted to Suraksha Hospital in Mumbai for 2 days in relation to diagnosis of removal of stones from his kidney. For the said services, Surkasha hospital charged following from Mr. Das:

- a) Room rent ₹ 7,000 per day for 2 days.
- b) Operation theatre charges ₹ 5,000
- c) Doctors Consultation Charges ₹ 8,000
- d) Other services ₹ 4,000

In each of the above scenario explain whether Suraksha Hospital should levy GST or not in line with the relevant provisions of the GST laws.

**Solution:**

Health care services by a clinical establishment are exempt from GST.

However, services provided by a clinical establishment by way of providing room having room charges exceeding ₹ 5,000 per day to a person receiving health care services are not exempt.

In view of the same, only the room rent of ₹ 14,000 (₹ 7,000 per day × 2 days) is liable to GST.

Other than room rent, all other nature of services provided by Suraksha Hospital are exempt from GST.

4. **[Star Marked for Revision] [Payment of Tax]** Mr. Manik provides the following information regarding his tax & other liabilities under GST law as per Electronic Liability Register:

Sr. No.	Particulars	Amount (₹)
1.	Tax due for the month of May	25,000
2.	Interest due for the month of May	2,000
3.	Penalty due for the month of May	3,000
4	Tax due for the month of June	35,000
5.	Liability arising out of demand notice u/s 73	48,000

Mr. Manik wants to clear his liability of demand notice u/s 73 first.

Discuss the provision of order of discharge of GST liability u/s 49(8) of the CGST Act & advice to Mr. Manik.

**Solution:**

The order of discharge of GST liability under section 49(8) of the CGST Act is as under:

- (i) self-assessed tax, interest, penalty, fee or any other amount related to returns of the previous tax periods.
- (ii) self-assessed tax, interest, penalty, fee or any other amount related to returns of the current tax period.
- (iii) any other amount payable including demand determined under section 73 or section 74,

In view of the above provisions, Mr. Manik cannot clear his liability of demand notice u/s 73 first.

The order of discharge of liability of Mr. Manik will be as under:

1. Tax, interest and penalty for the month of May, ₹ 30,000
2. Tax due for the month of June, ₹ 35,000
3. Liability arising out of demand notice u/s 73, ₹ 48,000



5. **[Return Chapter]** Mr. Sumit is a registered dealer in the state of Punjab. In the month of May, he decides to apply for QRMP scheme. As he wants to switch to QRMP scheme, he had not filed his returns for the months of May and June.

Please guide to Mr. Sumit regarding the following:

- (A) Conditions and restrictions of QRMP scheme.  
(B) Manner of exercising option of QRMP scheme.

**Solution:**

**(A) Conditions and restrictions of QRMP scheme**

Mr. Sumit has to fulfil the following conditions and restrictions for opting for QRMP scheme:

- His aggregate annual turnover (PAN based) is up to ₹ 5 crore in the preceding financial year.
- He has furnished the return for the preceding month, as due on the date of exercising such option.
- He is not required to exercise the option every quarter.

**(B) Manner of exercising option of QRMP scheme**

Registered person – Mr. Sumit - intending to opt for QRMP scheme for any quarter should indicate his preference for furnishing of return on a quarterly basis from 1st day of the 2nd month of the preceding quarter till the last day of the 1st month of the quarter for which the option is being exercised.

6. **[E-way Bill]** When goods are transferred by principal to job worker, there is no need to issue e-way bill. Comment on the validity of the above statement with reference to GST Laws.

**Solution:**

The said statement is not valid. When goods are transferred by principal to job worker, e-way bill is required to be mandatorily issued:

- in case of intra-State transfer, if consignment value exceeds ₹ 50,000, and
- in case of inter-State transfer, irrespective of the value of the consignment.

7. **[New Amendment] [Composition Scheme]** Who are not eligible to opt for composition scheme for goods under GST Laws?

**Solution:**

The registered person who is not eligible for composition scheme for goods under GST law are as under:

- (i) Supplier engaged in making any supply of goods or services which are not leviable to tax.
- (ii) Supplier engaged in making any inter-State outward supplies of goods or services.
- (iii) Person supplying any ~~goods or~~ services through an electronic commerce operator who is required to collect tax at source (under section 52).
- (iv) Manufacturer of ice cream, panmasala, tobacco, aerated waters, fly ash bricks; fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.
- (v) Supplier who is either a casual taxable person or a non-resident taxable person
- (vi) Supplier of services exceeding an amount which is higher of 10% of the turnover in a State/U.T. in the preceding financial year or ₹ 5 lakh.

8. **[Exemption chapter]** GTA services provided to an unregistered person (including unregistered casual taxable person) are exempt from GST by virtue of Entry 21A of GST Laws. Discuss the validity of above statement.

**Solution:**

The said statement is invalid.

Services provided by a GTA to an unregistered person, including an unregistered casual taxable person are exempt except when provided to a:

- (a) factory
- (b) society
- (c) co-operative society
- (d) body corporate
- (e) partnership firm
- (f) registered casual taxable person

9. [New Amendment] [Supply under GST] List any 5 (Five) activities/transactions specified under Schedule III of the CGST Act, 2017 which shall be neither treated as supply of goods nor as supply of services. Detailed explanations is not required.

**Solution:**

Activities or transactions which shall be treated neither as a supply of goods nor a supply of services are as under:-

- (1) Services by an employee to the employer in the course of or in relation to his employment.
- (2) Services by any court or Tribunal established under any law for the time being in force.
- (3) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.
- (4) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity.
- (5) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
- (6) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- (7) Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building. (i.e. in case, where entire consideration for sale of building received after issuance of completion certificate or after its first occupation, whichever is earlier).
- (8) **Actionable claims, other than Specified Actionable claims (i.e. other than lottery, betting, gambling, casinos, horse racing & online money gaming).**



10. [Star Marked for Revision] [Payment of Tax chapter] “Rule 86A of the CGST Rules, 2017 provides that in certain specified circumstances, Commissioner on the basis of reasonable belief may not allow debit of an amount equivalent to such credit in electronic credit ledger.”

State the grounds (as guided by CBIC) on which the reasons for such belief must be based on.

**Solution:**

The reasons for such belief must be based on one or more of the following grounds:

- (1) The credit is availed by the registered person on the invoices/debit notes issued by a supplier, who is found to be non-existent or is found not to be conducting any business from the place declared in registration.
- (2) The credit is availed by the registered person on invoices/debit notes, without actually receiving any goods and/or services.
- (3) The credit is availed by the registered person on invoices/debit notes, the tax in respect of which has not been paid to the Government.
- (4) The registered person claiming the credit is found to be non-existent or is found not to be conducting any business from the place declared in registration.
- (5) The credit is availed by the registered person without having any invoice/debit note or any other valid document for it.

# GST - PRACTICE TEST PAPER - SET 9 (Series B)

## (SATC GST TEST SERIES - 12<sup>th</sup> Edition)

### APPLICABLE FOR CA INTER - 2024 EXAM

**SOURCE: CA INTERMEDIATE RTP NOV 2023 EXAM**

**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

#### 1. Case Scenario based MCQ

**[Registration + Supply + ITC + Value of Supply]** Bali Bells Ltd. (hereinafter referred as Bali Bells), a private limited company registered in Chennai, Tamil Nadu, provides the following outward supplies in the month of September:

Particulars	Amount (₹)	
	Taxable	Exempt
Intra-State outward supplies	40,00,000	15,00,000
Inter-State outward supplies	30,00,000	10,00,000

Bali Bells Ltd. **sold land** for ₹ 2,00,00,000 (excluding GST) in the month of September. Bali Bells purchased one heavy steel machinery in the month of September for ₹ 1,00,000 (excluding GST @ 18%). Bali Bells capitalized the value of machinery along with GST paid on the same in its books of accounts and claimed depreciation on the full value of machinery as well as on GST amount.

Apart from this, Bali Bells has a tax invoice dated 25<sup>th</sup> July of last financial year with respect to an inward supply of ₹ 50,000 (excluding GST @ 18%). The company has not availed ITC on said invoice yet.

Bali Bells distributed some free samples of goods in the month of October to its customers to promote its sales.

Bali Bells made a supply during November, 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
- **It received a subsidy of ₹ 3,500 from Bharat Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of energy saved and not aforesaid product.**

Bali Bells has not furnished its annual return for the preceding financial year till the end of November and will furnish it in the month of December of the current financial year.

Assume that there is no other outward or inward supply transaction apart from aforesaid transactions, in the months of September, October and November. All the amounts given above are exclusive of taxes, unless otherwise specified.

**Based on the information given above, choose the most appropriate answer to the following questions-**

#### A. Determine the aggregate turnover of Bali Bells for the month of September.

- (a) ₹ 2,70,00,000
- (b) ₹ 95,00,000
- (c) ₹ 2,95,00,000
- (d) ₹ 70,00,000

#### B. Bali Bells wants to avail ITC on GST paid on the heavy steel machinery purchased in September. Which of the following statements is true in this regard?

- (a) ITC on the machinery cannot be availed since depreciation has been claimed on the GST paid on the machinery under Income-tax Act, 1961.
- (b) ITC on the machinery shall be allowed to the extent of 50% in the current financial year and balance 50% in the subsequent financial year.
- (c) ITC on the machinery shall be allowed in the current financial year only to the extent of the depreciation claimed on GST paid on machinery.
- (d) Full ITC of GST paid on the machinery can be availed in the current year.

- C. Whether Bali Bells can avail ITC on the free samples of goods distributed in the month of October?**
- (a) Yes; ITC is available on outward supplies even if made without consideration in the course or furtherance of business.  
 (b) No; ITC is not available since supply of samples is without consideration.  
 (c) No; ITC on free samples is blocked under section 17(5) of the CGST Act, 2017.  
 (d) No; ITC is not available since supply of free samples is not in course or furtherance of business.
- D. Bali Bells can claim ITC on inputs received in July of preceding financial year upto \_\_\_\_\_ of the current financial year.**
- (a) 30<sup>th</sup> November  
 (b) 25<sup>th</sup> July  
 (c) 31<sup>st</sup> December  
 (d) 30<sup>th</sup> September
- E. Compute the value of supply under section 15 of the CGST Act, 2017 made by Bali Bells in the month of November?**
- (a) ₹ 45,000  
 (b) ₹ 47,500  
 (c) ₹ 48,500  
 (d) ₹ 51,000

Question No.	Answer	
<b>A</b>	<b>(b)</b>	₹ 95,00,000
<b>B</b>	<b>(a)</b>	ITC on the machinery cannot be availed since depreciation has been claimed on the GST paid on the machinery under Income-tax Act, 1961.
<b>C</b>	<b>(c)</b>	No; ITC on free samples is blocked under section 17(5) of the CGST Act, 2017.
<b>D</b>	<b>(a)</b>	30 <sup>th</sup> November
<b>E</b>	<b>(a)</b>	₹ 45,000 [Subsidy is not related to price]

2. [Value of Supply + ITC] Chill Ltd., Delhi, a registered supplier, manufacturing machineries has made a taxable supply of machinery during the month of March. It furnished the following details for each such machinery supplied: -

S. No.	Particulars	Amount (₹)
(i)	List price of machinery (exclusive of taxes)	10,00,000
(ii)	Subsidy received from the Central Government for supply of machinery to Government School (exclusively related to supply of machinery included at S. No. 1)	2,10,000
(iii)	Subsidy received from an NGO for supply of machinery to an old age home (exclusively related to supply of goods included at S. No. 1)	2,00,000
(iv)	Tax levied by Municipal Authority	2,50,000
(v)	Packing charges	1,25,000

**Additional information:-**

The list price of the machinery is after considering the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price.

Further, the company has provided the following information pertaining to purchases made/services availed by it in respect of supply of said machinery during the month of March:

S. No	Particulars	GST (₹)
(1)	Raw material (to be received in the month of April)	8,50,000
(2)	Membership of a club availed for employees working in the factory (not obligatory to be provided under any law)	4,00,000
(3)	Inputs to be received in 6 lots, out of which 1st lot was received during the month	3,50,000
(4)	Trucks used for transport of raw material	1,50,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those items is ₹2,82,000)	3,50,000

**Note:**

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled, subject to the information given above.
- (iv) All inward and outward supplies are inter-State supplies.

**Compute the net GST payable in cash, by Chill Ltd. for the month of March.**

**Solution:**

Computation of net GST payable in cash

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Supply of machinery [Refer Working Note]	15,75,000			2,83,500
Less: ITC available				2,18,000
<b>Net GST payable in cash</b>				<b>65,500</b>

**Note:** IGST is payable on the inter-State transactions.

**Computation of total value of taxable supply made by Chill Ltd. during the month of March**

Particulars	Amount (₹)
List price of the machinery	10,00,000
<b>Subsidy amounting to ₹ 2,10,000 received from the Central Government</b> [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	Nil
<b>Subsidy received from NGO</b> [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	2,00,000
<b>Tax levied by the Municipal Authority</b> [Includible in the value as per section 15(2)(a) of the CGST Act, 2017]	2,50,000
<b>Packing charges</b> [Being incidental expenses, the same are includible in the value as per section 15(2)(c) of the CGST Act, 2017]	1,25,000
<b>Total value of taxable supplies</b>	<u>15,75,000</u>

**Computation of ITC that can be availed by Chill Ltd. for the month of March**

Particulars	ITC (₹)
<b>Raw Material</b> [ITC not available as raw material is not received in March]	Nil
<b>Membership of a club availed for employees working in the factory</b> (not obligatory to be provided under any law) [ITC is blocked in terms of section 17(5) of the CGST Act, 2017]	Nil
<b>Inputs to be received in 6 lots, out of which 1<sup>st</sup> lot was received during the month</b> [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
<b>Trucks used for transport of raw material</b> [ITC of GST paid on motor vehicles used for transportation of goods is allowed unconditionally]	1,50,000
<b>Capital goods</b> [ITC can be availed only on the basis of a valid document (invoice). Thus, GST paid on items for which invoice is missing, i.e. ₹ 2,82,000, is not available.]	68,000
<b>Total ITC</b>	<b>2,18,000</b>

3. **New Amendment [Tax Invoice]** Eden Ltd., registered under GST and dealing in educational toys, has an aggregate turnover of ₹ 8 crore in the preceding financial year. The tax consultant of Eden Ltd. advised it to issue e-invoices mandatorily in the current financial year. However, Eden Ltd. is of the view that since it's aggregate turnover is less than the threshold limit applicable for e-invoicing, so it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.

**Solution:**

E-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than **₹ 5 crore [effective from 01.08.2023]** in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports.

Thus, the advice given by tax consultant of Eden Ltd. for issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Eden Ltd. has **exceeded the threshold limit i.e. ₹ 5 crore** in the preceding financial year.

4. **[Very Important] [Tax Invoice]** A Government Department is registered under GST. It's aggregate turnover in the preceding financial year is ₹ 12 crore. You are required to comment with the help of relevant provisions whether the said Department is required to issue e-invoices in the current financial year.

**Solution:**

Following entities are exempt from the mandatory requirement of e-invoicing:

- Special Economic Zone units
- Insurer or banking company or financial institution including NBFC
- GTA supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of passenger transportation service
- Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- Government Department and a local authority

**[Very Important]** Further, the above taxpayers exempted from the mandatory requirement of e-invoicing are required to provide a declaration on the tax invoice stating that though their aggregate turnover exceeds the notified aggregate turnover for e-invoicing, they are not required to prepare an e-invoice [Page 9.6].

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ₹ 5 crore in the preceding financial year from 2017-18 onwards but are required to provide a declaration as discussed above.

Thus, in the given case, the Government Department is not required to issue e-invoices in the current financial year even if it's aggregate turnover has exceeded ₹ 5 crore.

5. **[GST Return]** Batra Ltd., a normal taxpayer, is winding up its business in Rajkot. The Tax Consultant of Batra Ltd. has suggested that Batra Ltd. will have to file either the annual return or the final return at the time of voluntary cancellation of registration in the State of Rajkot.

Do you agree with the stand taken by Tax Consultant of Batra Ltd.? Offer your comments. Ignore the aggregate turnover of Batra Ltd.

**Solution:**

No, the stand taken by Tax Consultant of Batra Ltd. is not correct.

Annual return is required to be filed by every registered person paying tax as a normal taxpayer. Final return is filed by the registered persons who have applied for cancellation of registration within three months of the date of cancellation or the date of cancellation order.

In the given case, Batra Ltd., a registered person, is winding up its business and has thus, applied for cancellation of registration. **Therefore, it is required to file both annual return and final return.**

6. **[E-way Bill]** Mr. Shyam Nath, a registered person has caused movement of goods of consignment value exceeding ₹ 50,000 in relation to a supply and thus, generated e-way bill. However, after generation of e-way bill, he found a mistake in the e-way bill and wants to edit it. You are required to advise Mr. Shyam Nath whether he can do so with the help of relevant provisions.

**Solution:**

If there is a mistake, incorrect or wrong entry in the e-way bill, then it cannot be edited or corrected. Only option is cancellation of e-way bill within 24 hours of generation and generate a new one with correct details.

Thus, in view of the above-mentioned provisions, Mr. Shyam Nath cannot edit the e-way bill. However, he can cancel the e-way bill within 24 hours of generation and generate a new one with correct details.

7. **[Supply under GST & Exemption]** Examine the implications of GST on payment of honorarium to the Guest Anchors.

**Solution:**

CBIC Circular clarifies the applicability of GST on honorarium paid to Guest Anchors. Sansad TV and other TV channels invite guest anchors to participate in their shows and pay remuneration to them in the form of honorarium.

**It is clarified that supply of all goods & services are taxable unless exempt or declared as 'neither a supply of goods nor a supply of service'. Services provided by the guest anchors in lieu of honorarium attract GST liability.**

However, guest anchors whose aggregate turnover in a financial year does not exceed ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States) shall not be liable to take registration and pay GST.





**GST - PRACTICE TEST PAPER - SET 10 (Series B)**  
**(SATC GST TEST SERIES - 12<sup>th</sup> Edition)**  
**APPLICABLE FOR CA INTER - 2024 EXAM**

**SOURCE: CA INTERMEDIATE MTP (Set 1) NOV 2023 EXAM**

**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

**1. Case Scenario based MCQ [Supply + Exemption + Registration + Return]**

Ms. Chanchala, is a doctor, registered person under GST as a monthly return filer, having in-patient facility in her hospital. 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 15<sup>th</sup> December of the next financial year**, whereas due date for the said Annual return is 31<sup>st</sup> December of the next financial year.

Proper Officer of the department had 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 restored back.

All the amounts given above are exclusive of taxes, wherever applicable. All the supplies referred above are intra-State unless specified otherwise.

**From the information given above, choose the most appropriate answer for the following questions-**

**A. 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)

**B. 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

**C. [New Amendment] By which date Ms. Chanchala should have applied for revocation of cancellation of registration certificate, in case no extension is granted?**

- (a) 5<sup>th</sup> August
- (b) 20<sup>th</sup> August
- (c) 4<sup>th</sup> September
- (d) 3<sup>rd</sup> November



- D. Maximum time permissible for rectification of error committed in monthly return of June is \_\_\_\_\_**
- (a) 30<sup>th</sup> November of the next year  
 (b) 20<sup>th</sup> October of the next year  
 (c) 15<sup>th</sup> December of the next year  
 (d) 31<sup>st</sup> December of the next year
- E. 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

**Answer:**

- (a) (i), (ii) & (iv)  
 (b) (i), (ii)  
 (c) (ii) & (iv)  
 (d) (i) & (iii)

**2. An exempt supply includes-**

- (i) Supply of goods or services or both which attracts Nil rate of tax  
 (ii) Non-taxable supply  
 (iii) Supply of goods or services or both which are wholly exempt from tax under section 11 of the CGST Act or under section 6 of IGST Act

**Answer:**

- (a) (i)  
 (b) (i) and (ii)  
 (c) (ii) and (iii)  
 (d) (i), (ii) and (iii)

**3. \_\_\_\_\_ provides that no tax shall be levied or collected except by authority of law.**

- (a) Article 269  
 (b) Article 245  
 (c) Article 265  
 (d) Article 246

Question No.	Answer
1(A)	(a) (i) and (iv)
(B)	(c) ₹60,000
(C)	(d) 3 <sup>rd</sup> November [90 Days - Amendment]
(D)	(a) 30 <sup>th</sup> November of the next year
(E)	(c) (ii) & (iv)
2	(d) (i), (ii) and (iii)
3	(c) Article 265

4. [Payment of Tax] XT Pvt. Ltd., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

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

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

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

The company has following opening balance of ITCs for the tax period:

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

Note:

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- Both inward and outward supplies are exclusive of taxes, wherever applicable.
- All the conditions necessary for availing the ITC have been fulfilled.

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

[Easy & Repetitive in nature, ignore at the time of revision]

### Solution

Computation of GST payable on outward supplies

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 8,00,000	72,000	72,000		1,44,000
(ii)	Inter-State supply of goods for ₹ 3,00,000			54,000	54,000
	Total GST payable				1,98,000

Computation of Total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	70,000
Add: ITC on Intra-State purchases of goods valuing ₹ 2,00,000	18,000	18,000	Nil
Add: ITC on Inter-State purchases of goods valuing ₹ 50,000	Nil	Nil	9,000
Total ITC	75,000	18,000	79,000

Computation of minimum GST payable from electronic cash ledger

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

ITC of CGST and SGST set off against CGST and SGST respectively	(72,000) CGST	(18,000) SGST		90,000
Minimum GST payable in cash	Nil	29,000	Nil	29,000

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.

5. [Value of Supply] Shri Krishna Pvt. Ltd., a registered supplier, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd.-

S. No.	Particulars	Amount (₹)
(i)	Price of the goods [excluding taxes and other charges mentioned at S. Nos. (iii), (v) and (vi)]	1,00,000
(ii)	Municipal tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the goods supplied]	50,000
(v)	Late fees for delayed payment inclusive of GST [Shri Balram Pvt. Ltd. paid the late fees. However, these charges were <b>ultimately waived</b> by Shri Krishna Pvt. Ltd. and the amount was refunded to Shri Balram Pvt. Ltd. during the same month]	1,000
(vi)	Weighment charges [Such charges were paid by Shri Balram Pvt. Ltd. to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd.]	2,000

Note: Price of the goods is net of the subsidy received.

Determine the value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.

[Easy & Repetitive in nature, ignore at the time of revision]

### Solution

Computation of value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.

Particulars	Amount (₹)
Price of the goods	1,00,000
Municipal tax [Includible in the value as per section 15(2)(a) of the CGST Act, 2017]	2,000
Inspection 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 as per section 15(2)(c) of the CGST Act, 2017]	15,000
Subsidy received from Shri Ram Trust [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	50,000
Late fees for delayed payment [Not includible since the same is waived off]	Nil
Weighment charges paid to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd. [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b) of the CGST Act, 2017]	2,000
<b>Value of taxable supply</b>	<b>1,69,000</b>

6. Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, provided their turnover in preceding year does not exceed ₹ 1.5 crore:

- (i) Mohan Enterprises is engaged only in trading of pan masala in Rajasthan and is registered in the same State.
- (ii) Sugam Manufacturers has registered offices in Punjab and Haryana and sells goods manufactured by it in the neighbouring States.

[Easy & Repetitive in nature, ignore at the time of revision]

#### Solution

- i. A supplier engaged in the manufacture of goods as notified under section 10(2)(e) of the CGST Act, 2017, during the preceding FY is not eligible for composition scheme under section 10(1) and 10(2). Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes, aerated waters, fly ash bricks, fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles are notified under this category.

However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed ₹ 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.

- ii. Since supplier of inter-State outward supplies of goods or services is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

7. [Tax Invoice] Udai Singh, a registered supplier, has received advance payment with respect to services to be supplied to Sujamal. His accountant asked him to issue the receipt voucher with respect to such services to be supplied. However, he is apprehensive as to what would happen in case a receipt voucher is issued, but subsequently no services are supplied. You are required to advise Udai Singh regarding the same.

#### Solution

Udai Singh is required to issue a receipt voucher at the time of receipt of advance payment with respect to services to be supplied to Sujamal. A receipt voucher is a document evidencing receipt of advance money towards a supply of goods and/or services or both. A registered person, on receipt of advance payment with respect to any supply of goods or services or both, shall issue a receipt voucher or any other document, evidencing receipt of such payment.

Where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment.

Therefore, in case subsequently no services are supplied by Udai Singh, and no tax invoice is issued in pursuance thereof, Udai Singh may issue a refund voucher against such payment to Sujamal.

8. [E-way Bill] Mr. X, a registered person has caused movement of goods of consignment value exceeding ₹ 50,000 in relation to a supply and thus, generated e-way bill. However, after generation of e-way bill, he found a mistake in the e-way bill and wants to edit it. You are required to advise Mr. X whether he can do so with the help of relevant provisions?

[Easy & Repetitive in nature, ignore at the time of revision]

#### Solution

If there is a mistake, incorrect or wrong entry in the e-way bill, then it cannot be edited or corrected. Only option is cancellation of e-way bill within 24 hours of generation and generate a new one with correct details.

Thus, in view of the above-mentioned provisions, Mr. X cannot edit the e-way bill. However, he can cancel the e-way bill within 24 hours of generation and generate a new one with correct details.

9. **Very Important** [Time of Supply] GST is payable on advance received for supply of goods and services taxable under forward charge. Do you agree with the statement? Support your answer with legal provisions.

#### Solution

The statement is not correct. While GST is payable on advance received for supply of services taxable under forward charge, the same is not payable in case of advance received for supply of goods taxable under forward charge.

As per section 13 of the CGST Act, 2017, the time of supply of services taxable under forward charge is-

- Date of issue of invoice or date of receipt of payment, whichever is earlier, if the same is issued within 30 days from the date of supply of service;

OR

- Date of provision of service or date of receipt of payment, whichever is earlier, if the invoice is not issued within 30 days from the date of supply of service.

Thus, in case of services, if the supplier receives any payment before the provision of service or before the issuance of invoice for such service, the time of supply gets fixed at that point in time and the liability to pay tax on such payment arises. However, the tax can be paid by the due date prescribed with reference to such time of supply.

As regards time of supply of goods taxable under forward charge is concerned, Notification No. 66/2017 CT dated 15.11.2017 provides that a registered person (excluding composition supplier) should pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) 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 of the CGST Act, 2017. **Therefore, in case of goods, tax is not payable on receipt of advance payment.**

**10. [GST Return] If a return has been filed, how can it be revised if some changes are required to be made?**

**Solution**

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 amendment in the details of those individual 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) of the CGST Act, 2017, omission or incorrect particulars discovered in the returns filed u/s 39 of the CGST Act, 2017 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.

However, no such rectification of any omission or incorrect particulars is allowed **after 30<sup>th</sup> November following the end of the financial year to which such details pertain**, or the actual date of furnishing of relevant annual return, whichever is earlier.

# GST - PRACTICE TEST PAPER - SET 11 (Series B)

## (SATC GST TEST SERIES - 12<sup>th</sup> Edition)

### APPLICABLE FOR CA INTER - 2024 EXAM

**SOURCE: CA INTERMEDIATE MTP (Set 2) NOV 2023 EXAM**

**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

**1. Case Scenario based MCQ [Composition Scheme + Tax Invoice + ITC + Time of Supply]**

M/s. Neelkanth & Co., a registered supplier under GST, is dealing in supply of taxable goods in the State of Karnataka. The firm had opted for Composition Scheme from April month of last financial year. Its turnover crossed ₹ 1.50 Crores on 9th May of current financial year and had opted for withdrawal of composition scheme on the said date.

Neelkanth & Co. removed goods on 10th June for delivery to Chandra & Co. on 'Sale or Return Basis'. Chandra & 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
- d) (GST portion was included as part of cost to claim depreciation under Income-tax Act, 1961)

During May, Neelkanth 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

Neelkanth & 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 Neelkanth & 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-

- A.** Neelkanth & Co. needs to furnish a statement containing details of stock of inputs/ inputs held in semi- finished / finished goods on the withdrawal of composition scheme by \_\_\_\_\_
- (a) 9<sup>th</sup> May
  - (b) 23<sup>rd</sup> May
  - (c) 8<sup>th</sup> June
  - (d) 7<sup>th</sup> July

- B.** In respect of the goods sent on sale or return basis, Neelkanth & Co. shall issue the invoice by \_\_\_\_\_
- 10<sup>th</sup> June
  - 10<sup>th</sup> September
  - 10<sup>th</sup> December
  - 15<sup>th</sup> December
- C.** Determine the amount of eligible input tax credit that can be availed by Neelkanth & Co for the month of August?
- Nil
  - ₹ 19,000
  - ₹ 22,000
  - ₹ 50,000
- D.** Compute the amount of ITC to be reversed for the month of September? Ignore interest liability, if any.
- Nil
  - ₹ 28,000
  - ₹ 15,000
  - ₹ 13,000
- E.** Time of supply in respect of service imported by Neelkanth & Co from its Associated Enterprise is \_\_\_\_\_.
- 1<sup>st</sup> September
  - 30<sup>th</sup> September
  - 1<sup>st</sup> October
  - 10<sup>th</sup> October
- 2.** Subhas & Co., a registered person, supplies taxable goods to unregistered persons. It need not issue tax invoice, if the value of supply of goods to such persons is \_\_\_\_\_ and the recipient does not require such invoice.
- ₹ 1,200
  - ₹ 600
  - ₹ 150
  - ₹ 200
- 3.** Balance in electronic credit ledger can be utilized against payment of \_\_\_\_\_.
- output tax
  - interest
  - penalty
  - late fees

Question No.	Answer	
1(A)	(c)	8 <sup>th</sup> June
(B)	(c)	10 <sup>th</sup> December
(C)	(b)	₹ 19,000
(D)	(c)	₹ 15,000
(E)	(b)	30 <sup>th</sup> September
2	(c)	₹ 150
3	(a)	Output tax



4. [Payment of Tax] Paritosh & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

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

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

Particulars	Amount (₹)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

Paritosh & Co. has following opening balance of ITCs for the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	60,000
IGST	1,40,000

**Note:**

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- Both inward and outward supplies are exclusive of taxes, wherever applicable.
- All the conditions necessary for availing ITC have been fulfilled.

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

[Easy & Repetitive in nature]

**Solution**

Computation of GST payable on outward supplies

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 10,00,000	90,000	90,000		1,80,000
(ii)	Inter-State supply of goods for ₹ 8,00,000			1,44,000	1,44,000
	<b>Total GST payable</b>				<b>3,24,000</b>

Computation of total ITC

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

## Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
<b>GST payable</b>	<b>90,000</b>	<b>90,000</b>	<b>1,44,000</b>	<b>3,24,000</b>
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST or SGST liabilities in any order to minimize cash outflow]	(22,000) IGST	(19,000) IGST	(1,44,000) IGST	1,85,000
CGST and SGST ITC utilized against CGST and SGST output Tax liability respectively	(68,000) CGST	(71,000) SGST		1,39,000
Minimum GST payable in cash	Nil	Nil	Nil	Nil
<b>ITC balance to be carried forward next month</b>	<b>16,000</b>	<b>16,000</b>	<b>Nil</b>	<b>32,000</b>

**Note:** The above computation is one of the many ways to set off the ITC of IGST (₹ 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash and carry forward both CGST and SGST ITC equally. To illustrate, IGST of ₹ 10,000 can be set off against SGST payable and IGST of ₹ 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be ₹ 25,000 and ₹ 7,000 (totaling to ₹ 32,000), respectively. However, if the entire ITC of ₹ 41,000 is set off against CGST payable, then SGST of ₹ 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set-off would not be advisable for computing the minimum GST payable.

5. **[Value of Supply]** Red Pepper Ltd., Delhi, a registered supplier, manufactures taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March.

S. No.	Particulars	Amount (₹)
(i)	List price of taxable goods supplied inter-State (exclusive of taxes)	15,00,000
(ii)	Subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	2,10,000
(iii)	Subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv)	Tax levied by Municipal Authority	20,000
(v)	Packing charges	15,000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay ₹ 6,000 in lump sum and no additional amount is payable by him over and above such amount)	6,000

The list price of the goods is net of the two subsidies received. However, the othercharges/taxes/fee are charged to the customers over and above the list price.

Calculate the total value of taxable supplies made by Red Pepper Ltd. during the month of March. Rate of IGST is 18%.

[Easy & Repetitive in nature]

**Solution**

Computation of total value of taxable supplies made by Red Pepper Ltd. during the month of March

Particulars	Amount (₹)
List price of the goods	15,00,000
<b>Subsidy amounting to ₹ 2,10,000 received from the Central Government</b> [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	NIL
<b>Subsidy received from NGO</b> [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	50,000
<b>Tax levied by the Municipal Authority</b> [Includible in the value as per section 15(2)(a) of the CGST Act, 2017]	20,000
<b>Packing charges</b> [Being incidental expenses, the same are includible in the value as per section 15(2)(c) of the CGST Act, 2017]	15,000
<b>Late fees paid by recipient of supply for delayed payment</b> [Includible in the value as per section 15(2)(d) of the CGST Act, 2017 - As the amount of interest received is a lump sum amount, the same has to be taken as inclusive of GST] [₹ 6,000 x 100/118] rounded off	5,085
<b>Total value of taxable supplies</b>	<b>15,90,085</b>

6. **[Supply under GST]** Gagan Engineering Pvt. Ltd., registered in Haryana, is engaged in providing maintenance and repair services for heavy steel machinery. For carrying out the repair work, Gagan Engineering Pvt. Ltd. sends its container trucks equipped with items like repair equipments, consumables, tools, parts etc. from Haryana workshop to its own repairing centres (registered under GST law) located in other States across India where the clients' machinery are being brought and are being repaired.

*Discuss the levability of GST on the inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. in Haryana to its own repairing centres located in other States across India.*

[Page 4.37 of GST 12<sup>th</sup> Edition Book]

**Solution**

As per section 25(4) of the CGST Act, 2017, a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons'.

Schedule I to the CGST Act specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25 of the CGST Act, 2017, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

However, as per CBIC circular, the inter-State movement of various modes of conveyance including, inter alia, trucks, carrying goods or passengers or both or for repairs and maintenance, between 'distinct persons' as specified in section 25(4) of the CGST Act, 2017, not involving further supply of such conveyance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST. Applicable CGST/SGST/IGST, however, shall be leviable on repairs and maintenance done for such conveyance.

Thus, in the given case, inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. located in Haryana to its repair centres located in other States is 'neither a supply of goods nor supply of service'.

7. [Registration Chapter] Examine whether the supplier of goods is liable to get registered in the following independent cases:-

- (i) Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 33 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY.
- (ii) Prince of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.
- (iii) Heera of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 24 lakh.

[Easy – Repetitive in Nature]

### Solution

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) ₹ 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, fly ash bricks; fly ash aggregates; fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:-

- (i) Raghav is eligible for higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹ 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover has exceeded limit of ₹ 10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.
- (ii) The applicable threshold limit for registration for Prince in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.
- (iii) Heera being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of ₹ 40 lakh. The applicable threshold limit for registration in this case is ₹ 20 lakh. Thus, Heera is liable to get registered under GST.

8. [Tax Invoice chapter] Kidzee Toys Ltd., a wholesaler of toys registered in Chandigarh, is renowned in the local market for the variety of toys and their reasonable prices. Kidzee Toys Ltd. makes supply of 100 pieces of baby's learning laptops and chat learning phones to Nancy General Store on 25<sup>th</sup> September by issuing a tax invoice amounting to ₹ 1,00,000.

However, the said toys were returned by Nancy General Store on 30<sup>th</sup> September. Discuss which document Kidzee Toys Ltd. is required to issue in such a case?

### Solution

Kidzee Ltd. is required to issue a credit note in such a case.

As per section 34 of the CGST Act, 2017, where one or more tax invoices have been issued for supply of any goods or services or both and the goods supplied are returned by the recipient the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed.

Therefore, Kidzee Ltd. is required to issue a credit note to Nancy General Store for the good returned.

9. [E-way Bill] Explain the meaning of consignment value of goods.

**Solution**

Consignment value of goods shall be the value:

- a) determined in accordance with the provisions of section 15,
- b) declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and
- c) also includes the Central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document and
- d) shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

10. [Exemption] Services provided by an entity registered under section 12AB of the Income-tax Act, 1961 are exempt from GST if such services are provided by way of charitable activities. Elaborate the term 'charitable activities'.

[Page 6.3 of 12<sup>th</sup> Edition GST Book]

**Solution**

The term 'charitable activities' mean activities relating to-

- (i) public health by way of-
  - (A) care or counseling of
    - a. terminally ill persons or persons with severe physical or mental disability;
    - b. persons afflicted with HIV or AIDS;
    - c. persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or
  - (B) public awareness of preventive health, family planning or prevention of HIV infection;
- (ii) advancement of religion, spirituality or yoga;
- (iii) advancement of educational programmes/skill development relating to,-
  - (A) abandoned, orphaned or homeless children;
  - (B) physically or mentally abused and traumatized persons
  - (C) prisoners; or
  - (D) persons over the age of 65 years residing in a rural area;
- (iv) preservation of environment including watershed, forests & wildlife



# GST - PRACTICE TEST PAPER - SET 12 (Series B)

## (SATC GST TEST SERIES - 12<sup>th</sup> Edition)

**APPLICABLE FOR CA INTER - 2024 EXAM**

**SOURCE: CA INTERMEDIATE NOV 2023 EXAM**

[Solutions are updated for exam in Year 2024 (Amended)]

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

1. **[Very Important]** Payment of Tax + Reverse Charge + Supply under GST + Time of Supply + ITC - Miss Nitya, proprietor of M/s. Honest Enterprise, a registered supplier of taxable goods and services in the state of West Bengal, pays GST under regular scheme. It is not eligible for any threshold exemption. It provided the following information for the month of December 2023: **[KEEP IT FOR REVISION]**

S. No.	Particulars	Amount (₹)
	<b><u>OUTWARD SUPPLY:</u></b>	
i.	Intra-state supply of goods to M/s. Natural & Sons	7,00,000
ii.	<b>Very Important</b> Intra-state transfer of goods to its branch office in the state of West Bengal. Both places are under the same GSTIN.	1,00,000
iii.	Provided inter-state supply of sponsorship services to XYZ Ltd of Chennai	80,000
iv.	Advance received for future supply of management consultancy service to Mr. Sharad (Intra-state supply)	40,000
	<b><u>INWARD SUPPLY: (Intra-state)</u></b>	
i.	Purchase of taxable goods from registered suppliers.	8,00,000
ii.	Availed Works Contract service for repair of office building. Amount of repair was debited in the profit & loss account.	30,000
iii.	Availed legal service from an advocate to represent the matter in the Court relating to collection of disputed proceed from customers.	50,000

**Notes:**

- (i) Rate of CGST, SGST and IGST on all supplies are as below:

Particulars	CGST	SGST	IGST
Goods	2.5%	2.5%	5%
Supply of services	9%	9%	18%

- (ii) Both inward and outward supplies given above are exclusive of taxes. All the conditions necessary for availing the ITC have been fulfilled
- (iii) Working note should form part of the answer.

Compute the net minimum GST payable in cash by M/s. Honest Enterprise for the month of December 2023.

**Solution**

Computation of minimum net GST payable in cash by M/s Honest Enterprise for the month of December 2023

Particulars	Value (₹)	CGST (₹)	SGST (₹)
Intra-State supply of goods to M/s Natural & Sons	7,00,000	17,500 [7,00,000 × 2.5%]	17,500 [7,00,000 × 2.5%]
<b>Intra-State branch transfer</b> <b>Very Important</b> [Such transfer is <b>not a supply</b> as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]	1,00,000	--	--
<b>Inter-State supply of sponsorship service to XYZ Ltd. of Chennai</b> [Since sponsorship service is provided to a body corporate, tax on the same is payable by recipient – XYZ Ltd. – under reverse charge.]	80,000	-	-
<b>Advance received for future intra-State supply of management consultancy service</b> (In case of supply of service, tax is payable at the time of receipt of advance amount too)	40,000	3,600 [40,000 × 9%]	3,600 [40,000 × 9%]
<b>Total output tax</b>		<b>21,100</b>	<b>21,100</b>
Less: ITC utilized		27,200	27,200
<b>Net GST payable [A]</b>		<b>Nil</b>	<b>Nil</b>
<b>Legal services availed [B]</b> [Tax on legal services availed by a business entity from an advocate is payable under reverse charge.  Further, tax payable under reverse charge cannot be set off against ITC and thus, reverse charge has to be paid in cash since the tax payable under reverse charge is not an output tax.]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]
<b>Minimum net GST payable in cash [A] + [B]</b>		<b>4,500</b>	<b>4,500</b>

Working Note:

Computation of ITC available

Particulars	Value (₹)	CGST (₹)	SGST (₹)
<b>Intra-State purchase of taxable goods</b> [ITC of goods used in the course/ furtherance of business is available]	8,00,000	20,000 [8,00,000 × 2.5%]	20,000 [8,00,000 × 2.5%]
<b>Works contract service for repair of office</b> <b>[Important]</b> [ITC is available since the repair amount is debited in the profit & loss account and not capitalized in the books of account.]	30,000	2,700 [30,000 × 9%]	2,700 [30,000 × 9%]
<b>Legal services availed</b> [ITC of services used in the course/ furtherance of business is available]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]
<b>Total</b>		<b>27,200</b>	<b>27,200</b>



2. **[Exemption] Important** Mr. Dhanwan, an individual registered supplier of Ahmedabad (Gujarat), received the following amount towards rendering of the intra-state supply of various services in the month of January 2024:

S. No.	Particulars	Amount (₹)
I.	Consideration received from security and housekeeping services provided to “Holy Foundation”, an educational institution providing services by way of pre-school education, <u>outside the school premises</u> on its annual day function. <b>[Page 6.29]</b>	60,000
II.	Amount received as an honorarium for participation as guest anchor on “Apna TV” in relation to a debate. <b>[Page 4.36]</b>	2,25,000
III.	Sum received as hiring charges for provision of non-air conditioned contract carriage for transportation of employees to and from the work to M/s. Siddhi Pvt. Ltd, a registered person under the GST. Such hiring is for 3 months. Use of the contract carriage is at the disposal of the company. <b>[Page 6.10]</b>	1,50,000
IV.	Amount received for provision of training in recreation activities of music. <b>[Page 6.6]</b>	90,000
V.	Renting of residential flat to Mr. Sahil, proprietor of M/s. Dayaram & Sons, a registered person under GST for the purpose of his own residence (in personal capacity) <b>[Page 6.6]</b>	30,000

You are required to compute the value of supply on which GST is to be paid by Mr. Dhanwan for the month of January, 2024. All the amounts stated above are exclusive of GST, wherever applicable. Suitable notes should form part of the answer.

### **Solution**

Computation of value of supply on which GST is to be paid by Mr. Dhanwan

S. No.	Particulars	Amount (₹)
I.	<b>Security and housekeeping services provided to an educational institution</b> [Not exempted, since security and housekeeping services are performed outside the educational institution.]	60,000
II.	<b>Honorarium for participation as guest anchor</b> [Liable to GST since it is not specifically exempt and it is also not covered in Schedule III of the CGST Act, 2017 (neither supply of good nor supply of service).]	2,25,000
III.	<b>Hiring charges for non-air conditioned contract carriage</b> [Not exempt, since exemption available only where transportation take place over pre-determined route and pre-determined schedule and contract carriage is hired for a period of time, during which the contract carriage is at the disposal of the recipient]	1,50,000
IV.	<b>Training in recreational activities of music</b> [Services by way of training in recreational activities relating to arts or culture, by an individual are exempt.]	-
V.	<b>Renting of residential flat to Mr. Sahil</b> [Renting of residential dwelling to a proprietor (registered under GST) of a proprietorship concern in his personal capacity for use as his own residence and on his own account is exempt.]	-
	<b>Value of taxable supply on which GST is to be paid by Mr. Dhanwan</b>	<b>4,35,000</b>

3. [Supply under GST] Examine whether the following activities would be treated as supply under GST law?

- Mr. Sonu from Chandigarh purchased a water cooler from Malhotra Bros. of Hoshiarpur for ₹ 25,000 to donate it to a temple situated in Hoshiarpur. Mr. Sonu directed Malhotra Bros. to engrave the words on the water cooler- "Donated by Mr. Sonu from Chandigarh" and dispatch the water cooler directly to the temple.
- Wesco Ltd, a registered person in Ahmedabad (Gujarat) having head office located in Singapore, received management consultancy services free of cost from its head office.

[Page 4.5 & 4.19 of GST 12<sup>th</sup> Edition Book]

#### Solution

- Donations received by the charitable organisations are treated as consideration only if there exists, *quid pro quo*, i.e., there is an obligation on part of recipient of the donation or gift to do anything (supply a service).

Since the name of the donor, Mr. Sonu is displayed in temple as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business, hence, donation of water cooler by Mr. Sonu to temple is without *quid pro quo* and is, thus, not a supply under GST law.

However, supply of water cooler by Malhotra Bros. to Mr. Sonu is supply as it is made for consideration in course or furtherance of business.

- As per schedule I, in case of import of services by a person from a related person or from his establishments located outside India, without consideration, in the course or furtherance of business shall be treated as "supply".

Hence, services received by Wesco Ltd. qualify as supply even though such services have been provided free of cost by the head office.

4. [E-way Bill] Mr. Venaram proprietor of M/s. Lalit Kirana Stores is registered as a composition dealer in the Jodhpur district of Rajasthan. He has not furnished the statement for payment of self - assessment tax in the form GST CMP-08 for two consecutive quarters. He placed an order for purchase of taxable goods worth ₹ 5,50,000 with M/s. Bob & Sons (a partnership firm), a registered dealer in the Bikaner district of Rajasthan. M/s. Bob & Sons has been regularly filing its GST returns. M/s. Bob & Sons wants to generate E-way bill with respect to intra- state supply to be made to M/s. Lalit Kirana Stores. Whether M/s. Bob & Sons is allowed to generate E-way bill as per the provisions of CGST Act, 2017? Answer with proper reasoning.

[Page 10.13 of GST 12<sup>th</sup> Edition Book]

#### Solution

Where a person paying tax under composition scheme has not furnished the statement for payment of self-assessed tax for 2 consecutive quarters, e-way bill shall not be allowed to be generated in respect of any outward movement of goods by such person.

However, this restriction does not apply to generation of e-way bill in respect of inward movement of goods by the defaulter.

Hence, in the given case, M/s. Bob & Sons is allowed to generate e-way bill with respect to supply to be made to M/s Lalit Kirana Stores since M/s. Bob & Sons, who is making the outward movement of goods, is a regular return filer.

5. New Amendment [Tax Invoice] Dream World Pvt. Ltd is registered under GST in the State of Haryana. During the Financial Year 2022-23, its annual aggregate turnover was ₹ 8 crore. In the month of September 2023, it supplied goods worth ₹ 12 lakh to Nightmare Ltd. (a registered taxable person).

You are required to ascertain whether issue of e-invoice is mandatory in respect of this transaction?

What would be your answer if Nightmare Ltd is a SEZ (Special Economic Zone) unit?

[Page 9.8 of GST 12<sup>th</sup> Edition Book]

#### Solution

All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than ₹ 5 crore [Effective from 01.08.2023] are required to issue e-invoices.

Thus, issuance of e-invoice is mandatory in respect of the given transaction as the aggregate turnover of Dream World Pvt. Ltd. in the preceding financial year exceeded ₹5 crore.

Issue of e-invoice is exempt in respect of supply BY the SEZ (Special Economic Zone) unit. Here SEZ unit is receiver of supply. Thus, the issuance of e-invoice is mandatory in respect of given transaction even in case where Nightmare Ltd. is a SEZ (Special Economic Zone) unit.

6. [Payment of Tax chapter] Mr. Atul of Chennai is a registered dealer under GST. He has an opening balance of input tax credit of ₹ 1,20,000 (IGST) lying in the electronic credit ledger relating to the month of November, 2023. During the month, a legal proceeding has been initiated under the GST law which resulted in a tax liability of ₹ 80,000 (IGST, other than RCM liability). Mr. Atul agrees with the tax liability and wants to use the balance lying in the electronic credit ledger towards payment of same.

He seeks your opinion with regard to the provisions of GST laws as to whether he is allowed to use the amount lying in the electronic credit ledger for making the payment of tax liability, payable as a consequence of the proceeding?

[Page 2.3 of GST 12<sup>th</sup> Edition Book]

#### Solution

The amount available in the electronic credit ledger of IGST may be used for making any payment towards tax under the CGST Act or the SGST Act or the IGST Act other than tax payable under reverse charge.

It is clarified that any payment towards output tax, payable as a consequence of any proceeding instituted under the provisions of GST laws, can be made by utilization of the amount available in the electronic credit ledger of a registered person.

Thus, Mr. Atul is allowed to use the credit of IGST in electronic credit ledger for making payment of tax liability of ₹ 80,000, payable as a consequence of the legal proceeding.

7. [Recent Amendment] ITC Chapter Briefly explain the provisions relating to reversal of input tax credit in case of non-payment of tax by the supplier and re-availment thereof? [SATC Hint: Section 41 & Rule 37A]

[Page 12.6 & 12.7 of GST 12<sup>th</sup> Edition Book]

#### Solution

Where a registered person (recipient) avails ITC in GSTR-3B for a tax period in respect of an invoice/debit note details of which have been furnished by supplier in GSTR-1/using IFF, but supplier does not furnish his return till 30th September following the end of FY in which the ITC in respect of invoice/ debit note has been availed, then the amount of ITC shall be reversed by recipient, while furnishing a return in Form GSTR-3B on or before 30th November following the end of such FY during which such ITC has been availed.

However, where the said amount of ITC is not so reversed by recipient, such amount shall be payable by the said person along with interest.

Further, where the said supplier subsequently furnishes the return in Form GSTR-3B for the said tax period, the said registered person may re-avail the amount of such credit in the return in Form GSTR-3B for a tax period thereafter.

8. [New Amendment] Registration Chapter Explain the procedure for revocation of cancellation of registration where the registration of a person is cancelled suo-motu by the proper officer as per the provisions of CGST Act, 2017.

[Page 3.41 of GST 12<sup>th</sup> Edition Book]

#### Solution

Where the registration of a person is cancelled *suo-motu* by the proper officer, such registered person may apply for revocation of the cancellation of registration to such proper officer, within 90 days ~~30 days~~ (or within extended time period) from the date of service of the order of cancellation of registration.

If the proper officer is satisfied that there are sufficient grounds for revocation of cancellation, he may revoke the cancellation of registration, by an order within 30 days of receipt of application and communicate the same to applicant.

Otherwise, he may reject the revocation application. However, before rejecting the application, he has to first issue SCN to the applicant who shall furnish the clarification within 7 working days of service of SCN.

The proper officer shall dispose the application (accept/reject the same) within 30 days of receipt of clarification.



9. **[GST Return]** Mr. Sameer, a registered person under GST, is unable to file GSTR-1 on the reason being shown that tax payable under GSTR-1 which has been filed in respect of last tax period exceeds the tax payable under GSTR-3B which has been filed for the corresponding tax period. Explain the procedure to be followed by the department and Mr. Sameer for the same as per the provisions of **Rule 88C** of the CGST Rules 2017.

**[Page 11.8 & 11.9 of GST 12<sup>th</sup> Edition Book]**

### **Solution**

In the given case, Mr. Sameer would be intimated on the portal and his email address of such difference and be directed to either

- (i) pay the differential tax liability along with interest, or
- (ii) explain the difference, within 7 days period

*[It is assumed that the tax payable by Mr. Sameer as per Form GSTR-1 for the last tax period exceeds the tax liability as per Form GSTR-3B for that period **by more than the specified amount and specified percentage**, as per rule 88C of the CGST Rules, 2017.]*

On receiving such intimation, Mr. Sameer should either

- (i) deposit the amount specified in the said intimation fully or partially, along with interest and furnish the details on the common portal or
- (ii) furnish a reply explaining the reasons for any amount of differential tax liability remaining unpaid,

**within 7 days period.**

Where any amount specified in the said intimation remains unpaid within 7 days' period and where no explanation is furnished by Mr. Sameer or where the explanation furnished by him is not found to be acceptable by the proper officer, the said amount shall be recoverable from him.

# GST - PRACTICE TEST PAPER - SET 13 (Series B)

## (SATC GST TEST SERIES - 12<sup>th</sup> Edition)

### APPLICABLE FOR CA INTER - 2024 EXAM

**SOURCE: CA INTERMEDIATE RTP MAY 2024 EXAM**

**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

1. ABC Ltd. has its manufacturing unit in the State of Rajasthan. Further, it has ancillary units in the State of Madhya Pradesh and Gujarat and is registered in each of these States. Moreover, ABC Ltd. owns and operates a hotel in Udaipur, Rajasthan.

In addition to the aforesaid, ABC Ltd. owns a commercial space which is rented out to a registered person at the monthly rent of ₹ 50,000. The maintenance of the premises is the responsibility of ABC Ltd. In pursuance of the same, during the month of April, ABC Ltd. incurred certain expenses on the purchase of maintenance related materials. The said expenses are recoverable from the tenant alongwith the invoice issued for rent. The rate of tax applicable on the material used for maintenance was 5%.

During the year, ABC Ltd. agreed to provide the hotel to Mr. X for a business conference to be held at Udaipur. Mr. X is an unregistered person residing in Maharashtra.

ABC Ltd. made a supply of machinery in the month of June, details of which are as follows-

- Basic price of the machinery before TCS under Income Tax Act, 1961 – ₹ 45,000
- Tax collected at source under Income-tax Act, 1961 – ₹ 2,500
- It received a subsidy of ₹ 3,500 from Green Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of energy saved and not aforesaid machinery.

**[Amendment]** In addition to the aforesaid transactions, ABC Ltd. spent an amount of ₹ 5 lakh on the procurement of certain goods which were distributed as part of the corporate social responsibility [CSR] expenditure required under the provisions of the Companies Act, 2013.

During the scrutiny proceedings in the State of Gujarat, jurisdictional GST officer asked ABC Ltd to submit the copy of audited financial statements for Gujarat and was of the view that ABC Ltd. is required to get his accounts audited by a Chartered Accountant separately under GST Law for filing annual return and reconciliation statement in each State.

All above amounts are exclusive of GST, wherever applicable. The rate of GST on all inward and outward supplies is 18%, unless otherwise mentioned.

Assume that there is no other outward or inward transaction apart from aforesaid transactions.

**Based on the facts of the case scenario given above, choose the most appropriate answer:-**

- A. For the transaction related to renting of commercial space, what should be the rate of tax charged by ABC Ltd.?**
- (a) The rate of GST on rent and maintenance material related recovery shall be 18%.
  - (b) The rate of GST on rent shall be 18% and, on the material, shall be 5%.
  - (c) No GST shall be charged on the recovery related to material used in maintenance. Rate of GST on rent shall be 18%.
  - (d) The rate of GST on rent and maintenance material related recovery shall be 5%.
- B. Compute the value of supply under section 15 of the CGST Act, 2017 made by ABC Ltd. in the month of June?**
- (a) ₹ 45,000
  - (b) ₹ 47,500
  - (c) ₹ 48,500
  - (d) ₹ 51,000

- C. Which of the following options is correct with regard to the availability of ITC to ABC Ltd. in respect of GST paid on the procurement of goods meant for the purpose of corporate social responsibility activity?**
- The amount of ITC related to such procurement of goods is not available to ABC Ltd.
  - The amount of ITC related to such procurement of goods is available to ABC Ltd.
  - The amount of ITC only to the extent of 50% of amount of such procurement of goods is available to ABC Ltd.
  - The amount of ITC shall be available to the registered person to whom such goods are distributed under CSR activity.
- D. Which of the following options is correct with regard to the advice given by GST officer in respect of auditing of accounts?**
- There is no requirement of separate audit of the financial statements from the perspective of GST provisions.
  - Only reconciliation statement shall be audited by a Chartered Accountant.
  - The annual return as well as the reconciliation statement shall be audited by a Chartered Accountant
  - Separate audit of financial statements at each State level is required by ABC Ltd. under the GST law.
- E. [Place of Supply - CA Inter only] With respect to the hotel accommodation service provided to Mr. X, GST payable by ABC Ltd. is \_\_\_\_\_.**
- nil, GST on accommodation service is payable by the recipient, Mr. X, under reverse charge
  - nil, GST on accommodation services provided to an unregistered person is exempt from GST
  - in the nature of CGST and SGST
  - in the nature of IGST

Q. No.	Answer	
1.	<b>A. (a)</b>	The rate of GST on rent and maintenance material related recovery shall be 18%.
	<b>B. (a)</b>	₹ 45,000
	<b>C. (a)</b>	The amount of ITC related to such procurement of goods is not available to ABC Ltd.
	<b>D. (a)</b>	There is no requirement of separate audit of financial statements from the perspective of GST provisions.
	<b>E. (c)</b>	in the nature of CGST and SGST

2. **[Time of Supply]** From the following information provided by M/s Sasta Bazaar. Determine the time of supply for the purpose of payment of GST:

- (i) It issued coupon on 20.06.2023, worth ₹ 2,000 redeemable against purchase of specific plastic items. This coupon was redeemed on 31.07.2023.
- (ii) It issued coupon on 01.08.2023 worth ₹ 3,000 which is redeemable against purchase of any item. This coupon was redeemed on 18.08.2023.
- (iii) It received interest of ₹ 10,000 for late payment from a customer on 11.11.2023 for supply of goods which was originally made on 24.06.2023.

[Page 7.4 & 7.5 of 12<sup>th</sup> Edition GST Book]

### Solution

As per section 12(4) of the CGST Act, 2017, the time of supply of vouchers exchangeable for goods is-

- Date of issue of the voucher, if the supply that it covers is identifiable at that point, or
  - Date of redemption of the voucher in other cases.
- (i) In the given case, supply can be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their issue i.e. 20.06.2023.
  - (ii) In the given case, 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 i.e. 18.08.2023.
  - (iii) Section 12(6) of the CGST Act, 2017 prescribes that time of supply in case of addition in value on account of interest/ late fee/penalty for delayed payment of consideration for goods is the date on which the supplier receives such addition in value. Therefore, time of supply in the given case is 11.11.2023.

3. **[Supply under GST]** Happy Constructions Ltd., a registered builder under GST in Bengaluru, Karnataka has got permission to build five floors from the Municipal Projects for one of its projects at Suraj Nagar. Aditya Constructions, a neighbouring housing project approached Happy Constructions Limited to discuss regarding blockage of sun light issue arising out of construction of five floors and asked it to build only three floors for which ₹ 20 lakh was offered as compensation. Happy Constructions Limited agreed to the offer. It may be noted that Aditya Constructions is not ready to pay any further amount to Happy Constructions Ltd. in addition to the amount already agreed.

Briefly explain with correct legal provision whether the above amount received as compensation is liable to GST or not? And if considered as taxable, then calculate the total GST payable by Happy Constructions Ltd. Assume the applicable rate of CGST and SGST is 9% each.

Also state the conditions to be complied with.

[Page 4.40 & 4.41 of 12<sup>th</sup> Edition GST Book]

### Solution

Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act has been specifically declared to be a supply of service as per Schedule II of the CGST Act, 2017 if the same constitutes a supply as per the CGST Act, 2017.

In the given case, Happy Constructions Limited has agreed to build only three floors, even though it is permitted to construct five floors by the Municipal Authorities, for a compensation of ₹ 20 lakh. This results in supply of service.

The conditions to be complied with for the above supply will be

- a) There must be an expressed or implied agreement or contract must exist.
- b) Consideration must flow in return to this contract/ agreement.

Since Aditya Constructions is not ready to pay any further amount to Happy Constructions Limited in addition to the amount already agreed, the amount received ₹ 20 lakh shall be treated as inclusive of GST and the GST payable will be ₹ 20,00,000 x 9/118 = ₹ 1,52,542.37 or ₹ 1,52,542 (rounded off) as CGST and SGST each.

4. **New Amendment [Tax Invoice]** The aggregate turnover of M/s Mangal & Co., a registered person, for the financial year 2022-23 was ₹ 8 Crores. It approaches you as GST Consultant for the issue of e-invoicing.

Advice whether it is mandatory to issue e-invoice?

Also list out the entities which are exempt from the mandatory requirement of e-invoicing.

[Page 9.8 of 12<sup>th</sup> Edition GST Book]

#### **Solution**

E-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards **greater than ₹ 5 crore** in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports.

Hence, it is mandatory for M/s Mangal & Co. to issue e-invoices.

**Following entities are exempt from the mandatory requirement of e-invoicing:**

- Special Economic Zone units
- Insurer or banking company or financial institution including NBFC
- GTA supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of passenger transportation service
- Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- Government Department and a local authority

Further, the above taxpayers exempted from the mandatory requirement of e-invoicing are required to provide **a declaration on the tax invoice stating that though their aggregate turnover exceeds the notified aggregate turnover for e-invoicing, they are not required to prepare an e-invoice.**

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ₹ 5 crore in the preceding financial year from 2017-18 onwards but are required to provide a declaration as discussed above.

5. **[Supply under GST]** Examine the implications of GST on supply of food and beverages at cinema halls

[Page 4.31 of 12<sup>th</sup> Edition GST Book]

#### **Solution**

Eating joint is a wide term which includes refreshment or eating stalls/ kiosks/ counters or restaurant at a cinema also.

The cinema operator:

- (i) may run these refreshment/eating stalls/kiosks/counters/ restaurant themselves, or
- (ii) they may give it on contract to a third party.

The customer may like to avail the services supplied by these refreshment/snack counters or choose not to avail these services. Further, the cinema operator can also install vending machines, or supply any other recreational service such as through coin-operated machines etc. which a customer may or may not avail.

**It is hereby clarified vide GST Circular that:**

- i. supply of food or beverages in a cinema hall is taxable as 'restaurant service' as long as:
  - (a) the food or beverages are supplied by way of or as part of a service, and
  - (b) supplied independent of the cinema exhibition service.
- ii. where the sale of cinema ticket and supply of food and beverages are clubbed together, and such bundled supply satisfies the test of composite supply, **the entire supply will attract GST at the rate applicable to service of exhibition of cinema, the principal supply.**



**6. Very Important [Supply under GST + Place of Supply + Reverse Charge + Exemption + ITC]**

M/s Cute & Co., a partnership firm, registered supplier under GST in Bengaluru (Karnataka State), has provided the following information for the month of October, 2023:

S. No.	Details of transactions	Amount (₹)
(i)	Intra-State taxable supply of Direct Selling Agent (DSA) service to public sector Bank.	2,50,000
(ii)	Services provided to a Governmental authority by way of sanitation conservancy.	99,900
(iii)	Rent paid to a residential dwelling taken for running an office for providing DSA services; Owner of the residential property was not registered under GST; This is an intra-State supply availed.	25,000
(iv)	Purchased a car for the official use of managing partners of the Firm for business use (Inter-State purchase).	9,00,000
(v)	Availed Information Technology services for their business from Partner's friend Mr Allan Waugh from Melbourne, Australia.  Mr. Waugh refused to take any consideration. Open Market value of said service was ₹ 1,25,000. (Inter-State transactions).	Nil
(vi)	<b>[Place of Supply] Provided training and performance appraisal services in Bengaluru to following persons:</b>  a) ABC Private Limited, a registered supplier in the State of Kerala b) Babu Cones, a proprietorship concern of Rajasthan, which was not registered under GST	3,00,000 1,00,000

**Note:**

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All the amounts given above are exclusive of taxes.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) There was no opening balance of any input tax credit.
- (v) The turnover of M/s Cute & Co was ₹ 2 crore in the previous financial year.

**Compute the net GST payable in cash, by M/s Cute & Co. for the month of October, 2023. Correct legal provisions should form part of your answer.**

**Solution****Computation of net GST payable in cash**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax liability [Refer Working Note 1]	31,500	31,500	54,000
Less: ITC available [Refer Working Note 2]	2,250	2,250	-
Net GST payable	29,250	29,250	54,000
Add: Tax Payable under reverse charge to be paid in cash [The amount available in the electronic credit ledger may be used for making any payment towards output tax. Further, output tax means the tax chargeable on taxable supply of goods and/or services but excludes tax payable on reverse charge basis. Thus, tax liability under reverse charge has to be paid in cash]	2,250	2,250	
<b>Total GST Payable in cash</b>	<b>31,500</b>	<b>31,500</b>	<b>54,000</b>

**Working Notes:**

1. Computation of total value of taxable supplies made by M/s Cute & Co. for the month of October, 2023

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b>Taxable under Forward Charge</b>				
<b>Intra-State taxable supply of DSA service</b> [Since DSA services are provided by partnership firm, so taxable under forward charge]	2,50,000	22,500	22,500	
<b>Services provided to a Governmental authority by way of sanitation conservancy</b> [Specifically exempt under GST]	99,900	-	-	
<b>Training and performance appraisal services to ABC Private Limited</b> [Taxable; the <b>place of supply</b> of services in relation to training and performance appraisal to a registered person, shall be the location of such person. Thus, place of supply is Kerala and hence an inter-State transaction.]	3,00,000			54,000
<b>Training and performance appraisal services to Babu Cones.</b> [Taxable, the <b>place of supply</b> of services in relation to training and performance appraisal to an unregistered person, shall be the location where the services are actually performed. Thus, place of supply is Bengaluru, hence, Intra-State transaction]	1,00,000	9,000	9,000	
	7,49,900	31,500	31,500	54,000
<b>Taxable under Reverse Charge</b>				
<b>Rent paid for residential unit</b> [Service by way of renting of residential dwelling to a registered person is taxable under reverse charge mechanism]	25,000	2,250	2,250	
<b>Information Technology services</b> [Import of services from a non-related person without consideration, in the course or furtherance of business is not a supply.]	Nil			
	7,74,900	33,750	33,750	54,000

2. Computation of ITC that can be availed by M/s Cute & Co. for the month of October, 2023

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
<b>Rent paid to residential dwelling for providing DSA services</b> [ITC is available as services are used in the course or furtherance of business.]	2,250	2,250	-
<b>Purchase of car</b> [Blocked credit in terms of section 17(5) of the CGST Act, 2017]			Nil
<b>Total ITC</b>	<b>2,250</b>	<b>2,250</b>	<b>-</b>

**7. [Very Important] TDS under GST & Place of Supply**

Ramlala Enterprises, registered in Delhi, is engaged in supply of interior decoration services to Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh). The total contract value inclusive of GST is ₹ 15,50,000 and payment for the same is due in October, 2023.

You are required to determine amount of tax, if any, to be deducted in the above case assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively.

Will your answer be different, if Ramlala Enterprises is registered under composition scheme?

[Page 2B.3, 2B.4 & 14.11 of 12<sup>th</sup> Edition GST Book]

**Solution**

As per section 51 of the CGST Act, 2017, following persons are required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/UTGST)] or IGST @ 2% from the payment made/credited to the supplier (deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds ₹ 2,50,000:

- (a) a department or establishment of the Central Government or State Government; or
- (b) local authority; or
- (c) Governmental agencies; or
- (d) an authority or a board or any other body, -
  - (i) set up by an Act of Parliament or a State Legislature; or
  - (ii) established by any Government, with 51% or more participation by way of equity or control, to carry out any function; or
- (e) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or
- (f) Public sector undertakings.

Further, for the purpose of deduction of tax, the value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess indicated in the invoice.

Proviso to section 51(1) of the CGST Act, 2017 stipulates that no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.

Section 12(3) of the IGST Act, 2017, *inter alia*, stipulates that the place of supply of services, directly in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi.

Since the location of the supplier (Ramlala Enterprises) and the place of supply is Delhi and the State of registration of the recipient i.e. Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.

The answer will remain unchanged even if Ramlala Enterprises is registered under composition scheme.

**8. Important [Place of Supply] With reference to GST law, Determine the place of supply with reasons in the following independent circumstances:-**

- (i) Miss Kanika of Kolkata (West Bengal) visited to Jodhpur Law University (Rajasthan) and paid her college fees by purchasing a demand draft from a bank located in the University campus. Miss Kanika did not have any account with the bank.
- (ii) Mizu Machine Ltd., registered in the State of Andhra Pradesh, supplied a machinery to Keyan Wind Farms Ltd., registered in the State of Karnataka. However, this machinery was assembled and installed at the wind mill of Keyan Wind Farms Ltd., which was located in the State of Tamilnadu.

[Page 14.8 & 14.19 of 12<sup>th</sup> Edition GST Book]

**Solution**

- (i) **Section 12(12) of the IGST Act, 2017** provides that the place of supply of banking and other financial services, including stock broking services to any person is the location of the recipient of services in the records of the supplier of services.

However, if the location of recipient of services is not available in the records of the supplier, the place of supply is the location of the supplier of services.

Therefore, since the location of recipient is not available in the records of the supplier, the place of supply is the location of the supplier of services, i.e. Rajasthan (or Jodhpur).

- (ii) **Section 10(1)(d) of the IGST Act, 2017** provides that if the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly.

Thus, the place of supply is the site of assembly of machine, i.e. Tamilnadu.

**GST - PRACTICE TEST PAPER - SET 14 (Series B)**  
**(SATC GST TEST SERIES - 12<sup>th</sup> Edition)**  
**APPLICABLE FOR CA INTER - 2024 EXAM**

**SOURCE: CA INTERMEDIATE MTP (Set 1) MAY 2024 EXAM**

**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

1. **Case Scenario Based MCQ**

XYZ Electronics Pvt. Ltd. is a leading electronic goods manufacturing company in Delhi. The company produces a wide range of products, including smartphones, laptops, and home appliances.

The sales by the Company are mainly through its distributors on the following credit terms:

- For laptops – up to 15 days
- For smartphones – up to 90 days
- For other home appliances – up to 45 days

During the year, the Company purchased plant and machinery worth ₹ 1 crore exclusive of GST. The GST rate for such plant and machinery is 18%. The input tax credit on such plant and machinery is not blocked under any provision of the CGST Act, 2017.

The Company is planning to demerge its operations in relation to the laptops and other computer accessories from the next financial year. The demerged entity will be a separate legal entity of the Company in form of a wholly owned subsidiary of the Company having common Board of Directors.

The Company also participates in domestic and international level trade fairs to showcase its products and sale through those events. The Electronics Association of Rajasthan is organising a trade fair in Jaipur. The Company is keen to participate in the same.

To ensure the GST compliances, the Company wants to obtain the GST registration as casual taxable person in the state of Rajasthan. The Company obtained the GST registration as casual taxable person in the state of Rajasthan with the validity period of 45 days.

The Company transferred the goods from one of its godown in Delhi to another godown in Gujarat wherein the Company has a registered place of business. The value of goods transferred is ₹ 5 crores and the rate of GST applicable on such transfer is 18%. The tax invoice was issued, and GST was deposited by the Company. However, the consideration was not paid by the Gujarat office of the Company to the Delhi office even after 180 days of the invoice date. Further, there was no reverse movement of such goods from Gujarat godown to Delhi Godown.

**Based on the information provided above, choose the most appropriate answer for the following questions-**

- A. What shall be the time limit to issue invoice for supply of smartphones on credit:**
- (a) Invoice shall be issued on 31<sup>st</sup> day from the date of removal of smartphones to distributors.
  - (b) Invoice shall be issued before or at the time of removal of smartphones to distributors.
  - (c) Invoice shall be issued at the time of receiving payment from distributors.
  - (d) Invoice shall be issued upon completion of credit term, i.e. 90 days.
- B. In relation to the plant and machinery purchased by the Company, select the correct alternative from the following:**
- (a) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1.18 crore.
  - (b) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1 crore.
  - (c) ITC cannot be claimed in such transaction and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1 crore.
  - (d) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 82 lakh.

- C. How shall the demerged entity be treated under the provisions of GST Law?**
- The demerged entity shall be treated as related party of the Company.
  - The demerged entity shall be treated as distinct entity of the Company.
  - The demerged entity shall be treated as additional place of business of the Company.
  - The demerged entity shall be treated as sole selling agent of the Company.
- D. The validity of GST registration as a casual taxable person in the state of Rajasthan is:**
- 45 days
  - 90 days
  - 180 days
  - 135 days
- E. Which of the following statements is true in relation to the non-payment of consideration by the Gujarat godown to Delhi godown?**
- The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and also required to pay interest computed from the date of invoice till the date of reversal of ITC.
  - The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and no interest shall be applicable.
  - The restriction of 180 days for payment of consideration is not applicable in the present case.
  - The Delhi godown shall issue a credit note to Gujarat godown to reverse the supply.
- 2. Sanu Associates, Delhi dealing in garments has ordered ladies suits from Sahiba Garments in Ludhiana (Punjab) which is 350 km away from its warehouse. E-way bill is generated by Sahiba Garments and the order is coming by a normal cargo. For how many days will the e-way bill be valid from the time it is generated?**
- 24 hours
  - 2 days
  - 5 days
  - 7 days
- 3. 'Pihu' Ltd. has its registered office, under the Companies Act, 2013, in the State of Maharashtra from where it ordinarily carries on its business of taxable goods. It also has a warehouse in the State of Telangana for storing said goods. What will be the place of business of 'Pihu' Ltd. under the GST law?**
- Telangana
  - Maharashtra
  - Both (a) and (b)
  - Neither (a) nor (b)

Q. No.	Answer	
1	A. (b)	Invoice shall be issued before or at the time of removal of smartphones to distributors.
	B. (b)	ITC of ₹ 18 lakh can be claimed and depreciable value of asset in the books shall be ₹ 1 crore
	C. (a)	The demerged entity shall be treated as related party of the Company.
	D. (a)	45 days
	E. (c)	The restriction of 180 days for payment of consideration is not applicable in the present case.
2	(b)	2 days
3	(c)	Both (a) and (b)

4. [Important] Exemption + Input Tax Credit + Reverse Charge Vishnu Pvt. Ltd., a registered supplier of goods and services at Kolkata has furnished the following information for the month of February:

S. No.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods including ₹ 1,00,000 received as advance in January, the invoice for the entire sale value is issued on 15 <sup>th</sup> February	4,00,000
(ii)	Purchase of goods from a composition dealer, registered in Kolkata	5,50,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
(iv)	Membership of a club availed for employees working in the factory (It is an intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GTA has exercised option to pay tax @12% (It is an inter-State transaction)	2,00,000
(vi)	Inter-State services provided by way of training in sports	10,000
(vii)	Inter-State security services provided to Bharat higher secondary school for their annual day function organised in Kaman Auditorium outside the School campus	15,000
(viii)	Inputs to be received in 4 lots, out of which 2 <sup>nd</sup> lot was received during the month	40,000

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

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	50,000

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.  
(iv) The turnover of Vishnu Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Vishnu Pvt. Ltd. for the month of February. Make suitable assumptions as required.

**Solution**

**Computation of GST payable on outward supplies**

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
(i)	Intra-State supply of goods for ₹ 4,00,000 [Note-1]	36,000	36,000	Nil
(ii)	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-2]	9,000	9,000	Nil
(iii)	Services provided by way of training in recreational activities relating to sports [Note-3]	Nil	Nil	1,800
(iv)	Inter-State security services provided to Bharat higher secondary school for their annual day function to be held in Kaman Auditorium. [Note-4]	Nil	Nil	2,700
	<b>Total GST payable</b>	<b>45,000</b>	<b>45,000</b>	<b>4,500</b>

**Notes**

1. 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 of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued. **Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.**
2. Services by way of pure labour contracts of construction, erection, commissioning, or installation of **original works** pertaining to a single residential unit otherwise than as a part of a residential complex are exempt. **Labour contracts for repairing are thus, taxable.**
3. Services by way of training in sports is exempt under GST, only if provided by charitable entities registered under section 12AA or section 12AB of the Income-tax Act, 1961. Thus, in the given case, said service is taxable.
4. Security services provided to Bharat higher secondary School for Annual Day function organised **outside the school campus** will be taxable as only the security services performed within the premises of the higher secondary school are exempt.

**Computation of total ITC**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	50,000
<b>Add: Purchase of goods from a composition dealer</b> [ITC is not available in case of supply of goods where tax has been paid under composition scheme]	Nil	Nil	Nil
<b>Add: Membership of a club [Blocked credit]</b>	Nil	Nil	Nil
<b>Add: Goods transport services received from GTA</b> [Input tax credit is available for the services received from GTA as the same are used in the course or furtherance of business.]	Nil	Nil	24,000
<b>Add: Inputs to be received in 4 lots, out of which 2<sup>nd</sup> lot was received during the month</b> [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
<b>Total ITC</b>	<b>57,000</b>	<b>Nil</b>	<b>74,000</b>

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

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable	45,000	45,000	4,500
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]	(24,500) IGST (3)	(45,000) IGST (2)	(4,500) IGST (1)
Less: ITC of CGST to be used against CGST	(20,500) CGST		
<b>Minimum GST payable in cash</b>	<b>Nil</b>	<b>Nil</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 first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow.



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

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

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

### Solution

S. No.	Particulars	Taxability
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods. <b>[Page 6.49]</b> [Pure services provided to Government are exempt.]	Exempt
(ii)	Service provided by Fair Price Shops by way of sale of sugar under Public Distribution System <b>[Page 6.49]</b> [Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against consideration in the form of commission is exempt.]	Exempt
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares constituting 35% of the supply of service. <b>[Page 6.50]</b> [Composite supply of goods and services to Government in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply is exempt. <b>Since, in this case value of supply of goods constitutes 35% of the supply of composite service, same is taxable.</b> ]	Taxable
(iv)	Service of brochure distribution provided under a training programme. [Services provided to the Government under any training programme for which 75% or more of the total expenditure is borne by the Government is exempt. <b>Since in the given case, 70% of the total expenditure is borne by the Government, it is taxable.</b> ] <b>[Page 6.49]</b>	Taxable

6. **[Charge of GST & Reverse Charge]** Mr. Shubh, director of Star 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. Shubh is an independent director of Star Company Private Limited and not an employee of the company.
- (ii) Mr. Shubh is an executive director, i.e. an employee of Star Company Private Limited. Out of total remuneration amounting to ₹ 1,25,000, ₹ 60,000 has been declared as salaries in the books of Star 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 Star Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services.

**[Page 5.14 & 5.15 of GST 12<sup>th</sup> Edition Book]**

**Solution**

As per Schedule III of the CGST Act, 2017 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 Star Company Private Limited is liable to pay GST.

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 of the CGST Act, 2017.

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 Star 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 of the CGST Act, 2017.

Further, ₹ 65,000 declared separately other than salaries in the Star 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 of the CGST Act, 2017 and is therefore, taxable.

The recipient of the said services i.e. the Star Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

**7. [Registration] Examine whether the supplier of goods is liable to get registered in the following independent cases:**

- i. **Om Sai Builders of Rohini, Delhi is exclusively engaged in intra- State taxable supply of building bricks. It's aggregate turnover in the current financial year is ₹23 lakh.**
- ii. **Hukum Chand of Himachal Pradesh is exclusively engaged in intra- State taxable supply of footwear. His turnover in the current financial year (FY) from Himachal Pradesh showroom is ₹ 32 lakh. He has another showroom in Nagaland with a turnover of ₹ 11 lakh in the current FY.**

**[Easy & Repetitive in nature]**

**Solution**

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 get 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 fly ash bricks/blocks, building bricks, bricks of fossilmeals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:

- i. The benefit of enhanced threshold limit of registration of ₹ 40 lakh is not applicable for Om Sai brothers even though it is exclusively engaged in intra-State taxable supply of goods in Delhi **as it is engaged in making supplies of building bricks.**  
Thus, the applicable threshold limit for registration for Om Sai Builders in the given case is ₹ 20 lakh. Thus, it is liable to get registered under GST as its turnover is more than the threshold limit.
- ii. Hukum Chand could have been eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. **However, since Hukum Chand is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to ₹ 10 lakh.**

Thus, Hukum Chand is liable to get registered under GST as his turnover exceeds ₹ 10 lakh. Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States.

**8. [Supply under GST] Discuss taxability of shares held in a subsidiary company by holding company?**

[Page 4.6 of GST 12<sup>th</sup> Edition Book]

**Solution**

It has been clarified vide a circular that securities are considered neither as goods nor as services in terms of definition of goods and the definition of services. Further, securities include 'shares' as per definition of securities.

This implies that the securities held by the holding company in the subsidiary company are neither goods nor services. Further, purchase or sale of shares or securities, in itself is neither a supply of goods nor a supply of services.

For a transaction/activity to be treated as supply of services, there must be a supply as defined under section 7 of the CGST Act, 2017. It cannot be said that a service is being provided by the holding company to the subsidiary company, solely on the basis that there is a specific SAC entry in the scheme of classification of services, unless there is a supply of services by the holding company to the subsidiary company in accordance with section 7 of the CGST Act, 2017.

Therefore, the activity of holding of shares of subsidiary company by the holding company *per se* cannot be treated as a supply of services by a holding company to the said subsidiary company and cannot be taxed under GST.

**9. [GST Return] How a return can be revised after filing of the same, if some changes are required to be made?**

[Easy & Repetitive in nature]

**Solution**

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 amendment in the details of those individual 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.

Omission or incorrect particulars discovered in the returns filed under section 39 of the CGST Act, 2017 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. However, no such rectification of any omission or incorrect particulars is allowed after 30<sup>th</sup> November following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

10. [Value of Supply & Place of Supply] Gulati Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Mridul Traders and Kalu Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Gulati Ltd. has furnished the following details for the current month:

S. No.	Particulars	Mridul Traders (₹)	Kalu 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 Gulati 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.

### Solution

#### Computation of GST liability

S. No.	Particulars	Mridul Traders (₹)	Kalu Motors Ltd. (₹)
(i)	Price of goods	10,000	30,000
(ii)	Add: Packing charges (Note-1)	500	
(iii)	Add: Commission (Note-1)	500	
(iv)	Add: Weighment charges (Note-1)	-	2,000
(v)	Less: Discount for prompt payment (Note-2)		(-) 1,000
	Value of taxable supply	11,000	31,000
	<b>IGST payable @ 18% (Note-3)</b>	<b>1,980</b>	
	<b>CGST payable @ 9% (Note-4)</b>		<b>2,790</b>
	<b>SGST payable @ 9% (Note-4)</b>		<b>2,790</b>

#### Notes:

- 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].
- 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.
- [Place of Supply] Section 10 of the IGST Act, 2017 provides that where the supply involves movement of goods, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. Thus, place of supply is Gujarat.

4. Further, where the location of the supplier and the place of supply are in two different States, supply of goods shall be treated as a supply of goods in the course of inter-State trade or commerce. **Since supply made to Mridul Traders is an inter-State supply, IGST is payable.**

11. **Important [Accounts & Records]** Mr. Mehta is engaged in the business of trading of books. He is eligible for composition scheme and has opted for the same. He seeks your advice for records which are not required to be maintained by him as composition taxable person.

[Page 13.2 of GST 12<sup>th</sup> Edition Book]

**Solution**

A supplier who has opted for composition scheme is not required to maintain records relating to;

- (i) **Stock of goods:** Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
- (ii) **Details of tax:** Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

Thus, Mr. Mehta is not required to maintain above mentioned records.

12. **Important [Place of Supply]** An event management company provided services for organizing a sporting event for a Sports Federation which is held in multiple States? What would be the place of supply of services in this case?

[Page 14.14 of GST 12<sup>th</sup> Edition Book]

**Solution**

In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with IGST Rules by the application of generally accepted accounting principles.



**GST - PRACTICE TEST PAPER - SET 15 (Series B)**  
**(SATC GST TEST SERIES - 12<sup>th</sup> Edition)**  
**APPLICABLE FOR CA INTER - 2024 EXAM**

**SOURCE: CA INTERMEDIATE MTP (Set 2) MAY 2024 EXAM**

**[Solutions are updated for exam in Year 2024 (Amended)]**

**For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)**

1. **Case Scenario Based MCQ**

Ecotech Solutions Private Limited is engaged in manufacturing and supply of energy products and solutions across multiple States in India. The Company manufactures solar panels and also imports certain category of solar panels as per the customer orders. The company also provides installation services and annual maintenance contracts for its products.

The Company received an advance payment for a bulk order of goods in March 2024, but the delivery was completed in May 2024. The amount of advance received by the Company was ₹ 1 crore.

During the month of March 2024, the Company sold goods worth ₹ 5 crores and provided services amounting to ₹ 1 crore to its customers across India. The goods worth ₹ 1 crore sold under multiple invoices were returned by a customer due to defective quality in the month of March, 2024 which were originally sold by the Company in December, 2023. The Company issued a GST credit note against the returned goods in March, 2024.

The Company incurred an amount of ₹ 5 lakh on the repair of the returned goods to make them resalable in the market to customers other than a related party.

Further, the customers who returned the goods issued an invoice to Gujarat unit of the Company of ₹ 1 lakh for the expense related to return of goods. The goods were initially sold from the Gujarat unit of the Company but the same were returned to Maharashtra unit of the Company and subsequently moved by the Company from Maharashtra unit to Gujarat Unit i.e. the original place of supply. The Company is registered under GST in both the States i.e. Gujarat and Maharashtra.

**Based on the facts of the case scenario given above, choose the most appropriate answer for the following questions:-**

- A. At what point of time, tax will be payable in relation to the advance received by the Company of ₹ 1 crore?**
- The tax is payable at the time of receipt of advance.
  - The tax is payable at the time of supply of goods.
  - 50% of tax is payable at the time of receipt of advance.
  - Tax is payable at the time of issuance of receipt voucher.
- B. The total amount of supply during the month of March, 2024 to be reported in GSTR -1 by the Company is \_\_\_\_\_.**
- ₹ 1 crore
  - ₹ 5 crores
  - ₹ 6 crores
  - ₹ 7 crores
- C. Which of the following options is correct in relation to the returned goods of value ₹ 1 crore?**
- Company has an option to issue single credit note against multiple invoices.
  - Company has to mandatorily issue credit note against each invoice.
  - The Company cannot issue credit note in any subsequent period after the supply is made.
  - The Company can only issue a commercial credit note and GST adjustment cannot be made.

- D.** In case returned goods are sold by the Company to customers other than the related parties, the value of supply of such goods under GST shall be \_\_\_\_\_.
- equivalent to original value of supply only.
  - equivalent to original value of supply plus the cost incurred on making the goods reusable
  - 110% of original value of supply plus the cost incurred on making the goods reusable.
  - transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.
- E.** Which of the following option(s) is correct in relation to the invoice of 1 lakh issued by the customer for the expenses relating to returned goods?
- The Company shall be eligible to avail full input tax credit.
  - The Company shall not be allowed to avail input tax credit.
  - The Company shall not be allowed to avail input tax credit in excess of 50% of the tax amount charged on such invoice.
  - The Company shall be allowed to claim input tax credit only if it has not issued any credit note to the customer against such returned goods.
- 2.** Mr. Jambulal of Himachal Pradesh starts a new business and makes following supplies in the first month-
- Intra-State supply of taxable goods amounting to ₹ 17 lakh
  - Supply of exempted goods amounting to ₹ 1 lakh
  - Inter-State supply of taxable goods amounting to ₹ 1 lakh
- Whether he is required to obtain registration?
- Mr. Jambulal is liable to obtain registration as the threshold limit of ₹ 10 lakh is crossed.
  - Mr. Jambulal is not liable to obtain registration as he makes exempted supplies.
  - Mr. Jambulal is liable to obtain registration as he makes the inter-State supply of goods.
  - Mr. Jambulal is not liable to obtain registration as the threshold limit of ₹ 20 lakh is not crossed.
- 3.** Simmo Singh, a resident of Punjab, is having a residential property in Amritsar, Punjab which has been given on rent to a family for ₹ 72 lakh per annum for residence purposes. Determine whether Simmo Singh is liable to pay GST on such rent.
- Yes, as services by way of renting is taxable supply under GST.
  - No, service by way of renting of residential property is exempt.
  - No, service by way of renting of residential property does not constitute supply.
  - Simmo Singh, being individual, is not liable to pay GST.

Q. No.	Answer	
1	<b>A</b>	<b>(b)</b> The tax is payable at the time of supply of goods
	<b>B</b>	<b>(b)</b> ₹5 crores
	<b>C</b>	<b>(a)</b> Company has an option to issue single credit note against multiple invoices.
	<b>D</b>	<b>(d)</b> Transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.
	<b>E</b>	<b>(a)</b> The Company shall be eligible to avail full input tax credit.
2	<b>(c)</b>	Mr. Jambulal is liable to obtain registration <b>as he makes the inter-State supply of goods.</b>
3	<b>(b)</b>	No, service by way of renting of residential property is exempt.



4. **Important** [Exemption, Reverse Charge & ITC] Mr. Nandan Lal, registered under GST, is engaged in supplying services (as discussed in the table below) in Hyderabad. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

S. No.	Particulars	Amount (₹)
(i)	Carnatic music performance <b>given</b> by Mr. Nandan Lal to promote a brand of readymade garments [Page 6.41]	1,40,000
(ii)	Outdoor catering services <b>availed</b> for a marketing event organised for his prospective customers [Page 12.11]	50,000
(iii)	Services of transportation of students <b>provided</b> to HSMG College providing education as part of a curriculum for obtaining a recognised qualification [Page 6.29]	1,00,000
(iv)	Legal services <b>availed</b> for official purpose from an advocate located in Chennai (Inter- State transaction) [Page 5.8 & Page 6.28]	1,75,000
(v)	Services <b>provided</b> to IFMP Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area [Page 5.10 & 6.20]	2,00,000
(vi)	Recovery agent's services <b>provided</b> to a car dealer [Page 5.9]	15,000
(vii)	General insurance <b>taken</b> on a car (seating capacity 5) used for official purposes [Page 12.11]	40,000

**Note:**

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.  
(ii) All inward and outward supplies are exclusive of taxes, wherever applicable.  
(iii) All the conditions necessary for availing the ITC have been fulfilled.  
(iv) The turnover of Mr. Nandan Lal was ₹ 2.5 crore in the previous financial year.  
(v) All the transactions mentioned above are intra-State unless otherwise specified.

Compute the net GST payable in cash, by Mr. Nandan Lal for the month of February.

**Solution****Computation of GST payable**

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>GST payable under forward charge</b>				
<b>Carnatic music performance given to promote a brand of readymade garments</b> [Carnatic music performance by Mr. Nandan Lal is not exempt from GST even though the consideration charged does not exceed ₹ 1,50,000 since said performance has been made by him as a brand ambassador.]	1,40,000	12,600	12,600	Nil
<b>Services of transportation of students provided to HSMG College</b> [Services of transportation of students provided to an educational institution other than an institution providing pre-school education or education up to higher secondary school, are not exempt.]	1,00,000	9,000	9,000	Nil
<b>Services provided to IFMP Bank as a business correspondent</b> [Services provided by a business correspondent to a banking company are not exempt when such services are provided with respect to accounts in its urban area branch.]	2,00,000	18,000	18,000	Nil

<b>Services provided as a recovery agent</b> [Tax is payable under forward charge since recovery agent's services are being provided to a person other than banking company/financial institution/ non-banking financial company.]	15,000	1,350	1,350	Nil
<b>Total GST payable under forward charge (A)</b>		<b>40,950</b>	<b>40,950</b>	<b>Nil</b>
<b>GST payable under reverse charge</b>				
<b>Legal services availed from an advocate</b> [Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (₹ 20 lakh) are not exempt and tax on the same is payable under reverse charge.]	1,75,000	Nil	Nil	31,500
<b>Total GST payable under reverse charge (B)</b>		<b>Nil</b>	<b>Nil</b>	<b>31,500</b>
<b>Total GST payable [(A)+(B)]</b>		<b>40,950</b>	<b>40,950</b>	<b>31,500</b>

#### Computation of total ITC available

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>Outdoor catering services availed</b> [ITC on outdoor catering services is blocked except when such services are (i) used by the taxpayer who is in the same line of business or (ii) provided by the employer to its employees under a statutory obligation.]	50,000	Nil	Nil	Nil
<b>Legal services availed</b> [ITC is available as said services are used in course or furtherance of business.]	1,75,000	Nil	Nil	31,500
<b>General insurance taken on a car (seating capacity 5) used for official purposes</b> [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked]	40,000	Nil	Nil	Nil
<b>Total ITC available</b>		<b>Nil</b>	<b>Nil</b>	<b>31,500</b>

#### Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>GST payable under forward charge</b>	<b>40,950</b>	<b>40,950</b>	<b>Nil</b>
Less: ITC of IGST [Refer Note]	(15,750)	(15,750)	-
	25,200	25,200	Nil
<b>Add: GST payable under reverse charge in cash</b> [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	Nil	Nil	31,500
<b>Net GST payable in cash</b>	<b>25,200</b>	<b>25,200</b>	<b>31,500</b>

**Note:** ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order

5. [Value of Supply] LSP Ltd., a registered supplier, sold a machine to Balwant Ltd. It provides the following information in this regard: -

S. No.	Particulars	Amount (₹)
(i)	<b>Price of the machine</b> [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	20,000
(ii)	<b>Third party inspection charges</b> [Such charges were payable by LSP Ltd. but the same have been directly paid by Balwant Ltd. to the inspection agency. These charges were not recorded in the invoice issued by LSP Ltd.]	6,000
(iii)	<b>Freight charges for delivery of the machine</b> [LSP Ltd. has agreed to deliver the goods at Balwant Ltd.'s premises]	1,000
(iv)	<b>Subsidy received from the State Government on sale of machine under Skill Development Programme</b> [Subsidy is directly linked to the price]	5,000
(v)	<b>Discount of 2% is offered to Balwant Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice</b>	

Note: Price of the machine is net of the subsidy received.

Determine the value of taxable supply made by LSP Ltd. to Balwant Ltd.

[Easy – Repetitive in Nature]

#### Solution

Computation of value of taxable supply made by M/s. LSP to Balwant Ltd.

Particulars	Amount (₹)
<b>Price of the machine</b> [Since the price linked subsidy is received from the State Government, the same is not includible in the value of supply]	20,000
<b>Third party inspection charges</b> [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply]	6,000
<b>Freight charges for delivery of the machine</b> [Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	1,000
<b>Total</b>	<b>27,000</b>
<i>Less: Discount @ 2% on ₹ 20,000 being price charged to Balwant Ltd.</i> [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply]	400
<b>Value of taxable supply</b>	<b>26,600</b>

6. [Reverse Charge] State the person liable to pay GST in the following independent services provided:

- Sapna Builders, registered in Haryana, rented out 20 residential units owned by it in Jain Society to Anant Technologies, an IT based company registered in the State of Haryana, for accommodation of its employees.
- M/s. Verma Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of ₹ 1,50,000 at a seminar organized by a private NGO (a partnership firm) in Delhi.

[Page 5.8 & 5.9 of GST 12<sup>th</sup> Edition Book]

**Solution**

- a) Services provided by way of renting of residential dwelling for use as residence except where the residential dwelling is rented to a registered person is exempt from GST. Further, tax on service provided by way of renting of residential dwelling to a registered person is payable by the recipient under reverse charge.

Therefore, in the given case, Anant Technologies is liable to pay GST on the residential dwellings taken on rent by it from Sapna Builders, under reverse charge mechanism.

- b) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory.

Since in the given case, sponsorship services are being provided by the private NGO to a partnership firm – M/s. Verma Consultants, GST is payable by Verma Consultants on said services under reverse charge.

**7. [Composition Scheme] “Little Smiles”, a photography firm, has commenced providing photoshoot services in Delhi from the beginning of current financial year 2023-2024. It has provided the following details of turnover for the various quarters till December, 2023 :-**

S. No.	Quarter	Amount (₹ in lakh)
1	April, 2023 - June, 2023	20
2	July, 2023 - September, 2023	30
3	October, 2023 - December, 2023	40

You may assume the applicable tax rate as 18%. Little Smiles 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?

[Page 5.20 & 5.21 of GST 12<sup>th</sup> Edition Book]

**Solution**

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. Little Smiles 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, Little Smiles 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, Little Smiles becomes eligible for the registration when the aggregate turnover exceeds ₹ 20 lakh (the threshold limit of obtaining registration). While registering under GST, Little Smiles 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 the CGST Act.

Thus, for determining the turnover of the State for payment of tax under composition scheme for services, turnover of April, 2023 – June, 2023 quarter [₹ 20 lakh] shall be excluded. On next ₹ 30 lakh [turnover of July, 2023 – September, 2023 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 Little Smiles'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, 2023 - June, 2023 quarter), are included.

By the end of July, 2023 - September, 2023 quarter, the aggregate turnover reaches ₹ 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 2023 - September, 2023 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, 2023 - June, 2023	-	20	-
2	July, 2023 - September, 2023	6%	30	1.8
3	October, 2023 - December, 2023	18%	40	7.2

8. **[E-way Bill]** Mr. Sohan, a trader registered under GST in Delhi is engaged in wholesale business of toys for kids. Mr. Rohan registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Sohan for selling to end consumers.

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

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

[Easy – Repetitive in Nature]

#### Solution

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

The blocking of GSTIN for e-way bill generation is only for the defaulting supplier GSTIN and not for the defaulting Recipient or Transporter GSTIN.

A person paying tax under regular scheme who has not furnished the returns for a consecutive period of 2 tax periods is considered as a defaulting person.

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

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

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

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

9. **[Registration]** Mr. Raj of Rajasthan intends to start business of supply of building material to various construction sites in Rajasthan. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer *suo-motu* cancelled the registration of Mr. Raj. You are required to examine whether the action taken by proper officer is valid in law?

Mr. Raj has applied for revocation of cancellation of registration after 40 days from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. You are required to comment upon the validity of contentions raised by Department.

[Page 3.35 & 3.41 of GST 12<sup>th</sup> Edition Book]

#### Solution

As per Section 29(2), the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,-

- (a) a registered person has contravened the prescribed provisions; or
- (b) a person paying tax under composition scheme has not furnished returns for a financial year beyond 3 months from due date of furnishing return; or
- (c) any registered person, other than a person specified in clause (b), has not furnished returns for a prescribed period; or
- (d) any person who has taken voluntary registration has not commenced business within 6 months from the date of registration; or
- (e) registration has been obtained by means of fraud, wilful misstatement, or suppression of facts

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

**[New Amendment]** Further, where the registration of a person is cancelled *suo-motu* by the proper officer, such registered person may, subject to the provisions of rule 10B, apply for revocation of the cancellation of registration to such proper officer, within 90 days from the date of service of the order of cancellation of registration.

However, the said period of 90 days may, on sufficient cause being shown and for reasons to be recorded in writing, be extended by the Commissioner or an officer authorised by him in this behalf, not below the rank of Additional Commissioner or Joint Commissioner, as the case may be, for a further period not exceeding 180 days.

Thus, considering the above provisions, the contention of Department is not valid in law as he has applied for revocation within the time limit of 90 days

10. **[Payment of Tax]** Discuss whether the amount available in the electronic credit ledger can be used for making payment of any tax under the GST Laws?

[Page 2.3 of GST 12<sup>th</sup> Edition Book]

#### Solution

The amount available in the electronic credit ledger may be used for making any payment towards output tax under the CGST Act or the IGST Act, subject to the provisions relating to the order of utilisation of ITC.

Further, output tax in relation to a taxable person is defined as the tax chargeable on taxable supply of goods or services or both but excludes tax payable on reverse charge mechanism.

Accordingly, it is clarified that any payment towards output tax, whether self-assessed in the return or payable as a consequence of any proceeding instituted under the provisions of GST laws, can be made by utilization of the amount available in the electronic credit ledger of a registered person.

It is further reiterated that as output tax does not include tax payable under reverse charge mechanism, implying thereby that the electronic credit ledger cannot be used for making payment of any tax which is payable under reverse charge mechanism

**11. IMPORTANT - [Place of Supply Chapter]** Discuss briefly the place of supply of goods purchased over the counter in one State and transported to another State by the buyer.

**New Amendment**

[Page 14.8 of GST 12<sup>th</sup> Edition Book]

**Solution**

There are cases where an unregistered person purchases goods over the counter (OTC) in one State and thereafter, transports the goods to another State (generally, the State where he resides). For instance, migrant workers, tourists, etc. who come to a State for work, tourism, etc. and purchase goods in that State to take it to their respective State.

Similarly, in automobile sector, the residents of a State may travel to another State to purchase vehicle from that State to take advantage of lower registration charges and road tax, which vary from State to State and thereafter, take the vehicle to their State.

Where the supply of goods is made to **a person other than a registered person**, the place of supply shall be the **location as per the address of the said person recorded in the invoice** issued in respect of the said supply and **the location of the supplier where the address of the said person is not recorded in the invoice**.

For this purpose, **recording of the name of the State of the said person in the invoice** shall be deemed to be the recording of the address of the said person

**12. IMPORTANT - [Place of Supply Chapter]** What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States?

[Page 14.14 & 14.15 of GST 12<sup>th</sup> Edition Book]

**Solution**

In case of an event, **if the recipient of service is registered**, the place of supply of services for organizing the event is the location of such person. **However, if the recipient is not registered**, the place of supply is the place where event is held.

**Since the event is being held in multiple states and a consolidated amount is charged** for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) **will be computed by the application of generally accepted accounting principles**

