



CA/CS/CMA
INTER - MAY'24/SEP'24

GST

CA KARAN SHETH



ONE CONCEPT
ONE QUESTION
BOOK

My Senior's advise saved my attempt!!

My tax paper was incredibly difficult!

During the reading time, I scanned through the paper and was shocked

I looked up and saw my friend, sitting next to me, just to realise that he was also gazing at me and we soon discovered that the entire class was looking at each other in shock and surprise.

There wasn't a single question that seemed familiar. Each question felt like a googly

Despite being good at IDT, I struggled with every question.

But then I recalled the advice given by one of my seniors

He told me that there would be one challenging paper that would throw us off the guard, and in such situations, we shouldn't panic.

The first thing you need to do is take a Deep breath and

Then advised me to find one question that I can answer confidently and start writing.

He used to say,

"Exams mein ya to aap soch sakte ho ya likh sakte ho

Donna nahi karsakte..

Toh pehele wo likhna shuru Karo Jo aapko aata hai, firr jo time bacha hai usme aap difficult question soch sakte ho and accordingly likh sakte ho!"

Because Exam hall ke bahar the biggest regret in life is Ke tumhe koi Question aata tha aur tum usse attempt nahi kar paye

However, I asked him, "What should I write when I don't know the answers and can't attempt the entire paper?"

He replied,

There is no chance that you dont know the entire paper especially when you have done months of preparation for it

Also

"No one knows the answers to the entire paper. But when you start writing, your confidence will boost because you are now in an active motion."

Your brain starts functioning, and the chemical called dopamine is released, which makes you feel good

Ke ab aa raha hai, solve ho raha hai

By doing this you will start feeling hopeful aur dheere dheere tumhara confidence bhi badhega, after completing a 6-mark question, you will start feeling that the battle is just for 34 more marks.'

Then, as you solve a 10-mark question, you realize that the battle is just for 24 marks, and soo on!

By doing this, you fragment the battle into smaller segments, and it boosts your confidence immensely

And

The last few words that my senior said still remains etched in my heart

Doing the task takes less time than Thinking about doing the task

Remember this line everytime you see yourself procrastinating that difficult subject that you are avoiding to do

Aapka Tax Ka Teacher,
CA Karan Sheth

INDEX

Chapter
1 INTRODUCTION | 1.1 - 1.4

Chapter
2 REVERSE CHARGE MECHANISM | 2.1 - 2.7

Chapter
3 SUPPLY | 3.1 - 3.14

Chapter
4 COMPOSITION SCHEME | 4.1 - 4.4

Chapter
5 TAX INVOICE, CREDIT AND DEBIT NOTES | 5.1 - 5.11

Chapter
6 TIME OF SUPPLY | 6.1 - 6.8

Chapter
7 VALUE OF SUPPLY | 7.1 - 7.4

Chapter
8 REGISTRATION | 8.1 - 8.8

Chapter
9 PAYMENT OF TAX | 9.1 - 9.16

Chapter
10 PLACE OF SUPPLY | 10.1 - 10.5

Chapter
11 E-Way Bill | 11.1 - 11.4

Chapter
12 TDS | 12.1 - 12.6

Chapter
13 TCS | 13.1

Chapter
14 RETURNS | 14.1 - 14.4

Chapter
15 EXEMPTION | 15.1 - 15.18

Chapter
16 INPUT TAX CREDIT | 16.1 - 16.8

One Concept One Question

1. INTRODUCTION

Basics

Question 1.

Differentiate between direct and indirect taxes.

(ICAI Study Material)

Answer:

Direct taxes	Indirect taxes
A direct tax is charge, which is imposed directly on the taxpayer and paid directly to the Government by the persons on whom it is imposed. The burden of this tax cannot be shifted by the taxpayer to someone else.	Indirect taxes are imposed on goods and services. Its incidence is borne by the consumers who ultimately consume the product or the service. It is also called consumption taxes.
A significant direct tax imposed in India is Income tax.	Indirect taxation in India has witnessed a drastic change on July 01, 2017 and all indirect taxes have been amalgamated into - GST & Customs.
Direct taxes are progressive in nature. Hence a rich person pays more compared to poor person.	Indirect taxes are regressive in nature because they equally impact the rich or the poor. Example: GST paid on food in restaurant is same whether a person is rich or poor. Example: Income tax is higher for higher income groups and lower for lower income groups.

Question 2.

Enumerate the deficiencies of the existing indirect taxes which led to the need for ushering into GST regime.

(ICAI Study Material)

Answer:

Deficiencies in the erstwhile indirect tax regime:

- (a) CENVAT did not include chain of value addition in the distributive trade after the stage of production. Similarly, in the State-level VAT, CENVAT load on the goods was not removed leading to the cascading of taxes.
- (b) Though CENVAT and State-Level VAT were essentially value added taxes, set off of one against the credit of another was not possible as CENVAT was a central levy and State-Level VAT was a State levy.
- (c) Certain transactions were subject to double taxation and were taxed as both goods and services, since under the earlier regime, distinction between goods and services was often blurred.
- (d) There were several taxes in the States, such as, Luxury Tax, Entertainment Tax, etc. which were not subsumed in the VAT. Hence for a single transaction, multiple taxes in multiple forms were required to be paid.

- (e) VAT on goods was not integrated with tax on services, at the State level, to remove the cascading effect of service tax. With service sector being the fastest growing sector in the economy, the exclusion of services from the tax base of the States potentially eroded their tax- buoyancy.
- (f) CST was another source of distortion in terms of its cascading nature since it was non-VATABLE. Being an origin-based tax, CST was also against one of the basic principles of consumption taxes that tax should accrue to the jurisdiction where consumption takes place.

Question 3.

What are the benefits which the Country will accrue from GST? or "The new GST regime is a boom for all". Comment on the rationale of GST in the light of the above statement. Or

(CBIC FAQ) & (ICAI study material)

Answers:

Benefits to economy

- **Creation of Unified national market:** GST aims to make India a common market with common tax rates and procedures & remove the economic barriers thus paving the way for an integrated economy at the national level.
- **Boost to 'Make in India' initiative:** GST will give a major boost to the 'Make in India*' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market.
- **Enhanced investment and employment:** The subsuming of major Central and State taxes in GST, complete and comprehensive setoff of input tax on goods and services and phasing out of Central Sales Tax (CST) reduces the cost of locally manufactured goods and services and increases the competitiveness of Indian goods and services in the international market and thus, gives boost to investments and Indian exports. With a boost in exports and manufacturing activity, more employment is generated and GDP is increased.

Simplified tax structure

- **Ease of doing business:** Simpler tax regime with fewer exemptions along with reduction in multiplicity of taxes under GST has led to simplification and uniformity. The uniformity in laws, procedures and tax rates across the country makes doing business easier.
- **Certainty in tax administration:** Common system of classification of goods and services ensures certainty in tax administration across India.

Easy tax compliance

- **Automated procedures with greater use of IT:** There are simplified and automated procedures for various processes such as registration, returns, refunds, tax payments.
- **Reduction in compliance costs:** The compliance cost is lesser under GST as multiple record-keeping for a variety of taxes is not needed, therefore, there is lesser investment of resources and manpower in maintaining records.

Advantages for trade and industry

- **Benefits to industry:** GST has given more relief to trade and industry through a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several Central and State taxes in the GST and phasing out of CST. The transparent and complete chain of set-offs which results in widening of tax base and better tax compliance also leads to lowering of tax burden on an average dealer in trade and industry.
- **Mitigation of ill effects of cascading:** By subsuming most of the Central & State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses.
- **Benefits to small traders and entrepreneurs:** GST has increased the threshold for GST registration for small businesses. Further, single registration is needed in one State. Small businesses have also been provided the additional benefit of composition scheme. With the creation of a seamless national market across the country, small enterprises have an opportunity to expand their national footprint with minimal investment.

Constitutional Provisions

Question 4.

Why was the Constitution of India amended recently in the context of GST? or
Why was the need to amend the Constitution of India before introducing the GST?

(ICAI study material)

Answer:

Earlier, the fiscal powers between the Centre and the States are clearly demarcated in the Constitution with almost no overlap between the respective domains. The Centre has the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States have the powers to levy tax on the sale of goods. In the case of inter-State sales, the Centre has the power to levy a tax (the Central Sales Tax) but, the tax is collected and retained entirely by the States. As for services, it is the Centre alone that is empowered to levy service tax.

Introduction of the GST required amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax. The Constitution of India has been amended by the Constitution (one hundred and first amendments) Act, 2016 for this purpose. Article 246A of the Constitution empowers the Centre and the States to levy and collect the GST.

GSTN

Question 5.

What is GSTN and its role in the GST regime? Or Discuss any two functions of GSTN or Discuss the need and functions of the common GST portal.

(ICAI Study Material) & (CA Inter MTP)

Answer:

GSTN stands for Goods and Services Tax Network (GSTN). It is not-for Profit Company incorporated under provisions of Sec 8 of Companies Act, 2013. GSTN has been set up to cater to the needs of GST. GSTN has made up site/ portal which have been notified as common GST electronic portal.

Thus, GSTN has provided IT infrastructure under GST law. GST portal developed by it is used by Central Government as well as by the State Governments. GST portal is referred as 'common portal'. This portal is the taxpayer interface with the Government.

GSTN is providing facilities to taxpayers as well as Government. Following are some important functions which are performed by GSTN

- (i) Facilitation of registration (as under GST, registration is online);
- (ii) Payment of GST (Challan for GST payment is created online);
- (iii) Returns filing (as under GST, all returns are online);
- (iv) Maintenance of ledgers of taxpayers (e-liability, e-credit and e-cash ledger for each registered taxpayer);
- (v) Running the matching engine for matching, reversal and reclaim of input tax credit (presently, it has been deferred);
- (vi) Providing analysis of tax payers' profile (based on such analysis, cases will be selected for scrutiny/ audit);
- (vii) Sharing of information in taxpayers returns with Centre and State Governments I tax authorities;
- (viii) providing various MIS reports to the Central and the State Governments based on the tax payer return information;
- (ix) Computation and settlement of IGST (transfer of funds in between Central Tax Account, State Tax Accounts and Integrated Tax Account);

One Concept One Question

2. REVERSE CHARGE MECHANISM

Question 1 - Recovery Agent

Situation	Who is liable to pay tax
Eg-Mr. Guddu, a recovery agent is supplying overy of loan service to ICICI Bank.	ICICI Bank u/s 9(3)
Eg-Mr. Bablu, a recovery agent is supplying recovery of consideration to Trader	Mr. Bablu u/s 9(1)

Question 2 - Direct Selling Agent

Supplier	Recipient	Who shall pay tax
Mr. Karan	Kotak bank	Kotak Bank u/s 9(3)
KS Ltd.	Punjab National Bank	KS Ltd. u/s 9(1)
KS and Associates, LLP	Mahindra Finance, NBFC	KS & Associates, LLP u/s 9(1)

Question 3 - Sponsorship Service

- i) Panini Private Limited, Jaipur, agrees to sponsor a sports event organized by Pink City Club in Jaipur. Panini Private Limited has paid an amount of 5,00,000 for such sponsorship of the sports event. Consequently, said event was named after the brand name of Panini Private Limited. Examine who is the person liable to pay tax in the given case.
- (ii) Raghu Associates provided sponsorship services to WE-WIN Cricket Academy, an LLP. Determine the person liable to pay tax in this case.

Solution:

- i) Notification no 13/2017 CT (R) dated 28.06.2017 as amended (hereinafter referred to as reverse charge notification), provides that sponsorship services provided by any person to a body corporate or partnership firm located in the taxable territory, shall be liable to GST under reverse charge in the hands of recipient.
In the present case, Pink City Club is the supplier of sponsorship services which is receiving the consideration in the form of sponsorship fee of 5,00,000 from Panini Private Limited, against the provision of sponsorship service. Since the recipient of sponsorship services-Panini Private Limited is a body corporate, GST on said services is payable by the recipient- Private Limited, under reverse charge.
- (ii) In case of services provided by any person by way of sponsorship to any body corporate/ partnership firm, GST is liable to be paid under reverse charge by such body corporate/ partnership firm located in the taxable territory. Further, for the reverse charge purposes, Limited Liability Partnership formed and registered under the provisions of the LLP Act, 2008 is also be considered as a partnership firm. Therefore, in the given case, WE- WIN Cricket Academy is liable to pay GST under reverse charge.

Question 4 - Security Service

Supplier	Recipient	Who shall pay tax
Mr. Shera	Human Ltd. registered under CGST Act	Being Human Ltd u/s 9(3)
Shera & Associates (Partnership firm)	Mr. Salman, a registered person under CGST Act as a composition tax payer	Shera & Associates u/s 9(1)
Mr. Shera	BMC, a local authority solely registered under Mah SGST Act to deduct TDS u/s 51	Mr. Shera u/s 9(1)
Shera Ltd.	Being Human Ltd., a registered person under CGST Act	Shera Ltd. u/s 9(1)
Mr. Vicky	Mr. Ranbir, an unregistered person	Mr. Vicky u/s 9(1)

Question 5 - Renting of motor vehicle

Eg. Mr. RV runs a car rental business and has supplied rental service amounting to Rs. 10L Where consideration includes cost of fuel

Mr. RV procured following items

Spare parts	= 1L (GST @ 18%, excl)
Capital goods	= 3L (GST @ 12%, excl)
Car repairing service	= 1L (GST @ 18%, excl)
Renting of motor vehicle service	= 2L (GST @ 12%, excl)
Petrol	= 50,000 (ED@10% excl)

Supplier	Recipient	GST	Who will pay tax and what shall be GST liability
Mr. RV	YRF Ltd	5%	YRF Ltd. u/s 9(3) YRF shall pay tax = 10L x 5% = 50,000
Mr. RV	Mr. KS	5%	Mr. RV u/s 9(1) O/p tax = 10L x 5% = 50K (-) ITC Renting of M/V = (24K) (2L x 12%) C/B = 26K
Mr. RV	Sony Ltd	12%	Mr. RV u/s 9(1) O/p tax = 1,20,000 (10L x 12%) (-) ITC Spare parts = 18,000 Capital Goods = 36,000 Car repairing service = 18,000 Renting Service = 24,000 C/B = 24,100

Question 6

Supplier	Recipient	GST	Answer
GTA	Dmart Ltd (Registered person under normal scheme)	5%	

GTA	Mr. X (Registered person under Composition Scheme)	5	
GTA	Dept. Of CG (Person solely registered as TDS deductor U/S 51)	5%	
GTA	ABC Ltd. (A body corporate under Companies Act, 2013, But not registered under CGST Act)	5%	
GTA	Wadio & Sons (A partnership firm not registered under partnership firm act & CGST Act)	5%	
GTA	Mr. Armaan (An unregistered individual)	5%	
GTA	X Ltd. (A registered person in normal scheme)	12%	
GTA	An unregistered casual taxable person.	12%	
GTA	Dept. of SG (Person solely deducting TDS U/S 51)	12%	

Securities lending Services

Question 7.

Rob Shareholding Ltd., an approved intermediary, has entered into a transaction wherein certain securities were to be lent to Dhandhan Bank, under Securities Lending Scheme, 1997. Dhandhan Bank shall pay specified lending fee against such lending of securities to it. Explain the taxability of transactions involved in the Securities Lending Scheme, 1997.

(ICAI study material)

Answer:

Securities Lending Scheme, 1997 (hereafter referred to as SLS) facilitates the lending and borrowing of securities. Securities are neither covered in the definition of goods nor covered in the definition of services. Therefore, a transaction in securities which involves disposal of securities is not a supply in GST and hence not taxable.

However, SLS doesn't treat lending of securities as disposal of securities and therefore is not excluded from the definition of services. The lending fee charged from the borrowers of securities has the character of consideration and is taxable under GST. Apart from above, the activities of the intermediaries facilitating lending and borrowing of securities for commission or fee are also taxable separately.

Question 8.

RTP May 21

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

- a. Mr. Priyam is an independent director of Sun Moon Company Private Limited and not an employee of the company.
- b. Mr. Priyam is an executive director, i.e. an employee of Sun Moon Company Private Limited. Out of total remuneration amounting to 1,25,000, 60,000 has been declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, 65,000 has been declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services.

Solution:

- (i) As per Para I of Schedule III of the CGST Act, services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. Services provided by the independent directors who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable. Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis. Thus, GST is applicable in this case and Sun Moon Company Private Limited is liable to pay GST.
- (ii) The recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis. In lieu of the above provisions, * 60,000 declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III. Further, 65,000 declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

Question 9.

Shahrukh Khan a director of Red Chilles Entertainment. For the purpose of shoot of Jawan movie he rented the garden area of his house Mannat to Red Chilles Entertainment for an annual rent of Rs 50 Lacs in his personal capacity. Determine the Charge of GST.

Answer:

In the above case the chargeability of tax will be bear by supplier i.e by Mr Shahrukh Khan. As per the recent clarification(Circular No. 201/13/2023 GST)services supplied by a director of a company/body corporate to the company/body corporate in his private/personal capacity such as services supplied by way of renting of immovable property are not taxable under RCM. Therefore, Shahrukh Khan is liable to pay tax under Forward Charge Mechanism u/s 9(1)

Renting of Residential dwelling

Question 10.

Obero Builders, registered in Gujarat rented out 100 residential units to

- i) Infosys Ltd, a registered person
- ii) Mr. Murthy, a registered person who is an individual using it for personal use
- iii) Mr. Dolly, unregistered person.

Answer:

- i) Infosys Ltd, a registered person is liable to pay tax u/s 9(3).
- ii) Exempt as recipient is a registered individual using it for personal use
- iii) Exempt as recipient is an unregistered person.

Copyright Service

Question 11.

Mr. Anurag, a famous Author is engaged in supply of services by the way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary works to a publisher. Explain in brief the conditions under which an Author can choose to pay tax under forward charge.

(CA Inter Jan 21)

Answer:

Mr. Anurag, can choose to pay tax under forward charge provided he fulfills the following conditions: -

- (i) He has taken registration under the GST law.
- (ii) He has filed a declaration, in the prescribed form, that he exercises the option to pay tax on the said service under forward charge and, to comply with all the provisions of the GST law as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option.
- (iii) He makes a declaration on the invoice issued by him in prescribed form to the publisher.

Business facilitator/correspondent

Question 12.

- i) Mr. Hardik is a business facilitator who measures credit worthiness of Self Help Groups who run a small business of textiles in Gujarat and submits report to Axis Bank, situated in that rural area of Gujarat & charges 1 Lac?
- ii) Will your answer be different if Axis Bank is situated in urban area?
- iii) Will your answer be different if Mr Hardik was a business Correspondent providing service to urban branch of Axis Bank?
- iv) Will your answer be different if Mr Hardik was a business correspondent providing service to rural branch of Axis Bank?
If Mr Hardik outsources this work to agent then will GST apply if he acts as
- v) business correspondent providing service to Axis Bank, rural branch
- vi) business correspondent providing service to Axis Bank, urban branch
- vii) business facilitator providing service to Axis Bank, rural branch
- viii) business facilitator providing service to Axis Bank, urban branch

Answer:

- i) Exempt
- ii) Taxable, Axis Bank will pay tax u/s 9(3).
- iii) Taxable, Mr Hardik (a business correspondent) will pay tax u/s 9(1).
- iv) Exempt
- v) Exempt
- vi) Taxable, Mr Hardik business correspondent u/s 9(3) shall pay tax u/s 9(3).
- vii) Exempt
- viii) Taxable, agent will pay tax u/s 9(1).

Miscellaneous Service

Question 13.

M/s All-in-One, a partnership concern and a registered supplier under GST, is engaged in providing various services under one roof. The concern provides the following information pertaining to supply made/input services availed by it during the month of March 2020:

	Particulars	₹
(i)	Provided Direct Selling Agent service to Y Bank Ltd.	4,00,000
(ii)	Provided security services to ABC P. Ltd., a registered person under GST	60,000
(iii)	Provided security services to PSR Trust, an unregistered person under GST	1,00,000
(iv)	Provided renting of motor vehicle to Amaze Tours Ltd. and supply value included cost of fuel	75,000
(v)	Provided renting of motor vehicle to Priti & Co., CA firm and supply value included cost of fuel	40,000
(vi)	Availed representational service from PB and Co., a law firm towards a Consumer Court case	70,000

Determine the GST liability of M/s All-in-One for the month of March, 2020 by giving necessary explanations for treatment of various items. Rate of tax for both inward and outward supply is CGST/SGST@ 9% each except renting a vehicle, for which CGST/SGST @ 2.5% each is applicable. M/s All-in-One commenced its business from February, 2020. All the supplies are intra-State only.
Nov. 20 (Cycle 1)/New - (5 Marks)

Answer:

	Particulars	Value [₹]	CGST payable [₹]	SGST payable [₹]
A.	GST liability on outward supply			
(i)	Direct selling agent service to Y Bank Ltd. [Tax is payable under forward charge since the supplier of such service is a partnership firm and not an individual.]	4,00,000	36,000 [4,00,000 x 9%]	36,000 [4,00,000 x 9%]
(ii)	Security services to ABC P. Ltd., a registered person [Tax is payable under reverse charge by the recipient since security services are provided by a non-body corporate to a registered person.]	-		
(iii)	Security services to PSR Trust, an unregistered person [Tax is payable under forward charge since security services are provided by a non-body corporate to an unregistered person.]	1,00,000	9,000 [1,00,000 x 9%]	9,000 [1,00,000 x 9%]

(iv)	Renting of motor vehicle to Amaze Tours Ltd. where value included cost of fuel [Tax is payable under reverse charge by recipient since such services are provided by a non-body corporate to a body corporate and GST is payable @ 5%.]	-		
(v)	Renting of motor vehicle to Priti & Co., CA firm, where supply value included cost of fuel [Tax is payable under forward charge since such services are provided by a non-body corporate to a non-body corporate.]	40,000	1,000 [40,000 x 2.5%]	1,000 [40,000 x 2.5%]
Total GST liability on outward supplies			46,000	46,000
B.	GST liability on inward supplies under reverse charge			
(vi)	Availed representational service from PB and Co, a law firm [Legal service provided by a partnership firm of advocates/ individual advocate other than a senior advocate to a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration, are exempt from GST. Since M/s All-in-One started its business in February 2020, its turnover in the preceding financial year is zero making it eligible for exemption from registration in the preceding financial year and hence, the legal services provided to it are exempt from GST.]	70,000	-	-
	GST liability on inward supplies under reverse charge		-	-

One concept, One question

3. SUPPLY

Section 7(1)(a)

Question 1

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 Rs. 2 lakhs 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) The temple of ancestral deity of Mr. Aman goel and his family is located at Beri, Haryana. The temple is run by a charitable organisation registered under section 12AB of the Income Tax Act, 1961. The family has got unshakeable faith in their ancestral deity. Mr. Aman is a big entrepreneur having flourishing business of tiles in Gurugram. Upon the birth of their first child, he donated Rs 10 lakh to the said temple for construction of a sitting hall in the temple. On the main door of the sitting hall, a name plate was placed stating "Donated by Mr. Aman Goel upon birth of his first child". You are required to examine the leviability of GST on the donation received from Mr. Aman Goel?

(CA Inter RTP - May 20)

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 organisation'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) It has been clarified vide Circular No. 116/35/2019 GST dated 11.10.2019 that when the name of the donor is displayed in the religious institution premises, by placing a name plate or similar such acknowledgement, which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). There is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service). Therefore, there is no GST liability on such consideration.
In the given case, there is no reference or mention of any business activity of the donor which otherwise would have got advertised. Thus, since the gift or donation is made to a charitable organization, the payment has the character of gift or donation and the purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement, hence GST is not leviable.

7(1)(b) & 7(1)(C)

Question 2.

Mrs. Pragati received legal advice for her personal problems & paid 1,000 pounds as a legal fee to Miss Unnati of U.K. (London). Explain whether the above activity of import of service would amount to supply u/section 7 of the CGST Act, 2017?

If in above case both of them are real sisters & no consideration is paid, then will it change your answer? Further in the above case both of them are real sisters & Mrs. Pragati receives legal advice for her business & she didn't pay any consideration then what will be your answer?
(CA INTER MTP - AUG 2018)

Answer:

Answers to each given situation is as follows:

1) Import of legal service for consideration of 1,000 pound:

Importation of service for consideration is supply whether or not in the course or furtherance of business [section 7(1) (b) of CGST Act]. Thus, even if Mrs Pragati has received such service for his personal purpose, import will qualify as supply as it is being made for consideration.

2) Import of legal service without consideration:

(a) Import of legal service in personal matter

Import of any service without consideration amounts to supply in terms of Section 7(1) (c) read with Schedule I (Para 4) only if following conditions are fulfilled:

1. Import is in course or furtherance of business;
2. Import is from related person or own establishment outside India Import of legal service will not amount to supply as such import it not in course or furtherance of business (as such advice is for personal matter)

(b) Import of legal service in business matter

Import of service is for business matter, then such import without consideration would amount to supply if it is from related person or his other establishment outside India.

Import from real sister is not import from 'related person'. GST law has defined related person to include members of same family. Sister is considered as family member if she is wholly or mainly dependent upon the person. In given question, it seems Mrs Unnati in UK is quite independent and no way dependent upon Mrs Pragati and therefore, Mrs Pragati and Mrs. Unnati are not 'related person' under GST law.

Since import of service without consideration is not from related person or other establishment outside India, it will not amount to supply under GST law.

Question 3.

Answer the following questions:

- (a) Sudama Associates, a registered supplier, disposes the computers owned by the business without consideration and it has not claimed input tax credit on such computers. Examine whether the disposal of computers by Sudama Associates qualifies as deemed supply under Schedule I of the CGST Act.
- (b) Jethalal who is a dealer of electronic items supplied Air conditioners to Babitaji on her birthday for free of cost for which it had claimed ITC. Examine whether the disposal of computers by Sudama Associates qualifies as deemed supply under Schedule I of the CGST Act.

Answer:

- (a) As per section 7(l)(c) read with Schedule I of the CGST Act, permanent transfer or disposal of business assets is treated as supply even though the same is made without consideration. However, this provision would apply only if input tax credit has been availed on such assets. Therefore, the disposal of computers by Sudama Associates is not a supply as the input tax credit has not been availed on the same.
- (b) As per section 7(l)(c) read with Schedule I of the CGST Act, permanent transfer or disposal of business assets is treated as supply even though the same is made without consideration. In this provision, input tax credit has been availed on such business assets (ie Airconditioners). Therefore, the permanent transfer of business asset to Babitaji is a deemed supply under Schedule I

Question 4.

Chandragupta Maurya is an artist who makes contemporary paintings. He is registered in the State of Kolkata. Chandragupta Maurya appoints Dhruv Kumar to auction his painting in Maharashtra. Dhruv Kumar arranges for the auction and identifies the potential bidders. The highest bid is accepted and the painting is sold to the highest bidder. The invoice for the supply of the painting is issued by Dhruv Kumar on the behalf of Chandragupta Maurya but in his own name and the painting is delivered to the successful bidder.

Examine whether Dhruv Kumar can be considered as an agent of Chandragupta Maurya under Para 3 of Schedule I of the CGST Act, 2017.

Answer:

An activity/transaction qualifies as supply under GST only if it is undertaken for a consideration and is in course/furtherance of business. However, supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal is considered as supply even if made without consideration provided the invoice for further supply is issued by the agent in his own name [Section 7(1)(c) read with Para 3 of Schedule I of the CGST Act, 2017].

Circular No. 57/31/2018 GST dated 04.09.2018 provides that where the invoice for further supply of goods is being issued by the agent in his name then, any provision of goods from the principal to the agent would fall within the fold of Para 3 of Schedule I

In the given case, Dhruv Kumar is not merely providing auctioneering services to Chandragupta Maurya, but is also supplying the painting on behalf of

Chandragupta Maurya to the successful bidder and has the authority to transfer the title of the painting on behalf of Chandragupta Maurya. Dhruv Kumar issued the invoice in his own name for supply of the painting on the behalf of Chandragupta Maurya. Thus, Dhruv Kumar can be considered as an agent of Chandragupta Maurya under Para 3 of Schedule I.

Question 5.

Will your answer be different if Satya manufacturers raised the invoice on Champak?

Answer:

Yes, in that case the agent has the authority to receive the title and hence the invoice is issued in the name of agent, therefore the further supply of goods by agent to principal would be covered under Schedule I and would be considered as deemed supply u/s 7(1)(c).

Question 6.

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 2022:

SI No.	Particulars	Amount in Rs.
	Outward supply:	
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
	Inward supply:	
iv.	Inter-State supply of goods received from Charm Limited. Being a DCA, no consideration was paid.	Nil
	Value under section 15 - Rs. 2,00,000	
v.	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost.	Nil
	Company charges Rs. 75,000 for such training when it provides the same to others.	

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 2022 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in SI. No. (i) to (v).

(CA Inter Nov 22-6 Marks)

Answer:

Computation of gross GST liability of Mr. Handsome for the month of March 2022

Particulars		CGST	SGST	IGST
Goods sold by Mr. Handsome in his DCA capacity	2,80,000	27,000 [3,00,000 x 9%]	27,000 [3,00,000 x 9%]	
Add: Interest earned for short term credit facility provided to above customers				

[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.]				
Commission charged for DCA services [Being taxable supply of services.]				5,400 [30,000 x 18%]
Gross GST liability		27,000	27,000	5,400

Note: 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 2022

Particulars	CGST	SGST	IGST
Inward supply of goods from Charm Limited free of cost [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 x 18%]
Training in marketing and distribution received from Charm Limited free of cost	-	-	-
[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]			
Total ITC available	Nil	Nil	36,000

Question 7.

Damodar Private Ltd., registered in Delhi, has transferred some goods to its branch, registered in West Bengal, so that the goods can be sold from the branch. The goods have been transferred without any consideration. The company believes that the transaction undertaken by it does not qualify as supply as no consideration is involved. Ascertain whether the transfer of goods by Damodar Private Ltd. to its branch office qualifies as supply.

(ICAI study material)

Answer:

As per Schedule I of the CGST Act, supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business, is deemed as supply even if made without consideration. In the given case, since the Damodar Private Ltd. and its branch located in another State are distinct persons, supply of goods between them qualifies as supply.

Question 8.

Will your answer be the same if the above case Sulekha manufacturers is a holding company registered in Delhi supplying goods to its Subsidiary company Patralekha manufacturers registered in Mumbai?

Answer:

Sulekha Manufacturers and Patralekha manufacturers are Related persons that are supplying goods without consideration in course/furtherance of business, is a deemed supply u/s 7(1)(c).

Question 9.

State whether the following amounts to supply of goods or services or not under CGST Act:

- A) Mr.A, a car dealer, sold a car to Mr.B for rs.50,000.
- B) Mr. B transfers his car on rent of rs.4,000/day to Mr.C for 10 days.
- C) Mr. X transfers his goods under hire purchase agreement to Mr.J
- D) ABC Ltd charges rs.20,000 to Mr. C for using their ground for marriage ceremony.
- E) Mr.D was engaged in the business of retailing of consumer products. Goods worth Rs.5 lacs were lying in the godown. He died on 1.04.19 and Mr.E his eldest son took over the retailing business as his personal representative.
- F) Shiv sagar a restaurant is serving pav bhaji and tawa pulao to its customer for 100/plate-
- G) Suryavansham, produced by Dharma productions permanently transferred their Television copyrights to Set Max for 100crores-
- H) Bahubali, produced by Rajamaoli productions temporarily transferred their film copyrights to Distributor in Maharashtra for 100crores for a period of 6months-50crores-
- I) Mr.Karan repaid his housing loan of 10years in just 1year and Axis bank tolerated this act by charging him prepayment charges of 10,000
- J) Mr.ELVISH was fined 1,000 by the traffic police as he broke the signal.
- K) Jethalal rented the outer space of GADA Electronics to GOL-GAPPA hawker who pays him rent of 1,00,000 per month-
- L) Coal ministry had allotted coal mines of 1000crores to Jindal steel tld but due to investigation Coalgate scam ,SC cancelled their licenses of coal blocks and ordered the suitable authority to compensate Jindal steel to extent of 100crores.Is that a supply?
- M) Oberoi builders are constructing a complex where it has 100 flats of which 60 flats are sold on 1/4/19 itself and 40 flats were sold on 1/12/19. Govt issues CC to the project on 1/7 and OC on 5/12

Answer:

- A) As the title of car is being transferred from Mr.A to Mr.B , it is a supply of goods as mentioned under schedule II
- B) As the right to use is being transferred without the transfer of ownership of car from Mr. B to Mr. C, It is a supply of service as mentioned under schedule II.
- C) The said transfer of goods under the hire purchase agreement between Mr.X and Mr.J amounts to transfer of goods as it is a transfer of title in goods under an agreement where that property shall pass at a future date.
- D) It amounts to transfer of services as the any lease/tenancy /license to occupy land amounts to supply of service as per Schedule II
- E) Here, Mr. E took over the running business of Mr.D as his personal representative. Thus it is does not amounts to supply as per schedule II.
- F) Supply of service
- G) Supply of goods
- H) Supply of service
- I) Supply of service
- J) It is not a supply
- K) It is a supply as jethalal is tolerating the act of hawker selling gol gappas outside his shop because the hawker pays Jethalal consideration in the form of rent.
- L) That is not a supply as per the recent clarification given by the Dept.
- M) Since the earlier date among CC and OC is of CC i.e. 1/7, 60 flats that were sold before the date shall be subject to GST as it is supply of services, whereas the 40 flats shall be considered as sale of immovable property and will not be subject to GST.

Question 10.

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

Ascertain whether supply of training material by the Durga Printing House constitutes supply of goods or supply of services. **(RTP Nov 19)**

Answer:

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

Principal supply has been defined in section 2(90) of the CGST Act as supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

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

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

Sec 7(2)

Question 11.

1. Mr Vansh, employee of Kingfisher airlines gets following amounts from its company
Salary
Or
2. Perquisites
Or
3. Received Compensation for Pre mature termination that he had received during the course of employment as the company sacked him out before the contracted period
Or
4. Non compete fees in case where he leaves to the company and joins the competitor and such amount is received after he had resigned

Answer:

1. Mr Vansh, employee of Kingfisher airlines gets following amounts from its company
Salary -not a supply u/s 7(2)
Or
2. Perquisites- not a supply u/s 7(2)
Or
3. Received Compensation for Pre mature termination that he had received during the course of employment as the company sacked him out before the contracted period - such amount is received during the course of employment and hence it is not a supply u/s 7(2)
Or
4. Non compete fees in case where he leaves to the company and joins the competitor and such amount is received after he had resigned- it is clarified that it is a supply of service and is subject to gst

Question 12.

Krishnadev is a trader based in India. Ramakrishna, brother of Krishnadev, is located in China and is also engaged in business of trading of goods. Krishnadev places an order with Ramakrishna for procurement of certain goods from local market in China. Before the shipment of goods from China to India, Krishnadev sold such goods to Christiano, a trader located in Brazil. The goods were subsequently shipped from China to Brazil. Comment on the taxability of transaction between Krishnadev and Christiano under GST in India.

Answer:

The transaction between Krishnadev and Christiano is in the nature of merchant trading. As per Schedule III, transactions involving sale of goods from a place in non-taxable territory to another place in non-taxable territory, without such goods entering into India, shall be treated neither as supply of goods nor as supply of services under GST. Therefore, the transaction between Krishnadev and Christiano shall not be treated as supply and is thus not leviable to GST.

Question 13.

Determine whether GST is payable in each of the following independent transactions: Dhruv Developers sold a plot of land in Greater Noida after levelling, laying down of drainage lines, water lines and electricity lines.

(CA Inter May 23 RTP)

Answer:

GST is not payable by Dhruv Developers on sale of plot of land. Circular No. 177/09/2022 GST dated 03.08.2022 clarifies applicability of GST on sale of land after levelling, laying down of drainage lines etc. As per Para 5 of 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 by Para 5 of Schedule III and accordingly, does not attract GST.

Question 14.

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 leviability 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.

(ICAI study material)

Answer:

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

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

However, in view of the GST Council's recommendation, it has been clarified that the inter-State movement of various modes of conveyance between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST [Circular No. 1/1/2017 IGST dated 07.07.2017].

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

Question 15.

Sarvanna & Sons wishes to start supplying liquor in the State of Tamil Nadu. Therefore, it applies for license for selling liquor to the Tamil Nadu Government for it has charged specified fee from it. Examine whether the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons qualifies as supply. **(ICAI study material)**

Answer:

Services by way of grant of alcoholic liquor license by the State Governments have been notified to be treated neither as a supply of goods nor as a supply of service. Such licence is granted against consideration in the form of licence fee or application fee or by whatever name it is called. This special dispensation is applicable only to supply of service by way of grant of liquor licenses by the State Governments as an agreement between the Centre and States and is not applicable/has no precedence value in relation to grant of other licenses and privileges for a fee in other situations, where GST is payable.

Thus, in the given case, the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons is neither a supply of goods nor a supply of service.

Question 16.

- (a) M/s Diva Fashions (Proprietor Ms. Diva), a registered supplier in Ludhiana (Punjab) under GST law, has made the following supplies in the month of February 2023 :
 - (i) Supply of designer silk dresses packed in designer boxes to a boutique in Mumbai, (Maharashtra) as per contract entered with the boutique amounting to ₹ 25,00,000.
 - (ii) Supply of 600 kits (at ₹ 1,000 each kit) amounting to ₹ 6,00,000 to Mrs. Arora in Amritsar (Punjab). Each kit consisted of 1 silk dupatta, 1 sari brooch and 1 lipstick.
 - (iii) M/s Diva Fashions organizes a fashion show in Chandigarh. Zion Exports Ltd, a registered entity in Jaipur (Rajasthan) has sponsored the show for which M/s Diva Fashions received ₹ 7,50,000 from it.
 - (iv) 200 kits are given as free gifts to customers on the occasion of 5th anniversary of M/s Diva Fashions. Each kit consists of 1 silk dupatta and 1 sari brooch. Cost of each kit is ₹ 350. The open market value of such kit of goods and of goods of like kind and quality is not available. Input tax credit has not been taken on the goods contained in the kit.
 - (v) Professional services provided free of cost by Ms. Diva to her independent married sister to set up her own boutique in Delhi. Cost of providing such services is ₹ 1,00,000, but the open market value of such services and of services of like kind and quality is not available.
 - (vi) M/s Diva Fashions enters into a contract on 1st February, 2021 for 3 years with Miss Shikha, a local model to act as a brand ambassador for their products for ₹ 1 lakh (exclusive of GST - 18% IGST, 9% CGST and SGST each) per annum. Miss Shikha terminated the contract on 2nd February 2023. As per the contract, M/s Diva Fashions received 25% of the total contract fees paid to Miss Shikha as the contract is terminated before 3 years, on 15th February, 2023. Miss Shikha had received the contract fee for 2 years at the time of termination of the contract.

Other information is given below -

- (a) All above amounts are exclusive of GST.
 (b) Mrs. Arora paid interest of ₹ 8,850 (inclusive of GST) for delay in making payment to M/s Diva Fashions.
 (c) Assume rates of GST as under:

S. No.	Particulars	Rate of IGST	Rate of CGST	Rate of SGST
1	Silk Dresses	18%	9%	9%
2	Designer Boxes	28%	14%	14%
3	Silk Dupatta	12%	6%	6%
4	Sari Brooch	18%	9%	9%
5	Lipstick	5%	2.5%	2.5%
6	Sponsorship received from Zion Exports Ltd.	28%	14%	14%
7	Professional services	18%	9%	9%

From the above information, compute the total GST liability of M/s Diva Fashions for the month of February 2023. Working notes should form part of your answer.

Answer:

- (a) Computation of total GST liability of M/s Diva Fashions for the month of February, 2023

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Supply of silk dresses in designer boxes [Since supply of silk dresses in designer boxes is naturally bundled, it is a composite supply which is treated as the supply of the principal supply (viz. silk dresses). Accordingly, rate of principal supply, i.e. silk dresses will be charged.]	25,00,000			4,50,000 [25,00,000 x 18%]
Supply of kits of silk dupatta, sari brooch and lipstick [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., sari brooch).]	6,00,000	54,000 [6,00,000 x 9%]	54,000 [6,00,000 x 9%]	
Since sponsorship services are provided to a body corporate -	7,50,000			Nil
Zion Exports Ltd., tax is payable under reverse charge by recipient.	Nil			
Free gifts to customers [Not a supply as it is made without consideration and is also not covered in Schedule I because customers are not related persons.]	Nil			

Professional services provided free of cost [Not a supply as it is made without consideration and is also not covered in Schedule I because sister being independent is not a related person.]	Nil			
Fee received for termination of contract [Being 'liquidated damages', they are merely compensation for loss due to breach of the contract and not the consideration for tolerating non-performance of contract.4]				
Interest received for delayed payment (excluding GST) [Includible in value of original supply. Further, since it is received in February itself, time of supply is when it is received i.e. February5.]	7,500 [8,850 x 100/118]	675 [7,500 x 9%]		
GST liability		54,675	54,675	4,50,000

Question 17.

Akshara and Naitik booked tickets for movie Animal. While purchasing tickets online on PVR app Naitik booked for a combo offer where he paid for ticket and for mini meal for Rs 500. Comment whether this composite supply or mixed supply.

Answer:

The above situation falls u/s 8 composite supply. As per the recent clarification, where if the sale of cinema ticket and supply of food and beverages are clubbed together, such bundled shall be considered as naturally bundled service. Hence, 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.

Question 18.

Rishi and Dimple booked tickets for movie 12th Fail. While purchasing tickets online Rishi booked tickets through book my show app. During an interval Dimple purchased Popcorn and Cold drinks for herself from the canteen in theatre. Comment whether food & drinks supplied by the canteen is supply of services or not.

Answer:

As per the recent clarification it is clarified that supply of food or beverages in a cinema hall is taxable as 'restaurant service' as long as the food or beverages are supplied by way of or as part of a service, and that is independent of the cinema exhibition service.

Question 19:

Dumdum Electronics has sold the following electronic items to Akbar Retail Store.

- (i) Refrigerator (500 litres) taxable @ 18%
- (ii) Stabilizer for refrigerator taxable @ 12%
- (iii) LED television (42 inches) taxable @ 12%
- (iv) Split air conditioner (2 Tons) taxable @ 28%
- (v) Stabilizer for air conditioner taxable @12%

Dumdum Electronics has issued a single invoice, for a single price of the above items. Akbar Retail Store has given a single cheque of Rs. 1,00,000/- for all the items as a composite discounted price. State the type of supply and the tax rate applicable in this case.

will you answer in different if it has issued single invoice but has given individual price for all items above?

(3 Marks)

Answer:

In the given case, the items supplied by Dumdum Electronics are not naturally bundled in the ordinary course of business. But they are supplied for a single price. Therefore, such supply is a mixed supply. Supply of these goods is, therefore, are taxable at the highest rate of tax (ie 28%).

When goods/service are artificially bundled but there is no single price

In that case its not a mixed supply, and

All the Individual Items will be subject to Individual Rates.

Question 20.

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 2022 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 22, 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. Additional Information:

- All the figures mentioned above are exclusive of taxes.
- In respect of few of the invoices relating to F.Y. 2021-2022, 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.
- 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 2022.

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

Solution:

Computation of tax liability by Jino Enterprises for the month of October 2022

S no.	Particulars	CGST	SGST	IGST
OUTPUT TAX				
1	Intra-state Supply of air-conditioners (Note 1)	30,000 (5,00,00*9%)	30,000 (5,00,00*9%)	-
2	Intra-state supply of repairing services (Note 2)	31,500 (3,50,000*9%)	31,500 (3,50,000*9%)	-
3	Inter-state supply of combo package of air-conditioners and stabilizers (Note 3)	-	-	36,000 (2,00,000*18%)
	Total	61,500	61,500	36,000
INPUT TAX CREDIT				
4	ITC on air tickets purchased for intra-state travel of executive employees (Note 4)	(1,000)	(1,000)	-
5	ITC on invoices pertaining to FY 2021-22 (Note 5)	20,000	20,000	80,000
	Total	21,000	21,000	80,000

Computation of net GST payable in cash by Jino Enterprises for the month of October 2022

Particulars	CGST	SGST	IGST
OUTPUT TAX	61,500	61,500	36,000
IGST ITC	(22,000)	(22,000)	(36,000)
CGST ITC	(21,000)	-	-
SGST ITC	-	(21,000)	-
Minimum GST payable in cash	18,500	18,500	-

Notes:

1. Supply of air conditioners wherein delivery is provided along with amounts to composite supply, as the same is naturally bundled in the ordinary course of business. Hence, we shall take the rate of principal supply and hence the rate of CGST and SGST as applicable on air-conditioners (principal supply) i.e. 12% shall apply.
2. Supply of repairing services wherein apart from service, the cost of spare parts/goods is also charged qualifies as a composite supply and here the principal supply is repairing service, hence the rate applicable on the service (principal supply) i.e., 18% each shall apply
3. Supply of air conditioners and stabilizers at a single price of Rs. 20000 qualifies as a mixed supply as they are artificially bundled and is also quoted with a single price. In such case, the highest rate of tax as applicable is that of supply (stabilizers) i.e., 18%
4. According to section 16(1), input tax credit can be availed on all the input supplies and capital goods used for business, provided it is not blocked u/s 17(5). Accordingly, ITC can be availed on air tickets purchased for travel of executive employees for the purpose of business.
5. As per section 16(4), the latest date to avail ITC with respect to an invoice or debit note is earlier of 30th November of next FY or the actual date of furnishing returns for the relevant FY. Assuming that the annual returns for the relevant FY have not yet been filed, the ITC on invoices pertaining to FY 2021-22 is allowed.

One Concept One Question

4. COMPOSITION SCHEME

Question 1 - Check Eligibility in Composition Scheme

A Ltd, a manufacturing concern furnishes you with the following information for Financial Year 2019-20.

It requires you to determine whether A Ltd is eligible for composition scheme in FY 20-21, if she is registered in Assam

(1)	Intra State taxable supplies of Goods X (GST@5%, inclusive)	63,00,000
(2)	Intra state Supplies of service which are chargeable to GST at Nil rate	18,00,000
(3)	Inter State supplies of Goods Y which are taxable (GST@12%, exclusive)	9,00,000
(4)	Value of inward supplies on which tax payable under RCM (GST Rate 5.%)	5,00,000
(5)	Interest earned on loans	20,00,000
(6)	Outward supply where tax is payable as per RCM	48,00,000
(7)	Intra state Supplies of Petrol which are not leviable to GST	13,00,000
(8)	Taxable goods supplied to branch that is registered in surat without consideration	5,00,000
(9)	Supplies goods to other states of India through Amazon, who collects TCS u/s 52	10,00,000

Will your answer be different if A Ltd was a trader?

Answer

→ Computation of Aggregate T/o:

Intrastate taxable supply of goods $\left\{ \frac{63L}{105} \times 100L \right\}$	6000000
Intrastate supply of services	1800000
Interstate supply of goods	900000
Value of inward supply where tax is paid as per RCM	NIL
Interest earned on Loans	NIL
Outward supply where tax is paid as per RCM	4800000
Intrastate supply of petrol	1300000
Taxable goods supplied to branch in surat	500000
Supplies goods to other states of India through Amazon, who collects TCS u/s 52	10,00,000
TOTAL	1,63,00,000

- Thus, since the t/o exceeds 150 lacs A Ltd. is not eligible for composition scheme.
- No. even if A Ltd is a trader, Answer will remain same, as even in his case threshold limit is upto ₹ 150 lacs

Question 2 - Computing Tax liability in Composition Scheme

A Ltd. a manufacturing concern in Rajasthan has opted for composition scheme furnishes you with the following information for Financial Year 2019-20. A Ltd. aggregate turnover is PFY was 43lacs

It requires you to determine its composition tax liability and total tax liability. The break - up of supplies are as follows –

	Particulars	₹
(1)	Intra State Supplies of Goods X chargeable @5% GST	6,00,000
(2)	Intra State Supplies made which are which are chargeable to GST at Nil rate	1,80,000
(3)	Intra State Supplies which are wholly exempt under section 11 of CGST Act, 2017	2,20,000
(4)	Value of inward supplies on which tax payable under RCM (GST Rate 5%)	5,00,000
(5)	Intra State Supplies of Goods Y Chargeable @18% GST	30,00,000
(6)	Interest earned on deposits	25,00,000

Will your answer be different if A Ltd. was a trader?

O/p tax liability	=	Manufacturer 40,000 (40L X1%)	Trader 36,000 (36LX1%) Trader pays tax only on taxable Supplies
Input tax liability as per RCM	=	25,000 (5LX 5%)	25,000
Payable in case	=	<u>65,000</u>	<u>61,000</u>

Question 3

Chanchal started providing beauty and grooming services and inaugurated “Care & Care Beauty Centre” in Janak Puri, Delhi on 01st April, 20XX. She opted to pay tax v/s 10(2A) in the said financial year.

The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 20XX was ₹ 20 lakh. Further, for the half year ending 30th September, 20XX, the turnover reached ₹ 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹ 70 lakh by the end of October, 20XX. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 20XX.

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

Solution:

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

It is clarified in the notification that first supplies of goods or services or both shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from 1st April of a FY to the date from which he becomes liable for registration under the said Act, but for the purpose of determination of tax payable under this notification, shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

Thus, Care & Care Beauty Centre is eligible to pay tax under this notification upto the turnover of ₹ 50 lakh. The total tax payable by it is as under:-

Period	Tax Rate	Turnover (₹)	Tax liability (₹)
I Quarter	-	20L	-
II Quarter	6%	30L	1.8L
For the month of October, 20XX	18%	20L	3.6L
Total tax payable			5.4L

Question 4.

Mr. X, a trader dealing exclusively in supply of goods and paying tax under normal scheme (also eligible for composition scheme), submit the following details for coming financial year 2023-24. You are required to determine which scheme will be more beneficial to him and whether Mr. X should opt for composition scheme. Estimated data for coming financial year 2023-24 are as follows:

Particular	Amount (₹)
Inward supplies of goods from registered suppliers (amount exclusive of GST and goods chargeable to normal rate of GST @12%)	70,00,000
Outward supplies of goods to unregistered customers (sale price of goods inclusive of GST) - Normal Rate of GST is @12%	90,00,000

Other information is as given below:

- Inherent nature expenses ₹ 4,50,000 per year under both the schemes.
- Books of account maintenance cost under normal scheme ₹ 2,00,000 yearly whereas under composition scheme it will be ₹ 75,000 yearly.
- Return filing expenses under normal scheme ₹ 48,000 yearly whereas under composition scheme it will be ₹ 12,000 yearly.

Answer:

Sale proceeds	=	90,00,000
(-) <u>cost</u>		
→ Output tax liability that cannot be collected from recipient, to be paid in cash	=	(90,000)
<u>(9,00,000 × 1%)</u>		
→ Inward supplies from registered suppliers (70L × 1.12)	=	(78,40,000)
→ Inherent expense (4,50,000 × 118)	=	(5,31,000)
→ BOA/cs maintenance (75000 × 1.18)	=	(88,500)
→ Return filing expense (12000 × 118)	=	(14160)
Net profit margin	=	<u>4,36,340</u>

Note : Input tax that shall become part of cost as ITC is not allowed u/s 10(4).

Normal scheme

Sale proceeds $\left(\frac{90L}{112} \times 100\right)$	=	80,35,714
(-) Cost		
→ inward supplies of goods from unregistered supplier	=	(70,00,000)
→ inherent expenses	=	(4,50,000)
→ Return filing expense	=	(48,000)
→ Maintenance of BOA/cs	=	(2,00,000)
Net profit margin	=	<u>3,37,7114</u>

Conclusion

Compo scheme is mere beneficial he should opt for the Same.

Question 5.

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

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

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

- If he is a manufacturer
- If he is a trader.

Answer:

As per section 10 read with rule 7, 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 getting registered will not be considered for determining the turnover in a State/Union Territory.

- If Mr. Yash is a manufacturer
 - CGST = ₹ 100 lakh x 0.5% = ₹ 50,000
 - SGST = ₹ 100 lakh x 0.5% = ₹ 50,000
- If Mr. Yash is a trader
 - CGST = ₹ 75 lakh (as 25% of turnover is exempt) x 0.5% = ₹ 37,500
 - SGST = ₹ 75 lakh (as 25% of turnover is exempt) x 0.5% = ₹ 37,500

One Concept One Question

5. TAX INVOICE, CREDIT AND DEBIT NOTES

Section 31(1)/ 31(4): Tax Invoice in case of Goods

Question 1.

Sultan Industries Ltd., Delhi, entered into a contract with Prakash Entrepreneurs, Delhi, for supply of spare parts of a machine on 7th September. The spare parts were to be delivered on 30th September. Sultan Industries Ltd. removed the finished spare parts from its factory on 29th September. Determine the date by which invoice must be issued by Sultan Industries Ltd. under GST law.
(ICAI Study Material)

Answer:

As per the provisions of section 31, invoice shall be issued before or at the time of removal of goods for supply to the recipient, where the supply involves movement of goods. Accordingly, in the given case, the invoice must be issued on or before 29th September.

Question 2.

Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods and the delivery shall be made on or before 31st October. The goods were removed from the factory at Kolkata on 11th October. As per the agreement, the goods were to be delivered on or before 31st October. Suraj Enterprises has received the goods on 14th October. Determine the time of issue of invoice as per the provisions of CGST Act.
(ICAI study material)

Answer:

A registered person supplying taxable goods shall issue a tax invoice, before or at the time of removal of goods for supply to the recipient, where the supply involves movement of goods. Therefore, in the given case, invoice has to be issued on or before, 11th October (the time of removal of goods).

Section 31(2)/ 31(5): Tax Invoice in case of Services

Question 3.

Trust and Fun Ltd., an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5th June. Payment for the event was made on 19th June. Determine the time of issue of invoice as per the provisions of CGST Act.
(ICAI study material)

Answer:

A registered person [other than an insurer/banking company/financial institution, including an NBFC] supplying taxable services shall issue a tax invoice before or after the provision of service, but within a period of 30 days from the date of supply of service.

Thus, in the given case, invoice has to be issued within 30 days of 5th June (date of supply of service), i.e., on or before, 5th July.

Question 4.

Royal Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Park Royal, Delhi on 4th January. For the occasion, it gets the service by way of makeover of its models from Aura Beauty Services Ltd., Ashok Vihar, for which a consideration is Rs. 5,00,000 (excluding GST) has been charged. Aura Beauty Services Ltd. issued a duly signed tax invoice on 10th February showing the lump sum amount of Rs. 5,90,000 inclusive of CGST and SGST @ 9% each for the services provided.

Answer the following questions:

- (i) Examine whether the tax invoice has been issued within the time limit prescribed under law.
- (ii) Tax consultant of Royal Fashions objected to the invoice raised suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Aura Beauty Services Ltd. However, Aura Beauty Services Ltd. contended that there is no mandatory requirement of showing tax component separately in the invoice. You are required to examine the validity of the objection raised by tax consultant of Royal Fashions. **(ICAI study material)**

Answer:

- (i) As per section 31 read with the CGST Rules, in case of taxable supply of services, invoices should be issued before or after the provision of service, but within a period of 30 days [45 days in case of insurer/ banking company or financial institutions including NBFCs] from the date of supply of service.
In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e., upto 3rd February. However, the invoice has been issued on 10th February.
- (ii) Section 31 read with the CGST Rules, inter alia, provides that tax invoice in addition to other mandatory details shall also contain the amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess). Further, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.
The objection raised by the tax consultant of Royal Fashions suggesting that the amount of tax charged in respect of the taxable supply of makeover services should be shown separately in the invoice raised by Aura Beauty Services Ltd., is valid in law.

Question 5.

MBM Caretakers, a registered person, provides the services of repair and maintenance of electrical appliances. On April 1, it has entered into an annual maintenance contract with P for its Air Conditioner and Washing Machine. As per the terms of contract, maintenance services will be provided on the first day of each quarter of the relevant financial year and payment for the same will also be due on the date on which service is rendered. During the year, it provided the services on April 1, July 1, October 1, and January 1 in accordance with the terms of contract. When should MBM Caretakers issue the invoice for the services rendered? **(ICAI Study Material)**

Answer:

Continuous supply of service means, inter alia, supply of any service which is provided, or agreed to be provided continuously or on recurrent basis, under a contract, for a period exceeding 3 months with the periodic payment obligations.
Therefore, the given situation is a case of continuous supply of service as repair and maintenance services have been provided by MBM Caretakers on a quarterly basis, under a contract, for a period of one year with the obligation for quarterly payment.
In terms of section 31, in case of continuous supply of service, where due date of payment is ascertainable from the contract (as in the given case), invoice shall be issued on or before the due date of payment.
Therefore, in the given case, MBM Caretakers should issue quarterly invoices on or before April 1, July 1, October 1, and January 1.

Question 6.

A non-banking financial company can issue a consolidated tax invoice at the end of every month for the supply made during that month. Examine the validity of the statement.

(ICAI study material) (May 18-Similar)

Answer:

The said statement is valid in law. A customer may avail numerous services from a non-banking financial company in a given tax period. It may issue a consolidated tax invoice/ statement/ advice, any other document in lieu thereof, by whatever name called may be issued/ made available, physically/ electronically, for supply of services made during a month at the end of the month.

Section 31(3): Revised tax Invoice/Bill of Supply/Receipt/Refund Voucher

Question 7.

The aggregate turnover of Sangri Services Ltd. exceeded Rs. 20 lakhs on 12th August. He applied for registration on 3rd September and was granted the registration certificate on 6th September. You are required to advise Sangri Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices.

(ICAI Study Material)

Answer:

As per section 25 read with CGST Rules, 2017, where an applicant submits application for registration within 30 days from the date, he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Sangri Services Ltd.'s turnover exceeded Rs 20 lakh on 12th August; it became liable to registration on same day. Further, it applied for registration within 30 days of so becoming liable to registration, the effective date of registration is the date on which he becomes liable to registration, i.e., 12th August.

As per section 31 read with CGST Rules, 2017, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices. Revised Tax Invoices shall be issued within 1 month from the date of issuance of certificate of registration. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.

Therefore, in the given case, Sangri Services Ltd. has to issue the Revised Tax Invoices in respect of taxable supplies effected during the period starting from the effective date of registration (12th August) till the date of issuance of certificate of registration (6th September) within 1 month from the date of issuance of certificate of registration, i.e., on or before 6th October.

Question 8.

Jain & Sons is a trader dealing in stationery items. It is registered under GST and has undertaken following sales during the day:

S. No.	Recipient of supply	Amount (₹)
1.	Raghav Traders - a registered retail dealer	190
2.	Dhruv Enterprises - an unregistered trader	358
3.	Gaurav - a painter [unregistered]	500
4.	Oberoi Orphanage - an unregistered entity	188
5.	Aaradhya - a student [unregistered]	158

None of the recipients require a tax invoice [Raghav Traders being a composition dealer]. Determine in respect of which of the above supplies, Jain & Sons may issue a Consolidated Tax Invoice instead of Tax Invoice, at the end of the day.

Answer:

In the given illustration, Jain & Sons can issue a Consolidated Tax Invoice only with respect to supplies made to Oberoi Orphanage [worth ₹ 188] and Aaradhya [worth ₹ 158] as the value of goods supplied to these recipients is less than ₹ 200 as also these recipients are unregistered and don't require a tax invoice.

As regards the supply made to Raghav Traders, although the value of goods supplied to it is less than ₹ 200, Raghav Traders is registered under GST. So, Consolidated Tax Invoice cannot be issued.

Consolidated Tax Invoice can also not be issued for supplies of goods made to Dhruv Enterprises and Gaurav although both of them are unregistered. The reason for the same is that the value of goods supplied is not less than ₹ 200.

Question 9.

Bhoj Raj, a registered person, has availed GTA services on which he is liable to pay tax under reverse charge. He wishes to know whether he is required to issue an invoice. Please advise him discussing the relevant provisions under CGST Act and rules thereunder.

(ICAI study material)

Answer:

Bhoj Raj is required to issue an invoice with regard to the GTA services availed by him. A registered person who is liable to pay tax under sub-section (3) or sub-section (4) of section 9 (i.e., where the recipient is liable to discharge GST on reverse charge basis) shall issue an invoice in respect of goods or services or both received by him from the supplier on the date of receipt of goods or services or both.

Question 10.

Chidanand Products Pvt. Ltd. is a registered supplier who has opted for composition levy in the current financial year. He wishes to know whether the issue of a bill of supply can be dispensed with under any circumstances. You are required to advise him.

(ICAI study material)

Answer:

Yes. Chidanand Products Pvt. Ltd. may not issue a bill of supply if the value of the goods or services or both supplied is less than Rs. 200 subject to the condition that:

- (a) the recipient is not a registered person; and
- (b) the recipient does not require such bill of supply, and

he shall issue a consolidated bill of supply for such supplies at the close of each day in respect of all such supplies.

Question 11.

Avtaar Enterprises, Kanpur started trading exclusively in ayurvedic medicines from July 1. Its turnover exceeded Rs. 40 lakhs on October 3. The firm applied for registration on October 31 and was issued registration certificate on November 5.

Examine whether any revised invoice can be issued in the given scenario. If the answer to the first question is in affirmative, determine the period for which the revised invoices can be issued as also the last date up to which the same can be issued.

(ICAI study material)

Answer:

As per section 31(3)(a), a registered person may, within one month from the date of issuance of certificate of registration, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him.

Further, rule 10(2) lays down that the registration shall be effective from the date on which the person becomes liable to registration where the application for registration has been submitted within a period of 30 days from such date.

In the given case, Avtaar Enterprises has applied for registration within 30 days of becoming liable for registration and the registration has been granted. Thus, the effective date of registration is the date on which Avtaar Enterprises became liable for registration i.e., October 3.

Therefore, since in the given case there is a time lag between the effective date of registration (October 3) and the date of grant of certificate of registration (November 5), revised invoices can be issued. The same can be issued for supplies made during this intervening period i.e., for the period beginning with October 3 till November 5. Further, the revised invoices can be issued for the said period till December 5.

Question 12.

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.

(ICAI study material)

Answer:

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

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

Question 13.

What is the invoice or other documentation required in reverse charge cases?

Answer:

According to the provisions of section 31(3) (f) & (g), where the tax liability is cast on the recipient under section 9(3) & 9(4) In case of registered person, invoice is required to be issued by the supplier. In case of unregistered person, invoice is required to be issued by the recipient itself on the date of receipt of goods or services or both;

Further payment a payment voucher at the time of making payment to the supplier or unregistered person would be issued.

Question 14.

What if at the time of receipt of advance, the rate of tax or nature of supply is not determinable?

Answer:

In terms of proviso to Rule 50 of the CGST Rules, where time of receipt of advance:

- (i) The rate of tax is not determinable, the tax shall be paid at 18 %.
- (ii) The nature of supply is not determinable, the same shall be treated as interstate supply.

Question 15.

ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens was issuing consolidated tax invoice for supplies at the close of each day in terms of section 31(3)(b) of CGST Act, 2017 read with fourth proviso to rule 46 of CGST Rules, 2017.

During the month of October, 2019, the Department raised objection for this practice and asked to issue separate tax invoices for each ticket.

Advise ABC Cinemas for the procedure to be followed in the light of recent notification.

(Jan 21)

Answer:

The procedure to be followed by ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens, is as under:

The option to issue consolidated tax invoice is not available to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens. Thus, ABC Cinemas cannot issue consolidated tax invoice for supplies made by it at the close of each day. ABC Cinemas is required to issue an electronic ticket.

The said electronic ticket shall be deemed to be a tax invoice, even if such ticket does not contain the details of the recipient of service but contains the other information as prescribed to be mentioned.

Section 31(7): Goods sent on Approval

Question 16.

M/s. Xing Trans of Kolkata is engaged in the trading of transmitters. On 20/05/2021, 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 28/07/2021 at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25/11/2021 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.

(May 22)

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 28/07/2021.

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. 20/11/2021. Thus, tax invoice for said 200 units needs to be issued upto 20/11/2021.

Section 34: Credit and debit notes

Question 17.

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

However, the said toys were returned by Nancy General Store on 30th September.

Discuss which document Kidzee Toys Ltd. is required to issue in such a case?

(ICAI study material)

Answer:

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

As per section 34, where one or more tax invoices have been issued for supply of any goods or services or both and the goods supplied are returned by the recipient the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed. Therefore, Kidzee Ltd. is required to issue a credit note to Nancy General Store for the good returned.

Question 18.

Under what circumstances does the need of issuance of debit note and credit note arise under section 34 of CGST Act, 2017?

(MTP October 2018 5 Marks) (May 19-5 Marks)
(Nov 22-5 Marks)

Answer:

Debit note is required to be issued

- (i) if taxable value charged in the tax invoice is found to be less than the taxable value in respect of supply of goods and/or services or
- (ii) if tax charged in the tax invoice is found to be less than the tax payable in respect of supply of goods and/or services

Credit note is required to be issued: -

- (i) If taxable value charged in the tax invoice is found to exceed the taxable value in respect of supply of goods and/or services, or
- (ii) If tax charged in the tax invoice is found to exceed the tax payable in respect of supply of goods and/or services, or
- (iii) if goods supplied are returned by the recipient, or
- (iv) if goods and/or services supplied are found to be deficient.

Question 19.

Rana Sanga Ltd., a registered supplier has made following taxable supplies to its customer Babur in the quarter ending 30th June.

Date	Bill No.	Particulars	Invoice value (including GST) (Rs)
5th April	102	Notebooks [10 in numbers]	1,200
10th May	197	Chart Paper [4 in number]	600
20th May	230	Crayon colors [2 packets]	500
2nd June	254	Poster colors [5 packets]	900
22nd June	304	Pencil box [4 sets]	700

Goods in respect of bill no. 102, 230 and 254 have been returned by Babur. You are required to advise Rana Sanga Ltd. whether it can issue a consolidated credit note against all the three invoices?

(ICAI study material) (RTP Nov 19)

Answer:

Where one or more tax invoices have been issued for supply of any goods and/or services and

- (a) the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or
- (b) where the goods supplied are returned by the recipient, or
- (c) where goods and/or services supplied are found to be deficient,

the registered person, who has supplied such goods and/or services, may issue to the recipient one or more credit notes for supplies made in a financial year containing prescribed particulars.

Thus, one (consolidated) or more credit notes can be issued in respect of multiple invoices issued in a financial year without linking the same to individual invoices.

Hence, in view of the above-mentioned provisions, Rana Sanga Ltd. can issue a consolidated credit note for the goods returned in respect of all the three invoices.

E-Invoicing

Question 20.

- (a) Fashion Queen Ltd., registered under GST and dealing in baby products has an aggregate turnover of Rs. 40 crores in the preceding financial year. The tax consultant of Fashion Queen Ltd. advised it to issue e-invoices mandatorily. However, Fashion Queen Ltd. is of the view that since its aggregate turnover is less than the threshold limit applicable for e-invoicing, it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.
- (b) Ministry of Communications and Information Technology, a Government Department registered under GST has an aggregate turnover of Rs. 52 crores in the preceding financial year. You are required to comment whether Ministry of Communications and Information Technology is required to issue e-invoices in the current financial year?

(RTP Nov 22) (Similar question in RTP Nov 21 - amended)

Answer:

- (a) With effect from 01.04.2022, 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 Rs. 5 crores, 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 Fashion Queen Ltd. For issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Fashion Queen Ltd. has exceeded the threshold limit i.e. Rs. 5 crores in the preceding financial year.
- (b) 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.

Question 21.

Gada Electronics Pvt Ltd. supplies cell phones to TOP 10 Pvt Ltd a retailer registered under GST. The turnover of TOP 10 Pvt Ltd in preceding financial year was 7 crore.

Determine whether TOP 10 Pvt Ltd is subject to e-invoicing in the FY 22-23.

Answer:

TOP 10 Pvt Ltd is required to issue e-invoice as per the recent amendment e-invoicing has been made mandatory for all registered businesses with an aggregate turnover in any preceding financial year from 2017-18 onwards exceeding Rs.5 crore where B2B supplies are made.

Question 22.

Avantika Ltd provided services to Oil and Natural Gas corporation(ONGC) who is liable to deduct TDS under sec 51. Determine whether Avantika Ltd has provided services to registered person? Is it required to issue E-invoice?

Answer:

As per recent statutory update it is clarified that service provided to Government Department, establishments, PSU'S covered u/s 51 to deduct TDS are compulsory required to register u/s 24. Therefore ONGC (PSU) is registered person. Therefore, Service provided to them is a B2B supply and hence e-invoice is required to be issued if their aggregate turnover exceeds Rs.5 crore in any preceding financial year from FY17-18

Question 23.

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

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

(RTP may 21)

Answer:

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

All notified registered businesses (except specified class of persons) with an aggregate turnover (based on PAN) in the preceding financial year greater than Rs. 5 crores are required to issue e-invoices.

The eligibility is based on aggregate annual turnover on the common PAN. Thus, the aggregate total turnover of Bali Limited is more than Rs. 5 crores (considering both the GSTINs) and is required to issue e-invoices.

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

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

- (i) Auto-reporting of invoices into GST return and auto-generation of e-way bill (wherever required). Under e-invoicing, business has to report the B2B invoice data only once in the e-invoice form and the same is reported in multiple forms (GSTR-1, e- way bill etc.). E-way bill can be auto-generated using e-invoice data. GSTR-1 can also be auto-populated with the e-invoice data. It will become part of the business process of the taxpayer.
- (ii) Accuracy/Reconciliation. Since same data is reported to tax department as well as to the buyer to prepare his inward supplies (purchase) register, transcription errors are reduced. On receipt of information through GST System, buyer can do reconciliation with his Purchase Order.
- (iii) Early payment. E-invoicing facilitates standardization and inter-operability leading to reduction of disputes among transacting parties and thus, improving payment cycles.
- (iv) Cost reduction. E-invoicing helps in reducing processing costs and thus, leads to improvement of overall business efficiency.

- (v) Reduction of tax evasion. Since a complete trail of B2B invoices is available with the Department, it will enable the system-level matching of input tax credit and output tax thereby reducing the tax evasion.
- (vi) Elimination of fake invoices. E-invoicing eliminates the fake invoices. Claiming fictitious input tax credit (ITC) by raising fake invoices is also one of the biggest challenges currently faced by tax-authorities. The e-invoice system helps to curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities have access to data in real-time.
- (vii) Paper Elimination. E-invoicing helps in paper elimination and thereby it is eco-friendly.

Dynamic QR Code

Question 24.

Is Dynamic Quick Response (QR) Code applicable to suppliers who issue invoice to unregistered persons? If no, list the suppliers to whom Dynamic QR Code is not applicable.

(Dec 21)

Answer:

Dynamic QR code is applicable to invoices issued in respect of supplies made to unregistered persons by a registered supplier provided its aggregate turnover in any preceding financial year from 2017-18 onwards exceeds Rs. 500 crores.

However, it is not applicable to following suppliers issuing invoices to unregistered persons:

- (i) Insurer or banking company or financial institution including NBFC
- (ii) GTA supplying services in relation to transportation of goods by road in a goods carriage
- (iii) Supplier of passenger transportation service
- (iv) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- (v) Supplier of online information and database access or retrieval (OIDAR) services

Miscellaneous

Question 25.

A registered person has to mandatorily issue separate invoices for taxable and exempted goods when supplying both taxable as well as exempted goods to an unregistered person. Examine the validity of the statement.

(ICAI study material)

Answer:

The statement is not valid in law. As per the CGST Rules, where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies.

Question 26.

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

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

(RTP NOV 2018) & (ICAI study material)

Answer:

- (i) No, he is not required to issue tax invoice in all cases. As per section 31(1) of the CGST Act, 2017, every registered person supplying taxable goods is required to issue a 'tax invoice'. Section 31(3)(c) of the CGST Act, 2017 stipulates that every registered person supplying exempted goods is required to issue a bill of supply instead of tax invoice. Further, rule 46A of the CGST Rules, 2017 provides that a registered person supplying taxable as well as exempted goods or services or both to an un-registered person may issue a single 'invoice-cum- bill of supply' for all such supplies. However, as per section 31(3)(b) of the CGST Act, 2017 read with rule 46 of the CGST Rules, 2017, a registered person may not issue a tax invoice if:
- (i) value of the goods supplied < Rs 200,
 - (ii) the recipient is unregistered; and
 - (iii) the recipient does not require such invoice.
- Instead, such registered person shall issue a Consolidated Tax Invoice for such supplies at the close of each day in respect of all such supplies.
- (ii) As per rule 46A of the CGST Rules, 2017, where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies. Thus, there is no need to issue a tax invoice and a bill of supply separately to the school student in respect of supply of the taxable and exempted goods respectively.
- (iii) As per section 33 of the CGST Act, 2017, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made. As per rule 46(m), a tax invoice shall contain the various particulars, inter alia, namely, amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess); Hence, Jai has to show the tax amount separately in the tax invoices issued to customers.

Question 27.

Reliance Retail Ltd whose Aggregate turnover was 600 Crore in FY20-21. It supplies Laptops to US Embassy, a foreign diplomatic mission holding UIN required to issue Dynamic QR Code.

Answer:

Reliance Retail Ltd has exceeded aggregate turnover of ₹ 500 Crore (ie 600cr) since FY17-18. Hence Reliance Retail shall print Dynamic QR Code on tax invoice to B2C recipients and since UIN Holders are not registered persons, the same shall be done while issuing invoice to them.

Question 28.

Monk-e supplies influencer marketing Service to various brands. Its aggregate T/O in FY20-21 was 50 Crores Is it require to issue E-Invoice in FY 24-25 to

- i) Boat, a registered person in Gujarat
- ii) Mr. Ashneer as unregistered person based in Delhi
- iii) Dept of CG, a TDS deductor u/s 51

Answer:

- i) B2B supplies, E-Invoice shall be issued.
- ii) B2C supplies, E-Invoice not required to be issued.
- iii) Recipient is a TDS deductor u/s 51 who is mandatorily required to register u/s 24 and hence it is B2B supply where E-Invoice is required to be issued.

One Concept One Question

6. TIME OF SUPPLY

12(2)

Question 1.

An order is placed to T & Co, Sholapur on 18th August, 2021 for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 2021 and after completion of the order issued the invoice on 15th September, 2021. The payment against the same was received on 30th September, 2021. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations.

(Dec 21)

Answer:

The time of supply of goods (where movement of goods involve) (fabric) for the purpose of payment of tax is the date of issue of invoice or the last date when the invoice ought to have been issued.

Further, a registered person is required to issue a tax invoice before or at the time of delivery of goods or making available thereof to the recipient.

Thus, in the given case, time of supply is 4th September, 2021.

Question 2.

Trust Industries Ltd. has entered into a contract with VST Ltd. to supply gas by a pipeline to VST Ltd. for a period of one year. As per the terms of the contract -

- (i) VST Ltd. shall make monthly payments [Payment for a month shall be made by 7th day of the next month]
- (ii) Every quarter, Trust Industries Ltd. shall issue a statement of account showing the quantity and value of goods dispatched, payments received and payment due.
- (iii) The differential amount, if any, as mentioned in the statement of account shall be paid by VST Ltd.

The details of the various events are:

August 5, September 5, October 6	Payments of Rs. 2 lakhs made in each month for the quarter July- September
October 3	Statement of accounts for the quarter July - September issued by the supplier showing amount of Rs. 2,56,000 as unpaid
October 17	Balance payment of Rs. 56,000 received by supplier for the quarter July - September

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

(ICAI study material)

Answer:

As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. As per section 31(4), in case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice is issued before or at the time of each such statement is issued or, as the case may be, each such payment is received.

Therefore, invoices should be issued for Rs. 2 lakhs each on or before August 5, and September 5, when monthly payments of Rs. 2 lakhs are received. Further, invoice should also be issued for differential payment of Rs. 2,56,000 on/before October 3, when statement of account is issued.

Thus, assuming that the invoice is issued on August 5, September 5 and October 3, the time of supply for the purpose of payment of tax will be August 5 and September 5 respectively for goods valued at Rs. 2 lakhs each and October 3 for the goods valued at Rs. 2,56,000.

Question 3.

Mr.Amit shah in Srinagar is sending goods on approval for sale or return to Mr.Omar Abdullah in Ahm where the approval period is 5months-

Date of removal of goods-1.10.23

Date of delivery of goods-5.10.23

Date of approval -1.2.24

Date of payment-11.3.24

Date of issue of invoice-5.2.24

Answer:

Date of issue of invoice -5.2.24

Or

Last date to issue invoice -1.4.24

Date of approval -1.2.24

Or

6months from date of removal-1.4.24,whichever is earlier

Time of supply-1.2.24

Question 4.

Mr.Adani is a registered manufacturer under composition scheme who is supplying goods to various wholesalers within the state.

Date of removal goods from his factory-1/4/24

Date of invoice-5/4/24

Date of payment-1/3/24

Answer:

As per Notfication No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of 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

Since the above notification excludes composition tax payer the time of supply of goods in case of composition tax payer is

Date of removal goods from his factory-1/4/24

Date of invoice-5/4/24

Date of payment-1/3/24

Whichever is earlier

Time of supply of goods (composition tax payer)-1/3/24

12(3)

Question 5.

Mr. Bhuvan, agriculturist supplies cashew nuts to Dmart, a registered person.

Date of receipt of such goods-12.5.24

Date of payment-30.05.24

Supplier invoice goods to Dmart -4.5.24

(30 days from date of issue of invoice elapses on June 3)

Person liable to pay tax?

What shall be the time of supply in this case?

Answer:

Dmart, a registered person is liable to pay tax as per RCM u/s 9(3)-(this case is only covered in ca final)

Time of supply u/s 12(3)

Date of receipt of goods -12.5.24

Date of payment-30.05.24

31st day from the date of issue of invoice-4.6.24

Whichever is earlier

12(4)

Question 6.

Mr. Sheth purchased a voucher from Shopper's Stop that deals in multiple goods like clothes, perfumes, watches, accessories on 1.5.24

And the voucher was redeemed on 1.10.24.

- i) When shall be the time of supply in this case?
- ii) Will your answer be different if the voucher to be redeemed from Shopper's stop can be redeemed only against perfumes?

Answer:

i) Since the voucher is identifiable at the time of issue of voucher, time of supply -1.5.24

ii) Since the voucher is not identifiable at the time of issue of voucher, time of supply -1.10.24

12(6)

Question 7.

Nike Ltd., registered in Mumbai supplies shoes amounting to Rs 10,00,000 + GST @18% to Dmart Ltd., registered in Delhi and issued the invoice for the same on 5/04

The Goods were removed from Factory on - 1/04 and were delivered on 3/04

Contract had a clause that if payment is made after 1/07 then Nike Ltd shall charge late fees of Rs 1,00,000 for delayed payment of consideration .

Since no payment was received by 1/07, Nike Ltd issued a debit note of Rs 1,00,000 + GST@18% on 2/07

Nike Ltd. paid the entire payment of 11,00,000 + GST@ 18% on 1/10

What shall be TOS for entire Rs. 11,00,000 ?

Answer:

In case of 10 Lacs, since it is the payment of goods supplied where tax is payable as per normal charge, TOS shall be determined u/s 12(2)

Date of issue of invoice - 5/04 :
OR
 Last date to issue invoice - 1/04 :
 in case of movement of goods
 i.e. date of removal of goods.

} w.i.e.

TOS= 1/04

In case of late fees of Rs. 1,00,000, TOS will be determined u/s 12(6)
 i.e. TOS = 1/10 (ie date of payment)

13(2)

Question 8.

8th September	Community hall booked for a marriage; sum agreed Rs 1,20,000, advance Rs 20,000 recorded in the books of account.
10th September	Advance amount credited in bank account.
2nd November	Marriage held in the Community hall.
18th December	Invoice issued for Rs 1,20,000 indicating the balance of Rs 1,00,000 payable
22nd December	Balance Rs 1,00,000 recorded in the books of account.
24th December	Payment Rs 1,00,000 credited to the bank account

Answer:

As per section 31(2) of the CGST Act, 2017 read with rule 47 of CGST Rules, 2017 a tax invoice is to be issued within 30 days of supply of service. In the given case, the invoice is not issued within the prescribed time limit. As per section 13(2) (b) of CGST Act, 2017, in a case where the invoice is not issued within the prescribed time, the time of supply of service is -

- (i) date of provision of service, or
 - (ii) date of recording the payment in the books of account of the supplier, or
 - (iii) date of crediting of payment in the supplier's bank account
- whichever is earlier.

Therefore, the time of supply of service to the extent of advance of Rs 20,000 is 8th September (date of recording the payment in the books of account) as it is earlier than the date of crediting of payment in the bank account and the date of provision of service.

The time of supply of service to the extent of the balance Rs 1,00,000 is 2nd November, which is the date of provision of service as it is earlier than the other two events in this case.

Question 9.

M/s XYZ & Co., a firm of Chartered Accountants, issued invoice for services rendered to Mr. A on 7th September. Determine the time of supply in the following independent cases:

- (1) The provision of service was completed on 1st August and payment was received on 28th September.
- (2) The provision of service was completed on 14th August and payment was received on 28th September.

- (3) Mr. A made the payment on 3rd August. However, provision of service was remaining to be completed at that time.
- (4) Mr. A made the payment on 15th September. However, provision of service was remaining to be completed at that time.

(ICAI study material)

Answer:

The time of supply of services is the date of issue of invoice if the same is issued within 30 days from the date of supply of service OR the date of receipt of payment, whichever is earlier [Section 13(2)(a)].

In case the invoice is not issued within 30 days from the date of supply of service, time of supply is the date of provision of service OR the date of receipt of payment, whichever is earlier [Section 13(2)(b)].

In accordance with the aforesaid provisions, the time of supply in the four independent cases will be:

- (1) 1st August since the invoice is not issued within 30 days of supply of service.
- (2) 7th September since the invoice is issued within 30 days of supply of service and the payment is received after the issuance of invoice.
- (3) 3rd August viz., earlier of date of issuance of invoice (7th September) or date of receipt of payment (3rd August)
- (4) 7th September viz., earlier of date of issuance of invoice (7th September) or date of receipt of payment (15th September)

13(3)

Question 10.

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

Determine the following:

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

(ICAI study material)

Answer:

- (i) Tax on _services supplied by a recovery agent to, inter alia, a non- banking financial company (NBFC) is payable under reverse charge by such non-banking financial company. Therefore, in the given case, person liable to pay GST is the NBFC - Newton Credits Ltd.
- (ii) As per section 13(3), the time of supply of service on which GST is payable under reverse charge is earlier of the following: -
 - Date of payment as entered in the books of account of the recipient (18th April) or the date on which the payment is debited in his bank account (20th April), whichever is earlier;
 - Date immediately following 60 days since issue of invoice by the supplier, i.e., 9th April.

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

Proviso to sec 13(3)

Question 11.

Mint Industries Ltd., a registered supplier, imports business support services from Green Inc. of USA on 13th August. The relevant invoice for \$ 1,20,000 is raised by Green Inc. on 18th August. Mint Industries Ltd. makes the payment against the said invoice as follows:

Case	Date
I	22nd September
II	27th December

Determine time of supply in each of the aforesaid cases.

(ICAI study material)

Answer:

In case of services supplied by any person located in a non-taxable territory to any person other than non-taxable online recipient, tax is payable under reverse charge by the person located in the taxable territory. [Notification No. 10/2017 IT (R) dated 28.06.2017], Hence, in the given case, since the business support services are provided by Green Inc. (located in non-taxable territory) to Mint Ltd. (person other than non-taxable online recipient and located in taxable territory), tax is payable under reverse charge by Mint Ltd.

The time of supply of services taxable under reverse charge is the earlier of the following:

Date of payment, or

Date immediately following 60 days since issue of invoice (or any other document in lieu of invoice) by the supplier.

In view of the aforesaid provisions, the time of supply in each of the given cases will be as under:

Case	Time of Supply
Case I	Since Mint Ltd makes the payment within 60 days of the date of issue of invoice, the time of supply is the date of payment, i.e., 22nd September.
Case II	As Mint Ltd. makes the payment after 60 days from the date of invoice, time of supply is the date immediately following the said period of 60 days, i.e., 61st day which is 18th October.

Question 12.

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

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

(ICAI study material)

Answer:

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

Agreed consideration	US \$1,00,000
Date of entry in the books of account of the recipient of supply [which is Kothari Ltd. in the present case]	30th September
OR	
Date of payment [by Kothari Ltd. in the present case]	23rd December

Section 7(1A) r.w Sec12/13

Question 13.

M/s KLM Ltd., a publishing and printing house registered in Maharashtra, is engaged in supply of books, letter cards, envelopes, guides and reference materials. The following information is provided by the company:

	Printing of books	Printing of envelopes
Date of entering into printing contract	16th March	20th March
Date of receipt of advance	20th March	25th March
Date of completion of printing	10th April	5th April
Date of issue of invoice	15th May	10th April
Date of removal of books and letter heads to buyer	13th May	7th April
Date of receipt of balance payment	31st May	30th April

In respect of printing of books, content was supplied by the author. For printing of envelopes, the design and logo were supplied by the buyer.

Determine the time of supplies for the purpose of payment of tax.

Answer:

As per Circular No. 11/11/2017 GST dated 20.10.2017, in case of printing of books where only content is supplied by the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore, such supplies would constitute supply of service.

In case of supply of printed envelopes by the printer using its physical inputs including paper to print the design, logo etc. supplied by the recipient of goods, predominant supply is supply of goods and the supply of printing of the content [supplied by the recipient of supply] is ancillary to the principal supply of goods and therefore, such supplies would constitute supply of goods.

Accordingly, the time of supply of books and envelopes will be governed by sections 12 and 13 respectively.

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

As per section 31(1), invoice for supply of goods should be issued before or at the time of removal of goods for supply to the recipient, where supply involves movement of goods.

Therefore, in the given case, the last date by which invoice ought to have been issued is 7th April. Thus, the time of supply of envelopes for the purpose of payment of tax is 7th April.

As per section 13, the time of supply of services is the earlier of the dates arrived at by methods (A) and (B), as follows:

- (A) Date of invoice or date of receipt of payment (to the extent the invoice or payment covers the supply of services), whichever is earlier, if the invoice is issued within the time prescribed under section 31;

(B) Date of provision of service or date of receipt of payment (to the extent the payment covers the supply of services), whichever is earlier, if the invoice is not issued within the time prescribed under section 31.

Since in the given case, invoice for the services is not issued within 30 days, the time of supply for the advance received is the date of receipt of payment, i.e. 20th March being earlier than the date of provision of service. However, the time of supply for the balance payment is the date of provision of service, i.e. 10th April being earlier than the date of receipt of balance payment.

Miscellaneous & Mixed Questions

Question 14.

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

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

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

(July 21)

Answer:

Time of supply in case of supply of fabric:

Supply of fabric is supply of goods. The time of supply of goods for the purpose of payment of tax is the date of issue of invoice or the last date when the invoice ought to have been issued viz. before/at the time of removal of goods for supply to the recipient, where supply involves movement of goods. Thus, the time of supply for advance of Rs. 1,00,000 as well as for the balance payment of Rs. 50,000 received for the supply of fabric is 10.08.2020.

Time of supply in case of job work:

Job work is treated as supply of services. The time of supply of services in case where the invoice is issued within 30 days of provision of service is the earlier of date of invoice or date of receipt of payment (to the extent the invoice or payment covers the supply of services).

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

One Concept One Question

7. VALUE OF SUPPLY

Question 1

X Ltd. sold machine to Y Ltd. in the month of January

	Particulars	Amount
1.	List price of goods	10,00,000
2.	Tax levied by municipal authority	1,00,000
3.	TCS under Income tax act , 1961 collected from the buyer	10,000
4.	Paid to one of the vendors by Yltd. in relation to service provided by vendor to Xltd.	30,000
5.	Freight charges for delivery of goods (Xltd has agreed to deliver the goods to Yltd premises)	40,000
6.	Freight & Insurance charges to be agreed to have arranged by Xltd but such expense is incurred by the recipient on behalf of the supplier.	10,000
7.	Packing charges	20,000
8.	Interest paid on delayed payment of consideration	15,000
9.	Penalty to be paid on delayed payment of consideration, was waived off by the supplier	20,000
10.	Xltd sells its goods on EMI sometimes where the customer can take the delivery of goods on a monthly EMI of 10,500 payable in three instalments. Xltd charges 1,000 extra for any delay in payment of monthly instalment and this amount shall be recovered from customer for delay in payment of 2nd EMI	1,000
11.	Subsidy received from SG (included in the price)	100,000
12.	Subsidy received from RIL Ltd (included in the price)	200,000
13.	Subsidy received from CG (not included in the price)	3,00,000
14.	Subsidy received from Jindal Ltd (not included in the price)	4,00,000
15.	X Ltd received 50,000 as subsidy from one non government organization on sale of such machine, this subsidy is not linked to the price of machine and also not considered in list price 10,00,000	500,000
16.	X Ltd sold goods to its dealers to whom it charges list price minus standard discount. When goods remain unsold with the dealers, it offers them additional discounts on stock as incentive to push the sales.	40,000
17.	X Ltd deducted discount of 10,000 at time of final payment, which was not agreed at the time of supply.	
18.	X Ltd provides additional discount @1%. at year end based on additional purchase of other machinery for which adjustment is made at end of FY without any change in individual transactions.	

19.	Refundable deposit forfeited by Xltd.	30,000
20.	Refundable deposit returned back to recipient	40,000
21.	Debit note of interest is issued in the month of January but the same was received in the month of Feb.	5000
22.	Advance is received in Jan for the goods to be supplied in the month of Feb	1,00,000
23.	Advance is received in Jan for the Services to be supplied in the month of Feb	1,50,000
	Value of Supply u/s 15	

Answer

X ltd. sold machine to Y Ltd. in the month of January

	Particulars	Amount
1.	List price of goods	10,00,000
2.	Tax levied by municipal authority	1,00,000
3.	TCS under Income tax act ,1961 collected from the buyer	
4.	Paid to one of the vendors by Yltd. in relation to service provided by vendor to Xltd.	30,000
5.	Freight charges for delivery of goods (Xltd has agreed to deliver the goods to Yltd premises)	40,000
6.	Freight charges in relation to delivery of goods is paid by buyer	
7.	Freight & Insurance charges to be agreed to have arranged by Xltd but such expense is incurred by the recipient on behalf of the supplier. [Note: In this case supplier's expense has been incurred by recipient on behalf of supplier hence it will be included u/s 15(2)(b)]	20,000
8.	Packing charges	15,000
9.	Penalty to be paid on delayed payment of consideration, was waived off by the supplier [Note: Whenever interest, penalty is to be paid on delayed payment of consideration is waived off it is not be included in the value of supply as the amount is not charged in this case.]	
10.	Xltd sells its goods on EMI sometimes where the customer can take the delivery of goods on a monthly EMI of 10,500 payable in three instalments. Xltd charges 1,000 extra for any delay in payment of monthly instalment and this amount shall be recovered from customer for delay in payment of 2nd EMI [In this case Interest on delayed payment of EMI is to be included in value us/15(2)(d) as the consideration received in EMI represents payment of consideration to supplier who has supplied him goods on hire purchase basis.]	1,000
11.	Subsidy received from SG(included in the price)	100,000

12.	Subsidy received from RIL ltd (included in the price)	200,000
13.	Subsidy received from CG (not included in the price)	(3,00,000)
14.	Subsidy received from Jindal ltd (not included in the price)	No Effect
15.	X ltd received 50,000 as subsidy from one non government organization on sale of such machine, this subsidy is not linked to the price of machine and also not considered in list price 10,00,000 [Note: In this case since subsidy is not directly linked to price and hence such case is not to be included u/s 15(2)(d).]	No Effect
16.	X ltd sold goods to its dealers to whom it charges list price minus standard discount. When goods remain unsold with the dealers, it offers them additional discounts on stock as incentive to push the sales. [Note: In this case, discount allowed after supply not be deducted from the value of supply as it was not agreed at the time of supply.]	No Effect
17.	X ltd deducted discount of 10,000 at time of final payment, which was not agreed at the time of supply. [Note: In this case, discount allowed after supply not be deducted from the value of supply as it was not agreed at the time of supply.]	No Effect
18.	X ltd provides additional discount @1% at year end based on additional purchase of other machinery for which adjustment is made at end of FY without any change in individual transactions. [Note: In this case, discount allowed after supply not be deducted from the value of supply as it was not linked to any individual invoices.]	No Effect
19.	Refundable deposit forfeited by X ltd. [Note: Consideration includes money but if a deposit is given in respect of supply of goods/service both shall not be considered as payment made for such supply unless supplier applies such deposit as consideration for said supply And in given case, deposit is forfeited and hence such deposit is applied as consideration for said supply]	30,000
20.	Refundable deposit returned back to recipient [Note: Consideration includes money but if a deposit is given in respect of supply of goods/service both shall not be considered as payment made for such supply unless supplier applies such deposit as consideration for said supply And in given case deposit is not forfeited and hence such deposit is not applied as consideration for said supply]	No Effect
21.	Debit note of interest is issued in the month of January but the same was received in the month of Feb. [Note: Since interest is not received in this month, its time of supply as per section 12(6) shall occur in the next month and hence it will not be included in this month value of supply]	not to be include in this month

22.	Advance is received in Jan for the goods to be supplied in the month of Feb [Note: Time of supply u/s 12(2) does not taken into account date of payment and due to that the time of supply of such goods shall be when they are removed or invoice is issued whichever is earlier and hence its value shall be taken into account in the next month]	not to be include in this month
23.	Advance is received in Jan for the Services to be supplied in the month of Feb [Note: Time of supply u/s 13(2) does taken into account date of payment and due to that the time of supply of such service shall be when advance is received and hence it shall be taken into account in this month itself.]	1,50,000
	Value of Supply u/s 15	13,86,000

One concept, One question

8. REGISTRATION

Section 22 & 24:

Question 1.

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

SI No	Particulars	Amount in Lakhs
(i)	Supplies of taxable goods of his firm	1L
(ii)	Supplies of taxable goods to a 100% EOU of his firm	1.50
(iii)	Exports of taxable goods of his firm	2.60
(iv)	Exempt supplies of his firm	2.40
(v)	Supplies of liquor, petrol of his firm	3.00
(vi)	Supplies of taxable goods by the one-man company set up in his name	2.70
(vii)	Value of supplies on which Z is liable to pay tax under reverse charge mechanism (RCM)	0.80
viii)	Interest on deposits	1L
ix)	Outward supplies where tax is payable as per RCM	50,000
x)	Supplies goods from jobwork premises	20,000
xi)	Supplied funeral service	2.5L
xii)	Sale of of shares on his own account	10L
xiii)	Supply of goods without consideration to its unregistered branch in Delhi	3.5L
xiv)	Supply of goods without Consideration to its unregistered branch in Pune	15L
xv)	Supplies within the state made from Chennai branch	2L

Note: All his supplies are intra-State except export.

(CA Final July 21)

Answer:

Computation of aggregate turnover of proprietary firm of Z

Particulars	In Lakhs
Supplies of taxable goods [Taxable supplies are included in aggregate turnover.]	1L
Supplies of taxable goods to a 100% EOU [Deemed exports being taxable supplies are included in aggregate turnover.]	1.50
Exports of taxable goods [Exports are interstate supply and inter state supply is included in aggregate turnover]	2.60
Exempt petrol, liquor [Included in aggregate turnover.]	2.40

Supplies of non-taxable goods [Exempt supplies are included in aggregate turnover. Exempt supplies include non- taxable supplies also.]	3.00
Supplies of taxable goods by one-man company set up in Z's name [Not included as one person company is a separate entity with separate PAN.]	-
Value of supplies on which Z is liable to pay tax under RCM [Value of inward supplies on which tax is payable on reverse charge basis are excluded from the aggregate turnover.]	-
Interest on deposits	1L
Outward supplies where tax is payable as per RCM	50,000
supplies goods from jobwork premises	20,000
supplied funeral service (It is a Sch-III activity & hence not a supply, therefore not to be included in Aggregate T/O)	-
Sale of shares on his own account (It is not a supply of Goods/service & hence not to be included.)	-
supplies of goods without consideration from another branch in Chennai (It is deemed supply u/s 7(1)(c) where there is supply of goods between distinct persons u/s 25(5) without consideration in course of business)	3.5L
Goods transfer to its branch that is unregistered in Pune (It is not a deemed supply as is not between distinct persons u/s 25(5))	-
supplies within the state made from Chennai branch (white computing Aggregate T/o, outward supplies of all the persons having same PAN are to be included)	2L
Aggregate turnover of proprietorship firm of Z	18L
Computation of aggregate turnover of Z Ltd. - one man company of Z	
Supplies of taxable goods by one-man company set up in Z's name [Taxable supplies are included in aggregate turnover.]	2.70
Aggregate turnover of Z Ltd.	2.70

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

He is not liable to register neither his proprietary firm nor his one-man company. As both of them are below threshold limit of 20L

Question 2.

Mahadev Enterprises, a sole proprietorship firm, opened a shopping complex dealing in supply of goods at multiple locations, i.e.in Himachal Pradesh, Uttarakhand and Tripura in the month of June.

It has furnished the following details relating to the sale made at such multiple locations for the month of June: -

	Himachal Pradesh (Rs)	Uttarakhand (Rs)	Tripura (Rs)
Intra- State sale of taxable goods	22,50,000	-	7,00,000
Intra-State sale of exempted goods	-	-	6,00,000
Intra-State sale of non-taxable goods	-	21,00,000	40,000

* excluding GST

With the help of the above-mentioned information, answer the following questions giving

reasons: -

- (1) Determine whether Mahadev Enterprises is liable to be registered under GST law and what is the threshold limit of taking registration in this case assuming that it is not required to pay any tax on inward supplies under reverse charge.
- (2) Explain with reasons whether your answer in (1) will change in the following independent cases:
 - (a) If Mahadev Enterprises is dealing in taxable supply of goods only from Himachal Pradesh;
 - (b) If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh;
 - (c) If Mahadev Enterprises is dealing in taxable supply of goods only from Himachal Pradesh and has also affected inter - State supplies of taxable goods amounting to Rs 4,00,000.

(RTP Nov 19) & (ICAI study material)

Answer:

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.19, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.

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

- (i) Rs 10 lakhs for the States of Mizoram, Tripura, Manipur and Nagaland.
- (ii) Rs 20 lakhs for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (iii) Rs 40 lakhs for rest of India.

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

- (i) Rs 10 lakhs for the States of Mizoram, Tripura, Manipur and Nagaland.
- (ii) Rs 20 lakhs for the rest of India.

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

- (i) all taxable supplies,
- (ii) all exempt supplies,
- (iii) exports of goods and/or services and
- (iv) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis.

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

Computation of State-wise aggregate turnover of Mahadev Enterprises

	Himachal Pradesh (Rs)	Uttarakhand (Rs)	Tripura (Rs)
Intra- State sale of taxable goods	22,50,000	-	7,00,000
Intra-State sale of exempted goods	-	-	6,00,000
Intra-State sale of non-taxable goods [Note-2]	-	21,00,000	40,000
Aggregate Turnover	22,50,000	21,00,000	13,40,000

In the given case, Mahadev Enterprises is engaged in exclusive intra-State supply of goods from Himachal Pradesh, Tripura and Uttarakhand. However, since Mahadev Enterprises makes taxable supply of goods from one of the specified Special Category States (i.e., Tripura), it will not be eligible for the higher threshold limit of Rs. 40 lakhs; instead, the threshold limit for registration will be reduced to Rs. 10 lakhs.

- (1) In view of the above-mentioned provisions, Mahadev Enterprises is liable to be registered under GST law with the aggregate turnover amounting to Rs. 56,90,000 (computed on all India basis). The applicable threshold limit of registration in this case is Rs. 10 lakhs. Further, he is not liable to be registered in Uttarakhand since he is not making any taxable supply from Uttarakhand.
- (2)
 - (a) If Mahadev Enterprises is dealing in supply of goods only from Himachal Pradesh, the applicable threshold limit of registration would be Rs. 40 lakhs. Thus, Mahadev Enterprises will not be liable for registration as its aggregate turnover would be Rs. 22,50,000.
 - (b) If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh then higher threshold limit of Rs. 40 lakhs will not be applicable as the same applies only in case of exclusive supply of goods. Therefore, in this case, the applicable threshold limit will be Rs. 20 lakh and hence, Mahadev Enterprises will be liable to registration.
 - (c) In case of inter-State supplies of taxable goods, section 24 requires compulsory registration irrespective of the quantum of aggregate turnover. Thus, Mahadev Enterprises will be liable to registration.

Question 3.

Mr. P has presence in two States, one in Haryana and other in Rajasthan. He is registered in the State of Rajasthan even without crossing the threshold limit. His turnover during the year in Rajasthan is Rs. 32 lakh and in Haryana is Rs. 5 lakh. Is he mandatorily required to get registered in the State of Haryana also?

Answer:

Since registration in GST is PAN based, once a supplier is liable to register, he has to obtain registration in each of the States/UTs in which he operates under the same PAN. Therefore, Mr. P is liable to get registered in Haryana also, provided he is not engaged exclusively in making exempt supplies from Haryana.

However, it is also possible to take a view that a person who is voluntarily registered in one State needs to obtain registration in other States from where he makes a taxable supply only if his aggregate turnover exceeds applicable threshold limit for registration. In that case, Mr P is not liable to obtain registration from Haryana since the aggregate turnover does not exceed the threshold limit for registration.

Question 4.

Nesamani started his business activities in the month of February 2022 in the State of Orissa. He provided the following details:

Sl No.	Particulars	Amount
(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)	Outward supply of services on which tax is payable under RCM by the recipient of services (Intra-State)	6,00,000
(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 Nesamani and also decide whether he is required to get registration under GST. Assume that the amounts given above are exclusive of taxes.

(Nov 22-5 marks)

Answer:

Computation of aggregate turnover of Nesamani

Particulars	Amount
Outward supply of petrol [Supply of petrol being a non-taxable supply is an exempt supply. Value of exempt supply is includible in aggregate turnover.]	4,00,000
Transfer of exempt goods to his branch in Rajasthan [Supply of taxable/exempt goods between distinct persons is includible.]	2,00,000
Outward supply of taxable goods by his branch in Uttar Pradesh [Value of outward supplies under same PAN are includible.]	5,00,000
Outward supply of services on which tax is payable under RCM by the recipient of services [Includible in aggregate turnover.]	6,00,000
Inward supply of services on which tax is payable under RCM [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 Rs. 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, Nesamani is required to pay tax under reverse charge, it is liable to obtain registration compulsorily irrespective of his quantum of turnover.

Question 5.

Mr. Q, a casual taxable person of Gujarat state is a trader of taxable notified handicraft goods. It makes supplies to the states of Maharashtra, Rajasthan and Andhra Pradesh. Turnover for October, 2021 is Rs. 18 Lakh.

- Explain the provisions of registration for casual taxable person under GST. Examine whether Mr. Q is liable for registration or not?
- What will be the answer if Mr. Q makes trading in taxable notified products instead of taxable notified handicraft goods which involves 75% making on machine and 25% by hand?

(Dec 21)

Answer:

- A casual taxable person is required to obtain compulsory registration under GST irrespective of the quantum of its aggregate turnover.
However, a threshold limit of Rs. 20 lakhs (Rs. 10 lakh in case of specified Special Category States) is available for registration to a casual taxable person who:
 - is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods,

- (ii) is availing the benefit of exemption from registration available to inter-State supply of above- mentioned goods upto the aggregate turnover of Rs. 20 lakhs (Rs. 10 lakh in case of specified Special Category States), and
- (iii) has obtained a PAN and
- (iv) has generated an e-way bill.

In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover does not exceed Rs. 20 lakhs, he will not be liable to registration provided he fulfills other conditions specified herein.

- (ii) In case Mr. Q is engaged in trading of notified products which are predominantly made by machine, he will not be eligible for the exemption from registration under aforesaid provisions and needs to take compulsory (mandatory) registration.

Question 6.

BBD Pvt. Ltd. of Gujarat exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'Z' only within Gujarat and is not registered under GST laws. The turnover of the company in the previous year 2018-19 was Rs. 50 lakhs. The company expects the sales to grow by 10% in the current year 2019-20.

However, effective 01.01.2020, exemption available on 'Z' was withdrawn by the Central Government and GST@ 5% was imposed thereon. The turnover of the company for the nine months ended on 31.12.2019 was Rs. 42 lakhs.

BBD Pvt. Ltd. is of the opinion that it is not required to get registered under GST for current financial year 2019-20.

(CA Inter Nov 20)

Answer:

For a supplier exclusively engaged in intra-State supply of goods, the threshold limit of turnover to obtain registration in the State of Gujarat is Rs. 40 lakhs. However, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration.

Therefore, since BBD Pvt. Ltd. was engaged exclusively in supplying exempted goods till 31.12.2019, it was not required to be registered till that day; though voluntary registration was allowed.

The position, however, will change from 01.01.2020 as the supply of goods become taxable from that day and the turnover of BBD Pvt. Ltd. is more than Rs. 40 lakhs. Since the aggregate turnover limit of Rs. 40 lakh includes exempt turnover also, turnover of 'Z' till 31.12.2019 will be considered for determining the threshold limit even though the same was exempt from GST. Therefore, BBD Pvt. Ltd. needs to register within 30 days from 01.01.2020.

Sec 27 - CTP & NRTP

Question 7.

Answer the following questions with respect to casual taxable person under the CGST Act, 2017:

- (i) Who is a casual taxable person?
- (ii) Can a casual taxable person opt for the composition scheme?
- (iii) When is the casual taxable person liable to get registered?
- (iv) What is the validity period of the registration certificate issued to a casual taxable person?
- (v) Can the validity of registration certificate issued to a casual taxable person be extended? If yes, what will be the period of extension.

Answer:

- (i) Casual taxable person means a person who occasionally undertakes transactions involving supply of goods and/or services in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State/UT where he has no fixed place of business.
- (ii) No, a casual taxable person cannot opt for the composition scheme.
- (iii) A casual taxable person (CTP) is liable to obtain registration compulsorily under GST laws, at least 5 days prior to commencement of business. However, threshold limit of 20 lakh (10 lakh in case of Special Category States other than Jammu & Kashmir) is available in case of CTP making taxable supplies of specified handicraft goods.
- (iv) The registration certificate issued to a casual taxable person will be valid for:
 - (a) the period specified in the registration application, or
 - (b) 90 days from the effective date of registration whichever is earlier.
- (v) Yes, the validity of registration certificate issued to a casual taxable person can be extended.

It can be extended by a further period not exceeding 90 days.

Question 8.

Mr. Allan, a non-resident person, wishes to provide taxable supply of goods. He has no fixed place of business or residence in India. He seeks your advice on the following aspects, relating to CGST Act, 2017:

- (i) When shall he apply for registration? (ii) Is PAN mandatory for his registration?
- (iii) What is the period of validity of RC granted to him?
- (iv) Will he be able to extend the validity of his registration" If yes, what will be the period of extension?

Answer:

- (i) Atleast 5 days before commencement of business
- (i) No, in case of NRTP instead of PAN
 - Individual - Self Attested Passport
 - Business Entity - Tax Identification Number
- (ii) Validity of RC will be for Period of application or 90 Days, w.i.e
- (iv) Yes, the period of validity of registration shall be Period of application de 90 Days, w.i.e.

Section 30: Revocation

Question 9.

Mr. X of Haryana intends to start business of supply of building material to various construction sites in Haryana. 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. X. You are required to examine whether the action taken by proper officer is valid in law?

Mr. X 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. However, Mr. X contends that the period of submission of application is within the amended timelimit. You are required to comment upon the validity of contentions raised by Department and Mr. X.

(RTP May 22)

Answer:

As per section 29 of the CGST Act, 2017, the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where, *Inter alia*

- any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or

Thus, in view of the above-mentioned provisions, suo-motu cancellation of registration of Mr. X by proper officer is valid in law since Mr. X, a voluntarily registered person, has not commenced his business within 6 months from the date of registration. Further, where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation 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 for a period not exceeding 180 days by Commissioner or any officer that he may deem fit not below the rank of Additional / Joint Commissioner.

Since Mr. X has applied for Revocation of Cancellation of R/C is within the timelimit of 90 days (i.e. 40 Days), hence the validity of contention raised by Dept is not valid as per recent amendment.

Question 10.

P.O cancelled registration certificate of Recode Cosmetics Ltd as they defaulted in filing returns

The cancellation order was passed on 1/04/24.

The order was served to them on 10/04/24.

As per recent amendment Recode applied for revocation on 20/5/24.

Answer:

If a registered person wants to apply for revocation then he shall apply for the same within 90days from the date of service of order of revocation of cancellation order and Since it has applied within 90 days i.e on or before 10th July its application is valid in law.

Rule 10A

Question 11.

Mr.Mahavir a mobile seller has become liable to register w.e.f 1/4/24

He applied for registration on 10/4/24.

He was granted registration on 17/4/24.

While applying for registration he did not furnish his bank details.

What is the due date before which he is required to furnish these details, assuming he filed his GSTR- 1 on 11/06/24

Answer:

Due date of furnishing bank details has been amended

- 30 days from date of grant of registration(i.e 17/05/24)
- Furnishing the details of outward supplies of goods/services in GSTR-1/IFF(11/06/24) whichever is earlier

So the due date before which he is required to furnish bank details is 17/05/2024

One concept, One question

9. PAYMENT OF TAX

E-Ledger

Question 1.

PQR Ltd., of Mumbai having its business activities spread over different places/ locations in India provides the following particulars/details of its GST liabilities for the quarter ended on 30th Sept., 2018: (The balance in Electronic Cash Ledger available with PQR Ltd. was of Rs. 6,25,000):

S.No.	Particulars	Amount (In Rs)
1.	Demand raised as per section 73 or section 74 under CGST Act, 2017 belonging to July, 2018.	6,00,000
2.	Demand raised as per the old provisions of Indirect Taxes being applicable on PQR Ltd.	1,10,000
3.	Tax liability of CGST, SGST/UGST, IGST for supplies made during August, 2018.	1,25,000
4.	Interest & Penalty on delayed payment and filing of returns belonging to August, 2018.	20,000
5.	Tax liability of CGST, SGST/UGST, IGST for supplies made during September, 2018.	1,50,000
6.	Interest & Penalty on delayed payment and filing of returns belonging to September, 2018.	25,000

Suggest the manner in which the company can utilise the balance amount available in the Electronic Cash Ledger for discharging the tax liability.

(CS Prof Old June 2019)

Answer:

Balance in Electronic cash ledger can be used in the following manner to discharge tax liability by PQR Ltd. for the quarter ended on 30.9.2018

Particulars	Amount (In Rs)
Balance available in Electronic cash ledger	6,25,000
Less: Adjustment of Taxes	
Tax liability of CGST, SGST/UGST, IGST for supplies made during August, 2018.	(1,25,000)
Interest & Penalty on delayed payment and filing of returns belonging to Aug, 2018.	(20,000)
Tax liability of CGST, SGST/UGST, IGST for supplies made during September, 2018.	(1,50,000)
Interest & Penalty on delayed payment and filing of returns belonging to Sep, 2018.	(25,000)
Demand raised as per section 73/74 of Rs. 6 lakhs to the extent of available balance	(3,05,000)
Balance in electronic cash ledger	Nil

Question 2.

Mr. Ram Narayan, a registered supplier under GST, wants to first discharge his self-assessed tax liability for the current period before settling the dues for the previous tax period. Examine briefly whether he can do so?

(CA Inter RTP May 20)

Answer:

As per section 49(8) of the CGST Act, 2017, the liability of a taxable person has to be discharged in a chronological order as under: -

- (a) self -assessed tax and other dues for the previous tax periods have to be discharged first;
- (b) the self -assessed tax and other dues for the current period have to be discharged next;
- (c) Once these two steps are exhausted, thereafter any other amount payable including demand determined under section 73 or section 74 of the CGST Act, 2017 to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last.

This sequence has to be mandatorily followed.

Thus, in view of the above-mentioned provisions, Mr. Ram Narayan cannot discharge his self- assessed tax liability for the current period before settling the dues for the previous tax period.

Question 3.

Can one use ITC for payment of interest, penalty, and payment under reverse charge?

(ICAI study material)

Answer:

No, as per Section 49(4) of the CGST Act, 2017 the amount available in the electronic credit ledger may be used for making any payment towards 'output tax'.

As per Section 2(82) of the CGST Act, 2017, output tax means, the CGST/SGST chargeable under this Act on taxable supply of goods and/or services made by him or by his agent and excludes tax payable by him on reverse charge basis.

Therefore, input tax credit cannot be used for payment of interest, penalty, and payment under reverse charge.

Manner of utilization of ITC

Question 4.

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.

(CA Inter May 22)

Answer:

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.

Question 5.

M/s ABC & Co., have defaulted in filing the return under Section 39 of CGST Act, 2017 i.e., GSTR-3B for the month of March, 2020 within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 2020, which have been finalized during May 2020. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of Rs. 2,000 under CGST and SGST each. Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger for the late fees. Give your guidance in this regard

(ICAI study material)

Answer:

Section 49(3) of the CGST Act, 2017 provides that the amount available in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the provisions of this Act or the rules made there under in prescribed manner.

Further, section 49(4) provides that the amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the Integrated Goods and Services Tax Act in prescribed manner.

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

Question 6.

Pranesh has deposited a sum of Rs. 5,000 under the head of 'Fee' column of Cess and Rs. 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?

(CA Inter Nov 22-3 Marks)

Answer:

A registered person is allowed to make intra-head or inter-head transfer of amount, as available in electronic cash ledger, using specified form (GST PMT 09).

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 Rs. 5,000 available under minor head 'fee' of major head 'cess' and Rs. 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 (GST PMT 09).

Rule 86A: Condition on use of amount in E-credit ledger

Question 7.

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

(CA Inter Nov 20)

Answer:

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

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

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

Question 8.

Examine the authority vested under CGST Act, 2017 for preventing a registered person from utilizing the input tax credit availed in a fraudulent manner?

(ICAI study material)

Answer:

Every registered person, shall avail the input tax credit through a return filed under Section 39 of CGST Act, 2017. As per provisions contained in Rule 86A, In case the Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, has reasons to believe that ITC available in the electronic credit ledger has been fraudulently availed or is ineligible, he may prohibit use of ITC for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.

Rule 86B: Restriction on use of amount in E-credit ledger

Question 9.

Restrictions have been imposed on the use of amount available in the e-credit ledger vide rule 86B of the CGST Rules, 2017. Is there any exceptions to rule 86B? If yes, state the exceptions.

(RTP May 22)

(Nov 22)

Answer:

Restrictions have been imposed on the use of amount available in electronic credit ledger vide rule 86B of the CGST Rules, 2017. Yes, there are exceptions to rule 86B. The exceptions to rule 86B are as under: -

- (i) Payment of Income Tax more than Rs. 1 lakh
Rule 86B may not apply in cases whereby person mentioned below have deposited sum of more than Rs. 1 lakh as income tax under the Income-tax Act, 1961 in each of the last 2 financial years for which the time limit to file return of income under section 139(1) of the said Act has expired
 - o The registered person or

- o The karta/proprietor/the managing director of the registered person;
 - o Any of the two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees of the registered person, as the case may be.
- (ii) Receipt of refund of input tax credit of more than Rs. 1 lakh
Rule 86B may not apply whereby registered person has received a refund amount of more than Rs. 1 lakh on account of unutilized input tax credit under the following:
- o Zero-rated supplies made without payment of tax
 - o Inverted duty structure
- It is pertinent to note that refund should have been received in the preceding financial year.
- (iii) Payment of total output tax liability through electronic cash ledger in excess of 1% of total output tax liability
If the registered person has paid more than 1% of total output tax liability using electronic cash ledger upto the said month in the current financial year, the restrictions as specified in Rule 86B shall not apply.
It is pertinent to note that GST liability paid under reverse charge mechanism should not be taken into account while calculating the total output liability paid through electronic cash ledger.
- (iv) Specified registered person:
Rule 86B would not be applicable in case of below-mentioned registered person:
- o Government Department; or
 - o a public sector undertaking; or
 - o a local authority; or
 - o a statutory body.
- However, Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit.

Rule 87: E-Cash Ledger

Question 10.

Mr. A has deposited a sum of Rs. 30,000 under minor head of "Interest" column for the major head "IGST". At the time of filing GSTR-3B for a particular tax period, he noticed that there is no sufficient amount under the minor head 'Tax' towards payment of Rs. 30,000. When approached with the Jurisdictional Tax officer, Mr. A was guided to deposit the tax amount under proper head of account and claim a refund for the remittance of amount deposited under head "interest". Examine the relevant provisions of CGST Act, 2017 towards payment of tax and compliance with the law.

(ICAI study material)

Answer:

Provisions of Section 49(10) of CGST Act, 2017 permit a registered person for transferring the amount deposited under any of the minor head i.e., tax, interest, penalty, fees or others to any of the heads under IGST/CGST/SGST/UTGS and make the payment of taxes there upon. Accordingly, Mr. A need not deposit the tax amount under head "tax" and claim a refund for the remittance of amount deposited under head "interest". Rather, using the Form GST PMT-09, such amount can be transferred suo-moto on the common portal from "interest" to "tax" head and tax liability be paid

Question 11.

Miss Nitya has following balances in her Electronic Cash Ledger as on 28th February as per GST portal.

Major Heads	Minor Heads	Amount (Rs.)
CGST	Tax	40,000
	Interest	1,000
	Penalty	800
SGST	Tax	80,000
	Interest	400
	Penalty	1,200
	Fee	2,000
IGST	Tax	45,000
	Interest	200
	Penalty	Nil

Her tax liability for the month of February for CGST and SGST was Rs. 75,000 each. She failed to pay the tax and contacted you as legal advisor on 12th April to advise her as to how much amount of tax or interest she is required to pay, if any, by utilizing the available balance to the maximum extent possible as per GST Laws. She wants to pay the tax on 20th April.

Other information:

- (i) Date of collection of GST was 18th February.
- (ii) No other transaction after this up to 20th April.
- (iii) Ignore penalty and late fee for this transaction.
- (iv) No other balance is available.

You are required to advise her with reference to legal provisions with brief notes on the legal provisions applicable.

(ICAI study material)

Answer:

Due date for payment of tax collected on 18th February is 20th March. Interest @ 18% p.a. is payable for the period for which the tax remains unpaid in terms of section 50 of CGST Act, 2017.

In the given case, since Miss Nitya wants to pay the tax on 20th April, interest payable on the amount of CGST and SGST each is as follows: Rs. 75,000 x 18% x 31/365 = Rs. 1,147 (rounded off)

As per Section 49(10) of the CGST Act, 2017, any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the CGST Act, 2017 can be transferred to the electronic cash ledger for integrated tax, central tax, State tax, Union territory tax or cess, in such form and manner and subject to such conditions and restrictions as may be prescribed. Thus, amount entered under any Minor head (Tax, Interest, Penalty, etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be transferred to any other major or minor head.

Consequently, cross-utilization among Major and Minor heads is also possible.

Thus, Miss Nitya is liable to pay the following amount of tax and interest as under:

	CGST		SGST	
	Tax	Interest	Tax	Interest
Tax Liability	75,000	1,147	75,000	1,147

Balances in Electronic cash ledger in same major/minor head	40,000	1,000	80,000	400
Balance transferred from other major/minor head	35,000 [Note 1]	147 [Note 2]	Nil	747 [Note 3]
Amount payable in cash	Nil	Nil	Nil	Nil

Note 1 - Rs. 35,000 shortfall amount has been transferred from cash ledger balance available in Major Head IGST.

Note 2 - Rs. 147 shortfall amount has been transferred from cash ledger balance in minor head penalty of major head CGST.

Note 3 - Rs. 747 shortfall amount has been transferred from cash ledger balance in minor head tax of major head SGST.

Since there is no restriction in intra-head or inter-head transfer of available balance in cash ledger as per the relevant provisions, it is upon the taxpayer to decide from which account the shortfall has to be made good.

Question 12.

Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 2020 and wishes to pay his IGST liability for the month. Since he is making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Sahil regarding the various modes of deposit in the electronic cash ledger. Further, advise him with regard to following issues:

- Are manual challans allowed under GST?
 - What is the validity period of the challan?
 - Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?
- (CA Inter RTP May 2019) & (ICAI study material)**

Answer:

As per the provisions of CGST Act, 2017 read with relevant rules, the deposit in electronic cash ledger can be made through any of the following modes, namely: -

- Internet Banking through authorised banks;
 - Unified Payment Interface (UPI) from any bank;
 - Immediate Payment Services (IMPS) from any bank;
- Credit card or Debit card through the authorised bank;
- NEFT/RTGS from any bank; or
- Over the Counter payment through authorised banks for deposits up to Rs 10,000 per challan per tax period, by cash/cheque/demand draft.

Thus, offline mode is also permitted under GST subject to specified conditions.

- Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.
- Challan is valid for a period of 15 days.
- A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the CGST Act, 2017 to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess.

Question 13.

Suhasini is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid Rs. 75,000 to various vendors. The total input tax involved on the goods and services procured by her is Rs. 13,500. Out of the total bills paid by her, one bill for Rs. 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 Rs. 2,700.

Suhasini is of the opinion that for the month of October, no GST is payable from electronic cash ledger as she has sufficient balance of ITC for payment of GST under reverse charge on security services. Do you think Suhasini is right? Explain with reasons.

(ICAI study material)

Answer:

The amount available in the electronic credit ledger, i.e., ITC may be used for making any payment towards output tax [Section 49(4)]. 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 [Section 2(82)].

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, Suhasini is wrong and she will need to pay the GST of Rs. 2,700 on security service through electronic cash ledger.

Question 14.

M/s PPC & Co. have availed input tax credit of Rs. 42,500/- during September under IGST head, instead of availing Rs. 21,250 under CGST & SGST heads. Mr. X, accountant of the above entity would like to use Form GST PMT-09 for making a transfer from IGST head to respective CGST & SGST heads. Examine the scenario and offer your comments.

(ICAI study material)

Answer:

As per provisions of section 49(10) read with rule 87(13) of CGST Rules, 2017, "A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the Act to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess in FORM GST PMT-09".

It is important to note that only amounts available under Electronic Cash Ledger can be transferred to the respective heads using Form GST PMT-09 and not otherwise.

Accordingly, contention of the Accountant Mr. X of M/s PPC & Co., is not valid for transfer of Rs. 42,500 from head IGST to respective CGST & SGST in Electronic Credit Ledger.

Question 15.

To whom the restriction of deposits upto Rs. 10,000/- per challan per tax period, by cash, cheque or demand draft is not applicable?

Answer.

The restriction of deposits upto Rs. 10,000/- per challan per tax period, by cash, cheque or demand draft is not applicable to the deposit made by:

- (a) Government Departments or any other deposit to be made by persons as may be notified by the Commissioner in this behalf;
- (b) Proper officer or any other officer authorized to recover outstanding dues from any person, whether registered or not, including recovery made through attachment or sale of movable or immovable properties;

- (c) Proper officer or any other officer authorized for the amounts collected by way of cash or cheque, demand draft during any investigation or enforcement activity or any ad hoc deposit:

Question 16.

Examine the taxes to be paid for the month of July on the basis of below information furnished by M/s Zinc & Co.:

Particulars	IGST (Rs)	CGST (Rs)	SGST (Rs)
Output tax payable	14,75,000	28,34,000	28,34,000
Tax payable under reverse charge	36,000	1,44,000	1,44,000
Balance in Electronic Credit Ledger	26,52,000	18,32,000	18,32,000

Output tax reported under IGST column pertains to the month of February, which was not paid for the said period. Also, note that input tax credit available in Electronic Credit Ledger pertains to input tax on purchases made during the month of July and no opening balance exists from previous tax period.

(ICAI study material)

Answer:

Payment of taxes is governed as per the provisions laid in section 49 read with section 49A and 49B of CGST Act, 2017 along with rule 88A of CGST Rules, 2017

Also, section 49(8) of CGST Act, stipulates that every taxable person shall discharge his tax and other dues under this Act or the rules made thereunder in the following order, namely:

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

As per the above provisions, self-assessed tax of previous tax period i.e., February shall be paid first and later self-assessed tax of current tax period i.e., July shall be paid.

Payment of taxes under forward charge

Particulars	IGST (Rs)	CGST (Rs)	SGST (Rs)
Balance in electronic credit ledger for utilization	26,52,000	18,32,000	18,32,000
Output tax payable for July	14,75,000	28,34,000	28,34,000
Less: Utilization of input tax credit:			
a. IGST [Refer Note 1]	14,75,000	5,88,500	5,88,500
b. CGST	0	18,32,000	0
c. SGST	0	0	18,32,000
Amount payable through electronic cash ledger	Nil	4,13,500	4,13,500

Total amount payable through electronic cash ledger

Particulars	IGST (Rs)	CGST (Rs)	SGST (Rs)
Amount payable through Electronic cash ledger under forward charge	Nil	4,13,500	4,13,500
Amount payable through electronic cash ledger under reverse charge [Refer Note-2]	36,000	1,44,000	1,44,000
Total amount payable through electronic cash ledger	36,000	5,57,500	557,500

Notes: -

1. After utilization of IGST credit towards output IGST liability, balance has been utilized equally amongst CGST & SGST
2. Input tax credit cannot be utilized for discharging tax liability under reverse charge basis, thus payable vide electronic cash ledger.

Since, M/s Zinc & Co., have defaulted in payment of taxes for the month of February and the same has been paid during July, interest is payable as per the provisions of section 50 of the CGST Act, 2017

Section 50: Interest on delayed payment of Tax

Question 17.

Mr. Alok, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 2020 on 15th April, 2020. The prescribed due date to file the said GSTR3B was 20th February, 2020. The amount of net GST payable, in Cash i.e., Electronic Cash Ledger on supplies made by him for the said month worked out to be Rs. 36,500 which was paid on 15th April, 2020. Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Alok. Ignore the effect of leap year, if applicable in this case.

(ICAI study material)

Answer:

Interest is payable in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

Thus, the amount of interest payable by Mr. Alok is as under: -

Period of delay = 21st February, 2020 to 15th April, 2020 = 54 days

Hence, amount of interest = Rs. 36,500 x 18% x 54/365 = Rs. 972

Question 18.

M/s ABC Ltd. have belatedly filed GST return (under section 39) for the month of January after 60 days from the due date for filing such return. Total tax paid in such return is as below:

Particulars	IGST (Rs)	CGST (Rs)	SGST (Rs)
Output tax payable	4,50,000	2,85,000	2,85,000
Tax payable under reverse charge	18,000	32,000	32,000
Input tax available for utilisation	2,50,000	55,000	55,000
Tax paid through Electronic Cash Ledger	2,18,000	2,62,000	2,62,000

Examine the interest payable as per the provisions of GST law.

What would be your answer, if entire tax for the month of January has to be paid through Electronic Credit Ledger except taxes to be paid on reverse charge basis?

(ICAI study material)

Answer:

Proviso to section 50 lays down that the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date in accordance with the provisions of section 39, except where such return is furnished after commencement of any proceedings under section 73 or section 74 in respect of the said period, shall be levied on that portion of the tax that is paid by debiting the electronic cash ledger.

In the given scenario, M/s ABC Ltd. have filed their return belatedly and as per the above provisions, interest is payable on the tax component paid through Electronic Cash Ledger only. A point relevant to note here is that tax payable on reverse charge basis also carries

interest for the period of delay in remittance of tax and input tax credit cannot be used to pay the same (i.e., tax payable under reverse charge has to be paid in cash).

Accordingly, interest under section 50 payable for the tax paid through Electronic Cash Ledger is computed as below:

IGST: $218,000 * 18\% * 60 / 365 = 6,450$ CGST: $262,000 * 18\% * 60 / 365 = 7,752$ SGST: $262,000 * 18\% * 60 / 365 = 7,752$

Further, if entire tax payable for January is paid through Electronic Credit ledger, except for the taxes to be paid under reverse charge basis, then interest under section 50 is applicable only on the remittance of tax under reverse charge basis and not for tax payable on forward charge basis. Interest payable is given as below:

IGST: $18,000 * 18\% * 60 / 365 = 532$

CGST: $32,000 * 18\% * 60 / 365 = 946$

SGST: $32,000 * 18\% * 60 / 365 = 946$

Question 19.

M/s ABC Ltd., have filed their GSTR-3B for the month of July, 2020 within the due date prescribed under Section 39 i.e., 20.08.2020. Post filing of the return, the registered person has noticed during September 2020 that tax dues for the month of July, 2020 have been short paid for Rs. 40,000. M/s ABC Ltd., has paid the above shortfall of Rs. 40,000, through GSTR 3B of September 2020, filed on 20.10.2020 [payment through Cash ledger - Rs. 30,000 and Credit ledger Rs. 10,000]. Examine the Interest payable under the CGST Act, 2017.

What would be your answer if, GSTR-3B for the month of July 2020 has been filed belatedly on 20.10.2020 and the self-assessed tax of Rs. 40,000/- has been paid on 20.10.2020 [payment through electronic cash ledger - Rs. 30,000 and electronic credit ledger Rs. 10,000] Notes:

- There exists adequate balance in Electronic Cash & Credit ledger as on 31.07.2020 for the above short fall
- No other supply has been made nor tax payable for the month of July, 2020 other than Rs. 40,000/- missed out to be paid on forward charge basis
- Ignore the effect of leap year, if applicable in this case.

(ICAI study material)

Answer:

Interest is payable under Section 50 of the CGST Act, 2017 in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

As per proviso to sub-section (1) of Section 50, interest is payable on the net tax liability paid in cash, only if the return to be filed for a tax period under Section 39, has been filed after the due date to furnish such return.

In the above scenario, M/s ABC Ltd., has defaulted in making the payment for Rs. 40,000 on self-assessment basis in the return for the month of July, 2020.

Accordingly, interest is payable on the gross liability and proviso of subsection 50(1) shall not be applicable.

Thus, the amount of interest payable by M/s ABC Ltd., is as under: - Period of delay = 21st August, 2020 to 20th October, 2020 = 60 days Hence, amount of interest = Rs. 40,000 x 18% x 60/365 = Rs. 1,184

Alternatively, if M/s ABC Ltd., have filed the return for the month of July, 2020 on 20.10.2020, beyond the stipulated due date of 20.08.2020 and if the self-assessed tax for July, 2020 has been paid on 20.10.2020, interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only.

Hence Interest is payable from 21st August 2020 till 20th October 2020 = 60days

Amount of Interest = Rs. 30,000 x 18% x 60/365 = Rs. 888

Question 20.

PQR Ltd., have filed their GSTR-3B return for the month of August, 2020 within the due date i. e. 20.09.2020. It was noticed in October, 2020 that tax dues for the month of August, 2020 have been short paid by Rs. 10,000. The shortfall of Rs. 10,000 was paid through cash ledger and credit ledger amounting to Rs. 7,500 and Rs. 2,500 respectively while filing GSTR-3B of October, 2020 which was filed on 20.11.2020.

- (i) Examine and compute the interest payable if any under the CGST Act, 2017.
- (ii) What would be your answer if, GSTR-3B for the month of August 2020 had been filed belatedly on 20.11.2020 as above.

Note: Ignore the effect of the leap year. Electronic cash ledger and credit ledger carried sufficient balance for the above shortfall.

(CA Inter Dec 21)

Answer:

In case of delayed payment of tax, interest is payable @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

However, interest is payable only on the short-paid tax which is paid through electronic cash ledger if return under section 39 is furnished after the due date.

- (i) In the given case, PQR Ltd. has furnished the return for August 2020 by the due date. Hence, interest is payable on the entire amount of short payment of Rs. 10,000, as under:
= Rs. $10,000 \times 18\% \times 61/365$ = Rs. 300.82 or 301 (rounded off)
- (ii) If PQR Ltd. has furnished the return for August 2020 after the due date, interest is payable only on the short payment which is paid through electronic cash ledger, i.e. Rs. 7,500, as under:
= Rs. $7,500 \times 18\% \times 61/365$ = Rs. 225.62 or 226 (rounded off)

Question 21.

What is an E-FPB?

Answer:

E-FPB stands for Electronic Focal Point Branch. These are branches of authorized banks which are authorized to collect payment of GST. Each authorized bank will nominate only one branch as its E-FPB for pan India Transactions. The E-FPB will have to open accounts under each major head for all governments. Total 38 accounts (one each for CGST, IGST and one each for SGST for each State/UT Govt.) will have to be opened. Any amount received by such E-FPB towards GST will be credited to the appropriate account held by such EFPB. For NEFT/ RTGS Transactions, RBI will act as E-FPB.

Question 22.

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

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

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

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

Inter-State purchases of goods	50,000
--------------------------------	--------

Mr. X has following ITC's with him at the beginning of the tax period:

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

Note :

- Rate of CGST, SGST and IGST to be 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 Mr. X during the tax period. Make suitable assumption as required.

Answer:

Computation of minimum GST payable in cash by Mr. X on outward supplies

S.No.	Particulars	(₹)	GST (₹)
(i)	Intra-State supply of goods		
	CGST @ 9% on ₹ 8,00,000	72,000	
	SGST @ 9% on ₹ 8,00,000	72,000	1,44,000
	Inter-State supply of goods		
	IGST @ 18% on ₹ 3,00,000		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 in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable	72,000	72,000	54,000
Less: ITC	(Nil)-IGST	(25,000)-IGST	(54,000)-IGST
	(72,000)-CGST	(18,000) - SGST	
Minimum GST payable in cash	Nil	29,000	Nil

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.

Question 23.

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

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

Following additional information is also provided by Mr. Ekaant:-

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

The amount of ITC brought forward in the month of July, 20XX is as under:- CGST: ₹ 2 lakh
SGST: ₹ 2 lakh IGST: ₹ 5 lakh

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

CGST 9%

SGST 9%

IGST 18%

Note:

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

Answer:

(To be discussed in class)

Notes:-

1. Services supplied by an individual advocate to any business entity located in the taxable territory by way of legal services, directly or indirectly are taxable under reverse charge mechanism. Thus, tax is payable by the recipient (Mr. Ekaant) on said services to the Government.
Further, as per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger [ITC amount] may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.
2. Every registered person is entitled to take credit of input tax charged on any inward supply of goods and/or services which are used or intended to be used in the course or furtherance of his business in terms of section 16 of CGST Act, 2017. Further “input tax” in relation to a registered person includes the tax payable under reverse charge mechanism in terms of section 2(62) of the CGST Act, 2017.
3. Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the central tax leviable thereon under section 9(4) till 30.09.2019 [Notification No.8/2017 CT (R) dated 28.06.2017]. Since no tax has been paid, so no credit is available.
4. Input tax credit is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.
5. Input tax credit of IGST has been used to pay IGST and CGST in that order.

Question 24.

Mr. Broker wrongly availed ₹ 1,25,000 Input Tax Credit (CGST + SGST) at the time of furnishing return under section 39 of the COST Act, 2017 for the month of October 2022. This ITC was not utilised against the output liability for the month of October, 2022. Mr. Broker utilised ITC of ₹ 75,000 from the above wrongly availed ITC of ₹ 1,25,000 against output liability for the month of November, 2022.

Mr. Broker paid the amount of ITC wrongly utilised ₹ 75,000 on 10th March, 2023 and reversed the unutilized amount f 50,000 on 20th March 2023. Calculate the total interest payable (CGST + SGST) rounded off to nearest one funder GST law if, Mr. Broker files:

- (i) Form GSTR-3B for the month of October on 18 th November, 2022.
- (ii) Form GSTR-3B for the month of November on 25 th December, 2022.

Note: Assume there is no extension of due date of filing of form GSTR- 3B and no other transactions during the year 2022-23. (Nov 23)

One Concept One Question

10. PLACE OF SUPPLY

Question 1.

Mr. Mukesh Ambani (registered in Ludhiana, Punjab) enters into a contract with an event management company, Mr. Anil (registered in Delhi) for organising his sons wedding in Jamnagar at an agreed consideration of Rs. 100lacs

Mr. Anil booked Taj Lands end in Jamnagar for 5 nights for a consideration for 10lacs.

He booked Royal caterers for providing catering service at the venue for 15lacs.

He also took the guests like Mark Zuckerberg, Bill Gates to nearby amusement parks like Vantara that was situated in Rajkot where the admission fee was 1000/person

Mr. Anil paid the freight for the transportation of goods for all the guests by handing over them to Indigo airlines at the Mumbai airport.

All the guests were taken from Mumbai to Ahmedabad and then to Jamnagar where they were requested to throw their simcards and insert JIO sims, which were supplied to them in Ahmedabad by their distributor.

Everyone chose to take prepaid simcards but Ranveer chose to take postpaid sims of Jio, where he mentioned his billing address as Chennai

Mr. Anil hedged the risk of any uncertain event by taking a general insurance from Piramal Insurance Ltd.

Mr. Anil also made sure that the guests have cash at all times during the events and to facilitate that he had installed ATMs of SBI at various intervals, it was seen that Dhoni who is based in Ranchi and also the account holder of SBI was procuring service from the SBI ATM for a certain fee. In Jamnagar

Ranbir and Alia (unregistered under GST) were taken to nearby local markets of Jamnagar where the shopkeepers sold them their handicraft goods over the counter where the shopkeepers asked them their address so that the customised handicraft goods can be delivered at their home.

Answer:

Mr Anil is providing event management service to Mukesh Ambani, registered in Punjab,
POS- Punjab

Mr. Anil booked Taj Lands end in Jamnagar for 5 nights for a consideration for 10lacs.
POS- Jamnagar

He booked Royal caterers for providing catering service at the venue for 15lacs.
POS- Jamnagar

He also took the guests like Mark Zuckerberg, Bill Gates to nearby amusement parks like Vantara that was situated in Rajkot where the admission fee was 1000/person
POS- Rajkot

Mr. Anil paid the freight for the transportation of goods for all the guests by handing over them to Indigo airlines at the Mumbai airport.

POS-Delhi

All the guests were taken from Mumbai to AHMEDABAD AND THEN TO Jamnagar where they were requested to throw their simcards and insert JIO sims, which were supplied to them in Ahmedabad by their distributor.

POS- Ahmedabad

Everyone chose to take prepaid simcards but Ranveer chose to take postpaid sims of Jio, where he mentioned his billing address as Chennai

POS-Chennai

Mr. Anil hedged the risk of any uncertain event by taking an event insurance from Piramal Insurance Ltd.

POS-Delhi

Mr. Anil also made sure that the guests have cash at all times during the events and to facilitate that he had installed ATMs of SBI at various intervals, it was seen that Dhoni who is based in Ranchi and also the account holder of SBI was procuring service from the SBI ATM for a certain fee. In Jamnagar

POS-Ranchi

Ranbir and Alia (unregistered under GST) were taken to nearby local markets of Jamnagar where the shopkeepers sold them their handicraft goods over the counter where the shopkeepers asked them their address so that the customised handicraft goods can be delivered at their home in Jaipur

POS-Jaipur

Question 2.

Mr. Elvish Yadav, an unregistered person based in Delhi booked a ticket with Indigo airlines for a voyage from Mumbai to Ayodhya, the flight in which he was commuting had its first scheduled departure point in Dubai but Elvish embarked his journey from Mumbai, during the flight he took a device on rent to watch movies and also purchased package food items that were on board on the aircraft from Mumbai that has had a route of Dubai-Mumbai-Ayodhya. Will your answer be different if Elvish Yadav was a registered person?

What shall be the place of supply for

- i) Transportation of passenger service
- ii) Goods supplied on board a conveyance
- iii) Service supplied on board a conveyance

Answer:

Since Elvish Yadav is an unregistered person

- i) Transportation of passenger service
POS- that place where the passenger embarks his journey i.e. Mumbai
- ii) Goods supplied on board a conveyance
POS- that place where the goods are taken on board i.e. Mumbai
- iii) Service supplied on board a conveyance
POS- first scheduled departure point of the conveyance i.e. Dubai

If he is a registered person, the answer shall be different only in case of transportation of passenger service

POS- Location of registered person i.e. Delhi

Sec 10(1)(b)

Question 3.

Parth of Pune, Maharashtra enters into an agreement to sell goods to Bakul of Bareilly, Uttar Pradesh. While the goods were being packed in Pune godown of Parth, Bakul got an order from Shreyas of Shimoga, Karnataka for the said goods. Bakul agreed to supply the said goods to Shreyas and asked Parth to deliver the goods to Shreyas at Shimoga. You are required to determine the place of supply(ies) in the above situation. (CA Final RTP NOV 18)

Answer:

The supply between Parth (Pune) and Bakul (Bareilly) is a bill to ship to supply where the goods are delivered by the supplier [Parth] to a recipient [Shreyas (Shimoga)] or any other person on the direction of a third person [Bakul]. The place of supply in case of bill to ship to supply of goods is determined in terms of section 10(l)(b) of IGST Act, 2017.

As per section 10(l)(b) of IGST Act, 2017, where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person.

Thus, in the given case, it is deemed that the Bakul has received the goods and the place of supply of such goods is the principal place of business of Bakul. Accordingly, the place of supply between Parth (Pune) and Bakul (Bareilly) will be Bareilly, Uttar Pradesh.

This situation involves another supply between Bakul (Bareilly) and Shreyas (Shimoga). The place of supply in this case will be determined in terms of section 10(1) (a) of IGST Act, 2017. Section 10(l)(a) of IGST Act, 2017 stipulates that where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, 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, the place of supply in second case is the location of the goods at the time when the movement of goods terminates for delivery to the recipient (Shreyas) i.e., Shimoga, Karnataka.

Sec 10(1)(ca)

Question 4.

Miss Aarohi a student based in Pune visited Mumbai for Anuv Jain's Music Show while returning from show she visited Reliance Trends and purchased a pair of jeans and returned to Pune. While paying the bill salesman asked details like contact number, email id, address so that they can send her secret santa gift in Christmas . Determine the place of supply

Answer:

As per recent amendment u/s 10(1)(ca) of the IGST Act .When goods are sold Over the Counter to any unregistered person, where the address of the unregistered person is recorded in the invoice then place of supply will be location as per address of unregistered person recorded in the invoice.

Hence, in this case Place of Supply shall be Pune (i.e location as per address in Invoice)

Question 5.

Babuji a senior citizen of Uttar Pradesh visited Mumbai for Annual General Meeting of ITC. While returning he went to D-mart, Mumbai and purchased exclusive collection of T-shirts. While issuing the invoice salesman didn't asked for any details, he packed the garments and gave to Babuji the place of supply.

Answer:

As per recent amendment u/s 10(1)(ca) of the IGST Act .Place of supply of goods when Over the Counter goods are sold to unregistered buyer.

Where the address of the unregistered person is not recorded in the invoice then place of supply will be is location of the supplier.

Hence Place of Supply shall be Mumbai (ie. Location of supplier).

Sec 12(3)

Question 6.

Mr. Mahendra Goyal, an interior decorator provides professional services to Mr. Harish Jain in relation to two of his immovable properties. Determine the place of supply in the transactions below as per provisions of GST law In the following independent situations:

Case	Location of Mr. Mahendra Goyal	Location of Mr. Harish Jain	Properties situated Jain at
I	Delhi	Chennai	New York (USA)
II	Delhi	Mumbai	Delhi

Explain the relevant provisions of law to support your conclusions.

(ICAI study material) & (CA Final-MAY 18)

Answer:

Case I: As per section 12(3), where both the service provider and the service recipient are located in India, the place of supply of services directly in relation to an immovable property, including services provided by interior decorators is the location of the immovable property. However, if the immovable property is located outside India, the place of supply is the location of the recipient.

Since in the given case, both the service provider (Mr. Mahendra Goyal) and the service recipient (Mr. Harish Jain) are located in India and the immovable property is located outside India (New York), the place of supply will be the location of recipient, Chennai (Tamil Nadu)

Case II: As per section 12(3) where either the service provider or the service recipient is located outside India, the place of supply of services directly in relation to an immovable property including services of interior decorators is the location of the immovable property.

Since in the given case, service provider (Mr. Mahendra Goyal) is located in India and service recipient (Mr. Harish Jain) is located In Mumbai, the place of supply will be the location of immovable property, i.e., Mumbai

Question 7.

Flipkart registered in Mumbai approaches Monke Media to advertise their brand on the streets of Mumbai ,after designing the creatives and deciding the locations of hoarding ,Monke approaches

Bright Outdoor Ltd a hoarding company that rents out 100 hoardings in Mumbai for one month where they are providing renting of space service at a monthly rent of 1 hoarding is Rs 1 lac. Determine place of supply

Answer:

In this case Bright out door media is renting space to Monke Media and hence the POS shall be determined u/s 12(3) ie location of immovable property -Mumbai

Question 8.

Baba Elaichi based in UP approached Monke Media in Mumbai to advertise their brand on the streets of Lucknow

Monke Media out sourced this entire project to Bright outdoor Ltd. where Bright outdoor would be responsible making the creatives,shoots to be done,locations to be scouted for the ads and period for which they need to keep the hoardings.

In this case what shall be the place of supply of service that Bright outdoor is supplying Monke Media.

Answer:

Bright outdoor media is supplying advertisement service to Monke media in this case as it makes creatives,shoots,scouts the right location for the hoardings to be put out and hence its place of supply shall be as per 12(2).

Since the recipient (Monke) is a registered person in Mumbai.POS--Mumbai

Sec 12(4)

Question 9.

Kamlesh caterers, regd. in Mumbai is supplying catering service to Mr. Virat based in Delhi on his wedding which is held in Italy.

POS-Italy

Sec 12(9)

Question 10.

Indian railways regd. in Mumbai has issued a monthly pass to travel from Surat to Baroda for Mr. Ayush registered in Ahmedabad
Indian railways has not asked for the address details of Mr. Ayush
What shall be the place of supply if he is an unregistered person?

Answer:

In case where there is right to passage for passenger who is unregistered then in that case it is not possible to trace the embarkation point and hence its POS shall be determined as per section 12(9) and hence POS shall be determined as per general section 12(2) where if the supplier does not know the address of the recipient then POS shall be -Location of supplier i.e. Mumbai.

Sec 9

Question 11.

Miss Gauri Khan, an interior decorator registered in Mah is renovating a structure that is situated on Arabian sea
Maharashtra is 10nm from the baseline
Gujarat is 13nm from the baseline.

Answer:

In this case POS shall be determined as per section 9 i.e. coastal state where the nearest place of appropriate baseline is situated i.e. Maharashtra

Question 12.

Miss Gauri Khan, an interior decorator registered in Mah is renovating a structure that is situated on Arabian sea, i.e. 100nm from the baseline where the nearest coastal state is Maharashtra

Answer:

In this case Place of supply shall be determined as per section 12(3) i.e. location of immovable property i.e. Other territory -
LOS-Mah
POS- Other territory
NOS-Inter
TAX-IGST

Sec 8

Question 13.

Infosys, registered in Boston is supplying IT services to Infosys, based in Bangalore without any consideration, will this be considered as supply?

Answer:

As per explanation to section 8, IGST act when the establishment is in India and another I/s outside India are also considered as distinct persons.
Yes, as it is a deemed supply between distinct persons without consideration in the course of business

One Concept One Question

11. E-WAY BILL

Question 1.

Square Ltd., registered in Andhra Pradesh, sends goods to its job worker Cube & Co. in Karnataka, which is also registered under GST. Value of the consignment was Rs. 45,000 (including GST)

Answer

E-way bill is mandatorily required to be issued in case of inter-State transfer of goods by principal to job-worker, irrespective of the value of the consignment.

In view of the same, e-way is mandatorily required to be issued in the given case.

Question 2.

Mr. Bheeshma of Telangana started doing business in notified handicraft products as a casual taxable person. He got his first order of Rs. 30,000 from Tamil Nadu which he transports. He is not registered under GST since he has a threshold limit of Rs. 20 lakh.

Answer

E-way bill is mandatorily required to be issued in case of inter-State transfer of handicraft goods by a person exempted from obtaining registration.

In view of the same, e-way bill is mandatorily required to be issued in the present case.

Question 3.

M/s. ABC Manufacturers, registered in West Bengal, sold air-conditioner to a retail seller in Bhubaneswar, at a value of Rs. 49,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of air-conditioning machine to the retail seller in Bhubaneswar.

You are required to advise M/s. ABC Manufacturers on the following issues along with suitable explanations:

- (i) Whether e-way bill is mandatorily required to be generated?
- (ii) What will be the consequence for non-issuance of e-way bill?

Answer

- (i) E-way bill is mandatorily required to be generated whenever there is a movement of goods of consignment value exceeding Rs. 50,000, inter alia, in relation to a supply. Consignment value of goods includes the central tax, State/Union territory tax, integrated tax and cess charged, if any. Thus, the consignment value of goods, in the given case, will be Rs. 57,820 [Rs. 49,000 + (Rs. 49,000 x 18%)].

Since in the given case the movement of goods is in relation to supply of goods and the consignment value exceeds Rs. 50,000, e-way bill is mandatorily required to be generated in respect of movement of goods from West Bengal to Bhubaneswar.

- (ii) **Non-issuance of e-way bill may result in the following consequences:**
 - (a) Imposition of penalty of Rs. 10,000/- or tax sought to be evaded (wherever applicable), whichever is greater
 - (b) Detention and seizure of goods and the conveyance used to transport the said goods and the same will be released only on payment of penalty as per section 129(1).

Question 4.

M/s Sakura Enterprises made an inter-State supply of taxable goods valued at Rs. 47,500 and exempt goods valued at Rs. 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.

Answer:

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

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

Question 5.

M/s Boat Ltd made an inter-State supply of exempt goods valued at Rs. 52,000. Determine, with brief reasons, whether e-way bill generation is mandatory for the above supply made by Boat Ltd.

Answer

M/s Boat Ltd made an inter-State supply of exempt goods valued at Rs. 52,000 ,in this case e-waybill will not be required to be generated because goods that are covered under exemption notification 7/2017 are not required to be generated.

Validity of E-way bill

Type of vehicle	Distance	Ewaybill generated	Validity (no of days)	Validity (date)
Over dimensional cargo	111kms	9th March '24 @ 11.30pm	6days	15-16th. Midnight
Other than Over dimensional cargo	456kms	27th Dec '24 @ 1.30am	3days	30-31st dec - Midnight
Multimodal shipment where one of the mode is through ship	72kms	1st June '24 @ 5.30pm	4days	5th June -6th June Midnight

Amendment

Question 5.

Mr. Shambhu, a trader registered under GST in Delhi is engaged in wholesale business of toys for kids. Mr. Nandi registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Shambhu for selling to end consumers. Mr. Shambhu paying tax in regular scheme in Delhi, has not filed GSTR-3B for last 2 months. Mr. Nandi wants to generate e-way bill for toys amounting to Rs. 5,00,000 to be supplied to Mr. Shambhu. Also Mr. Narayan from Jammu approached Mr. Shambhu for purchasing toys amounting to Rs. 75,000 for the purpose of return gift on his son's first birthday party. Shambhu wants to generate an e-way bill in respect of an outward supply of goods to Mr. Narayan. Examine with reference to the provisions under GST law, whether Mr. Nandi and Mr. Shambhu can generate e-way bill?

Answer:

Rule 138E of the CGST Rules, 2017 contains provisions pertaining to blocking of e-way bill generation facility, i.e., disabling the generation of e-way bill.

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 as per rule 138E.

Rule 138E provides that blocking of GSTIN for e-way bill generation would only be for the defaulting supplier GSTIN and not for the defaulting Recipient or Transporter GSTIN. In terms of rule 138E, 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 as per rule 138E. 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. Nandi as Mr. Nandi 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. Shambhu to Mr. Narayan as it's an outward movement of goods of Mr. Shambhu who has not filed GSTR-3B for past 2 months.

No Eway bill

Question 6.

TBZ jewellers have sent jewellery of consignment value 100lacs to Radhika ambani on approval basis on 7th March for her pre-wedding function-

Answer

No E-way bill to be generated

Question 7.

Joyalukas, have sent imitation jewellery of consignment value 48000(EXCLUDING GST@18%) to Anil ambani on approval basis on 7th March who was invited as guest the above pre-wedding-

Answer

Eway bill is to be generated as imitation jewellery is an exception in the list of goods where Ewaybill is not required to be generated.

Question 8.

Adani ltd transports goods by hiring Mr.Amitabh who transport goods from Mumbai to Pune in a bullockart where the consignment value of goods is 65000.

Answer

Eway bill shall not be generated even though the consignment value is exceeding 50,000 as the goods are transported in a bullockart ie a non motorised conveyance.

Question 9.

BPCL transports petrol from its refinery in Jamnagar to its depot in Mumbai where the consignment value is 55,000(excluding Excise duty-6,000)

Answer

Though the consignment Value of these goods is exceeding 50,000 (ie 61,000) yet goods that are not leviable to GST shall not be required to generate Ewaybill.

Question 10.

Pepsico has loaded 100litres of beverage in its truck and sent to weighment bridge that was 15kms from the factory-

Answer

Pepsi co is not required to generate Eway bill as the goods are transported from its factory to weighing bridge which is within 20kms (ie 15kms)from its place of business

Question 11.

Tropicanna has loaded 100litres of beverage in its truck and sent to weighment bridge that was 21kms from the factory-

Answer

Pepsi co is required to generate Eway bill as the goods are transported from its factory to weighing bridge which is beyond 20kms (ie 21kms)from its place of business

Bill to ship to model

Question 12.

Mr.Modi,registered in mumbai ordered Mr.Rahul,registered in surat to deliver goods to Mr.Amit,registered in vadodra.How many Ewaybills shall be generated and who can generate Ewaybill in this case?

Answer

In this case since two supplies have happened either Mr.Rahul or Mr.Modi can generate ewaybill

But

Since movement of goods is just once ,Ewaybill shall also be generated once.

Question 13.

Mr.Sameer wakhede intercepted a truck carrying goods that belonged to consignor named SRK when the goods were being transported from Mumbai to Goa
The date and timing of his interception was 2nd November 2am.

- i)When shall Mr Wakhede submit his summary report?
- ii)When shall Mr Wakhede submit his Final report?
- iii)Will he be allowed any extension to submit Final report?

Answer

- i) Within 24hrs of such inspection where the counting starts from the midnight in which such vehicle was inspected
ie by 3rd-4th Midnight November
- ii) Within 3days of such inspection where the counting starts from the midnight in which such vehicle was inspected
ie by 5th-6th midnight of November
- iii) Extension of 3days is permitted by Commissioner if reason so are warranted
ie by 5th-6th midnight of November

Question 14.

Aconveyance carrying 2consignments is intercepted and the personincharge of such conveyance produces valid eway bills andor other relevant documents in respect of 20 consignments, but is unable to produce the same with respect to the remaining consignments, detention confscation can be made for how many consignments?

Answer

Only with respect to the 5 consignments and the conveyance in respect of which the violation of the Act or the rules made thereunder has been established by the proper

One concept, One question

12. TDS

Question 1.

Manihar Enterprises, registered in Delhi, is engaged in supply of various goods and services exclusively to Government departments, agencies etc. and persons notified under section 51. It has provided the information relating to the supplies made, their contract values and the payment due against each of them in the month of October as under:

S.No.	Particulars	Total contract value (inclusive of GST) (₹)	Payment due in October (₹)
1	Supply of stationery to Fisheries Department, Kolkata	2,60,000	15,000
2	Supply of car rental services to Municipal Corporation of Delhi	2,95,000	20,000
3	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand	5,90,000	25,000
4	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860	6,49,000	50,000
5	Interior decoration of Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh)	12,39,000	12,39,000
6	Supply of printed books and printed post cards to a West Delhi Post Office [Out of total contract value of ₹ 9,72,000, contract value for supply of books (exempt from GST) is ₹ 7,00,000 and for supply of printed post cards (taxable under GST) is ₹ 2,72,000.]	9,72,000	50,000 for books & 20,000 for printed post cards
7	Maintenance of street lights in Municipal area of East Delhi* [The maintenance contract entered into with the Municipal Corporation of Delhi also involves replacement of defunct lights and other spares. However, the value of supply of goods is not more than 25% of the value of composite supply.] *an activity in relation to any function entrusted to a Municipality under article 243W of the Constitution	3,50,000	3,50,000

You are required to determine amount of tax, if any, to be deducted from each of the receivable given above assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively. Will your answer be different, if Manihar Enterprises is registered under composition scheme?

Answer:

As per section 51 read with section 20 of the IGST Act, 2017 and Notification No. 50/2018 CT 13.09.2018, with effect from 01.10.2018, 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.

Since in the given case, Manihaar Enterprises is supplying goods and services exclusively to Government departments, agencies etc. and persons notified under section 51, applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

S. No.	Particulars	Total contract value (₹)	Payment due (₹)	Tax to be deducted		
				CGST (₹)	SGST (₹)	IGST (₹)
(i)	Supply of stationery to Fisheries Department, Kolkata (Note-1)	2,60,000	15,000	--		
(ii)	Supply of car rental services to Municipal Corporation of Delhi (Note-2)	2,95,000	20,000	--		
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand (Note-3)	5,90,000	25,000			500
(iv)	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860 (Note-4)	6,49,000	50,000	500	500	
(v)	Interior decoration of Andhra Bhawan located in Delhi (Note-5)	12,39,000	12,39,000	--		

(vi)	Supply of printed books and printed post cards to a West Delhi Post Office (Note-6)	9,72,000		--		
(vii)	Maintenance of street lights in Municipal area of East Delhi (Note-7)	3,50,000	3,50,000	--		

Notes:

- Being an inter-State supply of goods, supply of stationery to Fisheries Department, Kolkata is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:
 $= ₹ 2,60,000 \times 100 / 118$
 $= ₹ 2,20,339$ (rounded off)
 Since the total value of supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.
- Being an intra-State supply of services, supply of car rental services to Municipal Corporation of Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:
 $= ₹ 2,95,000 \times 100 / 118$
 $= ₹ 2,50,000$
 Since the total value of supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.
- Being an inter-State supply of goods, supply of heavy machinery to PSU in Uttarakhand is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:
 $= ₹ 5,90,000 \times 100 / 118$
 $= ₹ 5,00,000$
 Since the total value of supply under the contract exceeds ₹ 2,50,000, PSU in Uttarakhand is required to deduct tax @ 2% of ₹ 25,000, i.e. ₹ 500.
- Being an intra-State supply of goods, supply of taxable goods to National Housing Bank, Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:
 $= ₹ 6,49,000 \times 100 / 118$
 $= ₹ 5,50,000$
 Since the total value of supply under the contract exceeds ₹ 2,50,000, National Housing Bank, Delhi is required to deduct tax @ 2% (1% CGST + 1% SGST) of ₹ 50,000, i.e. ₹ 1,000.
- 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 (Manihar 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.

6. If the contract is made for both taxable supply and exempted supply, tax shall be deducted if the total value of taxable supply in the contract exceeds ₹ 2,50,000. Being an intra-State supply of goods, supply of printed post cards to a West Delhi Post Office is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:
= ₹ 2,72,000 × 100 / 118
= ₹ 2,30,509 (rounded off)
Since the total value of taxable supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.
7. Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply provided to, inter alia, local authority by way of any activity in relation to any function entrusted to a Municipality under article 243W of the Constitution is exempt from GST. Thus, maintenance of street lights (an activity in relation to a function entrusted to a Municipality) in Municipal area of East Delhi involving replacement of defunct lights and other spares where the value of supply of goods is not more than 25% of the value of composite supply is a service exempt from GST. Since tax is liable to be deducted from the payment made or credited to the supplier of taxable goods or services or both, no tax is required to be deducted in the given case as the supply is exempt.
The answer will remain unchanged even if Manihar Enterprises is registered under composition scheme. Tax will be deducted in all cases where it is required to be deducted under section 51 of the CGST Act, 2017 including the scenarios when the supplier is registered under composition scheme.

Question 2.

- (1) A CG Department located at Uttar Pradesh is registered with the Commercial Tax Department UP State for deducting GST. It enters into a contract with a Public Sector Undertaking (PSU), registered under GST in the State of Delhi, for supplying goods valued Rs. 3,50,000. The PSU argues that no tax is deductible on this supply by the Central Government Department as it is located outside the State of Uttar Pradesh and therefore not liable to tax under CGST and SGST as it is a local levy and IGST tax deduction is not applicable if it is located in another State, other than the State in which the Department is registered. You are required to comment on this.
- (2) Would there be any difference, if instead of the PSU if it was an entity in the private sector? Applicable tax rate for deduction is 1% CGST, 1% SGST and 2% IGST.
- (3) If the private sector entity undertakes works contract, for the above Department in New Delhi. What would be the position of tax deduction when the contract value is Rs. 5 lakhs?
- (4) The disbursing officer has not paid the tax deducted in the month of February 2019, amounting to Rs. 2,00,000 under CGST and 2,00,000 under SGST to the Government's account on the relevant due date, but has paid it on 14th May, 2019. Further, return for that month is also filed on that date. What are the consequences, on such failures, to the disbursing officer under the GST law?
- (5) Department of CG issued TDS Certificate to Private Entity on 31st May 2019. Compute late fees, if any?

(CA Final Nov 20)

Answer:

- (i) Certain specified persons are required to deduct tax from the payment made to the supplier of taxable goods and/or services, where the total value of such supply [excluding GST] under a contract, exceeds Rs. 2,50,000.

However, the tax is not liable to be deducted at source when supply of goods and/or services has taken place between one specified person to another specified person. Since both Central Government Department and PSU are the specified persons, tax is not deductible in case of supply of goods between them.

- (ii) Central Government Department is mandatorily required to deduct IGST @ 2% since a private entity is not the specified person.
- (iii) Since, in the given case, the location of supplier and place of supply is in the same State, i.e., Delhi and location of recipient is in UP, Central Government Department is not required to deduct TDS although the total value of supply under the contract is more than Rs. 2,50,000.
- (iv) Failure to deposit TDS with the Government and failure to furnish TDS return within the stipulated time period will result in following consequences:
- (A) Interest @ 18% p.a. on the amount of tax deducted shall be payable.
- (B) Late fee of Rs. 25 per day for the period of delay in furnishing return, or Rs. 1,000, whichever is lower, shall be payable. Equal amount of late fee will be payable under the respective State law.
- (C) Applicable penalty will also be levied.

Note: It has been assumed that the location of private entity and the place of supply are in Delhi and the Central Government Department is in U.P.

(v) **Interest on delayed payment of TDS**

Due date of payment	= 10/3/19
Actual date of payment	= 14/5/19
No of delayed days	= 65 Days
Interest	= $2,00,000 \times 18\% \times \frac{65}{365}$
	= 6411

Late fees on delayed filing of GSTR-7

No of delayed days	= 65 Days
Late fees	= 25Rs/day x 65days
	or
	₹1,000
	= 1625 or 1000
	= 1000
Duedate of issuing TDS certificate (14/5/19 + 5 days)	=19/5/19

Actual date of issuing certificate = 31/5/19

No of delayed days

= 12 days

Late fees

= 25100 x 12 days = 1200

or

Rs 5000

= 11200

W.I.L

One concept, One question

13. TCS

Question 1.

Mr. Aman sells BOAT Head phones Through Amazon, ELO that collects TCS u/s 52 amounting to Rs 100 lacs. It also supplies notified service u/s 9(5) through ECO amounting to Rs. 20 Lacs. Sales Return of BOAT Headphones = 10 lacs
What shall be the TCS liability of Amazon, ECO u/s 52?

Answer:

Computation of Net taxable supplies of goods/service

Supply of headphones through ECO, TCS u/s 52 in Feb	= 100L
Notified supply of services through ECO v/s 9(5)	= -
Sales Return of Headphones in Feb Month	= (10L)
Net taxable supplies	= <u>90L</u>

TCS = 90L x 1% = Rs 90,000

Question 2.

Miss Babita, Mumbai brought TV through ONDC app from Amazon and Amazon directed the order to Jethalal, Pune for the same, the supply was amounting to 1,00,000Rs.
Who will deduct TCS u/s 52, what will be the amount of the same?

Answer:

In this case Supplier side ECO ie Amazon will remit the consideration to the supplier ie Jethalal and hence Amazon will collect TCS u/s 52
The TCS will be collected and deposited as
CGST @ 0.5%-500
SGST @ 0.5%-500

Question 3.

Miss Shraddha, Indore brought Mobile stand from Amazon basics through ONDC app from Amazon, Mumbai where the supply amount was amounting to Rs 10,000
Who will deduct TCS u/s 52, what will be the amount of the same?

Answer:

In this case Supplier side ECO ie Amazon is also the supplier of goods ie mobile stand and hence ONDC (buyer side ECO) will deduct the TCS
TCS will be collected and deposited as
IGST @1%-100

One Concept One Question

14. RETURNS

Question 1.

Mr. Gauri Shiva, a registered person in Punjab, supplies goods taxable @ 12% [CGST @ 6%, SGST @ 6% & IGST @ 12%] in the States of Punjab & Haryana. He has furnished the following details in relation to independent supplies made by him in the quarter ending June, 20XX: -

Supply	Recipient	Nature of Supply	Value
1	Mr. A, a registered person	Inter-State	2,20,000
2	Mr. B, a registered person	Inter-State	2,55,000
3	Mr. C, an unregistered person	Intra -State	1,80,000
4	Mr. D, an unregistered person	Intra -State	2,60,000
5	Mr. M, an unregistered person	Inter-State	3,00,000
6	Mr. N, an unregistered person	Inter-State	50,000
7	Mr. O, an unregistered person	Inter-State	2,50,000
8	Mr. P, an unregistered person	Inter-State	2,80,000
9	Mr. Q, a registered person	Intra -State	1,50,000
10	Mr. R, a registered person	Intra -State	4,10,000

The aggregate annual turnover of Mr. Gauri Shiva in the preceding financial year was Rs 1.20 crore. With reference to rule 59 of the CGST Rules, 2017, discuss the manner in which the details of above supplies are required to be furnished in GSTR-1.

(CA Inter RTP May 20)

Answer:

Rule 59 of the CGST Rules, 2017, inter alia, stipulates that the details of outward supplies of goods and/or services furnished in form GSTR-1 shall include the-

- (a) invoice wise details of all -
 - (i) inter-State and intra-State supplies made to the registered persons; and
 - (ii) inter-State supplies with invoice value more than two and a half lakh rupees made to the unregistered persons;
- (b) consolidated details of all -
 - (i) intra-State supplies made to unregistered persons for each rate of tax; and
 - (ii) State wise inter-State supplies with invoice value upto two and a half lakh rupees made to unregistered persons for each rate of tax;

Thus, in view of the above-mentioned provisions, Mr. Gauri Shiva should furnish the details of outward supplies of goods made by him during the quarter ending June 20XX in the following manner: -

Supply	Recipient	Nature of Supply	Value	Manner of furnishing details
1	Mr. A, a registered person	Inter-State	2,20,000	Invoice-wise details
2	Mr. B, a registered person	Inter-State	2,55,000	Invoice-wise details
3	Mr. C, an unregistered person	Intra -State	1,80,000	Consolidated details of supplies 3 and 4
4	Mr. D, an unregistered person	Intra -State	2,60,000	
5	Mr. M, an unregistered person	Inter-State	3,00,000	Invoice-wise details
6	Mr. N, an unregistered person	Inter-State	50,000	Consolidated details of supplies 6 and 7
7	Mr. O, an unregistered person	Inter-State	2,50,000	
8	Mr. P, an unregistered person	Inter-State	2,80,000	Invoice-wise details
9	Mr. Q, a registered person	Intra -State	1,50,000	Invoice-wise details
10	Mr. R, a registered person	Intra -State	4,10,000	Invoice-wise details

Question 2.

Mr. Kohli is a registered supplier in the State of Gujarat. He is filing GSTR-1 every month. During the month of February, he went out of India and thus, could not do any business transaction during that month. He believes that as there is no transaction, there is no need to file GSTR-1 for the month of February. Is he correct?

Answer:

No, Mr. Kohli is not correct. GSTR-1 needs to be filed even if there is no business activity in the tax period. Therefore, in the given case, even though Mr. Kohli was out of India and thus, could not do any business transaction during the month of February, he is still required to file GSTR-1 for that month.

Question 3.

Will Mr. Kohli have to file NIL return if he makes any exempt supplies?

Answer:

No in that case he has done a business activity and hence he has to file GSTR-1 by furnishing details of such exempted outward supplies and he cannot file NIL return just because his liability is Nil because there is business activity that has taken place.

Question 4.

"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.

(CA Inter May 22)

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.

Question 5.

M/s Cavenon Enterprises, a registered supplier of designer wedding dresses under regular scheme, has aggregate annual turnover of Rs. 30 lakhs in the preceding financial year. It is of the view that in the current financial year, it is permitted to file its statement of outward supplies (GSTR-1) on a quarterly basis while its accountant advises it to file the same on a monthly basis. You are required to advise M/s Cavenon Enterprises on the same.

(ICAI study material)

Answer:

Section 37 stipulates that GSTR-1 for a particular month is required to be filed on or before the 11th day of the immediately succeeding month, i.e., on a monthly basis.

However, presently, as a measure of easing the compliance requirement for small taxpayers, the details of outward supplies of goods or services or both to a registered person can be furnished, for the first and second months of a quarter, up to a cumulative value of fifty lakh rupees in each of the months, using invoice furnishing facility (IFF) electronically on the common portal, from the 1st day of the month succeeding such month till the 13th day of the said month. The taxpayers opting for furnishing details of outward supply on quarterly basis can file GSTR 1 on quarterly basis. The option to file return on quarterly basis is available for taxpayers having aggregate turnover up to Rs. 5 crores in preceding financial year.

In view of the same, M/s Cavenon Enterprises can file its GSTR-1 on quarterly basis if it has opted to furnish the outward supply related details on quarterly basis and filing IFF on monthly basis as its aggregate turnover does not exceed Rs. 5 crores in the preceding financial year.

v

Question 6.

- (a) Miss Kashi is a registered intra-State supplier of goods in Haryana. During the months of August and September, she was out of station on a religious pilgrimage with her family for 55 days. Thus, no business transaction was made during August. Miss Kashi is of the opinion that as there is no transaction, there is no need to file monthly return [GSTR-3B] for the month of August. However, her tax consultant has advised her to file nil GSTR-3B. Whether the advice given by tax consultant is correct? Explain.
- (b) Will your answer in (a) change, if Miss Kashi has placed an order for some purchases during August over her mobile phone, which has been received in her premises and she intends to take input tax credit on the same?
- (c) Assuming in (a) above, Miss Kashi does not have internet facility in her mobile and there is no facilitation centre notified by the Commissioner, whether no return is required to be filed in the absence of means to file return? Explain.

(RTP May 21)

Answer:

- (a) The advice given by tax consultant is correct.
Under GST law, filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.
Therefore, in the given case, even though Miss Kashi was out of station on a religious pilgrimage with her family for 55 days and thus, could not do any business transaction during the month of August, she is still required to file Nil GSTR-3B for that month.
- (b) Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case, Miss Kashi has received certain purchases, she cannot file Nil GSTR-3B, as the said purchases will need to be disclosed in the "Table for Eligible ITC" in GSTR- 3B. Thus, Miss Kashi is required to file monthly return, GSTR-3B for the month of August.
- (c) GSTR-3B can be submitted electronically on the common portal, either directly or through a Facilitation Centre notified by the Commissioner. Further, a Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer.
Thus, Miss Kashi is required to file Nil GSTR-3B for the month of August through an SMS using her registered mobile number even though there is no internet facility in her mobile and no Facilitation Centre notified by the Commissioner.

Question 7.

- (a) Mr. Ayushman, a registered person having intra-State aggregate turnover of Rs. 1.2 crores in the preceding financial year did not file GSTR-3B for the month of September, 2021 by 10th November, 2021. The amount of tax payable for the month of September, 2021 is Rs. 8 lakhs. All his supplies are intra-State supplies. Is there any late fee payable for the same? If yes, what is the Maximum amount of late fee payable?
- (b) Will your answer be different in (a), if Mr. Ayushman has intra-State aggregate turnover of Rs. 5 crores in the preceding financial year?
- (c) Will your answer be different in (a), if total amount of tax payable in the GSTR- 3B for the month of September is Nil?

(RTP May 22)

Answer:

- (i) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is < Rs. 1.5 crores in the preceding FY, and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of Rs. 2,000 (Rs. 1,000 each under CGST & SGST or Rs. 2,000 under IGST).
Thus, maximum late fee is payable in the given case and the amount of late fee payable is Rs. 2,000 (Rs. 1,000 each under CGST & SGST).

- (ii) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is more than Rs. 1.5 crores but less than equal to Rs. 5 crores in the preceding FY, and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of Rs. 5,000 (Rs. 2,500 each under CGST & SGST or Rs. 5,000 under IGST).
Thus, maximum late fee is payable in the given case and the amount of late fee payable is Rs. 5,000 (Rs. 2,500 each under CGST & SGST).
- (iii) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, any registered person whose total amount of tax payable in the GSTR-3B is Nil and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of Rs. 500 (Rs. 250 each under CGST & SGST or Rs. 500 under IGST).
Thus, maximum late fee is leviable even if total amount of tax payable in the GSTR-3B for the month of September is Nil. The amount of late fee would be Rs. 500 (Rs. 250 each under CGST & SGST).

Question 8.

What are the functions that can be performed by a GSTP?

Answer:

A GSTP can undertake any or all of the following activities on behalf of a RP, if so, authorized by him to-

- furnish the details of outward supplies;
- furnish monthly, quarterly, annual or final return;
- make deposit for credit into the electronic cash ledger;
- file a claim for refund;
- file an application for amendment or cancellation of registration;
- furnish information for generation of e-way bill;
- furnish details of challan in FORM GST ITC-04;
- file an application for amendment or cancellation of enrolment under rule 58; and
- file an intimation to pay tax under the composition scheme or withdraw from the said scheme.

Question 9.

1) Supplies have been made in FY 20-21.

Actual date of filing Annual Return = 24/12/21

What is the max time limit within which errors can be rectified in GSTR-1/3B?

Answer:

1) Max time limit to rectify errors in GSTR-1

Actual date of filing Annual Return = 24/12/24

or

30th November following the FY in which supplies are made

= 30/11/2024

whichever is earlier

Question 10.

Mr. Trump, USA came to Mumbai to sell diamonds in an exhibiton and had no fixed establishment. He registered himself as NRTP.

He commenced business on 1/04/2018

His registration expired on 27/05/2018

Tax period	Due date
April	13th May or 3rd June, whichever is earlier = 13th May
May	13th June or 3rd June, whichever is earlier = 3rd June

One Concept One Question

15. EXEMPTION

Health Care Services

Question 1.

Kokilaben Ltd provides following services.

Reiki healing services, not a recognized system of medicine- **Taxable**

Cosmetic surgery by Rakhi sawant for beautification of her nose- **Taxable**

Pathological labs where covid testing, blood testing services are provided- **Exempt**

Palliative care for bed ridden patients- **Exempt**

IVF procedures for Mr.SRK-**Exempt**

Transportation of dead person from hospital to grave yard- **Not a supply 7(2)**

Preservation of stem cells service-**Exempt**

Procures Biomedical waste treatment service from Bhushan bio medical operator-**Taxable**

Rents shops to brands like ARMANI, GUCCI on the ground floor of the hospital -**Taxable**

Rents room to a patient that costs- 5000rs /day-**Exempt**

Rents room to a patient that costs- 6000rs /day-**Taxable**

Rents ICU room to a patient that costs- 50000rs /day-**Exempt**

Runs its own restaurant and serves food to admitted patients as per the doctor/nutritionist - **Exempt**

Runs its own restaurant and serves food to patients not admitted/nurses/visitors as per the doctor/nutritionist -**Taxable**

Homeopathic treatment, a recognized system of medicine- **Exempt**

Air ambulance service to film actors-**Exempt**

Plastic surgery of acid attack victim-**Exempt**

Mortuary services for unclaimed dead bodies - **Not a supply u/s 7(2)**

Question 2.

Shiva Medical Centre hires senior doctors and consultants independently, without entering into any employer- employee agreement with them. These doctors and consultants provide consultancy to the in-patients - patients who are admitted to the hospital for treatment - without there being any contract with such patients. In return, they are paid the consultancy charges by Shiva Medical Centre.

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

The Department took a stand that senior doctors and consultants are providing services to Shiva Medical Centre and not to the patients. Hence, their services are not the health care services and must be subject to GST. Further, GST is applicable on the retention money kept by Shiva Medical Centre.

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

Answer:

Circular No. 32/06/2018 GST dt. 12.02.2018 has clarified that in view of the above definition, it can be inferred that hospitals also provide healthcare services. The entire amount charged by them from the patients including the retention money and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients and is exempt from GST. In view of the same, GST is not applicable on the retention money kept by Shiva Medical Centre.

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

Government services

Question 3.

Indian railways,CG is providing advertisement service to RIL ltd (in PFY,aggregate t/o was 100lacs)-4,00,000

Indian railways,CG is providing advertisement service to RIL ltd (in PFY,aggregate t/o was 100lacs)-4,000

CISF,CG is providing security service to Adani ltd (in PFY,aggregate t/o was 10lacs)-4,00,000

CISF,CG is providing security service to Adani ltd (in PFY,aggregate t/o was 10lacs)-4,000

Dept of post is supplying post card service(envelopes weighing -5gms)-

Dept of post is supplying post card service(envelopes weighing -15gms)-

Dept of post is supplying speed post service to Mr.Kohli-

CG is providing renting of immovable property service to Mr.Vijay Sarda,a registered person-

CG is providing renting of immovable property service to Mr.Shubham,an unregistered person-

Mah SG is providing advertisement service to CG-

CG is supplying boarding,lodging service to citizens of age 65 where it charges them-20,000/ month

CG is supplying boarding,lodging service to citizens of age 40 where it charges them-40,000/ month

Ram ltd is supplying service of maintenance of street lights in a Municipal area where the functions are mentioned in Article 243W involving replacement of defunct lights,the replacement of lights and other spare parts constitutes 35% of supply of service to State government.-

Service of brochure distribution provided under a training programme for which 70% of total expenditure is borne by Government-

Service of brochure distribution provided under a training programme for which 80% of total expenditure is borne by Government-

CG is supplying manpower service for cleanliness of roads not involving any supply of goods,such function is mentioned in Article 243G-

Service provided by Fair price Shops owned by Ram ltd by way of sale of sugar under PDS against consideration in form of commission-

Jio ltd has applied for registration under Companies act ,2013 to ROC,Rajasthan and has paid registration fees -1,00,000-

XYZLtd has paid to customs department 50,000 on account Merchant overtime charges for deputing officers after office hours/holidays for inspection in relation import export cargo-10,000-

Indian railways,CG is providing transportation of passenger service in first class local train of Mumbai to the passengers-

Indian railways,CG is providing transportation of passenger service in second class local train of Mumbai to the passengers-

Adani Ltd is supplying slum rehabilitation improvement service to Mah development authority, a government authority.

Question 4.

Gokuldham society collects monthly maintenance charges of Rs5,000 month and the total collection was Rs 50lacs-

Raj heights society collects monthly maintenance charges of Rs15,000 month and the total collection was 10lacs

Vishwamilan society collects monthly maintenance charges of Rs5,000 month and the total collection was 10lacs

Nirmal society collects monthly/ maintenance charges of Rs15,000 month and the total collection was Rs 50lacs

Question 5.

<u>Gokuldham society collects the following amount from its members.</u>	<u>Society incurs following expenses like</u>
Monthly maintenance charges Rs 6,000	Gardening charges-1,000
Sinking fund charges-3,000	Security service-500
Parking charges-2,000	Plumbing charges-2500
Repairs and maintenance fund -4,000	Spare parts-3,000
Property tax-500, Water tax - 2,000	

Input goods/service were subject to 12% & output service is subject to 18%
Compute Net GST liability payable?

Answer:

Output tax

Monthly maintenance charges	=	6,000	
Sinking Fund	=	3,000	
Parking charges	=	2,000	
Repairs & maintenance fund	=	4,000	
Total Monthly maintenance	=	15,000	
Output tax liability	=		2,700
(15,000 × 18%)			

(-) Input Tax Credit

Gardening charges	=	(1,000)	
Security service	=	(5,00)	
Plumbing charges	=	(2,500)	
Spare parts	=	(3,000)	
	=	(7,000)	
ITC (7,000 × 12%)	=		(840)
Net tax payable in cash	=		<u>1860</u>

Education service

Question 6:

A2X Services Limited, registered under GST, is engaged in providing various services to various educational institutions. The company provides the following information in respect of services provided during the month of April 2021:

S. No.	Description of services provided
(i)	Transportation of students & staff of 'Love AH', a deemed University
(ii)	Catering services provided to 'Rank CBSE School'
(iii)	Security services provided to 'Win CBSE School', for its annual sports day held at SAI Sports Complex owned by Government of India
(iv)	Supply of online periodical science journal to 'Merit CBSE School' for its higher secondary students
(v)	Services, in relation to placement of students, to 'SKILL', a Government recognized vocational training college
(vi)	Fees from prospective employers for campus interview in its college
(vii)	Five buses each with seating capacity of 40 passengers given on hire to State Transport Undertaking
(viii)	Receipts of 'Shiny', a commercial coaching institute providing coaching in the field of commerce (a certificate was awarded to each trainee after completion of the training)
(ix)	Interest received on fixed deposits of the company with Dhanvarsha Bank
(x)	Receipts from running a Boarding School (including receipts for providing residential dwelling service of Rs. 18,20,000)
(xi)	Receipts of 'Sikshit Samudai' - an Industrial Training Institute (ITI) affiliated to the National Council for Vocational Training (NCVT). Courses run by said ITI are in designated trades
(xii)	Receipts of 'Pratibha Institute', an institute registered with Directorate General of Employment and Training (DGET), Union Ministry of Labour and Employment, running a Modular Employable Skill Course (MESK) approved by the National Council for Vocational Training (NCVT)
(xiii)	Professional services provided to foreign diplomatic mission located in India

Answer

S N	Particulars	Taxability
(i)	Transportation of students and staff of deemed University [Taxable since transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	Taxable
(ii)	Catering services provided to "Rank CBSE School" [Catering services provided to an educational institution providing pre-school education or education up to higher secondary school or equivalent are exempt.]	Exempt

(iii)	Security services to "Win CBSE School" for its annual sports day held at SAI Sports complex [Security services provided to an educational institution providing pre-school education or education up to higher secondary school are exempt provided such services are performed in the premises of such institution. However, in this case, security services are being provided outside the school campus, and hence the same are taxable.]	Taxable
(iv)	Supply of online periodical science journal to school for its higher secondary students [Taxable since educational institutions providing service by way of pre-school education and education upto higher secondary school or equivalent are not eligible for exemption in respect of supply of online educational journals.]	Taxable
(v)	Services in relation to placement of students, to Government recognized vocational training college [Taxable since only services related to admission and conducting exams are exempt for vocational educational institutions.]	Taxable
(vi)	Fees from prospective employers for campus interview in its college [Taxable since such services are not specifically exempt]	Taxable
(vii)	Five buses each with seating capacity of 40 passengers given on hire to State Transport Undertaking [Services by way of giving on hire to a State transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers, are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017 (hereinafter referred to as exemption notification).]	Exempt
(viii)	Receipts of Shiny- a coaching institute [Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. However, coaching institute is not an educational institution.]	Taxable
(ix)	Interest received on fixed deposits of the company with Dhanvarsha Bank [Services by way of extending deposits, loans or advances in so far as the consideration is represented- by way of interest or discount (other than interest involved in credit card services) are exempt vide exemption notification.]	Exempt
(x)	Receipts from Boarding School including receipts for residential dwelling service [Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. Boarding School providing education up to higher secondary school or equivalent is an educational institution since it provides composite supply of education service coupled with other services like providing dwelling units for residence and food wherein the principal supply is supply of education service.]	Exempt

(xi)	Receipts of Sikshit Samudai [Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. Sikshit Samudai is an educational institution running approved vocational education course.]	Exempt
(xii)	Receipts of 'Pratibha Institute' running Modular Employable Skill Course [Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. Pratibha Institute is an educational institution running approved vocational education course.]	Exempt
(xiii)	Professional services provided to foreign diplomatic mission located in India [While services provided by a foreign diplomatic mission located in India are exempt from GST vide exemption notification, no such exemption is available to the services provided to such mission.]	Taxable

Question 7:

"Chanakya Academy" is registered under GST in the State of Uttar Pradesh. The Academy runs the following educational institutions:

- (i) 'Keshav Institute of Technology' (KIT), a private engineering college in Ghaziabad. KIT also runs distance learning post graduate engineering programmes. Exams for such programmes are conducted in select cities at centres appointed by the KIT. All the engineering courses including the distance learning post graduate engineering programme run by KIT are recognised by the law [The All-India Council for Technical Education (AICTE)].
- (ii) 'Little Millennium', a pre-school in Lucknow.
- (iii) 'Bright Minds', a coaching institute in Kanpur. The Institute provides coaching for Institute of Banking Personnel Selection (IBPS) Probationary Officers Exam.
- (iv) 'Spring Model' a higher secondary school affiliated to CBSE Board.

The Academy provides the following details relating to the expenses incurred by the various institutions run by it during the period April to September:

S. No.	Particulars	KIT	Little Millennium	Bright Minds	'Spring Model
(i)	Printing services for printing the question papers (paper and content are provided by the Institutions)	2,50,000		1,50,000	2,00,000
(ii)	Paper procured for printing the question papers	4,30,000		2,58,000	3,44,000
(iii)	Honorarium to paper setters and examiners (not on the rolls of the Institution)	5,00,000			
(iv)	Rent for exam centers taken on rent like schools etc., for conducting examination	8,00,000		1,00,000	

(v)	Subscription for online educational journals [Little Millennium has taken the subscription for online periodicals on child development and experiential learning]	4,00,000	80,000	2,20,000	2,40,000
(vi)	Hire charges for buses used to transport students and faculty from their residence to the institutions and back	4,80,000	5,50,000	1,30,000	7,50,000
(vii)	Catering services for running a canteen in the campus for students	3,20,000	2,60,000	1,80,000	5,00,000
(viii)	Security and housekeeping services for the institution(s)	6,00,000	4,00,000	3,75,000	4,65,000
	(Security and housekeeping services for Spring Model include a sum of Rs. 80,000 payable for security and housekeeping at the student event organised in a banquet hall outside the campus)				

With the help of the above details, determine the amount of GST payable, if any, (ignoring ITC provisions) on goods and services received during April to September by the various educational institutions run by the 'Chanakya Academy'; all the amounts given above are exclusive of taxes, wherever applicable.

Note: Rate of GST on goods is 12%, catering service is 5% and on other services is 18%.

Answer:

Exemption notification exempts select services provided to an educational institution. Here, the "educational institution" means an institution providing services by way of, -

- (i) pre-school education and education up to higher secondary school or equivalent;
- (ii) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
- (iii) education as a part of an approved vocational education course;

The select services which are exempt when provided to an educational institution are-

- (i) transportation of students, faculty and staff;
- (ii) catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory;
- (iii) security or cleaning or house-keeping services performed in such educational institution;
- (iv) services relating to admission to, or conduct of examination by, such institution;
- (v) supply of online educational journals or periodicals

However, the services mentioned in points (i), (ii) and (iii) are exempt only when the same are provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

Also, the supply of online educational journals or periodicals is not exempt from GST when provided to -

- (i) pre-school education and education up to higher secondary school or equivalent; or
- (ii) education as a part of an approved vocational education course.

Further, services by way of giving on hire motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent is exempt¹⁷.

In the given case, all the engineering courses including the distance learning post graduate engineering programme run by KIT are recognised by the law [The All-India Council for Technical Education (AICTE)]. Therefore, since KIT imparts education as a part of a curriculum for obtaining a qualification recognised by the Indian law, the same is an educational institution in terms of the exemption notification.

Similarly, Little Millennium and Spring Model, being a pre-school and a higher secondary school respectively are also educational institutions in terms of the exemption notification.

However, Bright Minds, being a coaching centre, training candidates to secure a banking job, is not an educational institution in terms of the exemption notification. Hence, none of the select services (mentioned above) will be exempt when provided to Bright Minds.

In the light of the foregoing provisions, the amount of GST payable on goods and services received by these educational institutions during April to September is computed as under:

S. No.	Particulars	KIT	Little Millennium	Bright Minds	Spring Model
(i)	Printing services for printing the question papers (paper and content are provided by the Institutions)	Exempt [Services provided to educational institution in relation to conduct of examination]		27,000 [1,50,000 x 18%]	Exempt
(ii)	Paper procured for printing the question papers [Supply of select services to educational institutions is exempt and not supply of goods to such educational institutions]	51,600 [4,30,000 x 12%]		30,960 [2,58,000 x 12%]	41,280 [3,44,000 x 12%]
(iii)	Honorarium to paper setters and examiners (not on the rolls of the Institution)	Exempt [Services provided to educational institution in relation to conduct of examination]			

(iv)	Rent for exam centers taken on rent like schools etc., for conducting examination	Exempt [Services provided to educational institution in relation to conduct of examination]		18,000 [1,00,000 x 18%]	
(v)	Subscription for online educational journals [Little Millennium has taken the subscription for online periodicals on child development and experiential learning]	Exempt	14,400 [80,000 x18%]	39,600 [2,20,000 x 18%]	43,200 [2,40,000 x 18%]
(vi)	Hire charges for buses used to transport students and faculty from their residence to the institutions and back	86,400 [4,80,000 x 18%]	Exempt	23,400 [1,30,000 x 18%] 4	Exempt
(vii)	Catering services for running a canteen in the campus for students. [Catering service provided to pre-school and the higher secondary school is exempt irrespective of whether the same is provided within or outside the premises of the pre-school and the higher secondary school]	16,000 [3,20,000 x 5%]	Exempt	9,000 [1,80,000 x 5%]	Exempt
(viii)	Security and housekeeping services for the institution(s) (Security and housekeeping services for Spring Model include a sum of Rs. 80,000 payable for security and housekeeping at the student event organised in a banquet hall outside the campus)	1,08,000 [6,00,000 x 18%]	Exempt	67,500 [3,75,000 x 18%]	14,400 [80,000 x 18%]
	Total GST payable on goods & services received	2,62,000	14,400	2,15,460	98,880

Question 8:

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

- (1) Fees charged from office staff for in-house personality development course conducted by Mungerilal College providing education as part of a curriculum for obtaining a qualification recognised by Indian law - Rs. 10,000.

- (2) Bus fees collected from students by Rosemary College providing education as part of a curriculum for obtaining a qualification recognised by Indian law-Rs. 2,500 per month.
- (3) Housekeeping service provided by M/s. Clean Well to Himavarsha Montessori school, a play school, for cleaning its playground and classrooms - Rs. 25,000 per month.
- (4) Info link supplied 'Tracing Alphabets', an online educational journal, to students of UKG class of Sydney Montessori School - Rs. 2,000.

Answer:

- (1) **Services provided by** an educational institution to its students, faculty and staff are exempt from GST vide exemption notification. Educational Institution has been defined to mean, inter alia, an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

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

- (2) **Services provided by** an educational institution to its students, faculty and staff are exempt from GST vide exemption notification. Since Rosemary College provides education as a part of a curriculum for obtaining a qualification recognised by Indian law, the transport services provided by Rosemary College to its students are exempt from GST.
- (3) **Services provided** to an educational institution, by way of, inter alia, house-keeping services performed are exempt from GST vide exemption notification where such services are performed in such educational institution. However, such exemption is available only when the said services are provided to a pre-school education and a higher secondary school or equivalent.

In view of the above discussion, house-keeping services provided to Himavarsha Montessori Play School are exempt from GST since housekeeping services have been performed in such play school itself.

- (4) **Services provided to** an educational institution by way of supply of online educational journals or periodicals is exempt from GST vide exemption notification. However, Such exemption is available only when the said services are provided to an educational institution providing education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

Therefore, supply of online journal to students of UKG class of Sydney Montessori School is not exempt from GST.

Question 9.

Indian Institutes of Management (IIM), Indore organizes a placement drive for the students studying in the campus. Many multinational companies register for the placement program and pay the registration fee of ₹ 1,00,000. IIM, Indore is of the view that such consideration received from multinational companies for participating in the placement program is exempt from GST. Explain whether the view taken by IIM, Indore is correct.

Answer:

Indian Institutes of Management Act, 2017 (IIM Act, 2017) empowers IIMs to (i) grant degrees, diplomas, and other academic distinctions or titles, (ii) specify the criteria and process for admission to courses or programmes of study, and (iii) specify the academic content of programmes. Resultantly, all the IIMs fall under purview of “educational institutions” as they provide education as a part of a curriculum for obtaining a qualification recognized by law for the time being in force.

Further, the services provided by an educational institution to its students⁷¹, faculty and staff are exempt from GST vide exemption notification.

However, in the given case, services have been provided by the educational institution (viz. IIM, Indore), to the multinational companies. Therefore, the same is not exempt from GST.

Question 10.

- (i) HumTum Services Limited, registered under GST, provided catering services to Baljatan Anganwadi, an educational institute providing pre- school education amounting to ₹ 2,50,000 in the month of February.
- (ii) 50 women from different cities pursuing diploma in management courses, participated in the 'Leadership Program' designed especially for women for a duration of 9 months by IIM, Bangalore (a certificate as to their participation was awarded to each one of them after the completion of the programme).

Answer:

- (i) Exempt: Since catering services provided to an educational institution providing pre-school education are exempt from GST, HumTum Services Limited is not liable to pay GST.
- (ii) Taxable: Since short duration programs provided by IIMs are not any qualification recognized by law, GST is payable in the given case.

Charitable trust

Question 11:

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

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

Compute the total taxable value of supply for the month of August 2017 assuming that the above amounts are exclusive of GST.

Also Compute the GST liability of Sarva Sugam Charitable Trust for the month of August assuming that the above amounts are exclusive of GST and rate of GST, wherever applicable, is 18%.

Note: The rooms/Kalyan mandapam/halls/open space/shops owned by the trust are located within the precincts of a religious place, meant for general public, owned by the trust.

Answer:

Notification No. 12/2017 CT (R) dated 28.06.2017/ Notification No. 9/2017 IT (R) dated 28.06.2017 provides exemption to renting of precincts of a religious place meant for general public, owned/managed by, inter alia, an entity registered as a charitable trust under section 12AA/AB of the

Income-tax Act are exempt. However, exemption is not available if:

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

In view of the aforesaid provisions, value of supply of Sarva Sugam Charitable Trust for August, 2017 has been computed as under:

Computation of value of supply of Sarva Sugam Charitable Trust for August, 2017

Particulars	Value	GST @ 18%
Renting of residential dwelling for use as residence	Nil	-
[Exempt vide exemption notification]		
Renting of rooms for pilgrims	8,00,000	1,44,000
[Since charges per day are not below Rs 1,000]		
Renting of rooms for devotees	Nil	-
[Since charges per day are below Rs 1,000]		
Renting of Kalyan Mandapam	12,00,000	2,16,000
[Since charges per day are not below Rs 10,000]		
Renting of halls and open spaces	Nil	-
[Since charges per day are below Rs 10,000]		
Renting of shops for business	Nil	-
[Since charges per month are below Rs 10,000]		
Renting of shops for business	7,50,000	1,35,000
[Since charges per month are not below Rs 10,000]	Nil	
Value of taxable supply & GST liability	27,50,000	4,95,000

Question 12:

Amount received for educating old age people of 60 years in rural area- **Taxable**

Amount received for educating old age people of 70 years in urban area- **Exempt**

Amount received for educating old age people of 65 years in rural area- **Taxable**

Amount received for providing advertising service - **Taxable**

Services are provided to Charitable trust u/s 12 AB, IT Act 1961- **Taxable**

Tour Operator

Question 13:

Thomas cook, registered in Delhi sold a tour package of Shimla to Mr. Putin, a Russian- **Taxable**

Thomas cook, registered in Delhi sold a tour package of Ukraine to Mr. Putin, a Russian- **Exempt**

Thomas cook sold a tour package of 10 nights (3 nights in Nepal and 7 nights in Sikkim) of rs 1,00,000 to Mr. Putin, a Russian- 30,000 - **Exempt**.

Thomas cook sold a tour package of 10 nights (8 nights in Nepal and 2 nights in Sikkim) of rs 1,00,000 to Mr. Putin, a Russian- 80,000 or 50,000 w.i.lower.

Transportation of Passenger service

Question 14:

XYZ ltd * provides transportation of passenger service

Customer -A In rickshaw 1000 - **Exempt**

Customer -B In Metered cab that was booked through Rapido 500 - **Exempt**

Customer C- In radio taxi that he booked through UBER 600 - **Taxable - ECO 9(5) paytax**

Customer D- AC Bus that picks him from Mumbai and drops directly to Pune without stopping in between-2000 - **Taxable**

Customer E- Non AC Bus that picks him from Mumbai and drops directly to Surat without stopping in between and is meant for the purpose hire, charter, tourism-3000* - **Taxable**

Customer F- Stage carriage that is Air conditioned -5,000 - **Taxable**

On what amount is XYZ ltd liable to pay tax?

Question 15:

Indigo ltd is providing transportation of passenger service to following customers-

Customer a- through air from Mumbai to Kashmir -economy class- **Taxable**

Customer b-through air from Mumbai to Bagdogra(wb) in economy class- **Exempt**

Customer c-through air from Mumbai to Bagdogra(wb) in business class- **Exempt**

Customer d-through vessel in inland waterways- **Exempt**

Customer e-in a cruise from mumbai to goa- **Taxable**

Customer f-from chennai to portblair in a vessel (that is a public transport)- **Exempt**
predominantly not meant for the purpose of tourism.

Transportation of goods

Question 16:

→ Xltd ,a shipping company providing transportation of goods service to Yltd where the route was via inland waterways from mumbai to pune → **Exempt**

→ Xltd ,a shipping company providing transportation of goods service to Yltd where the route was via Arabian sea from Mumbai port to Chennai port → **Taxable**

→ Xltd ,a shipping company providing transportation of goods service to Yltd from USA port to Mumbai customs port → **Taxable**

→ Xltd ,a shipping company providing transportation of goods service to Yltd from Kolkata customs port to Canada port → **Taxable**

→ Indigo airlines is providing transportation of goods service to Yltd from USA airport to Mumbai customs port → **Exempt**

→ Indigo airlines is providing transportation of goods service to Xltd from Mumbai customs port to USA airport → **Taxable**

→ Sardar transporters, GTA is transporting rice in truck for Basmati rice Ltd for Rs50/kg. → **Exempt**

- HUL Ltd, a manufacturer transports soaps in his own vehicle from its factory to BigBazaar Ltd outlet-rs 20000 → **Exempt**
- Vikrant shipping Ltd is transporting milk in a vessel from Gujarat to Maharashtra for rs20/litre. → **Exempt**
- Indian railways is transporting wheat from Punjab to Haryana for rs10/jute bag. → **Exempt**
- Indian railways is transporting readymade garments from M.P to Rajasthan for rs 2,000 → **Taxable**
- Jet airways is transporting "AK-47" for Indian Army for a consideration of rs10,000 → **Taxable**
- Indian Railways is transporting railway equipments for RIL Ltd. → **Taxable**

Agriculture

Question 17:

Agricultural related service "Agro Care Limited" registered under GST furnishes the following details with respect to the activities undertaken by them in the month of March, 2020;

Particulars	Amount
1.Receipts from Supply of farm labour	85,000
2.Miling of paddy into rice	50,000
3. Processing sugarcane into jaggery	10,000
4.Charges for seed testing	65,000
5.Charges for soil testing of farm land	35,000
6. Charges for warehousing of potato chips	85,000
7. Commission received on sale of wheat	75,000
8. Charges for training of farmers on use of new pesticides and fertilizers developed through scientific research	10,000
9. Renting of vacant land to a stud farm	1,85,000
10. Leasing of vacant land to a cattle farm	83,500
11. Charges for warehousing of rice	1,50,000
12. Charges for warehousing of cotton fabrics	2,00,000
13. Retail packing and labelling of fruits and vegetables	5,00,000
14. Charges for warehousing of minor forest produce	8,00,000
15. Fumigation carried out in agriculture farm	1,00,000
16. Fumigation carried out on agriculture prodime in warehouse	1,10,000

Compute the value of taxable supply of 'Agro Gare Limited' for the month of March, 2020 if all the above amounts are exclusive of GST.

Answer:

Computation of Value of taxable supply (amount in - ₹)

Particulars	Amount
1. Receipts from Supply of farm labour	Nil
2. Miling of paddy into rice	Exempt
3. Processing sugarcane into jaggery	Taxable
4. Charges for seed testing	Nil
5. Charges for soil testing of farm land (Exempt vide Entry No. 54 of Exemption Notification No. 12/2017-CT (Rate))	Nil

6. Charges for warehousing of potato chips (Potato chips is not an agricultural produce, hence warehousing of the same shall be taxable)	85,000
7. Commission received on sale of wheat [Exempt vide Entry No. 54 of Exemption Notification No. 12/2017-CT (Rate)]	Nil
8. Charges for training of farmers on use of new pesticides and fertilizers developed through scientific research	Nil
9. Renting of vacant land to a stud farm (The same will be liable for GST as rearing of horses has been specifically excluded from Exemption]	1,85,000
10. Leasing of vacant land to a cattle farm	Nil
11. Charges for warehousing of rice	Nil
12. Charges for warehousing of cotton fabrics [Liable to GST)	2,00,000
13. Retail packing and labelling of fruits and vegetables	Nil
14. Charges for warehousing of minor forest produce [Exempt vide Entry No. 24A of Exemption Notification No. 12/2017-CT (Rate)]	Nil
15. Fumigation carried out in agriculture farm	Exempt
16. Fumigation carried out on agriculture prodime in warehouse	Taxable
Value of Taxable Supply	4,70,000

Question 18.

Dukhiya Das is engaged in providing following services. With the help of information given below, determine which of the services provided by Dukhiya Das are exempt from GST:

- (1) Packaging of the onions purchased from village farmers into small packets of 1 kg each, in Dukhiya Das warehouse, so that same can be sold in a nearby city mall.
- (2) Warehousing of jaggery and tea powder. (ICAI study material)

Answer :

- (1) Entry 54, inter alia, exempts the processes/operations carried out at an agricultural farm on the agricultural produce which do not alter the essential characteristics of agricultural produce, but make it marketable only for the primary market.

In the given case, though the packaging of onions does not alter their essential characteristic, it makes them marketable for retail market and not for the primary market and further, such packaging is being done at the warehouse of Dukhiya Das and not at an agricultural farm. Hence, said services are not exempt.

Service Provide by an Artist

Question 19:

Determine the GST payable, if any, in each of the following independent cases, assuming that the rate of GST is 18% and that the service providers are registered:

- (a) Bollywood dance performance by a film actor in a film and consideration charged is Rs. 1,45,000.
- (b) Carnatic music performance by a classical singer to promote a brand of readymade garments and consideration charged is Rs. 1,30,000.
- (c) Carnatic music performance by a classical singer in a music concert and consideration charged is Rs. 1,55,000.
- (d) Kathak dance performance by a classical dancer in a cultural programme and consideration charged is Rs. 1,45,000.

Answer:

- (a) **Bollywood Dance performance by a film actor in a film is not exempt** from GST even though the consideration charged is less than threshold limit of Rs. 1,50,000. The reason for the same is that the dance performance by an artist is exempt only if it is a performance in folk or classical art forms of dance.
- (b) **Carnatic music performance by a classical singer to promote a brand of readymade garments is not exempt from GST** even though, the consideration charged is less than threshold limit of Rs. 1,50,000 and it is a performance in classical art forms of music. The reason for the same is that the said exemption is not applicable to service provided by such artist as a brand ambassador.
- (c) **Carnatic music performance by a classical singer in a music concert is not exempt** from GST even though it is a performance in classical art forms of music. The reason for the same is the consideration charged for the service exceeds Rs. 1,50,000. Consequently, entire consideration charged is subject to GST as follows: Rs. 1,55,000 x 18% = Rs. 27,900
- (d) **Kathak dance performance by a classical dancer in a cultural programme is exempt from GST** as it is a performance in classical art forms of dance and consideration charged does not exceed Rs. 1,50,000 [i.e., Rs. 1,45,000].

Banking Service

Question 20:

M/s. Apna Bank Limited, a scheduled commercial bank, has furnished the following details for the month of August:

Particulars	Amount [₹ in crores] (excluding GST)
Extended housing loan to its customers	100
Processing fees collected from its customers on sanction of loan	20
Commission collected from its customers on bank guarantee	30
Interest income on credit card issued by the bank	40
Interest received on housing loan extended by the bank	25
Minimum balance charges collected from current account and saving account holder	01

Compute the value of taxable supply.

Answer:

Computation of value of taxable supply of M/s. Apna Bank Limited for the month of August:

Particulars	Amount in crores (₹)
Housing loan extended to customers [Since money does not constitute goods, extending housing loan is not a supply.]	Nil
Processing fee collected on sanction of loan [Interest does not include processing fee on sanction of the loan. Hence, the same is taxable.]	20

Commission collected on bank guarantee [Any commission collected over and above interest on loan, advance or deposit are not exempt.]	30
Interest income on credit card issued by the bank [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax. However, interest involved in credit card services is specifically excluded from this exemption entry.]	40
Interest received on housing loan [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax.]	Nil
Minimum balance charges collected from current account and saving account holder [Any charges collected over and above interest on loan, advance or deposit are not exempt.]	01
Value of taxable supply	91

Question 21:

Will your answer be different if the tennis tournament was organized by Indian Sports Authority (ISA)?

Answer:

Yes, such service is exempt as service is provided to recognized sports body and is also organized by the same.

Legal Services

Question 22.

Z & Co. is a firm of advocates (partners are X and Y, having equal profit sharing ratio). Find out the GST liability

- 1). Legal professional services provided to A, an advocate of Bombay High Court (gross receipts of A is always more than Rs. 50,00,000 per annum): Rs. 8,00,000.
- 2). Legal professional services provided to B & Co. (a firm of 10 advocates) Rs. 32,00,000.
- 3). Legal professional services provided to C (an Employee) (this service is provided to C in a personal legal matter) : Rs. 6,00,000.
- 4). Legal professional services provided to D Ltd., Delhi based company (turnover of D Ltd. of the preceding financial year is Rs. 6,00,000) : Rs. 11,00,000.
- 5). Legal professional services provided to E Ltd., Delhi based company (turnover of E Ltd. of the preceding financial year is Rs. 50,00,000): Rs. 5,00,000.

Above figures are exclusive of GST. If any GST is there, it will be paid separately. X & Co. is not a small service provider. Find out -

- (a) GST payable by the supplier of service (i.e., Z & Co.)
- (b) GST payable by recipients of service (i.e., A, B & Co., C, D Ltd., E Ltd.);

Answer:

Client	GST liability of supplier (Z & Co.) Rs.	
1. Professional services to A (an advocate) [such service shall be exempt as provided to individual advocate (TO of recipient advocate is not relevant) - Entry No. 45]	Nil	
2. Professional services to B & Co. (a firm of advocate) [such service shall be exempt as provided to individual advocate (TO of recipient advocate is not relevant)]	Nil	
3. Professional services to C (non-business entity) [such service shall be exempt as provided to non- business entity]	Nil	
4. Professional services to D Ltd. (Delhi based company with TO of 6,00,000 in preceding year) [such service shall be exempt as provided to business entity having TO not exceeding Rs 20,00,000]	Nil	
5. Professional services to E Ltd. (Delhi based company with TO of 50,00,000 in preceding year) [such service shall not be exempt as provided to business entity having TO exceeding 20,00,000]	Nil (as tax is payable as per RCM)	

Miscellaneous Service

Question 23.

British High Commission, chief diplomatic mission of the United Kingdom, is located in India and is providing advisory services to the students willing to travel to UK for further studies. The mission has organized a seminar for such students and a registration fee of ₹ 5,000 per student has been charged from the students for the same. You are required to determine whether the advisory services provided by British High Commission are liable to GST.

Answer:

Services by a foreign diplomatic mission located in India are exempt from GST vide exemption notification. Hence, in the given case, advisory services by British High Commission located in Delhi to the students are exempt from GST.

Entry No. 11

Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a **single residential unit** otherwise **than as a part of a residential complex**.

- Mr.X supplying repairing service to a single residential otherwise than as a part of residential complex - **T** (not related to original works)
- Mr. X supplying pure labour service of construction of a new residential complex - **T**

- ISRO Providing Satellite launching service to space x-
- Adani Ltd. providing Satellite launching service to NASA-

Question 24.

Mr.Fakir has purchased a micro-insurance policy where the

- coverage amount of Rs. 1,00,000 - **Exempt**
- coverage amount of Rs. 3,00,000 - **Taxable**

One concept, One question

16. Input Tax Credit

Section 16

Question 1

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

S. No	Inward supplies	GST (₹)	Remarks
(i)	Input 'A'	1,00,000	One invoice on which GST payable was ₹ 10,000, is missing
(ii)	Input 'B'	50,000	Inputs are to be received in two instalments. First instalment has been received in October
(iii)	Input 'C'	20,000	This input has been purchased in October but recipient has not furnished the information of it in GSTR-3B as his accountant forgot to take that entry.
(iv)	Input 'D'	10,000	XYZ Ltd. In May 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 October.
(v)	Input 'Y'	15,000	Advance has been given in October month for this input service and has got receipt voucher from the supplier.
(vi)	Input 'Z'	10,000	Supplier has not filed GSTR-1
(vii)	Capital goods	1,20,000	XYZ Ltd. has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(viii)	Input services	2,25,000	One invoice dated 20th January on which GST payable was 50,000 has been received in October

NOTE:

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

Answer:

Inward supplies	ITC AVAILABLE (₹)	Reason
Input A	90,000	ITC of ₹ 10,000 shall not be allowed as XYZ does not have invoice for the same & he does not satisfy Sec 16(2)(a).
Input B	-----	ITC shall not be allowed because when goods are sent in lots, ITC is available only in the last instalment & in October month, first instalment is received.
Input C	-----	To avail ITC, recipient has to furnish such info in GSTR-3B as per Sec 16(2)(d).
Input D	10,000	ITC can be re availed when pending payment of value & tax amount is paid to the supplies that was reversed earlier
Input Y	-----	Recipient has not received goods/service yet & neither do they have tax invoice, thereby not satisfying Sec.16(2)(a) & 16(2)(b).
Input Z	-----	As per 16(2) (aa) recipients can avail ITC only if supplier reflects outward supply in his GSTR-1 and the same information is auto populated as inward supply in recipient's GSTR-2B
Capital Goods	-----	Since the tax amount is capitalized, depreciation shall be taken on tax component. Therefore, ITC shall not be allowed.
Input Service	1,75,000	ITC for invoice dated January last year will not be allowed in October because XYZ Ltd. is availing ITC Beyond its time limit u/s 16(4). i.e., 15th September or 30th November, w.i.e. =15th September.

Question 2

Out of purchases made and ITC availed during earlier months, the alongside information is made available as on October with regards to payment to the supplier. Compute the ITC that is to be reversed in month of Oct.

Supplier name	Payment is due for (Number of days)	Related ITC component
Input 'F' - LMN	165 days	13,000
Input 'G' - ABC	199 days	15,000
Input 'H' - PQR	99 days	20,000
Input 'I' - XYZ (Delhi Branch)	200 days	5,000

Additional Information:

In case of 'Input I' stock was transferred from its Delhi branch to M.P Branch

Answer:

Supplier name	Payment is due for (Number of days)	Related ITC component
Input 'G' - ABC	199 days	15,000

Note 1: ITC already availed after satisfying all the conditions of sec 16(2) shall be confirmed only once payment of value of goods/supply & tax is paid to supplies within 180 Days from date of invoice. If the same is not done then the ITC already availed shall be reversed. In this case since the Payment is not made to Supplies ABC of Input G within 180 days, ITC to that extent is 15,000 shall be reversed.

Note 2: This transaction falls under the exception of Proviso to Sec 16(2) as it falls under activity covered Schedule I deemed supply.

Question 3.

Vendor	Amount (GST)	Remark
A ltd	Rs 18,000	ITC of this purchase was availed on 20th May'23 as supplier had reflected the sales in GSTR-1 but the same wasn't reflected in GSTR3B ever
B ltd	Rs 12,000	ITC of this purchase was availed on 20th Jan'24 as supplier had reflected the sales in GSTR-1 but the same wasn't reflected in GSTR3B in the month of Jan but was later reflected in the month of Aug'24
C ltd	Rs 28,000	ITC of this purchase was availed on 20th Feb'24 as supplier had reflected the sales in GSTR-1 but the same wasn't reflected in GSTR3B in the month of Feb but was later reflected in the month of Dec'24

Answer:

Vendor	Amount (GST)	Remark	Treatment
A ltd	Rs 18,000	ITC of this purchase was availed on 20th May'23 as supplier had reflected the sales in GSTR-1 but the same wasn't reflected in GSTR3B ever	ITC of this purchase that was availed by Altd in May 23 shall be reversed by HUL ltd on 30th Nov 24 as the supplier has not furnished details in GSTR 3B that he had furnished in GSTR -1
B ltd	Rs 12,000	ITC of this purchase was availed on 20th Jan'24 as supplier had reflected the sales in GSTR-1 but the same wasn't reflected in GSTR3B in the month of Jan but was later reflected in the month of Aug'24	ITC of this purchase that was availed by Bltd in Jan 24 shall not be reversed by HUL ltd as the supplier has furnished details in GSTR 3B on or before 30th Sept 24

C ltd	Rs 28,000	ITC of this purchase was availed on 20th Feb'24 as supplier had reflected the sales in GSTR-1 but the same wasn't reflected in GSTR3B in the month of Feb but was later reflected in the month of Dec'24	ITC of this purchase that was availed by C ltd in Feb' 24, shall be reversed by HUL ltd on 30th Nov 24 as the supplier has not furnished details in GSTR 3B that he had furnished in GSTR -1 by 30th Sep 24. But the supplier later in the month of Dec24 did furnish the details in GSTR-3B and hence it can re-avail the ITC that was reversed earlier .
-------	-----------	--	---

u/s 17(5)-Blocked credit

Question 4.

Particulars	ITC blocked us 17(5)?
Purchase of cars for employees for official use	Blocked u/s 17(5)
Purchased of bus (seating capacity consists of 13 passengers and one driver)for employees for official use	Avail ITC
Purchased of bus (seating capacity consists of 12 passengers and one driver) for employees for official use	Blocked
Purchased of bus (seating capacity consists of 10 passengers and one driver) for employees for official use	Blocked
Purchased truck for transporting goods	Avail
Purchased car by car driving school	Avail
Purchased buses of 10 seater meant for transportation of passenger service	Avail
Purchased car for providing car renting service	Avail
Purchased aircraft by airline providing transportation of passenger service	Avail
Procured repairs and maintenance service by a company for its truck	Avail
Procured general insurance service taken on cars purchased by car manufacturing companies	Avail
Procured servicing service for a car used by a motor driving school that imparts driving skills	Avail
Outdoor catering service availed by a company as per company policy	Blocked
Outdoor catering service availed by a company as per Factories act,1948	Avail
Dmart purchased food and beverages to supply it to its customers	Avail

Vistara airlines purchased food and beverages and supplied it to its customers bundled it with transportation of passengers service	Avail
Mukesh ambani took catering service from Balaji caterers for her daughters marriage	Blocked
Zoom car procured renting of car service for providing renting of car service	Avail
Mr.KS procured renting of car service in Goa with his friends for tourism	Blocked
Max life procured life insurance service from Bajaj allianz to provide the same to RIL Ltd	Avail
Mr. Modi procured life insurance service from LIC	Blocked
Tata ltd procured health insurance service from Reliance insurance for its employees as per Labour law	Avail
Tata ltd procured health insurance service from Reliance insurance for its employees as per Company law	Avail ITC
Zomato procured fitness service from a gym for its employees as per company policy	Blocked
Swiggy procured fitness service from a gym for its employees as per statutory obligation	Avail
HUL purchased travel package for its employes from club mahindra holidays as per company policy	Blocked
Colgate purchased travel package for its employes from club mahindra holidays as per statutory obligation	Avail
Dmart Procured works contract service from obero builders to construct its warehouse	Blocked
Tata motors procured works contract service for construction of a foundation on which machinery is to be mounted permanently	Avail
Mahindra procured works contract service for construction of pipelines laid inside the factory	Avail
Mahindra procured works contract service for construction of pipelines laid outside the factory	Blocked
A consuting firm has availed works contract service for repairing its office building and such expense was booked a expense in its profit and loss	Avail
A consuting firm has availed works contract service for repairing its office building and such amount was capitalized.	Blocked
A telecom company availed works contract service for construction of telecom towers	Blocked
A company purchases cement,tiles,architect service for constructing their own factory shed	Blocked
A company purchases cement,tiles,architect service for constructing their own plant and machinery	Avail
NRTP has imported diamonds from Dubai and paid BCD and IGST on the same	Avail ITC of IGST

NRTP has imported service from USA	Blocked
NRTP has purchased a laptop from Croma, a retail outlet in Mumbai	Blocked
A dealer registered under normal scheme has purchased goods from a composition taxpayer	Blocked
Marico purchased goods for distributing it as free samples	Blocked
Lexi pen purchased pencils and offered a bundle for its customers with an offer of BUY PEN, GET ONE PENCIL FREE, will it get the ITC of pencil?	Avail ITC of Pencils
Xenon Pvt. Ltd., a registered supplier in Agra is engaged in the manufacture of taxable goods. Goods valued at ₹ 10,50,000 were supplied by the company to Freshbite Pvt. Ltd., a registered supplier located at Ferozabad, without the cover of an invoice with a fraudulent intent. Since the company evaded tax by not issuing the invoice for the supply, a show cause notice was issued by the proper officer under section 74 requiring the company to pay tax @ 12% [₹ 1,26,000] and applicable interest and penalty. The company paid the tax, interest and penalty after the order was passed by the proper officer. Examine the ITC entitlement of Freshbite Pvt. Ltd. in respect of tax of ₹ 1,26,000 paid by Xenon Pvt. Ltd.	Blocked

Section 17(1)(2)(3)(4) r.w Rule 42/43

Question 5.

Moksha Bank Ltd., is engaged in providing services, which are both taxable and exempted. You have following information: Value of different services of bank for year ended 31 March:

Particulars	GST (Rs.)
Value of Exempted services	2,00,000
Value of Taxable services (Tax rate 18%)	8,00,000
Input Credit on input services for the month of April 2019	60,000
Input Credit of Rs. 60,000 includes –	
(a) Input services exclusively used for provision of exempted services	20,000
(b) Input services exclusively used for provision of taxable services	10,000

Bank wants to determine input credit for set-off against output tax, during next month April and avail option more beneficial to it. Determine which of the two options is more beneficial to the bank.

(CA Final Nov 17)

Answer:

The Banks have two options: (a) Pro rata, and (b) 50% Adhoc.

Option I: In case the Bank opts for option to avail 50% Eligible ITC u/s 17(4):

Particulars	GST (Rs.)
Total Eligible Input tax credit available	60,000
Less: Amount of input tax credit credited to electronic ledger (50% of eligible input tax credit on input services) i.e., Rs. 60,000 x 50%	30,000
Remaining input tax credit Lapsed	30,000

Tax on taxable supply of services [Rs. 8,00,000 x 18% Total]	1,44,000
Less: Net/Eligible Credit available on Input services	30,000
Net output Tax liability of bank after availing eligible Input tax Credit	1,14,000

Option II: In case Bank opted to comply with the provisions of Section 17(2) [Pro rata reversal]

Particulars	GST(Rs)
1. Input services exclusively used for provision of exempted services	Ineligible
2. Input services exclusively used for provision of taxable services (fully allowed)	10,000
3. Common Credit = 30,000 divided in ratio of 2 lakh (Exempt): 8 lakhs (Taxable). Hence, that relating to exempt services = 6,000 and that for taxable services = 24,000.	24,000
4. Total eligible credit = 24,000 + 10,000	34,000
Tax on taxable supply of services of [Rs. 8,00,000 x 18% total]	1,44,000
Less: Net/Eligible Credit available on Input services	34,000
Net output Tax liability of bank after availing eligible Input tax Credit	1,10,000

Option 2 (pro rata reversal is better); this is so because taxable services are more (80%), as compared to deemed Adhoc figure of 50% under Option 1.

Section 18(1) r.w 18(2)

Question 6.

VIP Ltd. becomes liable to register w.e.f. 1/4/21 as it exceeds Rs. 20lacs and it applies for registration within 30 days. Following are details as on 31/3/21:

DOI 1/1/21 - inputs contained in stock = 11.20 lacs (GST @ 12% inclusive)

DOI 1/2/20 - inputs contained in WIP = 12.80 lacs (GST @ 28% inclusive)

DOI 1/10/20 - inputs contained in FG = 10 lacs (GST @ 18% exclusive)

CG purchase for 100 lacs + GST @ 10%, exclusive on invoice date 30/6/20.

Answer:

Computation of ITC to be availed by VIP Ltd.:

Inputs contained in stock	=	1.20L
Inputs contained in WIP	=	-
Inputs contained in FG	=	<u>1.80L</u>
		<u>3L</u>

Question 7.

Will your answer be different if on 1/4/21 if government has withdrawn exemption notification on goods supplied by VIP Ltd.?

ITC i.r.t inputs	=	3L	<u>WN</u>
ITC i.r.t CG	=	<u>8.5L</u>	Date of Invoice = 30/6/20
Total ITC	=	<u>11.50L</u>	Date when Exemption = 1/4/21
			notification is withdrawn
			No. of Quarters = 3 Quarters
			= 10L (-) [5% X 3Q]
			= <u>10L (-) 15%</u>
			= <u>8.5L</u>

Section 18(6)

Question 8.

On 25th August, M/s Agarwal & Agarwal, a registered supplier of taxable goods located in Bengaluru (Karnataka), purchased one machine for Rs. 12,39,000 (including IGST) from one supplier of Maharashtra who issued the invoice on the same date. M/s Agarwal & Agarwal put the machinery to use on the same day and availed ITC for the eligible amount.

M/s Agarwal & Agarwal used the machine in the process of manufacture of taxable goods. However, M/s Agarwal & Agarwal sold this machine to Mr. Suresh Kumar of Andhra Pradesh on 20th August of next year for Rs. 7,50,000 (excluding IGST).

With reference to section 18(6), determine the amount payable, if any, by M/s Agarwal & Agarwal at the time of sale of the machine. Note: The applicable rate of IGST is 18%.

(ICAI study material)

Answer:

As per section 18(6), if capital goods/ plant and machinery on which ITC has been taken are supplied (outward) by a registered person, he must pay an amount that is higher of the following:

- (a) ITC taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods or
- (b) tax on transaction value of such outward supply determined under section 15.

Accordingly, the amount payable on supply of machinery by M/s Agarwal & Agarwal Ltd. shall be computed as follows:

Particulars	(Rs)
ITC taken on the machinery (Rs. 12,39,000 x 18/118)	1,89,000
Less: ITC to be reversed @ 5% per quarter for the period of use of machine	
(i) For the previous year = (Rs 1,89,000 x 5%) x 3 quarters	(28,350)
(ii) For the current year = (Rs 1,89,000 x 5%) x 2 quarters	(18,900)
Amount required to be paid (A) **	1,41,750
Duty leviable on transaction value (Rs. 7,50,000 x 18%) (B)	1,35,000
Amount payable towards disposal of machine is higher of (A) and (B)	1,41,750

** In the above solution, amount payable towards disposal of machine has been computed on the basis of rule 40(2), i.e., ITC to be reversed for the period of use of capital goods/ machine has been computed @ 5% for every quarter or part thereof from the date of the issue of invoice.

However, the said amount can also be computed in accordance with rule 44(6), i.e., ITC involved in the remaining useful life (in months) of the capital goods/ machine can be reversed on pro-rata basis, taking the useful life as 5 years.



Revise important adjustments on the last day of the exam with One concept one question book

ALL THE BEST MY WARRIORS !!!

MUJHE PATA HAI TU KARLEGA
(I know you can do it)

Soft & Hard Copy Both Available On
www.taxkateacher.com