

CHAPTER 1

INTRODUCTION TO GST

Coverage	1) ICAI Study Material Questions & Solutions (100%)
	2) RTPs & MTPs till May 23 (100%)
	3) Past Year Questions till May 23 (100%)

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

List some of the benefits that GST may accrue to the economy.

Solution

GST may accrue following benefits to the economy:

- a) **Creation of unified national market:** GST aims to make India a common market with common tax rates and procedures and remove the economic barriers, thereby paving the way for an integrated economy at the national level.
- b) **Boost to 'Make in India' initiative:** GST may 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. This would make India a manufacturing hub.
- c) **Boost to investments, exports and employment:** Under the GST regime, the principle of exporting only the cost of goods or services and not taxes is being followed. This may boost Indian exports thereby improving the balance of payments position. Exporters are being facilitated by grant of provisional refund of 90% of their claims within 7 days of issue of acknowledgement of their application, thereby resulting in the easing of position with respect to cash flows.

Further, the subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input tax on goods and services and phasing out of Central Sales Tax (CST) may reduce the cost of locally manufactured goods and services. Resultantly, the competitiveness of Indian goods and services in the international market may increase to give boost to investments and Indian exports.

With a boost in exports and manufacturing activity, more employment would be generated and GDP would increase.

Concept Problem 2

Explain with the help of examples how a particular transaction of goods and services is taxed simultaneously under Central GST (CGST) and State GST (SGST)?

Solution

The Central GST and the State GST is levied simultaneously on every intra-State supply of goods or services or both made by registered persons except the exempted goods and services as well as goods and services which are outside the purview of GST. Further, both are levied on the same price or transaction value. The same can be better understood with the help of following examples:

Example I: Suppose that the rate of CGST is 10% and that of SGST is 10%. When a wholesale dealer of steel in Uttar Pradesh supplies steel bars and rods to a construction company which is also located within the same State for, say INR 100, the dealer would charge CGST of 10 and SGST of 10 in addition to the basic price of the goods. The CGST component will go into a Central Government account while the SGST portion into the account of the

concerned State Government (viz. U.P.).

It is important to note that he might not actually pay INR 20 (10 + 10) in cash as he would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (inputs, input services and capital goods) assuming that all his purchases are intra-State. However, for paying CGST, he would be allowed to use only the credit of CGST paid on his purchases while for SGST he can utilize the credit of SGST alone. CGST credit cannot be used for payment of SGST and *vice versa*.

Example II: Suppose, again the rate of CGST is 10% and that of SGST is 10%. When an advertising company located in Mumbai supplies advertising services to a company manufacturing soap also located within the State of Maharashtra for, let us say ` 100, the ad company would charge CGST of 10 as well as SGST of 10 at the basic value of the service. The CGST component will go into a Central Government account while the SGST portion into the account of the Maharashtra Government.

He might not actually pay 20 (10+10) in cash as it would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (say, of inputs such as stationery, office equipment, services of an artist etc.) assuming that all his purchases are intra-State. However, for paying CGST, he would be allowed to use only the credit of CGST paid on its purchase while for SGST, he can utilise the credit of SGST alone. CGST credit cannot be used for payment of SGST and *vice versa*.

Concept Problem 3

Why was the need to amend the Constitution of India before introducing the GST?

Solution

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

Introduction of the GST necessitated the amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax. The Constitution of India was amended by the Constitution (101st Amendment) Act, 2016 for this purpose. Article 246A of the Constitution introduced thereby empowered the Centre and the States to simultaneously levy and collect the GST.

Concept Problem 4

GST is a destination-based tax on consumption of goods or services or both. Discuss the validity of the statement.

Solution

The given statement is valid. GST is a destination-based tax on consumption of goods or services or both. GST is known as destination-based tax since the tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

For example, if A in Delhi produces the goods and sells the goods to B in Haryana. In this case, the tax would accrue to the State of Haryana and not to the State of Delhi. On the other hand, under pre-GST regime, origin-based taxation was prevailing in such cases.

Under origin-based taxation, the tax used to accrue to the State from where the transaction originated. In the given case, under origin-based taxation, the central sales tax would have been levied by Centre and collected by the State of Delhi and not by the State of Haryana.

Concept Problem 5

Discuss the leviability of GST or otherwise on the following:

- Alcoholic liquor for human consumption
- Petroleum crude, diesel, petrol, Aviation Turbine Fuel (ATF) and natural gas

- c) Tobacco
- d) Opium, Indian hemp and other narcotic drugs and narcotics

Solution

- a) **Alcoholic liquor for human consumption:** is outside the realm of GST. The manufacture/production of alcoholic liquor continues to be subjected to State excise duty and inter-State/intra-State sale of the same is subject to CST/VAT respectively.
- b) **Petroleum crude, diesel, petrol, ATF and natural gas:** As regards petroleum crude, diesel, petrol, ATF and natural gas are concerned, they are not presently leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council.

Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.
- c) **Tobacco:** Tobacco is within the purview of GST, i.e. GST is leviable on tobacco. However, Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India. Resultantly, tobacco is subject to GST as well as central excise duty.
- d) **Opium, Indian hemp and other narcotic drugs and narcotics:** Opium, Indian hemp and other narcotic drugs and narcotics are within the purview of GST, i.e. GST is leviable on them. However, State Governments have also retained the power to levy excise duties on such products manufactured in India. Resultantly, Opium, Indian hemp and other narcotic drugs and narcotics are subject to GST as well as State excise duties.

Concept Problem 6

Under Goods and Services Tax (GST), only value addition is taxed and burden of tax is to be borne by the final consumer. Examine the validity of the statement.

Solution

The statement is correct. Goods and Services Tax is a destination-based tax on consumption of goods and services. It is levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. Resultantly, only value addition is taxed and burden of tax is to be borne by the final consumer.

Concept Problem 7

Which are the commodities which have been kept outside the purview of GST? Examine the status of taxation of such commodities after introduction of GST.

Solution

Article 366(12A) of the Constitution as amended by 101st Constitutional Amendment Act, 2016 defines the Goods and Services tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. Therefore, alcohol for human consumption is kept out of GST by way of definition of GST in the Constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out of the purview of GST; GST Council shall decide the date from which they shall be included in GST. The erstwhile taxation system (CST/VAT & central excise) still continues in respect of the said commodities.

Concept Problem 8

A dual GST has been implemented in India. Elaborate.

Solution

A dual GST has been implemented in India with the Centre and States simultaneously levying it on a common tax base. The GST levied by the Centre on intra-State supply of goods and / or services is called the Central GST (CGST) and that levied by the States/ Union territory is called the State GST (SGST)/ Union GST (UTGST). Similarly, Integrated GST (IGST) is levied and administered by Centre on every inter-State supply of goods and/or services.

India is a federal country where both the Centre and the States have been assigned the powers to levy and collect taxes through appropriate legislation. Both the levels of Government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources. A dual GST, therefore, keeps with the Constitutional requirement of fiscal federalism.

Concept Problem 9

Discuss Article 269A pertaining to levy and collection of GST on inter-State supply.

Solution

Article 269A of the Constitution stipulates that Goods and Services Tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.

Here, supply of goods, or of services, or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce.

The amount so apportioned to a State shall not form part of the Consolidated Fund of India. Where an amount collected as IGST has been used for payment of SGST or vice versa, such amount shall not form part of the Consolidated Fund of India/State respectively. This is to facilitate transfer of funds between the Centre and the States.

Parliament is empowered to formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

Concept Problem 10

Discuss Article 246A which grants the power to make laws with respect to Goods and Services Tax.

Solution

Article 246A stipulates that Parliament, and, the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.

Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

However, in respect to petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel, the aforesaid provisions shall apply from the date to be notified by the Government on the recommendations by the GST Council.

2. ICAI RTPS, MTPS AND PAST YEAR QUESTIONS

Concept Problem 11

Differentiate between direct and indirect taxes.

Solution

Difference between direct taxes and indirect taxes:

Direct Taxes	Indirect Taxes
The person paying the tax to the Government directly bears the incidence of the tax.	The person paying the tax to the Government collects the same from the ultimate consumer. Thus, incidence of the tax is shifted to the other person.
Progressive in nature - high rate of taxes for people having higher ability to pay.	Regressive in nature - All the consumers equally bear the burden, irrespective of their ability to pay.

Concept Problem 12

Enumerate major direct and indirect taxes.

Solution

Major indirect taxes are goods and services tax and customs duty and major direct tax is income tax.

Concept Problem 13

Explain the salient features of indirect taxes.

Solution

Salient features of indirect taxes are:

- i) **An important source of revenue:** Indirect taxes are a major source of tax revenues for Governments worldwide and continue to grow as more countries move to consumption-oriented tax regimes. In India, indirect taxes contribute more than 50% of the total tax revenues of Central and State Governments.
- ii) **Tax on commodities and services:** It is levied on commodities at the time of supply or manufacture or purchase or sale or import/export thereof. Hence, it is also known as commodity taxation. It is also levied on supply of services.
- iii) **Shifting of burden:** There is a clear shifting of tax burden in respect of indirect taxes. For example, GST paid by the supplier of the goods is recovered from the buyer by including the tax in the cost of the commodity.
- iv) **No perception of direct pinch:** Since, value of indirect taxes is generally inbuilt in the price of the commodity, most of the time the tax payer/consumer pays the same without actually knowing that he is paying tax to the Government. Thus, tax payer does not perceive a direct pinch while paying indirect taxes.
- v) **Inflationary:** Tax imposed on commodities and services causes an all- round price spiral. In other words, indirect taxation directly affects the prices of commodities and services and leads to inflationary trend.
- vi) **Wider tax base:** Unlike direct taxes, the indirect taxes have a wide tax base. Majority of the products or services are subject to indirect taxes with low thresholds.
- vii) **Promotes social welfare:** Higher taxes are imposed on the consumption of harmful products (also known as 'sin goods') such as alcoholic products, tobacco products etc. This not only checks their consumption but also enables the State to collect substantial revenue.
- viii) **Regressive in nature:** Generally, the indirect taxes are regressive in nature. The rich and the poor have to pay the same rate of indirect taxes on certain commodities of mass consumption. This may further increase the income disparities between the rich and the poor.

Concept Problem 14

Write a short note on lists provide under seventh schedule to the constitution of India.

Solution

Seventh Schedule to Article 246 of the Constitution contains three lists which enumerate the matters under which the Union and the State Governments have the authority to make laws.

- i) List -I (UNION LIST): It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws.
- ii) List -II (STATE LIST): It contains the matters in respect of which the State Government has the exclusive right to make laws.
- iii) List -III (CONCURRENT LIST): It contains the matters in respect of which both the Central & State Governments have power to make laws.

Concept Problem 15

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

Solution

Deficiencies in the erstwhile indirect tax regime:

- (a) 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.
- (b) 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.
- (c) 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.
- (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.

Concept Problem 16

List the central and state levies which will be subsumed in GST in India.

Solution

Central levies that are subsumed in GST are as follows:

- a) Central Excise Duty & Additional Excise Duties
- b) Service Tax
- c) Excise Duty under Medicinal & Toilet Preparation Act
- d) CVD & Special CVD
- e) Central Sales Tax
- f) Central surcharges & Cesses in so far as they relate to supply of goods & services

State levies that are subsumed in GST are as follows:

- a) State surcharges and cesses in so far as they relate to supply of goods & services
- b) Entertainment Tax (except those levied by local bodies)
- c) Tax on lottery, betting and gambling
- d) Entry Tax (All Forms) & Purchase Tax
- e) VAT/ Sales tax
- f) Luxury Tax
- g) Taxes on advertisements

Concept Problem 17

Discuss the functions of the common GST portal.

Solution

GST being a destination-based tax, the inter-State trade of goods and services (IGST) needed a robust settlement mechanism amongst the States and the Centre. A Common Portal was needed which could act as a clearing house and verify the claims and inform the respective Governments to transfer the funds. This was possible only with the help of a strong IT Infrastructure.

Resultantly, Common GST Electronic Portal – www.gst.gov.in – a website managed by Goods and Services Network (GSTN) [a company incorporated under the provisions of section 8 of the Companies Act, 2013] is set by the Government to establish a uniform interface for the tax payer and a common and shared IT infrastructure between the Centre and States.

The functions of the GSTN include facilitating registration; forwarding the returns to Central and State authorities; computation and settlement of IGST; matching of tax payment details with banking network; providing various MIS reports to the Central and the State Governments based on the taxpayer return information; providing analysis of taxpayers' profile.

Concept Problem 18

Elaborate the principles that were borne in mind while subsuming various central, State and local levies, under GST.

Solution

The various central, state and local levies were examined to identify their possibility of being subsumed under GST. While identifying, the following principles were kept in mind:

- (i) Taxes or levies to be subsumed should be primarily in the nature of indirect taxes, either on the supply of goods or on the supply of services.
- (ii) Taxes or levies to be subsumed should be part of the transaction chain which commences with import/ manufacture/ production of goods or provision of services at one end and the consumption of goods and services at the other.
- (iii) The subsuming of taxes should result in free flow of tax credit in intra and inter-State levels. The taxes, levies and fees that are not specifically related to supply of goods & services should not be subsumed under GST.
- (iv) Revenue fairness for both the Union and the States individually would need to be attempted.

Concept Problem 19

GST is a simplified tax structure. Justify the statement.

Solution

GST is a simplified tax structure. The statement is justified. Simpler tax regime with fewer exemptions along with reduction in multiplicity of taxes under GST has led to simplification and uniformity in tax structure. The uniformity in laws, procedures and tax rates across the country makes doing business easier. Common system of classification of goods and services across the country ensures certainty in tax administration across India.

Concept Problem 20

List the advantages that GST accrues to the trade and industry.

Solution

GST accrues following advantages to the trade and industry

- (i) **Benefits to industry:** GST has given more relief to industry, trade and agriculture 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.
- (ii) **Mitigation of ill effects of cascading:** By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it helps in

mitigating the ill effects of cascading, improving competitiveness and improving liquidity of the businesses.

- (iii) **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.

Concept Problem 21

“State Government has exclusive power to notify a transaction to be supply of goods or services.” Discuss the correctness of the statement.

Solution

The said statement is not correct. State Government can notify a transaction to be supply of goods or services but only on the recommendations of the GST Council. Further, Central Government or State Government, both on the recommendations of the GST Council, can notify an activity to be the supply of goods and not supply of services or supply of services and not supply of goods or neither a supply of goods nor a supply of services.

CHAPTER 2

SUPPLY UNDER GST

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Meghraj & Co. wishes to commence the business of supplying ready-made garments within Punjab and in the neighbouring States of Delhi and Haryana. Kindly state as to what is the taxable event under GST and leviability of CGST, SGST/UTGST and IGST on the same?

Solution

Taxable event under GST is supply of goods or services or both. CGST and SGST/ UTGST will be levied on intra-State supplies. IGST will be levied on inter-State supplies.

Concept Problem 2

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.

Solution

As per Schedule I, 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.

Concept Problem 3

Prithvi Associates is engaged in supply of taxable goods. It enquires from its tax advisor as to whether any activity can be treated as supply even if made without consideration in accordance with the provisions of the CGST Act. Enumerate such activities, if any.

Solution

Section 7 stipulates that the supply should be for a consideration and should be in the course or furtherance of business. However, Schedule I of the CGST Act enumerates the cases where an activity is treated as supply, even if the same is without consideration. These are as follows.

- i) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
- ii) Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business.

However, gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

- iii) Supply of goods –
 - a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
 - b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

- iv) Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

Concept Problem 4

Composite supply is treated as supply of that particular goods or services which attracts the highest rate of tax. Examine the validity of the statement.

Solution

The statement is not correct. For considering tax liability, composite supply is treated as supply of the principal supply. It is the mixed supply that is treated as supply of that particular goods or services which attracts the highest rate of tax.

Concept Problem 5

Transfer of title and/or possession is necessary for a transaction to constitute supply of goods. Examine.

Solution

Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods.

In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II.

In some cases, possession may be transferred immediately, but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods in terms of Schedule II.

Concept Problem 6

Examine whether the following activities would amount to supply under section 7 read with schedule I:

- Sulekha manufactures have a factory in Delhi and a depot in Mumbai. Both these establishment are registered in respective states. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.
- Raman is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.
- Would your Solution be different if in above case Raman has taken advice in respect of his business in Chennai?

Concept Problem 7

State whether the following supplies would be treated as supply of goods or services as per schedule II of GST Act.

- Renting of immovable property.
- Goods forming part of business assets are transferred or disposed of by or under directions of person carrying on the business whether or not for consideration.
- Transfer of right in goods without transfer of title in goods.
- Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.

Solution

- Supply of services
- Supply of goods
- Supply of services
- Supply of goods

Concept Problem 8

Determine whether following supplies is treated as supply of goods or supply of services as per Schedule II:

- (a) Temporary transfer or permitting use or enjoyment of any intellectual property right.
- (b) Any treatment or process which is applied to another person's goods.
- (c) Transfer of title in goods.

Solution

- a) Supply of services
- b) Supply of services
- c) Supply of goods

Concept Problem 9 [MTP May 23]

The goods supplied on hire purchase basis will be treated as supply of services. Examine the validity of statement.

Solution

The statement is not correct. Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.

Concept Problem 10

Examine whether the activity of import of service in the following independent cases would amount to supply under section 7 of the CGST Act, 2017?

- a) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from Mr. Racheal of Sydney, Australia. The amount paid for the said service is 5,000 Australian dollar. [ICAI May 22]
- b) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia) [wholly dependent on Miss Shriniti]. Further, Miss Shriniti did not pay any consideration for the said service.
- c) Will your Solution change if in the above case, if Miss Shriniti has taken interior decoration services with regard to her business premises and not her residence?

Concept Problem 11

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

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

Dumdum Electronics has issued a single invoice, indicating price of each of the above items separately in the same. Akbar Retail Store has given a single cheque of INR 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.

Solution

In the given case, the items supplied by Dumdum Electronics are not naturally bundled in the ordinary course of business. Therefore, such supply is not a composite supply.

Further, although Akbar Retail Store has paid a composite discounted price for these goods, Dumdum Electronics has not charged a single price for the said supply. Therefore, said supply is also not a mixed supply.

Supply of these goods is, therefore, supply of individual items taxable at respective rates applicable to them.

Concept Problem 12

Manikaran, a registered supplier of Delhi, has supplied 20,000 packages at 30 each to Mukhija Gift Shop in Punjab. Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons. Determine the rate(s) of GST applicable in the given case assuming the rates of GST to be as under:

Goods/ Services supplied	GST Rate
Chocolates	18%
Fruit Juice bottle	12%
Toy balloons	5%

Solution

As per section 2(74) of the CGST Act, 2017, mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

Supply of a package containing chocolates, fruit juice bottles and a packet of toy balloons is a mixed supply as each of these items can be supplied separately and is not dependent on any other. Further, as per section 8(b) of CGST Act, 2017, the mixed supply is treated as a supply of that particular supply which attracts the highest rate of tax.

Thus, in the given case, supply of packages is treated as supply of chocolates [since it attracts the highest rate of tax] and the rate of GST applicable on the package of INR 6,00,000 ($20,000 \times \text{INR } 30$) is 18%

Concept Problem 13

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

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

Solution

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.

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

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

Concept Problem 14

Sarvanna & Sons wishes to start supplying alcoholic liquor for human consumption in the State of Tamil Nadu. Therefore, it applies for license to the Tamil Nadu Government for selling liquor for which the State Government 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.

Solution

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.

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.

2. ICAI RTPs, MTPs AND PAST YEAR QUESTIONS

Concept Problem 15

A dealer of washing machines who has availed input tax credit on washing machines, permanently transfers a washing machine from his stock in trade for personal use at his residence.

Will this transfer for personal use be treated as supply and liable for GST?

Solution

Such permanent transfer of business asset on which input tax credit has been availed, though without consideration, shall constitute supply and be liable to GST as per Schedule I read with section 7 of CGST Act, 2017.

Concept Problem 16

Under a scheme of finance, Maruti Ltd. gives the possession of car to the buyer in November 20XX. It agrees to transfer the ownership of the car to the buyer in December 20XX upon payment of full consideration of INR 9,60,000 in instalments as agreed.

What will be the nature of this transaction?

Solution

As per schedule II of the CGST Act, transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration shall be treated as supply of goods.

Thus, the aforesaid transaction shall be treated as supply of goods and liable to GST.

Concept Problem 17

R is a manufacturer of goods. He sends his goods for the purpose of special packaging to G on job work. The packaging material has also been provided by R.

What is the nature of this activity?

Solution

As per schedule II read with section 7 of the CGST Act, treatment or process applied to another person's goods shall be treated as supply of services. Further, it shall be **immaterial whether the job work is to be carried out by a job worker with or without any material.**

In the given case, the activity of special packing by G shall be treated as supply of services. Further it shall be immaterial whether G uses his own packing material or the same is provided by R

Concept Problem 18

R deals in home appliances like washing machines, refrigerator etc. He uses computers in his shops for keeping track of inventory and for other business purposes. Out of 2 computers, R takes home one computer to be used by his son for his studies during the month of October 20XX and thereafter computer is brought back to the show room of R.

What will be the nature of this transaction?

Solution

As per schedule II read with section 7 of the CGST Act, where goods held or used for the purposes of the business are put to any private use, whether or not for a consideration, such usage is supply of services.

The aforesaid private use of a computer by son of R shall be treated as a supply of services and thus liable to GST.

Concept Problem 19

R has closed down his business but was left with certain capital goods and inputs forming part of the assets of the business carried on by him. The closure of the business is due to his ill health.

What will be the nature of this transaction?

Solution

As per schedule II read with section 7 of the CGST Act, goods forming part of the assets of any business carried on by a person shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person unless-

- The business is transferred as a going concern to another person: or
- The business is carried on by a personal representative who is deemed to be a taxable person.

In this case, such goods shall be deemed to be supplied by him in the course of furtherance of his business immediately before he ceases to be a taxable person.

Thus, the capital goods which have some useful life and such inputs lying with him on which credits has been availed should be treated as deemed supply and shall be subject to GST.

Concept Problem 20

R who is interested in taking loan from some bank but does not have any collateral security, approaches G who agrees to mortgage his property as collateral security to the bank for advancing loan to R. G charges some consideration from R for providing such collateral security.

What will be the nature of this transaction?

Solution

As per schedule II read with section 7 of the CGST Act, agreeing to the obligation or to refrain from an act or to tolerate an act or to do an act shall be treated as supply of services.

Thus, the consideration received by G shall be covered under the scope of this entry and shall be subject to tax as a supply of services.

Concept Problem 21

R dispatched chocolates to G from Delhi to Punjab after getting it packed and paying insurance charges of such goods. What is the kind of such supply of chocolates?

Solution

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

GST rate applicable in this case shall be the GST rate of chocolates i.e., the principal supply. [Section 8(a)]

Concept Problem 22

R purchases air travel ticket of Air India from Delhi to Bangalore for INR 9,000 which includes free food on board and free insurance. What is the kind of such supply and at what rate will GST be applicable?

Solution

Air travel ticket from Delhi to Bangalore costing INR 9,000 includes free food on board and free insurance. Therefore, it is a case of composite supply. In this case, the transport of passenger constitutes the pre-dominant element of the composite supply and is treated as the principal supply and all other supplies are ancillary.

Hence GST rate applicable in this case shall be the GST rate of transportation of passenger by air. [Section 8(a)]

Concept Problem 23

R is selling certain goods comprising of set of articles at a consolidated price of INR 80,000. R claims that the value of various articles and GST rate on such articles are as under

- a) Articles ‘X’ INR 40,000 5%
- b) Articles ‘Y’ INR 30,000 18%
- c) Articles ‘Z’ INR 10,000 Exempt

How much GST is payable by R if

- a) All articles are sold separately?
- b) All articles are sold as one set for a consolidated price of INR 80,000?

Solution

a) All articles are sold separately

The amount of GST shall be 5% of INR 40,000 for Articles X; 18% of INR 30,000 for article Y and Nil for Article Z.

Article	Amount	Rate	GST
X	40,000	5%	2,000
Y	30,000	18%	5,400
Z	10,000	Exempt	Nil
Total			7,400

b) All articles are sold as one set

This is a case of mixed supply and GST shall be charged at the maximum rate of 18% on INR 80,000 i.e., 14,400.

Concept Problem 24

M/s M Ltd. being a garment manufacturer appoints Mr. Ram as an agent, who stores garments manufactured by M Ltd. and sends to dealers whenever M Ltd. asks Mr. Ram to do so. Is it a supply? Justify.

Solution

As per schedule I read with section 7 of CGST Act, 2017, Supply of goods by a principal to his agent, without consideration, where the agent undertakes to supply such goods on behalf of the principal is considered as supply.

A person shall be treated as agent for the purpose of schedule I of CGST Act, 2017 if he has the authority to pass or receive the title of the goods on behalf of the principal.

In this case, Ram simply stores garments manufactured by M Ltd. and sends to dealers whenever M Ltd. asks him to do so. He does not have the authority to pass or receive the title of the goods on behalf of the principal.

Hence, transfer of garments from M Ltd. to Mr. Ram without consideration shall not be deemed as supply under GST in accordance with section 7 of CGST Act 2017 read with schedule I.

Concept Problem 25

- a) The temple of ancestral deity of Mr. Aman Goel and his family is located at Beri, Haryana. The temple is run by a charitable organisation registered under section 12AA 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 INR 10 lakh to the said temple for construction of a sitting hall in the temple. On main door of the sitting hall, a name plate was placed stating “Donated by Mr. Aman upon birth of his first child”.

You are required to examine the levability of GST on donation received from Mr. Aman Goel? [RTP May 2020]

- b) Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd. Examine whether this would amount to "supply" under GST law. [ICAI May 22]

Solution

- a) 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.

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

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

Concept Problem 26 [ICAI Nov 2020]

With reference to provisions of the CGST Act, 2017 discuss in brief, when "Importation of services" is to be considered as supply and when it is not to be considered as supply.

Solution

Importation of services for a consideration whether or not in the course or furtherance of business is to be considered as supply.

Importation of services by a person without consideration is deemed as supply if following conditions are satisfied:-

- such import is from related person or from his establishments located outside India, and
- such import is in the course or furtherance of business.

In case any or both of the above two conditions is/are not satisfied, the import of services without consideration shall not be deemed as supply.

Concept Problem 27 [ICAI May 2021]

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

Solution

Composite supply comprises of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

Where such supply does not constitute a composite supply, it is treated as mixed supply.

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

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

Note: The question specifies that the various items are supplied at “single rate”. The “single rate” expression is construed as single rate of tax in the above answer.

Further, “Single rate” may also be construed as single price as given in the below mentioned answer.

Items such as double red refrigerator, washing machine and wooden wardrobe are not naturally bundled. Therefore, supply of such items as a package is not composite supply. Further, a single price has been charged for the package.

Consequently, supply of such items as a package will be treated as mixed supply.

Concept Problem 28 [RTP May 2023]

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.

Solution

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.

Concept Problem 29

Determine whether the following supplies amount to composite supplies?

- A hotel provides 4 days 3 nights package wherein the facility of breakfast and dinner is provided along with the room accommodation.
- A toothpaste company has offered the scheme of free toothbrush along with the toothpaste.

Solution

Under composite supply, two or more taxable supplies of goods or services or both of any combination thereof are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply [Sec 2(30)]. In view of the same

- since supply of breakfast and dinner with the accommodation in the hotel are naturally bundled, said supplies qualify as composite supply.
- since supply of toothbrush along with the toothpaste are not naturally bundled, said supplies do not qualify as composite supply

Concept Problem 30

PTL Pvt. Ltd. is a retail store of merchandise located in 25 States/UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. Launched scheme of “Buy One Get One Free” for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. Determine how the taxability of the goods supplied under “Buy One Get One Free” scheme is determined.

Solution

As per section 7(1)(a), the goods or services which are supplied free of cost (without any consideration) are not treated as “supply” except in case of activities mentioned in Schedule I of the CGST Act. Under “Buy One Get One Free” scheme, it may appear at first glance that in case of offers like “Buy One, Get One Free”, one item is being “supplied free of cost” without any consideration.

However, it is not an individual supply of free goods, but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one.

Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined accordingly.

CHAPTER 3

CHARGE OF GST

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

State the person liable to pay GST in following independent cases provided recipient is located in taxable territory:

- Services provided by an arbitral tribunal to any business entity.
- Sponsorship services provided by a company to an individual.
- Renting of immovable property service supplied by Central Government to a registered business entity.

Solution

- Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory is payable under reverse charge, in the given case, GST is payable by the recipient - business entity. It is assumed that the business entity has turnover exceeding limit u/s 22 in preceding financial year.
- GST on sponsorship services provided by any person to anybody corporate or partnership firm located in the taxable territory is payable under RCM. Since in the given case, services have been provided to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier - Company.
- GST on services supplied by Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under CGST Act, 2017 is payable under RCM. Therefore, in the given case, GST is payable under RCM by the recipient- registered business entity.

Concept Problem 2

Vivek Goyal, an independent director of A2Z Pvt. Ltd., has received sitting fee amounting to ₹ 1 lakh from A2Z Pvt. Ltd. for attending the Board meetings. Who is the person liable to pay tax in this case?

Solution

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

Therefore, in the given case, person liable to pay GST is the recipient i.e., A2Z Pvt. Ltd.

Concept Problem 3

Raghu Associates provided sponsorship services to WE-WIN Cricket Academy, an LLP. Determine the person liable to pay tax in this case.

Solution

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

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

Therefore, in the given case, WE-WIN Cricket Academy LLP is liable to pay GST under reverse charge.

Concept Problem 4

Legal Fees is received by Sushrut, an advocate, from M/s. Tatva Trading Company, engaged in making taxable supplies and located in Maharashtra, having turnover of INR 50 lakh in preceding financial year. Who is the person liable to pay tax in this case?

Solution

GST on legal services supplied by an advocate [Mr. Sushrut] to any business entity [M/s. Tatva Trading Company] located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Tatva Trading Company.

Concept Problem 5

State the person liable to pay GST in following independent cases provided recipient is located in taxable territory:

- Services supplied by an insurance agent to an insurance company.
- Services supplied by a recovery agent to a car dealer.
- Security services (services provided by way of supply of security personnel) provided by a partnership firm to a registered person paying tax under regular scheme.

Solution

- GST on services supplied by an insurance agent to any person carrying on insurance business located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient - Insurance Company.
- GST on services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company located in the taxable territory is payable under reverse charge. However, since, in the given case, services are being supplied by a recovery agent to a car dealer, GST is payable under forward charge by the service provider - recovery agent.
- GST on security services (services provided by way of supply of security personnel) provided to a registered person, located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient - registered person receiving the services.

Concept Problem 6

Sultan & Sons, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification, in the State of Maharashtra. Its aggregate turnover in the preceding financial year is ₹ 130 lakh. The firm wishes to opt for composition scheme under section 10 (1) & (2). However, its accountant is of the view that a person engaged in making supply of exempt goods is not eligible for the said scheme. Discuss.

Note: Assume that Sultan & Sons is not engaged in manufacture of goods as notified under section 10(2)(e).

Solution

The view taken by the accountant of Sultan & Sons is not valid in law. A registered person with an aggregate turnover in a preceding financial year up to ₹ 1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Maharashtra. Further, such person must not be engaged in making any supply of goods or services which are not leviable to tax under this Act and must not be engaged in making any inter-State outward supplies of goods or services, for being eligible to pay tax under said scheme.

In the given case, the aggregate turnover of Sultan & Sons does not exceed INR 1.5 crore. Further, it is engaged in making only intra-State supply of goods and Product P supplied by it is taxable and Product Q supplied by it is leviable to tax, though exempted by way of notification. Therefore, it is eligible for composition levy under section 10(1) & 10(2) in the current year.

Concept Problem 7

A person availing composition scheme, under sub-sections (1) & (2) of section 10, in Haryana during a financial year crosses the turnover of ₹ 1.5 crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March? Please advise.

Solution

No. The option to pay tax under composition scheme lapses from the day on which the aggregate turnover of the person availing composition scheme for goods during the financial year exceeds the specified limit (₹ 1.5 crore). Once he crosses the threshold, he is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days of the occurrence of such event.

Every person who has furnished such an intimation, may electronically furnish at the common portal, a statement in prescribed form containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date on which the option is withdrawn, within a period of 30 days from the date from which the option is withdrawn.

Concept Problem 8

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

- i) Mohan Enterprises is engaged in trading of pan masala in Rajasthan and is registered in the same State.
- ii) Sugam Manufacturers has registered offices in Punjab & Haryana and supplies goods in neighbouring States.

Solution

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

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

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

Concept Problem 9

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

Solution

A registered person with an aggregate turnover in a preceding financial year up to ₹ 1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Since the aggregate turnover of Subramanian Enterprises does not exceed ₹ 1.5 crore, it is eligible for composition levy in the current year.

However, all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme. Thus, Subramanian Enterprises either have to opt for composition levy for both places of business or under normal levy for both places of business.

Concept Problem 10

Mr. Ajay has a registered repair centre where electronic goods are repaired/serviced. His repair centre is located in State of Rajasthan and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is ₹ 45 lakh.

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme under section 10(1) & 10(2) in the current financial year? Or whether he is eligible to avail benefit of composition scheme under section 10(2A)? Considering the option of payment of tax available to Mr. Ajay, compute the amount of tax payable by him assuming that his aggregate turnover in the current financial year is ₹ 35 lakh.

Will your Solution be different if Mr. Ajay procures few items required for providing repair services from neighbouring State of Madhya Pradesh?

Solution

Section 10(1) provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore (₹ 75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, as per proviso to section 10(1), person who opts to pay tax under composition scheme may supply services other than restaurant services, of value not exceeding 10% of the turnover in a State or Union territory in the preceding financial year or ₹ 5 lakh, whichever is higher.

In the given case, since Mr. Ajay is an exclusive supplier of services other than restaurant services [viz. repair services], he is not eligible for composition scheme under section 10(1) & 10(2).

However, section 10(2A) provides an option to a registered person (subject to certain conditions) whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme under section 10(1) & 10(2), to pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State or Union territory.

Thus, in view of the above-mentioned provisions, Mr. Ajay is eligible to avail the composition scheme under section 10(2A) as his aggregate turnover in the preceding FY does not exceed ₹ 50 lakh and he is not eligible to opt for the composition scheme under section 10(1) & 10(2).

Thus, amount of tax payable by him as per composition scheme u/s 10(2A) is ₹ 2,10,000 [6% of ₹ 35 lakh].

A registered person cannot opt for composition scheme under section 10(2A), if, inter alia, he is engaged in making any inter-State outward supplies. However, there is no restriction on inter-State procurement of goods. Hence, Solution will remain the same even if Mr. Ajay procures few items from neighboring State of Madhya Pradesh.

Concept Problem 11

M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Their aggregate turnover in the preceding financial year by way of supply of appliances was ₹ 120 lakh.

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

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

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

Solution

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

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

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

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

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

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

2. ICAI RTPS, MTPS AND PAST YEAR QUESTIONS

Concept Problem 12

The aggregate turnover of R & Sons, a firm registered under composition scheme in Delhi, during the financial year 2021-22 is INR 86,00,000. During the FY 2022-23, the aggregate turnover for the firm till 12.10.2022 is INR 1,49,00,000. On 13.12.2022, it issues three invoices of INR 1,50,000 INR 80,000 and INR 90,000. Will the firm liable to pay GST and if so, on what amount?

Solution

R & Sons shall be liable to pay GST under normal scheme u/s 9 of CGST Act, 2017 on all the three invoices as its turnover on 13.12.2022 exceeds INR 1.5 crore.

Concept Problem 13 [RTP May 2020]

- a) Chanchal started providing beauty and grooming services and inaugurated “Care & Care Beauty Centre” in Delhi on 01st April, 20XX. She opted to pay tax under section 10(2A) of CGST Act, 2017 in the said financial year.

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

- b) Care & Care Beauty Centre wishes to opt for composition scheme u/s 10(1) from the next financial year. You are required to advise it whether it can do so?

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

Concept Problem 14

Mr. Zafar of Assam, provides the following information for the preceding FY 20XX-YY. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not, for the F.Y. 20YY-ZZ.

Particulars	Amount (L)
Value of taxable outward supplies (out of above, INR 10 lakh was in course of inter-state supply)	50.00
Value of exempt supplies (which include INR 30 lakh received as interest on loans & advances)	70.00
Value of inward supplies on which he is liable to pay tax under reverse charge	5.00
Value of exports	5.00
All the amounts in Lakhs and are exclusive of GST.	

Concept Problem 15 [RTP Nov 2020]

The due date for payment of tax by a person paying tax under section 10 of the CGST Act, 2017, i.e., a composition supplier is aligned with the due date of return to be filed by the said person. Discuss the correctness or otherwise of the statement.

Solution

The statement is not correct. Every registered person paying tax under section 10, i.e., a composition supplier, is required to file a return annually in Form GSTR-4. Form GSTR-4 for a financial year should be furnished by 30th April of the succeeding financial year.

However, a composition supplier is required to pay his tax on a quarterly basis. A quarterly statement for payment of self-assessed tax in GST CMP-08 is required to be furnished by 18th day of the month succeeding such quarter.

Therefore, while the return is to be furnished annually, payment of tax needs to be made on a quarterly basis, by a composition supplier.

Concept Problem 16 [RTP May 2021]

“Wedding Bells”, a wedding photographer, has commenced providing pre-wedding shoot services in Jaipur from the beginning of current FY. It has provided following details of turnover for various quarters till Dec, 20XX:

S. No.	Particulars	Amount (Lakhs)
1.	April 20XX - June 20XX	20
2.	July 20XX – September 20XX	30
3.	October 20XX – December 20XX	40

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

Solution

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

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

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

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

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

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

Thus, while computing aggregate turnover for determining Wedding Bells’ s eligibility to pay tax under composition scheme, value of supplies from the first day of April of a financial year upto date when it becomes liable for registration under this Act, (i.e., turnover of April, 20XX – June 20XX quarter), are included.

By the end of July 20XX - September, 20XX quarter, the aggregate turnover reaches 50 lakhs. Consequently, the option to avail composition scheme for services shall lapse by end of July, 20XX - September, 20XX quarter and thereafter, it is required to pay tax at the normal rate of 18% .

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

S No	Quarter	GST Rate [CGST + SGST]	Turnover (In lakh)	GST Payable (in lakh)
1.	April, 20XX – June 20XX	-	20	-
2.	July, 20XX – September 20XX	6%	30	1.8
3.	October 20XX – December , 20XX	18%	40	7.2

Concept Problem 17 [ICAI May 2021]

P Ltd, a registered person provided following information for the month of October, 20XX:

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

GST is a payable on Reverse Charge for GTA services.

Explain the meaning of aggregate turnover u/s 2(6) of the CGST Act and compute the aggregate turnover of P Ltd. for the month of October, 20XX. All amounts are exclusive of GST.

Concept Problem 18 [ICAI Nov 2020]

In the following independent cases, decide, who is liable to pay GST, if any. You may assume that recipient is located in the taxable territory. Ignore the aggregate turnover and exemption available.

- a) 'Veer Transport', a registered GTA paying IGST @ 12%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law.

Solution

- a) In case of a GTA service, where GST is payable @ 5% and recipient is one of the specified recipients, tax is payable by the recipient of service under reverse charge.

However, where GST is payable @ 12%, tax is payable under forward charge by the supplier of service. Therefore, in the given case, tax is payable under forward charge by "Veer Transport", a registered GTA.

Note In the given case, since the recipient of service is other than specified recipient, i.e., unregistered sole proprietorship firm, GTA service is exempt from GST. However, in the above answer, the said exemption has been ignored since the question specifically requires the students to ignore the exemptions, if any, available.

Concept Problem 19 [RTP May 2021]

Mr. Priyam, director of Sun Moon Company Private limited, provided services 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 Pvt. Ltd. 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 INR 1,25,000, INR 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, INR 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

- a) 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

- b) The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of schedule III.

Further, the part of employee director's remuneration which is declared separately other than salaries in the company's accounts and subjected to TDS under section 194J of the IT Act as fee for professional or technical services are treated as consideration for providing services which are outside the scope of schedule III and is therefore, taxable. The recipient of the said services i.e., the company, is liable to discharge the applicable GST on it on reverse charge basis.

Accordingly, INR 60,000 declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS u/s 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 u/s 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. Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

Concept Problem 20 [RTP Nov 2022]

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

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

Concept Problem 21 [ICAI May 2022]

"Under the GST law, taxes on taxable services supplied by the Central Government or the State Government to a business entity in India are payable by recipient of services". State the exceptions of the above statement.

Solution

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

- services of renting of immovable property provided to an unregistered business entity.
- services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority.
- services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.

d. services of transport of goods or passengers.

Concept Problem 22 [ICAI Nov 2022]

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

- i) Briefly discuss the relevant provision
- ii) decide the correct conclusion and
- iii) determine the validity of the given advice (Correct/Incorrect)

Raju is engaged in the manufacture of 'Fly ash Bricks' in the State of Kerala. He started his activity in the month of April 2022 and deals only in intra-State. His tax consultant advised him to register under composition levy under GST as Raju's turnover is expected to be below INR 1 crore for the said financial year.

Solution

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

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

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

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

Concept Problem 23 [RTP May 2023]

State the person liable to pay GST in the following independent services provided:

- i) Siddhi Builders, registered in Haryana, rented out 20 residential units owned by it in Sanskriti Society to Rudra Technologies, an IT based firm registered in the State of Haryana, for accommodation of its employees.
- ii) M/s. Purohit Consultants, a partnership firm registered in Delhi as a regular taxpayer, paid sponsorship fees of INR 70,000 at a seminar organized by a private NGO(a partnership firm) in Delhi.

Solution

- i) Services provided by way of renting of residential dwelling for use as residence is exempt from GST. However, where the residential dwelling is rented to a registered person, said exemption is not available. Further, tax on service provided by way of renting of residential dwelling to a registered person is payable by the recipient under reverse charge.

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

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

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

Concept Problem 24 [MTP May 2023]

M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Its aggregate turnover in the preceding financial year by way of supply of appliances is INR 120 lakhs.

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

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

- i) Whether the firm can opt for the composition scheme, under section 10(1) and 10(2), for the current financial year, as the turnover may include supply of both goods and services?

ii) If yes, up to what amount, the services can be supplied?

Solution

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

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

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

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

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

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

CHAPTER 4

PLACE OF SUPPLY

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

In case of a domestic supply, what is the place of supply where goods are removed?

Solution

As per section 10(1)(a), the place of supply of goods is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

Concept Problem 2

What will be the place of supply if the goods are delivered by the supplier to another person on the direction of a third person?

Solution

As per section 10(1)(b), it would be deemed that the third person has received the goods and the place of supply of such goods will be the principal place of business of such person.

Concept Problem 3

What is the place of supply where the goods or services are supplied on board a conveyance, such as a vessel, an aircraft, a train or a motor vehicle?

Solution

As per section 10(1)(e), in respect of goods, the place of supply is the location at which such goods are taken on board.

However, in respect of services, the place of supply is the location of the first scheduled point of departure of that conveyance for the journey in terms of sections 12(10).

Concept Problem 4

The place of supply in relation to immovable property (situated in India) is the location of immovable property. Suppose a road is constructed from Delhi to Mumbai covering multiple states.

What will be the place of supply of construction services?

Solution

Where the immovable property is located in more than one State, the supply of service is treated as made in each of the States in proportion to the value for services separately collected or determined, in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other reasonable basis as may be prescribed in this behalf [Explanation to section 12(3)].

In the absence of a contract or agreement between the supplier and recipient of services in this regard, the proportionate value of services supplied in different States/Union territories (where the immovable property is located) is computed on the basis of the area of the immovable property lying in each State/ Union territories [Rule 4 of the IGST Rules].

Concept Problem 5

What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States?

Solution

In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard [Explanation to section 12(7)].

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with rule 5 of the IGST Rules by the application of generally accepted accounting principles.

Concept Problem 6

What is the place of supply of services by way of transportation of goods, including by mail or courier when both the supplier and the recipient of the services are located in India?

Solution

If the recipient is registered, the location of such person is the place of supply. However, if the recipient is not registered, the place of supply is the place where the goods are handed over for transportation. Further, if the goods are transported outside India, the destination of such goods is the place of supply [Section 12(8)].

Concept Problem 7

What will be the place of supply of passenger transportation service, if a person travels from Mumbai to Delhi and back to Mumbai?

Solution

If the person is registered, the place of supply of passenger transportation service will be the location of recipient. If the person is not registered, the place of supply for the forward journey from Mumbai to Delhi will be Mumbai, the place where he embarks [Section 12(9)].

However, for the return journey, the place of supply will be Delhi as the return journey has to be treated as separate journey [Explanation to section 12(9)].

Concept Problem 8

What is the place of supply for mobile connection? Can it be the location of supplier?

Solution

The location of supplier of mobile services cannot be the place of supply as the mobile companies are providing services in multiple states and many of these services are inter-state. The consumption principle will be broken if the location of supplier is taken as place of supply and all the revenue may go to a few states where the suppliers are located.

The place of supply for mobile connection would depend on whether the connection is on postpaid or prepaid basis. In case of postpaid connections, the place of supply is the location of billing address of the recipient of services on the record of supplier of services.

In case of pre-paid connections, if the service is supplied:-

- through a selling agent or a re-seller or a distributor of SIM card or re-charge voucher, the place of supply is the place address of the selling agent or re-seller or distributor as per the record of the supplier at the time of supply; or

- b) by any person to the final subscriber, the place of supply is the location where such prepayment is received or such vouchers are sold;
- c) in other cases, the place of supply is the address of the recipient as per the records of the supplier of services and where such address is not available, the place of supply shall be location of the supplier of services.

However, if the recharge is done through internet/e-payment, the location of recipient of service on record of the supplier will be taken as the place of supply [Section 12(11)].

Concept Problem 9

A person from Mumbai goes to Kullu-Manali and takes some services from ICICI Bank in Manali.

What is the place of supply?

Solution

The place of supply in case of banking services to any person shall be the location of the recipient of services on the records of the supplier of services. However, if the location of recipient of services is not on the records of the supplier, the place of supply shall be the location of the supplier of services i.e. Kullu-Manali, Himachal Pradesh [Section 12(12)].

Concept Problem 10

An unregistered person from Gurugram travels by Air India flight from Mumbai to Delhi and gets his travel insurance done in Mumbai.

What is the place of supply of insurance services?

Solution

When insurance service is provided to an unregistered person, the location of the recipient of services on the records of the supplier of insurance services is the place of supply. So Gurugram is the place of supply [Section 12(13)].

CHAPTER 5

EXEMPTIONS FROM GST

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Good Health Medical Centre, a clinical establishment, offers the following services:

- (i) Reiki healing treatments.
- (ii) Plastic surgeries. One such surgery was conducted to repair cleft lip of a new born baby.
- (iii) Air ambulance services to transport critically ill patients from distant locations to the Medical Centre.
- (iv) Palliative care for terminally ill patients. On request, such care is also provided to patients at their homes. (Palliative care is given to improve the quality of life of patients who have a serious or life-threatening disease but the goal of such care is not to cure the disease).
- (v) Alternative medical treatments by way of yoga.

Good Health Medical Centre also operates a cord blood bank which provides services in relation to preservation of stem cells.

Good Health Medical Centre is of the view that since it is a clinical establishment, all the service provided by it as well as all the services provided to it are exempt from GST.

You are required to examine the situation in the light of relevant statutory provisions.

Solution

Health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST under Entry 74. In light of the same, the eligibility to exemption in respect of each service offered by Good Health Medical Centre is examined below:

- (i) **Not Exempt.** Since reiki healing is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010, it would not be exempt and thus, GST would be payable thereon.
- (ii) **Exempt.** Health care service does not include, inter alia, cosmetic or plastic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.

Therefore, plastic surgeries will not be entitled to the said exemption and thus, GST would be payable thereon. However, plastic surgery conducted to repair a cleft lip will be eligible for exemption as it reconstructs anatomy or functions of body affected due to congenital defects (cleft lip).

- (iii) **Exempt.** Health care service includes services by way of transportation of the patient to and from a clinical establishment. Thus, air ambulance service to transport critically ill patients to Good Health Medical Centre would be eligible for exemption under the said notification.
- (iv) **Exempt.** Health care service means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognized system of medicines in India. It is immaterial whether such service is provided at the clinical establishment or at the home of the patient or at any other place. Thus, palliative care for terminally ill patients is exempt.
- (v) **Exempt.** Since Yoga is a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010, the same would be eligible for exemption under the said notification.

Further, services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are not exempt from GST. Therefore, services provided in relation to preservation of stem cells by the cord blood bank operated by Good Health Medical Centre will be liable to GST.

It is important to note that Entry 74 of the exemption notification grants exemption to health care services provided BY a clinical establishment and not to services provided TO a clinical establishment. Therefore, Good Health Medical Centre's contention that since it is a clinical establishment, all the services provided to it are also exempt from GST is not correct in law.

Concept Problem 2

M/s. Apna Bank Limited, a scheduled commercial bank, has furnished the following details for the month of August:

Particulars	Amount (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.

Solution

Computation of value of taxable supply of M/s. Apna Bank Limited for the month of August:

Particulars	Amount (crores excluding GST)
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, it is taxable]	20
Commission collected on bank guarantee [Any commission collected over & above interest on loan/ advance/ 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 Outward Supply	91

Concept Problem 3

Determine the GST payable, if any, in each of the following independent cases, assuming that the rate of GST is 18% and that the service providers are registered:

- (a) Bollywood dance performance by a film actor in a film and consideration charged is ₹ 1,45,000.
- (b) Carnatic music performance by a classical singer to promote a brand of readymade garments & consideration charged is ₹ 1,30,000.
- (c) Carnatic music performance by a classical singer in a music concert and consideration charged is ₹ 1,55,000.
- (d) Kathak dance performance by a classical dancer in a cultural programme. Consideration charged ₹ 1,45,000.

Solution

- (a) Bollywood Dance performance by a film actor in a film is not exempt from GST even though the consideration charged is less than threshold limit of ₹ 1,50,000. The reason for the same is that the dance performance by an artist is exempt only if it is a performance in folk or classical art forms of dance.
- (b) Carnatic music performance by a classical singer to promote a brand of readymade garments is not exempt from GST even though, the consideration charged is less than threshold limit of ₹ 1,50,000 and it is a performance in classical art forms of music. The reason for the same is that the said exemption is not applicable to service provided by such artist as a brand ambassador.
- (c) Carnatic music performance by a classical singer in a music concert is not exempt from GST even though it is a performance in classical art forms of music. The reason for the same is the consideration charged for the service exceeds ₹ 1,50,000. Consequently, entire consideration charged is subject to GST as follows:

$$= ₹ 1,55,000 \times 18\% = ₹ 27,900$$
- (d) Kathak dance performance by a classical dancer in a cultural programme is exempt from GST as it is a performance in classical art forms of dance & consideration charged does not exceed ₹1,50,000.

Concept Problem 4

Exempt supply means supply of any goods or services or both which attracts nil rate of tax and which may be wholly exempt from tax, but excludes non-taxable supply. Discuss the validity of the statement.

Solution

The statement is not fully valid in law. Exempt supply has been defined as supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax and includes non-taxable supply [Section 2(47)].

Concept Problem 5

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

Solution

The term 'charitable activities' mean activities relating to-

- (i) public health by way of-
 - (A) care or counseling of
 - (I) terminally ill persons or persons with severe physical or mental disability;
 - (II) persons afflicted with HIV or AIDS;
 - (III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or
 - (B) public awareness of preventive health, family planning or prevention of HIV infection;
- (ii) advancement of religion, spirituality or yoga;

- (iii) advancement of educational programmes/skill development relating to,
- A. abandoned, orphaned or homeless children;
 - B. physically or mentally abused and traumatized persons
 - C. prisoners; or
 - D. persons over the age of 65 years residing in a rural area;
- (iv) preservation of environment including watershed, forests & wildlife.

Concept Problem 6

Examine which of the following independent services are exempt from GST:

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

Solution

- a) Services by way of health care services by a clinical establishment, an authorised medical practitioner or paramedics are exempt from GST. Food supplied to the in-patients by a canteen run by the hospital, as advised by the doctor/nutritionists, is a part of composite supply of healthcare and not separately taxable. Thus, said services are exempt from GST.
- b) Supply of service by a RWA (unincorporated body or a non-profit entity registered under any law) to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹ 7500 per month per member for providing services and goods for the common use of its members in a housing society/a residential complex are exempt from GST.

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

Concept Problem 7

An individual acts as a referee in a football match organized by Sports Authority of India. He has also acted as a referee in another charity football match organized by a local sports club, in lieu of a lump sum payment. Discuss whether any GST is payable on the activities undertaken by him.

Solution

Services provided to a recognized sports body by an individual, inter alia, as a referee in a sporting event organized by a recognized sports body is exempt from GST.

Since in the first case, the football match is organized by Sports Authority of India, which is a recognized sports body, services provided by the individual as a referee in such football match will be exempt.

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

Concept Problem 8

RXL Pvt. Ltd. manufactures a beauty soap with the brand name 'Forever Young'. RXL Pvt. Ltd. has organized a concert to promote its brand. Ms. Ahana Kapoor, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert worth ₹ 1,20,000 will be donated to a charitable organization.

Examine whether Ms. Ahana Kapoor will be required to pay any GST.

Solution

Services by an artist by way of a performance in folk or classical art forms of music, or (ii) dance, or (iii) theatre are exempt from GST, if the consideration charged for such performance is not more than ₹ 1,50,000. However, such exemption is not available in respect of service provided by such artist as a brand ambassador.

Since Ms. Ahana Kapoor is the brand ambassador of 'Forever Young' soap manufactured by RXL Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by RXL Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST.

The fact that the proceeds of the concert will be donated to a charitable organization will not have any bearing on the eligibility or otherwise to the above-mentioned exemption.

Concept Problem 9

Examine whether GST is exempted on the following independent supplies of services:

- a) Service provided by a private transport operator to Scholar Boys Higher Secondary School by way of transportation of students to and from the school.
- b) Services provided by way of vehicle parking to general public in a shopping mall.

Solution

- a) Yes. Services provided to educational institution by way of transportation of students are exempted from GST.
- b) No. Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, GST is payable on the same.

Concept Problem 10

A State Transport Undertaking has hired motor vehicles meant to carry 8 - 10 passengers from Fast Cab Renting, a motor vehicle renting company. Give your comments as to whether any GST is payable in this case.

Solution

Services by way of giving on hire, inter alia, to a State Transport Undertaking, a motor vehicle meant to carry more than 12 passengers is exempt from GST.

Since the motor vehicles given on hire by Fast Cab Renting to the State Transport Undertaking are meant to carry 8-10 passengers, the same would not be eligible for exemption and would thus, be liable to GST.

Concept Problem 11

Indiana Engineering College, an educational institution, has conducted an entrance test examination for various courses run by it (for obtaining qualification(s) recognised by law for the time being in force) and charged entrance fees from the applicants. Determine whether Indiana Engineering College is liable to pay GST on the same.

Solution

Services provided by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee are exempt from GST.

Since in the given case, services provided by Indiana Engineering College, an educational institution are by way of conduct of entrance examination against entrance fee, the same is exempt and thus, GST is not payable in this case.

Concept Problem 12

Babloo Transporters, a Goods Transport Agency, transported relief materials in a goods carriage meant for victims of Kerala floods, a natural disaster, by road from Delhi to Ernakulam, for a company. Babloo Transporters is of the view that it is not liable to pay GST on the said services provided as said services are exempt. You are required to advice it on the said issue.

Solution

Services provided by a goods transport agency, by way of transport in a goods carriage of relief materials meant for victims of, inter alia, natural or man-made disasters, calamities, are exempt from GST. Therefore, services provided by Babloo Transporters will be exempt from GST.

Concept Problem 13

Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of organizing business exhibition in New Delhi as part of Make in India initiative. Keyan Enterprises claims that it is not required to pay GST as the services provided by way of organizing business exhibition are exempt from GST. Examine the technical veracity of the claim of Keyan Enterprises, in the given case.

Solution

No, the claim made by Keyan Enterprises that it is not required to pay GST is not correct. Services provided by an organiser to any person in respect of a business exhibition are exempt from GST only when such business exhibition is held outside India. However, since in the given case, the exhibition is being organized in India, the services of organization of event by Keyan Enterprises will not be exempt from GST.

Concept Problem 14

ST Ltd. has given on hire 5 trucks to Titu Transporters of Delhi (a goods transport agency) for transporting goods in Central and West Delhi. The hiring charges for the trucks are ₹ 7,500 per truck per day. Examine whether GST is payable in the given case.

Solution

GST is not payable in case of hiring of trucks to Titu Transporters since services by way of giving on hire, inter alia, to a goods transport agency, a means of transportation of goods are exempt.

2. ICAI RTPs, MTPs AND PAST YEAR QUESTIONS

Concept Problem 15

Sukhiya Das is engaged in providing following services. With the help of information given below, determine which of the services provided by Sukhiya Das are exempt from GST:

- Packaging of the cereals purchased from village farmers into small packets of 1 kg each, in Sukhiya Das warehouse, so that same can be sold in a nearby city mall.
- Warehousing of jaggery and tea.
- Renting of warehouse for storage of agricultural produce.

Solution

- 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 cereals 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 Sukhiya Das and not at an agricultural farm. Hence, said services are not exempt.

- Entry 54, inter alia, exempts the warehousing of agricultural produce. However, jaggery and tea do not qualify as agricultural produce, hence their warehousing will be taxable under GST.
- Entry 54, inter alia, exempts the services of loading, unloading, packing, storage or warehousing of agricultural produce. Thus, warehousing of agricultural produce is exempt. However, in given case, services being provided are not warehousing services but renting of immovable property services. Such services are not exempt.

Concept Problem 16

Discuss whether GST is payable in respect of transportation services provided by Raghav Goods Transport Agency in each of the following independent cases:

Customer	Nature of services provided	Amount charged
A	Transportation of milk	20,000
B	Transportation of books on a consignment transported in a single goods carriage	3,000
C	Transportation of chairs for a single consignee in the goods carriage	600

Solution

Customer	Nature of services provided	Taxability
A	Transportation of milk	Exempt. Transportation of milk by GTA is exempt.
B	Transportation of books on a consignment transported in a single goods carriage	GST is payable. Transportation of only specified goods by GTA is exempt. Since Books is not one of the specified goods, its transportation service is taxable.
C	Transportation of chairs for a single consignee in the goods carriage	GST is payable. Transportation of only specified goods by GTA is exempt. Since chairs is not one of the specified goods, its transportation service is taxable.

Concept Problem 17

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

Particulars	Amount
Fees charged for yoga camp conducted by a charitable trust	50,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	5,20,000

Solution

Computation of value of taxable supply

Particulars	Amount
Fees charged for Yoga camp conducted by a charitable trust	Nil
Amount charged by business correspondent for the services provided to the rural of a bank with respect to savings bank account	Nil
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Service provided by commentator to a recognized sports body	5,20,000

Notes

- Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of Yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
- Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.

- c) Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation is now taxable from GST.

Concept Problem 18

Ram, an agriculturist, has stored sugarcane in a warehouse. He has taken fumigation services in the said warehouse from Gupta Pest Control Co. for which he paid the consideration of ₹ 6,000. He seeks your advice on the taxability or otherwise of the service so availed by him.

Solution

Services by way of fumigation in a warehouse of agricultural produce is taxable under GST. In the present case, since Gupta Pest Control Co. provides services by way of fumigation in the warehouse of sugarcane [being an agricultural produce], still said service is taxable and GST is payable on the same.

Concept Problem 19

Poorva acts as a team manager for Indian Sports Authority (ISA), a recognised sports body, for a tennis tournament organised by a multinational company and received a remuneration of ₹ 2,00,000. Determine whether GST is payable on the remuneration received by Poorva.

Solution

Services provided by a team manager to a recognised sports body for participation in a sporting event are exempt from GST provided said sporting event is organised by a recognized sports body.

In the given case, the services are being provided by a team manager to a recognised sports body, but the sporting event is not organised by a recognised sports body. Therefore, services provided by Poorva are not exempt from GST.

Concept Problem 20

Ekta Charitable trust, registered under section 10(23C)(v) of the Income-tax Act, 1961, manages a temple in Rohini, Delhi. It has given on rent a community hall, located within temple premises, to public for celebration of Teej Mela. Rent charged is ₹ 9,500. You are required to determine whether services provided by Trust are liable to GST.

Solution

Services by a person by way of renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a trust or an institution under section 10(23C)(v) of the Income-tax Act are exempt provided renting charges of premises, community halls or open area are not ₹ 10,000 or more per day.

Thus, renting of community hall by Ekta Charitable Trust is exempt from GST, as rent is less than ₹ 10,000 per day.

Concept Problem 21

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

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

Solution

Yes, GST law provides the scope of exemption to supply of goods and services. Section 11 of CGST Act, 2017 provides that in the public interest, the Central or the State Government can exempt either wholly or partly, on the recommendations of the GST council, the supplies of goods or services or both from the levy of GST either absolutely or subject to conditions.

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

Concept Problem 22

- M/s X Ltd. paid penalty under section 49 of the CGST Act, 2017 ₹ 20,00,000 to the Government Department in the month of October. Is it taxable supply under the GST law? Give reason.
- Teja & Co, a tour operator, provides services to a foreign tourist for tour conducted in Jammu & Kashmir and receives a sum of INR 3,00,000.
- Services provided by way of transportation of passengers in metered cab, through an electronic commerce operator. [MTP Nov 22]

Solution

- It is not a supply of service. The fine or penalty chargeable by Government or local authority imposed for violation of statute, bye-laws, rules or regulations are not leviable to GST. Such fines or penalty are not recovered for tolerating non-performance of a contract.
- Services provided by a tour operator to a foreign tourist are exempt from GST provided such services are in relation to a tour conducted wholly outside India. Thus, since in the given case, services provided by Teja & Co. are in relation to a tour conducted within India, the same are not exempt from GST.
- Service of transportation of passengers, with or without accompanied belongings, inter alia, by metered cabs are specifically exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. However, where such services are supplied through an electronic commerce operator, said services are not exempt. Thus, GST is payable in the given case.

Concept Problem 23

Mr. X being a contractor undertaken construction work of an individual residential unit otherwise than as part of a residential complex. You are required to determine:

- Whether Mr. X is liable to pay GST where he undertaken pure labour contract?
- Whether Mr. X is liable to pay GST where he undertaken both labour and material contract?
- Mr. X gives contract to a sub-contractor. Can sub-contractor also get exemption if it is pure labour contract?

Solution

As per Notification No. 12/2017 Central tax (rate) - Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt from GST.

- Since, Mr. X has undertaken services by way of pure labour contracts of construction of single residential unit, it is exempt from GST.
- In case Mr. X is providing service with both labor and material i.e., termed as works contract, it is a taxable supply of service & liable for GST.
- Yes. Services by way of pure labour contract provided by a sub-contractor to a contractor are also exempt as he is providing labor for the construction of residential house.

Concept Problem 24

Indian Institute of Management, Ahmedabad provided the following services in the month of July:

- Post Graduate Diploma in Management services provided to those candidates who selected through Common Admission Test (CAT) for ₹ 25 lakhs.
- Services provided by way of Executive Development Programme INR 55 lakhs. Find the GST liability.

Solution

- Post Graduate Diploma in Management where admission to such programme is through Common Admission Test (CAT) is exempted supply of service and exempted from GST.
- Executive Development Programme is taxable supply. GST will be ₹ 9.9 lakhs (₹ 55 lakhs x 18%).

Concept Problem 25 [MTP May 2019]

Sungrow Pvt. Ltd. (a registered taxable person) having the gross receipt of INR 50 lakhs in the previous financial year provides the following information relating to their services for the month of July.

S.No.	Particulars	Amount
(1)	Running a boarding school	2,40,000
(2)	Fees from prospective employer for campus interview	1,70,000
(3)	Education services for obtaining the qualification recognised by law of foreign country	3,10,000
(4)	Renting of furnished flats for temporary stay to different persons (Rent per day is INR 1,000 per flat)	1,20,000
(5)	Conducting Modular Employable Skill Course, approved by National Council of Vocational Training	1,40,000
(6)	Conducting private tuitions amount	3,00,000
(7)	Running martial arts academy for young children	55,000
(8)	Conducting career counselling session	1,65,000

Compute the value of taxable supply and the amount of GST payable. The above receipts don't include the GST amount. Rate of GST is 18%.

Concept Problem 26 [MTP May 2019]

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

Particulars	Gross amount charged (₹)
Amount charged for loading, unloading, packing and warehousing of potato chips	25,000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961	50,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	6,00,000
Amount charged for service provided by way of right to admission to circus where consideration for the same is ₹ 750 per person.	12,000

Concept Problem 27 [MTP May 2020]

- Richmond” is a Play School located in Delhi. Richmond Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to Ashoka Caterers, Delhi for a consideration of ₹ 8,00,000 per annum. Examine whether supply of food and drink/catering services from Ashoka Caterers to “Richmond kidz” is exempt from GST.
- Balaji Hospital, a clinical establishment located in Tirupati, is specialised in cardiac treatment. The hospital has its own canteen - Healthy Foods. The canteen serves the food and drink to the in-patients as advised by the doctors/nutritionists of the hospital. Apart from this, other patients (who are not admitted) or attendants or visitors of the in-patients also take food and drink from the canteen. Examine whether supply of food and drink/catering services to the in- patients and other patients (who are not admitted) or attendants or visitors of the in-patients is exempt from GST.

Solution

- a) Services provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent, by way of catering is exempt from GST vide exemption notification under GST. Thus, in this case, services provided by Ashoka Caterers to Richmond Kidz are exempt from GST.
- b) Services by way of health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide exemption Notification under GST. In this regard, CBIC has clarified that food supplied by the hospital canteen to the in- patients as advised by the doctor/nutritionists is a part of composite supply of healthcare services and is not separately taxable. Thus, it is exempt from GST.

However, other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable. In view of the same, GST is exempt on the food supplied by Healthy Foods to the inpatients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or attendants/visitors of the in-patients is taxable.

Concept Problem 28 [MTP May 2020]

Explain the services provided by way of tolerating non-performance of a contract and its chargeability under the provisions of the CGST Act, 2017.

Solution

Non-performance of a contract is the failure to fulfill the obligations under a contract. It is generally one of the conditions stipulated in any contract for supply of goods/services.

The agreement entered into between the parties stipulates that both the service provider and service recipient abide by the terms and conditions of the contract. In case any of the parties breach the contract for any reason including non-performance of the contract, then such person is liable to pay damages in the form of fines or penalty to the other party.

Tolerating non-performance of a contract in lieu of damages or fines is a supply in terms of section 7 of the CGST Act, 2017 as it is made for a consideration by a person in the course or furtherance of business.

Further, tolerating non-performance of a contract is treated as a supply of service in terms of section 7 read with Schedule II of CGST Act, 2017.

However, in case of supplies to Government, non-performance of contract by the supplier of service for which consideration in the form of fines or liquidated damages is payable is exempt from GST.

Concept Problem 29

Gyaani Public School – a higher secondary school – has hired Suvidha Services Ltd. for security and housekeeping services in the school. The school subsequently hired Suvidha Services Ltd. for providing the security and housekeeping services at School’s Annual Day function organised in an auditorium outside the school campus. Discuss taxability of such services provided by Suvidha Services Ltd. to Gyaani Public School

Solution

Security and housekeeping services provided within the premises of, inter alia, a higher secondary school are exempt. Therefore, said services provided by Suvidha Services Ltd. are exempt.

Security and housekeeping services provided to Gyaani Public School for School’s Annual Day function organised outside the school campus will be taxable as only the security and housekeeping services performed within the premises of the higher secondary school are exempt.

Concept Problem 30 [ICAI Jan 2021]

Green Agro Services, a registered person, provides the following information relating to its activities during the month of February:

Gross Receipt from	Amount
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Gross Receipt from	Amount
Services relating to rearing of sheep	6,00,000
Services by way of artificial insemination of horses	4,00,000
Processing of sugarcane into jaggery	8,00,000
Milling of paddy into rice	7,50,000
Services by way of fumigation in a warehouse of agricultural produce	1,80,000

All the above receipts are exclusive of GST.

Compute the value of taxable supplies under GST laws for the month of February.

Solution

Computation of value of taxable supplies

Particulars	Amount
Services relating to rearing of sheep [Exempt since services relating to rearing of all life forms of animals, except horses are exempt]	Nil
Services by way of artificial insemination of horses [Not exempt since services of artificial insemination are exempt only of livestock other than horses]	4,00,000
Processing of sugarcane into jaggery [Not exempt, since processes which alter the essential characteristics of agricultural produce are not exempt and processing of sugarcane into jaggery changes the essential characteristics of sugarcane].	8,00,000
Milling of paddy into rice [Not exempt, since this process, being carried out after cultivation is over, is not an intermediate production process in relation to cultivation and it also changes essential characteristics of paddy].	7,50,000
Services by way of fumigation in a warehouse of agricultural produce [Not exempt]	1,80,000
Value of taxable supplies	21,30,000

Concept Problem 31 [ICAI Jan 2021]

Satya Sai Residents Welfare Association, a registered person under GST has 30 members each paying 8,000 as maintenance charges per month for sourcing of goods & services from third persons for common use of its members.

The Association purchased a water pump for 59,000 (inclusive of GST of 9,000) and availed input services for 23,600 (inclusive of GST of 3,600) for common use of its members during February 20XX.

Compute the total GST payable, if any, by Satya Sai Residents Welfare Association, for February 20XX.

GST rate is 18% . All transactions are intra-state. There is no opening ITC and all conditions for ITC are fulfilled.

Solution

Computation of total GST payable by Satya Sai Residents Welfare Association

Particulars	Value	GST @18%
Maintenance Charges received [8,000 x 30 members] [Services by RWA to its members for sourcing of goods or services from a third person for the common use of its members in a housing society are exempt provided the share of contribution per month per member is upto 7,500. Otherwise, entire amount is taxable].	2,40,000	

Particulars	Value	GST @18%
Total GST payable [It has been logically presumed that maintenance charges are exclusive of GST].		43,200

Note: Residents Welfare Association is entitled to take ITC of GST paid by them on capital goods, goods and inputs services, used by it for making supplies to its members and use such ITC for discharge of GST liability on such supplies where the amount charged for such supplies is more than 7,500 per month per member.

Thus, Satya Sai Residents Welfare Association can avail ITC of GST paid on water pump purchased (9,000) and input services availed (3,600). Net GST payable in that case will come out 30,600.

Concept Problem 32 [RTP May 2022]

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

S. No.	Description of services provided
i.	Supply of manpower of cleanliness of roads not involving any supply of goods.
ii.	Services provided by Fair Price Shops owned by Gita Services Limited by way of sale of sugar under Public Distribution System against consideration in the form of commission
iii.	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares along with maintenance. Generally, replacement of defunct lights and other spares constitutes 35% supply of services
iv.	Services of brochure distribution provided under a training programme for which 70% of the total expenditure is borne by the Government

Comment on the taxability or otherwise of the above transactions under GST law.

Concept Problem 33 [ICAI Nov 21]

M/s AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October 20XX:

Particulars	Amount
Services of transportation of students, faculty and staff from home to college and back to commerce College, (a private college) providing degree courses in BBA, MBA, B.Com, M.Com	2,50,000
Online monthly magazine containing question bank and latest updates in law to students of PQR law College offering degrees courses in LLB and LLM	1,00,000
House keeping services to T Coaching Institute	50,000
Security services to N Higher Secondary School	3,25,000
Services of providing breakfast, lunch and dinner to students to ABC Medical Colleges offering degree courses recognized by law in medical field	5,80,000

All the above amounts are exclusive of GST.

Compute the taxable supplies of M/s AB Ltd., for the month of October 20XX with necessary explanations.

Solution

Computation of value of taxable supplies of AB Ltd.

Particulars	Amount
Services of transportation of students, faculty and staff to Commerce College	

[Not exempt, 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.]	2,50,000
Online monthly magazine to students of PQR Law College [Services of supply to online educational journals provided to an educational institution providing qualification recognized by law are exempt].	Nil
Housekeeping services to T Coaching Institute [Not exempt]	50,000
Security services to N higher Secondary School [Security services provided to an educational institute providing education upto higher secondary school are exempt].	Nil
Services of providing breakfast, lunch and dinner to student of ABC Medical College [Not exempt, since catering services provided to an educational institution are exempt only if such institution provides pre-school education or education upto higher secondary school or equivalent]	5,80,000
Value of taxable supplies	8,80,000

Concept Problem 34 [RTP May 23]

Determine whether GST is payable in each of the following independent transaction:

Deccan Shipping Pvt. Ltd., registered under GST in Andaman and Nicobar islands, provided the passenger transportation services to the local residents in the ferries owned by it from Neil Island to Havelock Island.

Solution

Transportation of passenger services provided by the private operator - Deccan Shipping Pvt. Ltd. are exempt from GST.

Transportation of passengers by public transport, other than predominantly for tourism purpose, in a vessel between places located in India is exempt from GST vide *Notification No. 12/2017 CT (R) dated 28.06.2017*.

It is clarified that this exemption would apply to tickets purchased for transportation from one point to another irrespective of whether the ferry is owned or operated by a private sector enterprise or by a PSU/Government.

It is further clarified that, the expression 'public transport' used in the said exemption notification only means that the transport should be open to public. It can be privately or publicly owned. Only exclusion is on transportation which is predominantly for tourism, such as services which may combine with transportation, sightseeing, food and beverages, music, accommodation such as in shikara, cruise etc.

Concept Problem 35 [MTP May 23]

Miss. P, a registered supplier of Rajasthan, has received the following amounts in respect of the activities undertaken by her during the month of April:

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

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

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

Solution

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

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

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

CHAPTER 6

TIME OF SUPPLY

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

A machine has to be supplied at site. It is done by sourcing various components from vendors and assembling the machine at site. The details of the various events are:

17 th September	Purchase order with advance of INR 50,000 is received for goods worth INR 12 lakh and entry duly made in the seller's books of account
20 th October	The machine is assembled, tested at site, and accepted by buyer
23 rd October	Invoice raised
4 th November	Balance payment of INR 11,50,000 received

Solution

As per Notification No. 66/2017 CT, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

Therefore, the time of supply of goods for the entire amount of INR 12,00,000 is 20th October which is the date on which the goods were made available to the recipient as per section 31(1)(b), and the invoice should have been issued on this date [Section 12(2)(a)].

Concept Problem 2

Gas is supplied by a pipeline to the recipient. The supply is to be made for a period of one year. Monthly payments are to be made by the recipient as per the contract. The details of the payment made are:

July 5, August 5, September 5	Payments of ₹ 2 lakh made in each month
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Determine the time of supply for the purpose of payment of tax.

Concept Problem 3

Determine the time of supply from the given information.

May 4	Supplier invoices goods taxable on reverse charge basis to Tax Limited (30 days from the date of issuance of invoice elapse on June 3)
May 12	Tax Limited receives the goods
May 30	Tax Limited makes the payment

Solution

Here, May 12 will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)]. (Here, date of invoice is relevant only for calculating thirty days from that date.)

Concept Problem 4

Determine the time of supply from the given information.

May 4	Supplier invoices goods taxable on reverse charge basis to Tax Limited (30 days from the date of issuance of invoice elapse on June 3)
June 12	Tax Limited receives the goods, which were held up in transit
July 3	Payment made for the goods

Solution

Here, June 4, 31st day from the date of supplier’s invoice, will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)].

Concept Problem 5

Determine the time of supply from the following particulars:

6 May	Booking of convention hall, sum agreed INR 15,000, advance of INR 3,000 received
15 Sep	Function held in convention hall
27 Oct	Invoice issued for INR 15,000, indicating balance of INR 12,000 payable
3 Nov	Balance payment of INR 12,000 received

Solution

As per section 31 read with Rule 47 of CGST Rules, the tax invoice is to be issued within 30 days of supply of service. In the given case, the invoice is not issued within the prescribed time limit.

As per section 13(2)(b), in a case where the invoice is not issued within the prescribed time, the time of supply of service is the date of provision of service or receipt of payment, whichever is earlier.

Therefore, the time of supply of service to the extent of INR 3,000 is 6th May as the date of payment of INR 3,000 is earlier than the date of provision of service. The time of supply of service to the extent of the balance INR 12,000 is 15th September which is the date of provision of service.

Concept Problem 6

Investigation shows that ABC & Co carried out service of cleaning and repairs of tanks in an apartment complex, for which the Apartment Owners’ Association showed a payment in cash on 4th April to them against work of this description. The dates of the work are not clear from the records of ABC & Co. ABC & Co have not issued invoice or entered the payment in their books of account. Determine Time of Supply of service.

Solution

The time of supply cannot be determined vide the provisions of clauses (a) and (b) of section 13(2) as neither the invoice has been issued nor the date of provision of service is available as also the date of receipt of payment in the books of the supplier is also not available.

Therefore, the time of supply will be determined vide clause (c) of section 13(2) i.e., the date on which the recipient of service shows receipt of the service in his books of account.

Thus, time of supply will be 4th April, the date on which the Apartment Owners’ Association records the receipt of service in its books of account.

Concept Problem 7

Determine the time of supply from the given information. (Assuming that service being supplied is taxable under reverse charge)

May 4	The supplier of service issues invoice for service provided. There is a dispute about amount payable, and payment is delayed.
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August 21	Payment made to the supplier of service
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Solution

Here, July 4 will be the time of supply, being the earliest of the two stipulated dates namely, date of payment and date immediately following 60 days since issue of invoice.

Concept Problem 8

Determine the time of supply from the given information.

May 4	A German company issues email informing its associated enterprise, ABC Ltd. of the cost of technical services provided to it, which was recorded in ABC Ltd.'s books on May 1
July 2	ABC Ltd transfers the amount to the account of the German company

Solution

Here, May 1 will be the time of supply, being the earlier of the two stipulated dates namely, date of entry in the books of account of the recipient of supply or the date of payment, in terms of second proviso to section 13(3).

Concept Problem 9

Explain the significance of time of supply under GST law.

Solution

GST is payable on supply of goods or services. Time of supply indicates the point in time when the liability to pay tax arises.

However, it is important to note that though the liability to pay tax arises at the time of supply, the same can be paid to the Government by the due date prescribed with reference to the said 'time of supply'. The CGST Act provides separate provisions for time of supply for goods and services vide sections 12 and 13.

Concept Problem 10

GST is payable on advance received for supply of goods and services taxable under forward charge. Do you agree with the statement? Support your Solution with legal provisions.

Solution

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

As per section 13, the time of supply of services taxable under forward charge is –

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

or

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

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

As regards time of supply of goods taxable under forward charge is concerned, Notification No. 66/2017 CT provides that a registered person (excluding composition supplier) should pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

Therefore, in case of goods, tax is not payable on receipt of advance payment.

Concept Problem 11

Determine the time of supply in the following cases assuming that GST is payable under Reverse Charge.

S No.	Date of Receipt	Date of payment by the recipient of goods	Date of issue of invoice by the supplier of goods		Time of Supply of Goods
1	July 1	August 10	June 29		
2	July 1	June 25	June 29		
3	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29		
4	July 5	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1		
5	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29		
6	Aug 1	Aug 10	June 29		

Concept Problem 12

Determine the time of supply in the following cases assuming that GST is payable under Reverse Charge

S No.	Date of payment by the recipient for supply of services	Date of issue of invoice by the supplier of services		Time of Supply of Service
1	August 10	June 29		
2	August 10	June 1		
3	Part payment made on June 30 and balance amount paid on September 1	June 29		
4	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1		
5	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29		

Concept Problem 13

Kabira Industries Ltd engaged the services of a transporter for road transport of a consignment on 17th June and made advance payment for the transport on the same date, i.e., 17th June. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July. Invoice was received from the transporter on 22nd July.

What is the time of supply of the transporter's service?

Solution

Time of supply of service taxable under reverse charge is the earlier of following two dates in terms of section 13(3):

- a) Date of payment
- b) 61st day from the date of issue of invoice.

In this case, the date of payment precedes 61st day from the date of issue of invoice by the supplier of service. Hence, the date of payment, that is 17th June, will be treated as the time of supply of service [Section 13(3)(a)].

Concept Problem 14

Raju Pvt. Ltd. receives the order and advance payment on 5th January for carrying out an architectural design job. It delivers the designs on 23rd April. By oversight, no invoice is issued at that time, and it is issued much later, after the expiry of prescribed period for issue of invoice.

When is the time of supply of service?

Solution

Since the invoice has not been issued within the prescribed time period, time of supply of service will be earlier of the following two dates in terms of section 13:

- a) Date of provision of service
- b) Date of receipt of payment.

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

Concept Problem 15

Investigation shows that 150 cartons of ceramic capacitors were dispatched on 2nd August but no invoice was made and the cartons were not entered in the accounts. There was no evidence of receipt of payment.

What is the time of supply of 150 cartons for the purpose of payment of tax?

Solution

As per Notification No. 66/2017 CT, 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).

As per section 12(2)(a) of CGST Act, Time of supply of goods is the earlier of following two dates:

- a) Date of issue of invoice
- b) last date on which the invoice is required to be issued u/s 31.

In this case, since the invoice has not been issued, the time of supply will be the last date on which the invoice is required to be issued.

The invoice for supply of goods must be issued on or before the dispatch of goods, i.e. on 2nd August. Therefore, the time of supply for the purpose of payment of tax for the goods will be 2nd August, the date when the invoice should have been issued.

Concept Problem 16

An order is placed on Ram & Co. on 18th August for supply of a consignment of customized shoes. Ram & Co. gets the consignment ready and informs the customer and issues the invoice on 2nd December. The customer collects the consignment from the premises of Ram & Co. on 7th December and electronically transfers the payment on the same date, which is entered in the accounts on the next day, 8th December.

What is the time of supply of the shoes for the purpose of payment of tax?

Solution

As per Notification No. 66/2017 CT, 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).

As per section 12 of CGST Act, Time of supply of goods is the earlier of following two dates:

- i. Date of issue of invoice
- ii. last date on which the invoice is required to be issued u/s 31.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, time of supply is the date of issue of invoice, which is 2nd December.

Concept Problem 17

Meal coupons are sold to a company on 9th August for being distributed to the employees of the said company. The coupons are valid for six months and can be used against purchase of food items. The employees use them in various stores for purchases of various edible items on different dates throughout the six months.

What is the date of supply of the coupons?

Solution

As the coupons can be used for a variety of food items, which are taxed at different rates the supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption in terms of section 12(4).

Concept Problem 18

A firm of advocates issues invoice for services to ABC Ltd. on 17th Feb. The payment is contested by ABC Ltd. on the ground that on account of negligence of the firm, the company's case was dismissed by the Court for non-appearance, which necessitated further appearance for which the firm is billing the company. The dispute drags on and finally payment is made on 3rd November.

Identify the time of supply of the legal services.

Solution

Tax on services supply by a firm of advocates by way of legal services to any business entity is payable under reverse charge by such firm of advocates.

Time of supply of services under reverse charge is earliest of the following two dates in terms of section 13(3):

- a) Date of payment [3rd November]
- b) 61st day from the date of issue of invoice [19th April].

The date of payment comes subsequent to the 61st day from the issue of invoice by the supplier of service. Therefore, the 61st day from supplier's invoice has to be taken as the time of supply. This fixes 19th April as the time of supply.

Concept Problem 19

Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4th and 5th September but could not raise invoice till 19th November because of some dispute about the condition of the devices on return. The payment was made in December.

What is the method to fix the time of supply of the service?

Solution

The time of supply of services, if the invoice is not issued in time, is the date of payment or the date of provision of service, whichever is earlier (Section 13).

In this case the service is provided on 5th September but not invoiced within the prescribed time limit. Therefore, the date of provision of service, i.e. 5th September but not invoiced within the prescribed time limit. Therefore, the date of provision of service, i.e. 5th September, will be the time of supply

Concept Problem 20

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:

- The provision of service was completed on 1st August and payment was received on 28th September.
- The provision of service was completed on 14th August and payment was received on 28th September.
- Mr. A made the payment on 3rd August. However, service was remaining to be completed at that time.
- Mr. A made the payment on 15th September. However, service was remaining to be completed at that time.

Concept Problem 21

M/s Pranav Associates, a partnership firm, provided recovery agent services to Newtron Credits Ltd., a NBFC 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:

- Person liable to pay GST
- Time of supply of service.

Solution

- 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.

- As per section 13(3), time of supply of service on which GST is payable under RCM is earlier of 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.

Concept Problem 22

Mr. X supplied goods for ₹ 50,000 to its customer Miss Diyana on 1st January on the condition that payment for the same will be made within a week. However, Miss Diyana made payment for the said goods on 2nd February and thus, paid interest amounting to ₹ 2,000.

What is the time of supply with regard to addition in the value by way of interest in lieu of delayed payment of consideration?

Solution

As per section 12(6), the time of supply with regard to an addition in value on account of interest, late fee or penalty or delayed payment of consideration is the date on which the supplier received such additional consideration.

Thus, time of supply in respect of interest would be the date on which the supplier has received such additional consideration, i.e. 2nd February.

Concept Problem 23

Mansh & Vansh Trading Company, a registered supplier, is liable to pay GST under forward charge. It has furnished the following information:

- Goods were supplied on 3rd October
- Invoice was issued on 5th October
- Payment received on 9th October

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

Solution

As per Notification No. 66/2017 CT, 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.

Further, a registered person is required to issue a tax invoice before or at the time of removal of goods for supply to the recipient. Thus, in the given case, the invoice for supply of goods should have been issued on or before the removal of goods i.e., on 3rd October.

However, since the invoice has not been issued within the prescribed time, the time of supply for the purpose of payment of tax will be the last date on which the invoice is required to be issued i.e., 3rd October.

2. ICAI RTPS, MTPS, PAST YEAR QUESTIONS

Concept Problem 24

R, a registered person, supplies goods to G on 12.10.2022 on approval or return basis. G gives his approval to the goods on 22.12.2022.

- What is the time prescribed for issue of tax invoice?
- What will be the Solution if approval is given by G on 22.05.2023 instead of 22.12.2022?

Solution

- As per section 31 of CGST Act, 2017, the invoice should be issued
 - on or before 22.12.2022 i.e., the time of approval of supply or
 - on 11.4.2023 i.e., 6 months from the date of removal

Whichever is earlier.

Therefore, the invoice should be issued on 22.12.2022.

- In this case, 6 Months from the date of removal ends on 11.4.2023 i.e., before the time of approval of supply on 22.5.2023. Therefore, the invoice should be issued on 11.4.2023.

Concept Problem 25

G, a chartered accountant in practice, enters into an agreement on 01.11.20XX with X Ltd. to provide consultancy services for a period of one year for a fee of INR 5,00,000. The due date of payment is 10th of every month. The first payment becoming due on 10.12.20XX.

What is the time prescribed for issue of tax invoice?

Solution

This is the case of continuous supply of services. As per section 31 of CGST Act, 2017, since the due date of payment is ascertainable from the agreement, tax invoice should be issued on or before the due date of payment i.e., 10th of every month starting from 11.12.20XX.

In the above case, if the due date of payment is not ascertainable, the invoice will be raised at the time he receives the payment.

Concept Problem 26

On 01.12.20XX, R agrees to supply commercial training and coaching services to G on daily basis for a period of three months. However, after 45 days, due to some unavoidable reason, aforesaid service could not be supplied by R.

When shall the invoice be issued in this case?

Solution

In the above Concept Problem, there is a cessation of supply of services before the completion of supply. As per section 31 of CGST Act, 2017, R shall be required to issue the invoice at the time when the supply ceases. Further, such invoice shall be issued to the extent of supply made for 45 days only.

Concept Problem 27

R Ltd. is engaged in supply of two different taxable services namely gym services and hair treatment services. It issues vouchers of INR 12,000 to G on 12.1.20XX. The said voucher can be redeemed within two months from the date of such voucher for either of two aforesaid services or partly for each of the two aforesaid services. R redeems the said voucher on 14.3.20XX for hair treatment service only.

Solution

As per section 13 of CGST Act, 2017, the time of supply shall be 14.3.20XX i.e., the date of redemption of voucher because voucher is not identifiable with a particular supply at the time of issuance of voucher. Accordingly, in the given case, GST rate applicable in case of hair treatment services shall apply.

Concept Problem 28

Gupta & Sons, a registered supplier, paying tax under normal scheme is wholesale supplier of ready-made garments located in Bandra, Mumbai. On 5th September, 20XX, Mohini, owner of Charming Boutique located in Dadar, Mumbai, approached Gupta & Sons for supply of a consignment of customised dresses for ladies and kids.

Gupta & Sons gets the consignment ready by 2nd December, 20XX and informs Mohini about the same. The invoice for the consignment was issued the next day, 3rd December, 20XX.

Due to some reasons, Mohini could not collect the consignment immediately. So, she collects the consignment from the premises of Gupta & Sons on 18th December, 20XX and hands over the cheque for payment on the same date. The said payment is entered in the accounts on 20th December, 20XX and amount is credited in the bank account on 21st December, 20XX.

You are required to determine the time of supply of the readymade garments supplied by Gupta & Sons to Mohini elaborating the relevant provisions under the GST law.

Solution

As per Notification No. 66/2017 CT, 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.

Date of Invoice - 3rd December

Last date on which invoice ought to have been issued – 18th December

Therefore, the time of supply of goods is 3rd December which is the date on which the invoice for the consignment was issued.

Concept Problem 29

Explain the meaning of the term “date of receipt of payment” as per section 13 of the CGST Act, 2017.

Solution

“Date of receipt of payment” in terms of section 13 of CGST Act, 2017 refers to the

- date on which the payment is recorded in the books of account of the entity (supplier of service) that receives the payment, or
 - the date on which the payment is credited to the entity’s bank account,
- whichever is earlier.

Concept Problem 30

Know & Grow Publishers, a registered dealer in India, paid an advance of INR 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1)(a) of the Copyright Act, 1957, of his original literary work on 5-9-20XX. It made the balance payment of INR 1,50,000 on 12-12-20XX. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on:

- i) 6-10-20XX, or
- ii) 17-12-20XX.

Solution

GST on supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher is payable under reverse charge by such publisher, i.e., Know & Grow Publishers.

As per section 13 of CGST Act, 2017, time of supply of service, on which GST is payable under reverse charge, is earlier of the following:

- (a) Date of payment as entered in the books of account of the recipient or date on which payment is debited from the bank account, whichever is earlier
or
 - (b) 61st day from the date of issue of invoice by the supplier
- (i) If the invoice is issued on 06.10.20XX, time of supply is as under:
 - For payment of 50,000: 05.09.20XX [earlier of date of payment & 61st day from date of issue of invoice]
 - For payment of 1,50,000: 06.12.20XX [earlier of date of payment & 61st day from date of issue of invoice]
 - (ii) If the invoice is issued on 17.12.20XX, time of supply is as under:
 - For payment of 50,000: 05.09.20XX [earlier of date of payment & 61st day from date of issue of invoice]
 - For payment of 1,50,000: 12.12.20XX [earlier of date of payment & 61st day from date of issue of invoice].

Concept Problem 31 [ICAI Nov 21]

HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May 2022. However, the consignment could not be sent immediately on account on strike in the factory, and instead was sent on 20th July 2022. Invoice was received from the transporter on 20th June 2022 and payment was made on 25th August 2022.

What is the time of supply of the transporter's service ?

Solution

Alternative 1: Assuming that services of transportation of goods by road have been provided by a GTA which has not paid GST @ 12%; i.e. GST is payable @ 5%.

Tax on supply of transportation of goods by road services provided by a Goods Transport Agency (GTA) to a body corporate is payable under reverse charge by such body corporate.

Time of supply of services taxable under reverse charge is earliest of:-

- a) date of making payment, or
- b) 61st day from the date of issue of invoice by supplier

Thus, in the given case, time of supply is earlier of

- a) 25th August; or
- b) 20th August 2022 (61st day from 20th June)

Thus, in the given case, time of supply is 20th August 2022.

Alternative 2: Assuming that services of transportation of goods by road have been provided by a GTA which has paid GST @ 12%. Thus, GST is payable under forward charge.

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.

Thus, in the given case, time of supply is 20th June, 2022.

Concept Problem 32 [ICAI Nov 21]

An order is placed on T & Company, Sholapur on 18th August, 2022 for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 2022 and after completion of the order issued the invoice on 15th September, 2022. The payment against the same was received on 30th September, 2022. Determine the Time of Supply for the purpose of payment under CGST Act, 2017 with your explanations.

Solution

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, 2022.

Concept Problem 33 [ICAI May 22]

M/s. Xing Trans of Kolkata is engaged in the trading of transmitters. On 20/05/2022, 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 28/07/2022 at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25/11/2022 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.

CHAPTER 7

VALUE OF SUPPLY

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colourful Pvt. Ltd.

Particulars	Amount
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
CGST and SGST chargeable on the goods	10,440
Packing charges (not included in price above)	1,000

Black and White Pvt. Ltd. received INR 2000 as a subsidy from a NGO on sale of such goods. The price of INR 50,000 of the goods is after considering such subsidy.

Black and White Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods.

Determine the value of taxable supply made by Black and White Pvt. Ltd and also the amount of GST payable if Rate of CGST is 9% and SGST is 9%.

Solution

Computation of value of taxable supply

Particulars	Amount
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on sale of goods [Includible in value as per section 15(2)(a)]	5,000
CGST and SGST chargeable on the goods [Not includible in the value as per section 15(2)(a)]	-
Packing charges [Includible in the value as per section 15(2)(c)]	1,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15(2)(e)]	2,000
Total	58,000
Less: Discount @ 2% on INR 50,000 [Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a)]	1,000
Value of taxable supply	57,000

Concept Problem 2

Samriddhi Advertisers conceptualized and designed the advertising campaign for a new product launched by New Moon Pvt Ltd. for a consideration of INR 5,00,000. Samriddhi Advertisers owed INR 20,000 to one of its vendors in relation to the advertising service provided by it to New Moon Pvt Ltd. Such liability of Samriddhi Advertisers was discharged by New Moon Pvt Ltd. New Moon Pvt Ltd. delayed the payment of consideration and thus, paid INR 15,000 as interest. Assume the rate of GST to be 18%.

Determine the value of taxable supply made by Samriddhi Advertisers.

Solution

Computation of value of taxable supply

Particulars	Amount
Service charges	5,00,000
Payment made by New Moon Pvt. Ltd to vendor of Samriddhi Advertisers [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15(2)(b)]	20,000
Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d)]	12,712
Value of taxable supply	5,12,712

Note: The interest for delay in payment of consideration will be included in the value of supply but the time of supply of such interest will be the date when such interest is received in terms of section 13(6). Such interest will be taken to be inclusive of GST and value will be computed by making back calculation [$\text{interest}/(100+\text{GST}) \times 100$]

Concept Problem 3

Are post-supply discounts eligible for deduction from the value of supplies in all situations? Explain.

Solution

No, the post-supply discounts are not eligible for deduction from the value of supplies in all situations. Such discounts are allowed as a deduction from the value of supply only in the situations where the following two conditions are satisfied:

- (i) The discount is in terms of an agreement that existed at time of supply and can be worked out invoice-wise; and
- (ii) Proportionate ITC is reversed by the recipient - The buyer would have availed ITC of GST payable on the gross value specified in the invoice. Thus, when a credit note is issued to him by the supplier for the discount, the buyer will reverse the proportionate credit; consequent to which, the supplier's output tax liability will be reduced by the same amount.

If any of the above conditions are not satisfied, post-supply discount is not allowed as a deduction from the value of supply and consequently, GST liability of the supplier does not get reduced.

Concept Problem 4

'Consideration under GST law includes both monetary and non-monetary considerations.'

Discuss the correctness or otherwise of the statement as per definition of term 'consideration' under the CGST Act.

Solution

The statement is correct. As per the definition of term '**consideration**' provided under the CGST Act, consideration under the GST law includes both payment in money or otherwise made by the recipient or any other person and also takes within its sweep the monetary value of any act or forbearance for the supply by the recipient or any other person. Further, it includes within its ambit any deposit which is applied as a consideration for the supply but excludes the subsidies provided by the State or Central Government.

The term **money** has also been defined under the CGST Act and it not only includes cash (Indian as well as foreign currency) but also cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveler's cheque, money order, postal/electronic remittance or any such similar instrument recognized by RBI. Non-monetary consideration essentially means consideration in kind.

Concept Problem 5

Sharp Minds Institute provides coaching for engineering entrance examinations. Monthly fee charged by the Institute from a student is INR 10,000. The Institute is known for its commitment to provide education to underprivileged children. It trains 10 students every year for entrance examinations free of cost.

The Institute has received ₹ 3,00,000 as coaching fees during a month. Nav Jeevan, an NGO working in the area of education for underprivileged children, has given a subsidy of ₹ 10,000 (in lumpsum) during the month to the Institute as it is serving the cause of underprivileged children.

Determine the value of supply of education services made by Sharp Minds Institute during the month.

Solution

As per section 15(2)(e), the value of a supply includes subsidies directly linked to the price, excluding subsidies provided by the State Governments and the Central Government.

In the given case, though the subsidy is given by a non-Government body, the same is not includible in the value **as it is given in lumpsum and not directly linked to the price of the supply being valued.** Therefore, the value of supply made by Sharp Minds during the month is ₹ 3,00,000.

Concept Problem 6

Furniture Wala is a chain of retail showrooms selling both modern and classic furniture. In order to build strong customer association, the showroom provides free delivery of the furniture at the premises of the customers if the distance between the showroom and the customer's premises is upto 20 kms. Where the distance is more than 20 kms, the showroom charges a concessional freight of ₹ 10 for every additional km.

Ms. Leena Kapoor purchases a double bed, a dressing table and a centre table for ₹ 2,00,000 from Furniture Wala. Ms. Leena gets free delivery of the furniture as her residence is located at a distance of 18 km from the showroom. The showroom incurs an expenditure of ₹ 1000 for delivering the furniture at Ms. Leena's residence.

Determine the value of taxable supply made by Furniture Wala. Will your Solution change if residence of Ms. Leena is 50 km away from the showroom?

Solution

In the given case, the showroom is not charging any amount towards freight from Ms. Leena but incurring the same out of its own pocket. Therefore, the same should not be added to the value. Hence, the value of supply will be ₹ 2,00,000.

However, the Solution will change in the second case when the showroom will charge ₹ 300 for freight [(50km – 20 km) x ₹ 10] from Ms. Leena. In this case, the supply will be a **composite supply** (principal supply being the supply of furniture) and value thereof will be ₹ 2,00,300.

Concept Problem 7

AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten or specified chemical residues. AKJ Foods Pvt. Ltd. does the testing and charges a testing fee for the same from the customer. AKJ Foods Pvt. Ltd. argues that such testing fees should not form part of the consideration for the sale as it is a separate activity.

Is his argument correct in the light of section 15?

Solution

As per section 15 of CGST Act, certain elements are added to transaction value to arrive at taxable value. Accordingly, any amount charged for anything done by the supplier in respect of the supply **at the time of or before delivery of goods or supply of services** shall be included in taxable value.

Since AKJ Foods Pvt. Ltd. does the testing before the delivery of goods, such charges will be included in the taxable value. Therefore, AKJ foods Pvt. Ltd. arguments is not correct. The testing fee should be added to the price to arrive at taxable value of the consignment.

Concept Problem 8

A philanthropic association makes a substantial donation each year to a reputed private management institution to subsidize the education of low-income group students who have gained admission there. The fee for these individuals is reduced thereby coming to ₹ 3 lakh a year compared to ₹ 5 lakh a year for other students.

What would be the value of the service of coaching and instruction provided by the institution to the low-income group students?

Solution

As per section 15(2)(e), the value of a supply includes subsidies directly linked to the price, excluding State Government and Central Government subsidies. In this case, the subsidy is not received from the Government but from a philanthropic association. Therefore, the subsidy is to be added back to the price to arrive at the value, which comes to ₹ 5 lakh [3 Lakh + 2 Lakh] a year.

Concept Problem 9

Mezda Banners, an advertising firm, gives an interest-free credit period of 30 days for payment by the customer. Its customer ABC Limited paid for the supply 32 days after the supply of service. Mezda Banners waived the interest payable for delay of two days.

Department wants to add interest for two days as per contract. Should notional interest be added to taxable value?

Solution

This is a supply that is valued as per transaction value under section 15(1) as price is the sole consideration for the supply and the supply is made to unrelated person. The value of a supply includes interest for delayed payment of any consideration for any supply.

However, the **time of supply** to the extent it relates to an addition in the value of supply by way of interest for delayed payment of any consideration is the **date on which the supplier receives such addition in value**. In the given case, the supplier has waived the interest for delayed payment.

Consequently, the supplier has not received the interest. Therefore, **notional interest** for 2 days shall not be included in the value of the supply.

Concept Problem 10

Crunch Bakery Products Ltd sells biscuits and cakes through its dealers, to whom it charges the list price minus standard discount and pays GST accordingly. When goods remain unsold with the dealers, it offers additional discounts on the stock as an incentive to push the sales.

Can this additional discount be reduced from the price at which the goods were sold and concomitant tax adjustments made?

Solution

The discounts were not known or agreed for at the time of supply of goods to the dealers. Therefore, in terms of section 15(3), such discounts cannot be reduced from the price on which tax had been paid.

Concept Problem 11

Red Pepper Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it for the month of March, 20XX.

S No.	Particulars	Amount
1	List price of goods supplied inter-state (exclusive of taxes)	15,00,000
2	Subsidy received from Central Government for supply of taxable goods to Govt. School	2,10,000
3	Subsidy received from a NGO for supply of taxable goods to an old age home	50,000
4	Tax levied by Municipal Authority	20,000
5	Packing charges	15,000
6	Late fee paid by the recipient of supply for delayed payment of invoice	6,000

The list price of the goods takes into account the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price.

Calculate value of taxable supply made by M/s Red Pepper Ltd. for the month of March, 20XX. Rate of IGST is 18%.

Solution

Computation of value of taxable supply made by Red Pepper Ltd. for the month of March, 20XX

Particulars	Amount
List price of the goods	15,00,000
Add: Subsidy amounting to INR 2,10,000 received from Central Government [Since subsidy is received from Government, same is not includible in value as per section 15]	Nil
Subsidy received from NGO [Since subsidy is received from a non-Government body, same is includible as per section 15]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15] (assumed to be inclusive of taxes) [INR 6,000 x 100/118] rounded off	5,085
Value of taxable supply	15,90,085

Concept Problem 12

M/s. Flow Pro, a registered supplier, sold a machine to BP Ltd. It provides the following information in this regard:-

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

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

Determine the value of taxable supply made by M/s Flow Pro to BP Ltd.

Solution

Computation of value of taxable supply made by M/s. Flo Pro to BP Ltd.

Particulars	Amount
Price of the machine [Since the subsidy is received from the State Government, the same is not includible in the value of supply in terms of section 15(2)(e)]	25,000
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is	5,000

Particulars	Amount
includible in the value of supply in terms of section 15(2)(b)]	
Freight charges for delivery of the machine [Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	2,000
Total	32,000
Less: Discount @ 2% on ₹ 25,000 being price charged to BP Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply in terms of section 15(3)(a)]	500
Value of taxable supply	31,500

Concept Problem 13

Shri Krishna Pvt. Ltd., a registered supplier, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd.-

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

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

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

Solution

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

Particulars	Amount
Price of the goods	1,00,000
Municipal tax [Includible in the value as per section 15(2)(a)]	2,000
Inspection charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value as per section 15(2)(c)]	15,000
Subsidy received from Shri Ram Trust [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e)]	50,000
Late fees for delayed payment [Not includible since the same is waived off]	Nil

Weighment charges paid to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd. [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	2,000
Value of taxable supply	1,69,000

Concept Problem 14

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

S No.	Particulars	Amount
1.	Price of machinery (exclusive of taxes and discounts)	5,50,000
2.	Part fitted in the machinery at the premises of Ghisa Ltd. [Amount has been paid by Ghisa Ltd. directly to the supplier. However, it was Koli Ltd.'s liability to pay the said amount. The said amount has not been recorded in the invoice issued by Koli Ltd.]	20,000
3.	Installation and testing charges for machinery, not included in price	25,000
4.	Subsidy received from a NGO, directly linked to price (included in the list price above)	3,000
5.	Discount @ 2% on price of machinery mentioned at S. No. (i) above (recorded in invoice)	
6.	Koli Ltd. provides additional discount @ 1% at year end, based on additional purchase of other machinery for which adjustment is made at the end of the financial year without any change in individual transactions.	

Determine the value of taxable supply made by Koli Ltd. to Ghisa Ltd.

2. ICAI RTPS, MTPS AND PAST YEAR QUESTIONS
Concept Problem 15

Singhal Brothers, registered in Uttarakhand has supplied 30 tons of a chemical @ INR 50,000 per ton (excluding taxes) to P of Uttarakhand on 8th September, 20XX. The invoice for the supply has also been issued on the same date. Further, following additional amounts were also charged from P:

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

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

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

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

Concept Problem 16

Bharat Gas sells cooking gas cylinders. Subsidy directly transferred to the account of the customer. Selling price per cylinder is ₹ 800. Customers received subsidy of ₹ 200 directly from Government to his bank account. Net outflow of the buyer is ₹ 600. Find the value of supply of goods (per cylinder) in the hands of Bharat Gas.

Solution

Since, the amount of subsidy is directly credited to the account holder and not received by the Bharat Gas making the supply, therefore, such subsidy will not be considered as part of transaction value as it is not received by the Bharat Gas in making the supply. Hence, transaction value is ₹ 800 per cylinder.

Concept Problem 17

R Ltd., a manufacturer of readymade garments, appointed certain dealers for selling its goods. He entered into an agreement to allow 3% discount by way of credit note if a dealer purchases goods for more than INR 40,00,000 in a period of 3 months from the date of first supply. One dealer, G, exceeded the target and purchased goods for INR 50,00,000 during the period of 3 months. GST was charged separately @ 12% on such supplies.

Determine the value of supply of readymade garments.

Solution

As per section 15(3), discount is excluded from the value of supply only in the following two cases:

- Discount is duly recorded in the invoice either before or at the time of supply.
- Discount is provided after supply of goods and/or services as per terms of an agreement that existed at time of supply and can be linked to the supply and proportionate input tax credit is reversed by the recipient.

In this case, the aforesaid discount which was not known either before or at the time of supply of relevant goods shall not be deducted from the value of supply made by R Ltd in the invoice.

However, since discount of INR 1,50,000 (50,00,000 x 3%) is provided by R, the supplier, under an agreement entered into by R at the time of supply of goods, such discount shall not form value of supply provided ITC attributable to the discount i.e., amounting to INR 18,000 (1,50,000 x 12%) has been reversed by G, the recipient.

Accordingly, value of supply shall be 48,50,000.

Concept Problem 18

M/s Nambiar & Co., an Audit firm based in Cochin undertake an audit assignment of his client based in Chennai. The Contract mentioned about the audit fees of ₹ 5,00,000 and arrangement of taxi by the Client which may be worth ₹ 15,000. Find the transaction value on which M/s Nambiar and Co., is liable to pay GST.

Solution

Transaction value in the hands of M/s Nambiar & Co., is INR 5,15,000.

Note: Not only audit fees but also the expenditure incurred in connection with the taxi ₹ 15,000 constitute the sole consideration.

Concept Problem 19 [RTP May 2019]

Kamal Book Depot, a wholesaler of stationery items, registered in Mumbai, has received order for supply of stationery items worth INR 2,00,000/- on 12th November, 20XX from another local registered dealer, Mr. Mehta, Mumbai. Kamal Book Depot charged the following additional expenses from Mr. Mehta:

S No.	Particulars	Amount (INR)
(i)	Packing charges	5,000
(ii)	Freight & Cartage	2,000
(iii)	Transit insurance	1,500
(iv)	Extra designing charges	6,000

S No.	Particulars	Amount (INR)
(v)	Taxes by Municipal Authority	500

The goods were delivered to Mr. Mehta on 14th November, 20XX. Since Mr. Mehta was satisfied with the quality of the goods, he made the payment of goods the same day and simultaneously placed another order on Kamal Book Depot of stationery items amounting to INR 10,00,000 to be delivered in the month of December, 20XX**. On receipt of second order, Kamal Book Depot allowed a discount of 20,000 on the first order placed by Mr. Mehta.

Compute GST liability of Kamal Book Depot for month of Nov, 20XX assuming rates of CGST & SGST is 9% each.

Would your Solution be different if expenses (i) to (v) given in above table are already included in price of 2,00,000?

Note:

- (i) All the amounts given above are exclusive of GST.
- (ii) Kamal Book Depot and Mr. Mehta are not related persons and price is the sole consideration of the supply.

**Payment and invoice for the second order will also be made in the month of December, 20XX only.

Solution

Computation of value of taxable supply and tax liability

S No.	Particulars	Amount (INR)
(i)	Price of the goods [Note-1]	2,00,000
(ii)	Packing charges [Note-2]	5,000
(iii)	Freight & Cartage [Note-3]	2,000
(iv)	Transit Insurance [Note-3]	1,500
(v)	Extra Designing charges [Note-4]	6,000
(v)	Taxes by Municipal Authority [Note-5]	500
	Value of taxable supply	2,15,000
	CGST @ 9%	19,350
	SGST @ 9%	19,350

Notes:

- As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e., the price actually paid or payable for the said supply.
- All incidental expenses including packing charged by the supplier to the recipient are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
- The given supply is a composite supply involving supply of goods (stationery items) and services (transit insurance and freight) where the principal supply is the supply of goods.

As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.

- Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; is includible in the value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.
- The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2).
- In the given case, Mr. Mehta is allowed a discount of INR 20,000 on the goods supplied to him in the month of November, 20XX. Since the said goods have already been delivered by Kamal Book Depot, this discount will be a post-supply discount.

Further, value of supply shall not include any discount which is given after the supply has been effected, if—

- i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017].

However, in the given case, post-supply discount given to Mr. Mehta will not be allowed as a deduction from the value of supply since the discount policy was not known before the time of such supply although the discount can be specifically linked to relevant invoice (invoice pertaining to stationery items supplied to Mr. Mehta in November, 20XX).

In case the expenses (i) to (v) given in above table are already included in the price of INR 2,00,000:

Since these expenses are includible in the value of supply by virtue of the reasons mentioned in explanatory notes above, no further addition will be required. Resultantly, the value of taxable supply will be INR 2,00,000 and CGST and SGST will be INR 18,000 and INR 18,000 respectively.

Concept Problem 20 [ICAI Nov 2020]

Following are the particulars, relating to one of the machines sold by SQM Ltd. to ACD Ltd. in the month of February 20XX at list price of 9,50,000(exclusive of taxes and discount) Further, following additional amounts have been charged from ACD Ltd:

S.No.	Particulars	Amount
i.	Municipal taxes chargeable on the machine	45,000
ii.	Outward freight charges (Contract was to deliver machine at ACD Ltd.'s factory i.e. F.O.R. contract)	65,000

Additional information :

- a) SQM Ltd. normally gives an interest-free credit period of 30 days for payment, after that it charges interest @ 1% p.m. or part thereof on list price. ACD Ltd. paid for the supply after 45 days, but SQM Ltd. waived the interest payable.
- b) SQM Ltd. received 50,000 as subsidy, from one non-government organization (NGO) on sale of such machine. This subsidy was not linked to the price of machine and also not considered in list price of 9,50,000.
- c) ACD Ltd. deducted discount of 15,000 at the time of final payment, which was not as per agreement
- d) SQM Ltd. collected 9,500 as TCS (tax collected at source) under the provisions of the Income Tax Act, 1961.

Compute the value of taxable supply as per the provision of GST laws, considering that the price is the sole consideration for the supply and both parties are unrelated to each other.

Note: Correct legal provision should form part of your answer.

Concept Problem 21 [MTP May 2022]

Namo Shankar Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Narad Traders and Nandi Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Namoshankar Ltd. has furnished the following details for the current month:

S.No.	Particulars	Narad Traders	Nandi Motors Ltd.
(i)	Price of the goods (excluding GST)	10,000	30,000
(ii)	Packing Charges	500	
(iii)	Commission	500	

(iv)	Weighment Charges		2,000
(v)	Discount for prompt payment (recorded in the invoice)		1,000

Items given in points (ii) to (v) have not been considered while arriving at price of the goods given in the point (i) above .

Compute the GST Liability [CGST & SGST or IGST], as the case may be] of Namo Shankar Ltd. for the given month. Assume the rates of taxes to be as under:

Particulars	Amount
Central Tax (CGST)	9%
State Tax (SGST)	9%
Integrated Tax (IGST)	18%

Make suitable assumptions, wherever necessary.

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

Solution

Computation of GST Liability

S. No.	Particulars	Narad Traders	Nandi Motors Ltd.
(i)	Price of goods	10,000	30,000
(ii)	Add: Packing charges (Note-1)	500	
(iii)	Add: Commission (Note -1)	500	
(iv)	Add: Weighment charges (Note- 1)	-	2,000
(v)	Less: Discount for prompt payment (Note -2)	-	1,000
	Value of taxable supply	11,000	31,000
	IGST Payable @ 18% (Note - 3)	1,980	-
	CGST Payable @ 9% (Note - 4)		2,790
	SGST Payable @ 9% (Note - 4)		2,790

Notes:

- i) Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weighment charges are also incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].
- ii) Since discount is known at the time of supply, it is deductible from the value in terms of section 15 of the CGST Act, 2017
 - a) Since supply made to Narad Traders is an Inter-State supply, IGST is payable in terms of section 5 of the IGST Act, 2017.
 - b) Since supply made to Nandi Motors Ltd. is an Intra-State supply, CGST & SGST is payable on the same.

Concept Problem 22 [MTP May 2023]

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

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

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

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

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

Solution

Computation of taxable value and tax liability

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

CHAPTER 8

INPUT TAX CREDIT

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

ABC Ltd. is engaged in the manufacture of heavy machinery. It procured the following items during month of July.

S No.	Items	GST Paid
1.	Electrical transformers to be used in the manufacturing process	5,20,000
2.	Trucks used for the transport of raw material	1,00,000
3.	Raw material	2,00,000
4.	Confectionery items for consumption of employees working in the factory	25,000

Determine the amount of ITC available with ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

Solution

Computation of ITC available with ABC Co. Ltd. for the month of July

S No.	Items	GST Paid
1.	Electrical transformers [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	5,20,000
2.	Trucks used for the transport of raw material [Though ITC on motor vehicles has been specifically disallowed u/s 17(5), ITC on motor vehicles used for transportation of goods is allowed u/s 17(5)]	1,00,000
3.	Raw material [Being goods used in the course or furtherance of business, ITC is available u/s 16(1)]	2,00,000
4.	Confectionery items for consumption of employees working in the factory [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply - Section 17(5)]	Nil
Total ITC		8,20,000

Concept Problem 2

XYZ Ltd., 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.	Items	GST Paid	Remarks
1.	Inputs 'A'	1,00,000	One invoice on which GST payable was INR 10,000, is missing
2.	Inputs 'B'	50,000	Inputs are to be received in two instalments. First instalment has been

S No.	Items	GST Paid	Remarks
			received in October.
3.	Capital goods	1,20,000	XYZ Ltd. has capitalized the capital goods at full invoice value inclusive of GST as it will avail depreciation on full invoice value.
4.	Input services	2,25,000	One invoice dated 20 January on which GST payable was INR 50,000 has been received in October.

Note:

- i) Subject to information given above, assume all other conditions necessary for availing ITC have been fulfilled
- ii) The annual return for the preceding financial year was filed on 15th September.

Solution
Computation of ITC that can be availed by XYZ Ltd. for the month of October

S No.	Items	ITC
1.	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC-Section 16(2)(a)]	90,000
2.	Inputs 'B' [When inputs are received in instalments, ITC can be availed only on receipt of last instalment-First proviso to section 16(2)]	Nil
3.	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component – Section 16(3)]	Nil
4.	Input services [As per section 16(4), ITC on an invoice cannot be availed after 30 th November of the financial year subsequent to the FY to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the preceding FY has been filed on 15 th September (prior to 30 th November), ITC on the invoice pertaining to preceding FY cannot be availed after 15 th Sept of current FY.]	1,75,000
	Total ITC	2,65,000

Concept Problem 3

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

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

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

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

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

Particulars	Amount
CGST	57,000
SGST	Nil
IGST	70,000

Note:

- i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
- ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- iii) All the conditions necessary for availing the ITC have been fulfilled.

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

Concept Problem 4

What is input tax?

Solution

Input tax means the central tax (CGST), State tax (SGST), integrated tax (IGST) or Union territory tax (UTGST) charged on supply of goods or services or both made to a registered person. It also includes tax paid on reverse charge basis and IGST charged on import of goods. It does not include tax paid under composition levy.

Concept Problem 5

What are the conditions necessary for availing ITC under GST law?

Solution

Following five conditions are to be satisfied by the registered taxable person for obtaining ITC:

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

Concept Problem 6

Can a person take ITC without payment of consideration for the supply along with tax?

Solution

Yes, the recipient can take ITC. However, he is required to pay the consideration along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis.

Concept Problem 7

What is the time limit for taking ITC and reasons therefor?

Solution

Time limit for availing ITC: 30th November of succeeding financial year to which such invoice or debit note pertains or date of filing of annual return, whichever is earlier”.

Concept Problem 8

What is the ITC entitlement of a newly registered person? [MTP May 22]

Solution

- i) A person who has applied for registration within 30 days from the date on which he became liable to registration, can take ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.
- ii) In case of voluntary registration, ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of registration can be taken.

Concept Problem 9

What is tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

Solution

In case of supply of capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to the ITC taken on the said capital goods or plant and machinery reduced by 5% per quarter or part thereof from the date of invoice or the tax on the transaction value of such capital goods, whichever is higher.

However, in case of refractory bricks, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

Concept Problem 10

A registered person transfers its business to another person. Is such registered person allowed to transfer the unutilized ITC lying in its electronic credit ledger to such transferred business? Discuss.

Solution

As per section 18(3), in case of sale, merger, demerger, amalgamation, transfer or change in ownership of business etc., the ITC that remains unutilized in the electronic credit ledger of the registered person can be transferred to the new entity, provided there is a specific provision for transfer of liabilities in such change of constitution.

The registered person should furnish the details of change in constitution on the common portal and submit a certificate from practicing Chartered Account/Cost Accountant certifying that the change in constitution has been done with a specific provision for transfer of liabilities. Upon acceptance of such details by the transferee on the common portal, the unutilized ITC gets credited to his electronic credit ledger. The transferee should record the inputs and capital goods so transferred in his books of account.

Concept Problem 11

Swastik Pvt. Ltd. is a manufacturer of taxable goods. It purchased a machinery for 8,00,000 on which IGST of 14,400 is paid. The company has claimed depreciation under the Income-tax Act, 1961 on the full value of the machine, i.e. including the IGST component as also availed ITC of 14,400 paid by it as IGST.

Examine if the stand taken by the company is correct in law.

Solution

As per section 16(3), if the person taking the ITC on capital goods and plant and machinery has claimed depreciation on the tax component of the cost of the said items under the Income-tax Act 1961, the ITC on the said tax component shall not be allowed.

Since in the given case, Swastik Pvt. Ltd. has claimed depreciation on the tax component of the cost of the machine, it cannot claim ITC of IGST of 14,400 paid by it on the machine. It can either claim depreciation on the tax component or avail ITC of such tax but cannot avail both the benefits simultaneously.

Concept Problem 12

Sigma Consultants, an LLP of finance professionals, provides financial consultancy services. It made an advance payment of 1,18,000 (inclusive of IGST @ 18%) in the month of October to Azuro Computer Services for developing a software. The software would be used by the LLP to enhance the precision of the financial advice given by it to various clients. The balance payment is to be made after the successful test run of the software in the month of December. Sigma Consultants has availed ITC of IGST of 18,000 in the month of October.

Do you think Sigma Consultants can avail such ITC? Examine the scenario with reference to relevant legal provisions.

Solution

As per section 16(2)(b), tax paid on supply of goods and/or services can be availed as ITC only if such goods and/or services are received by the registered person.

In the given case, Sigma Consultants has paid IGST of 18,000, in the month of October, on advance for IT services intended to be used in the course or furtherance of business. However, it cannot avail ITC of such tax in the month of October as the services in relation to which advance payment has been made have not been received in that month.

Concept Problem 13

A taxable person is in the business of information technology. He buys a car (maximum seating capacity – 5 persons) for use of his Executive Directors.

Can he avail the ITC in respect of GST paid on purchase of such car?

Solution

No. ITC on motor vehicles for transportation of persons with approved seating capacity of up to 13 persons (including driver), can be availed only if the taxable person is in the business of transport of passengers or is providing the services of imparting training on driving such motor vehicles or is in the business of further supply of such motor vehicles. Also, ITC can be availed on motor vehicles used for transportation of goods.

Concept Problem 14

A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ without payment of GST as these supplies are not taxable.

The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments.

Solution

ITC is disallowed only to the extent it pertains to supplies used for non-business purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units are zero rated supplies in terms of section 16(1) of the IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

Concept Problem 15

'AB', a registered person, was paying tax under composition scheme up to 30th July. However, w.e.f. 31st July, 'AB' becomes liable to pay tax under regular scheme. Is 'AB' eligible for any ITC?

Solution

'AB' is eligible for ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and capital goods as on 30th July.

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

Concept Problem 16

Babla Enterprises is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1st October, exemption available on its goods gets withdrawn. On that day, turnover of Babla Enterprises was 45 lakhs.

Examine the eligibility of Babla Enterprises for availing ITC, if any.

Solution

Since the exemption available on goods being supplied by Babla Enterprises gets withdrawn, it becomes liable to registration as its turnover has crossed the threshold limit on the day when the exemption is withdrawn.

Assuming that Babla Enterprises applies for registration within 30 days of 1st October & it obtains such registration, it will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30th September [Section 18(1)(a)].

Input tax paid on capital goods will not be available as ITC in this case.

Concept Problem 17

Mamta Trade Links trades in exempt goods and provides taxable services. It is registered under GST. On 1st October, the exemption available on its goods gets withdrawn.

Analyze the scenario and determine the eligibility of Mamta Trade Links for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods.

Solution

If the exempt supply made by a **registered person** becomes a taxable supply, provisions of section 18(1)(d) become applicable. In the given case, since Mamta Trade Links is a registered person, section 18(1)(d) will be applicable.

As per section 18(1)(d), Mamta Trade Links will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e. 30th September. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

Concept Problem 18

Harshgeet Pvt. Ltd., a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to purchases made/services availed by it during the month of July:

S.No.	Particulars	Amount
i.	Raw material (to be received in the month of September)	2,50,000
ii.	Membership of a club availed for employees working in the factory	1,45,000
iii.	Inputs to be received in 5 lots, out of which 3 rd lot was received during the month	80,000
iv.	Trucks used for transport of raw material	40,000
v.	Capital goods (out of 3 items, invoice for 2 items is missing & GST paid on those items is 80,000)	1,50,000

Determine the amount of ITC available with Harshgeet Pvt. Ltd. for the month of July by giving the necessary explanation for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

Solution

Computation of ITC that can be availed by Harshgeet Pvt. Ltd. for the month of July:

Particulars	ITC
Raw Material [ITC not available as raw material is not received in July]	Nil

Particulars	ITC
Membership of a club availed for employees working in the factory [Blocked credit in terms of section 17(5)]	Nil
Inputs to be received in 5 lots, out of which 3 rd lot was receive during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles used for transportation of goods is allowed unconditionally]	40,000
Capital goods [ITC can be availed only on the basis of a valid document (invoice). Thus, GST paid on items for which invoice is missing, i.e. 80,000, is not available.]	70,000
Total ITC	1,10,000

Concept Problem 19

Jamku Ltd., a registered person, is engaged in the business of spices. It provides following details in relation to GST paid on inward supplies procured by it during the month of October.

S. No	Particulars	GST
1.	Raw spices purchase - Raw spices sold to customers - Raw spices used for personal use of directors	50,000 20,000
2.	Electric machinery purchased for being used in the manufacturing process	25,000
3.	Motor vehicle used for transportation of the employee	55,000
4.	Payment made to contractor for construction of staff quarter	1,25,000

Determine the amount of ITC available with Jamku Ltd. for the month October by giving the necessary explanation for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

Solution
Computation of ITC that can be availed by Jamku Ltd. for the month of October

Particulars	ITC
Purchase of raw spices which are sold to customers [Every registered person is entitled to take credit of input tax charged on any supply of goods to him which are used or intended to be used in the course or furtherance of his business.]	50,000
Purchase of raw spices for personal use of directors [ITC is not available on goods used for personal consumption.]	NIL
Electric machinery purchased for being used in the manufacturing process [Every registered person is entitled to take credit of input tax charged on any supply of goods to him which are used or intended to be used in the course or furtherance of his business.]	25,000
Motor vehicle used for transportation of employee [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles.	NIL

Particulars	ITC
In the given case, since the supplier is in the business of spices, ITC on motor vehicle used for transportation of the employee is blocked credit.]	
Payment made to contractor for construction of staff quarter [ITC is not available on goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.]	NIL
Total ITC	75,000

Concept Problem 20

Dina Ltd., a registered supplier from Maharashtra, is engaged in the manufacture of passenger autos. The company provides the following details of purchases made/services availed by it during the month of March.

S.No.	Particulars	GST
i.	Purchase of iron which is used as a raw material [Goods were received in two installments - first in March and the second in April]	2,50,000
ii.	Purchase of accessories which were delivered directly to the dealers of the company on the direction of Dina Ltd. [Only invoice was received by Dina Ltd.]	90,000
iii.	Purchase of bus (seating capacity 15) for the transportation of employees from their residence to company and back	1,97,000
iv.	General insurance taken on a car used by executives of the company for official purposes	5,200

You are required to determine the ITC available with Dina Ltd. for the month of March, by giving brief explanations for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

Solution

Computation of ITC that can be availed by Dina Ltd. for the month of March:

Particulars	ITC
Purchase of iron used as a raw material [When inputs are received in instalments, ITC can be availed only on the receipt of last instalment. Hence, since last instalment is received in April, ITC cannot be availed in March.]	Nil
Purchase of accessories delivered directly to the dealers of the company [Goods delivered to another person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. Thus, ITC is available to the registered person, on whose order/direction the goods are delivered to a third person.]	90,000
Bus for the transportation of employees [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,97,000
General insurance taken on car used by executives of the company for official purpose [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.]	Nil

Particulars	ITC
Since, the car is not used for any of the eligible purposes, ITC thereon is blocked and thus, ITC on general insurance taken on such car is also blocked.]	
Total ITC	2,87,000

Concept Problem 21

Comfortable (P) Ltd. is registered under GST in the State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from High-Fi Infotech (P) Ltd. For 11,00,000/- (excluding GST @ 18%) on 28th October. Invoice for service rendered was issued on 5th November.

Comfortable (P) Ltd. made part payment of ₹ 4,20,000/- on 30th November. Being unhappy with service provided by High-fi Infotech (P) Ltd., it did not make the payment. Deficiency in service rendered was made good by High- Fi Infotech (P) Ltd. by 15th April of next year. Comfortable (P) Ltd. made balance payment on 6th July of next year.

Examine the availability of ITC with Comfortable (P) Ltd. in respect of IT engineering services received by it from High-Fi Infotech (P) Ltd.

Concept Problem 22

M/s. Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ INR 50 per kg (exclusive of GST) on M/s. Karim & Bros. of Noida, U.P. M/s. Karim & Bros. has agreed to deliver the goods at the warehouse of M/s. Diwan & Sons at New Delhi.

While the order was getting packed at the factory of M/s. Karim & Bros., M/s. Diwan & Sons got an order from Shubhkamna Sales of Hapur, U.P. for 250 kg of plastic granules @ INR 60 per kg (exclusive of GST). In order to save on transportation cost, M/s. Diwan & Sons asks M/s. Karim & Bros. to directly deliver the plastic granules to Shubhkamna Sales at its godown located in Hapur. Accordingly, M/s. Karim & Bros. has delivered the plastic granules at the godown of Shubhkamna Sales at Hapur.

Examine the availability of ITC with M/s. Diwan & Sons & M/s. Karim & Bros.

Note: All the parties are registered under GST and rate of GST is 18%.

Solution

One of the conditions for availing ITC is that the registered person taking the ITC must have received the goods and / or services. However, goods delivered to a third person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. So, ITC is available to the registered person, on whose order the goods are delivered to a third person even though the registered person does not receive the goods.

In the given case, goods have been delivered by M/s. Karim & Bros. (supplier) to Shubhkamna Sales (third person) on the direction of M/s. Diwan & Sons (registered person).

Therefore, in view of the above provisions, ITC of INR 2,250 (INR 50 x 250 x 18%) will be available to M/s. Diwan & Sons (registered person) on the purchase of 250 kg of plastic granules @ 50 per kg.

Further, in this case there is another supply between Diwan & Sons (supplier) and Shubhkamna Sales (recipient). Therefore, Shubhkamna Sales can avail ITC of INR 2,700 (INR 60 x 250 x 18%) on the purchase of 250 kg of plastic granules @ 60 per kg.

Concept Problem 23

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

Particulars	Amount
Intra-State supply of goods	10,00,000

Particulars	Amount
Inter-State supply of goods	8,00,000

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

Particulars	Amount
Intra-State supply of goods	3,00,000
Inter-State supply of goods	2,50,000

Paritosh & Co. has following ITCs with it at the beginning of the tax period:

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

Notes:-

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

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

Solution

Computation of GST payable on outward supplies

S No	Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%	Total
i.	Intra- State supply of goods for 10,00,000	90,000	90,000		1,80,000
ii.	Inter- State supply of goods for 8,00,000			1,44,000	1,44,000
	Total GST Payable				3,24,000

Computation of Total ITC

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

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%	Total
GST payable	90,000	90,000	1,44,000	3,24,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(22,000) IGST	(19,000) IGST	(1,44,000) IGST	1,85,000

Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%	Total
CGST and SGST ITC utilized against CGST and SGST output Tax liability respectively	(68,000) CGST	(71,000) SGST	-	1,39,000
Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	16,000	16,000	Nil	32,000

Note : The above computation is one of the many ways to set off the ITC of IGST (41,000 - after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash and carry forward both CGST and SGST ITC equally.

To illustrate, IGST of 10,000 can be set off against SGST payable and IGST of 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be 25,000 and 7,000 (totaling to 32,000), respectively.

However, if the entire ITC of 41,000 is set off against CGST payable, then SGST of 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set-off would not be advisable for computing the minimum GST payable.

2. ICAI RTPS, MTPS AND PAST YEAR QUESTIONS

Concept Problem 24

Bank of India provides the following information for the month of December 20XX for their registration in Punjab;

Particulars	Amount
ITC from supplies of goods or services or both	2,50,000
ITC from other offices	50,000

How much credit will be allowed to Bank of India for the month of December?

Solution

A banking company or a financial institution including a NBFC has the option to limit its availment of ITC on inward supply from third parties (other than own branch) to 50% of the eligible ITC on inputs, capital goods and input services each month and the remaining ITC shall lapse.

Eligible credit for the month of December = 50% of INR 2,50,000 i.e., INR 1,25,000 + INR 50,000 = INR 1,75,000.

Concept Problem 25

R is engaged in providing beauty treatment services. On a particular day, with a view to cater to the demand of large number of customers, he availed the beauty treatment services from G. Accordingly, G raised an invoice on R for INR 20,000 along with applicable GST.

Will R be allowed input tax credit?

Solution

Beauty services have been categorized as Blocked Credit u/s 17(5) and input tax credit on the same is not allowed. However, in the given case, since beauty treatment services have been used by R for making an outward supply of services of the same category of services, he shall be eligible to avail ITC of the beauty treatment services.

Concept Problem 26

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

Particulars	GST paid
Soap making machine	50,000

Motor vehicles for transportation of inputs	70,000
Membership of 'Fit and Fine' health and fitness centre for its employees	25,000
Inputs purchased, but stolen from the factory	40,000

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

Solution
Computation of ITC available with Ramoplast Soap Factory

Particulars	Amount
Soap making machine [ITC in respect of goods used in course/furtherance of business is available in terms of section 16]	50,000
Motor vehicles for transportation of inputs [ITC in respect of motor vehicles and conveyances is blocked, except when used, inter alia, for transportation of goods, in terms of section 17(5)]	70,000
Membership of 'Fit and Fine' health and fitness centre for its employees [ITC in respect of membership of a club, health & fitness centre is blocked u/s 17(5)]	Nil
Inputs stolen from the factory [ITC in respect of goods stolen is blocked in terms of section 17(5) of the CGST Act]	Nil
Total ITC available	1,20,000

Concept Problem 27

M/s. Shri Durga Corporation Pvt. Ltd. is a supplier of goods and services at Kolkata. It has furnished the following information for the month of February, 20XX:

S No.	Particulars	Amount
(i)	Intra-State sale of taxable goods including INR 1,00,000 received as advance in January, 20XX, the invoice for the entire sale value is issued on 15 th February, 20XX	4,00,000
(ii)	Goods purchased from unregistered dealer on 20 th February, 20XX (Inter-State purchases are worth INR 30,000 and balance purchases are intra-State)	1,00,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
(iv)	Goods transport services received from a GTA. GTA is paying tax @ 12% (It is an inter-State transaction)	2,00,000

Compute net GST liability (CGST, SGST or IGST, as the case may be) of M/s Shri Durga Corporation Pvt. Ltd. for the month of February, 20XX.

Assume the rates of GST, unless otherwise specified, as under:

CGST	9%	SGST	9%	IGST	18%
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Note:

- i) The turnover of M/s. Shri Durga Corporation Pvt. Ltd. was INR 2.5 crore in the previous financial year.
- ii) All the amounts given above are exclusive of taxes.

Solution

Computation of GST liability of M/s. Shri Durga Corporation Pvt. Ltd. for the month of Feb, 20XX

Particulars	Value of Supply	CGST	SGST	IGST
Intra -State sale of taxable goods [Note-1]	4,00,000	36,000	36,000	
Goods purchased from unregistered dealer on 20 th February, 20XX [Note-2]	1,00,000	Nil	Nil	
Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-3]	1,00,000	9,000	9,000	
Goods transport services received from GTA [Note 4]	2,00,000			Nil
Total GST liability for the month of February, 20XX		45,000	45,000	Nil
Less: Input tax credit available [Note-5] (INR 2,00,000 x 12%)		12,000 - IGST	12,000 - IGST	-
Net GST liability for the month of February, 20XX		33,000	33,000	Nil

Notes:

- Section 12 of CGST Act, 2017 read with Notification No. 66/2017 CT dated 15.11.2017 provides that the time of supply for all suppliers of goods (excluding composition suppliers) is the time of issue of invoice, without any turnover limit. Thus, liability to pay tax on the advance received in January, 20XX will also arise in the month of February, when the invoice for the supply is issued.
- As per section 9(4), purchase from unregistered supplier is chargeable to RCM only if notified goods are purchased by specified registered recipient. No RCM in other cases of purchase from unregistered supplier.
- Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. Labour contracts **for repairing** are thus, taxable.
- As per Notification No. 13/2017 CT(R), GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a GTA provided such GTA has **not** paid GST @ 12%. Since in the given case, services have been received from a GTA who has paid GST @ 12%, RCM will not be applicable.
- ITC of IGST shall be used to pay outward tax liability of IGST first and thereafter, balance will be used to pay outward tax liability CGST and SGST in any order and in any proportion. [Rule 88A].

ITC of CGST and SGST/UTGST shall be used only after ITC of IGST is fully utilised. [Section 49A]

Concept Problem 28 [RTP May 2019]

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

Particulars	Amount (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 (lakh)
IGST credit on capital goods purchased in the month of July	1.5
CGST/ SGST credit on other inward supplies [including credit of INR 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	1

The amount of ITC brought forward in the month of July, 20XX is as under: -

CGST: INR 2 lakh

SGST: INR 2 lakh

IGST: INR 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%

Notes

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

Concept Problem 29

Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February:

	Particulars	Amount
(i)	Intra-state taxable supply of service	5,20,000
(ii)	Legal fee paid to a Lawyer located within the state	20,000
(iii)	Rent paid to the State Govt. for his office building	30,000
(iv)	Received for services towards conduct of exams in Loveall University, Pune (recognized by law), being an inter-state transaction	16,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Thiraj for the month of February.

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

All the amounts given above are exclusive of taxes.

Solution

Computation of net GST liability by Mr. Thiraj for the month of February:

S.No.	Particulars	Value of supply	CGST @ 9%	SGST @ 9%	IGST @ 18%
Tax on Output supply					
(i)	Intra-State taxable supply of services	5,20,000	46,800	46,800	
(iv)	Services towards conduct of exams in Loveall University, Pune [Note-1]	16,000			Exempt
Tax on Output supply (A)			46,800	46,800	
Tax on Inward supply					

S.No.	Particulars	Value of supply	CGST @ 9%	SGST @ 9%	IGST @ 18%
(ii)	Legal fee paid to lawyer located within State [Note-2]	20,000	1,800	1,800	
(iii)	Rent paid to State Government for Office Building [Note-3]	30,000	2,700	2,700	
Tax on Inward supply under RCM (B)			4,500	4,500	
Net Tax Liability payable in cash					
Output tax payable against which ITC can be set off			46,800	46,800	
Less: ITC of tax paid on legal fees and rent (C)			(4,500)	(4,500)	
Output tax payable after set off of ITC [A-C]			42,300	42,300	
Net GST liability payable in cash [C] + [B]			46,800	46,800	

Notes:

- 1) Since Loveall University provides education recognized by law, it is an educational institution and services provided to an educational institution, by way of conduct of examination are exempt from GST.
- 2) In case of legal services provided by an advocate to any business entity GST is payable under reverse charge by the recipient of service.
- 3) In case of services supplied by, inter alia, State Government by way of renting of immovable property to a person registered under the CGST Act, GST is payable under reverse charge by the recipient of service
- 4) The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

Concept Problem 30 [RTP Nov 2020]

- a) Babla & Bros. is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1st October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla & Bros. was INR 50 lakh. Examine the eligibility of Babla & Bros. for availing ITC, if any.
- b) Sun & Moon Packers Pvt. Ltd. availed outdoor catering service to run a canteen in its factory. The Factories Act, 1948 requires Company to set up a canteen in its factory. Advice regarding availability of ITC under CGST Act.
- c) Mamta Sales trades in exempt goods and provides taxable services. It is registered under GST. On 1st October, the exemption available on its goods gets withdrawn.

Analyze the scenario and determine the eligibility of Mamta Sales for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods.

Solution

- a) Since the exemption available on goods being supplied by Babla & Bros. is withdrawn, it becomes liable to registration as its turnover has crossed threshold limit (for registration) on day when exemption is withdrawn.
Assuming that Babla & Bros. applies for registration within 30 days of 1st October & it obtains such registration, it will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e., 30th September [Section 18(1)(a)]. Input tax paid on capital goods will not be available as input tax credit in this case.
- b) Section 17(5) of the CGST Act, 2017 inter alia, blocks input tax credit in respect of outdoor catering services. However, ITC is available on such services, when the same are provided by an employer to its employees under a statutory obligation.

Thus, in view of the above-mentioned provisions, Sun & Moon Packers Pvt. Ltd. can avail ITC in respect of outdoor catering services availed by it as the same is being provided under a statutory obligation.

- c) If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) become applicable. In given case, since Mamta Sales is a registered person, section 18(1)(d) will be applicable.

As per section 18(1)(d), Mamta Sales will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e., 30th September. Input tax credit on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

Concept Problem 31

Mr. Himanshu, a registered supplier of chemicals, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies for the month of September 20XX:

Intra-State supply of goods	25,00,000
Inter-State supply of goods	5,00,000

He has also made the following inward supply:

Intra-State purchase of goods from registered dealer	14,00,000
Intra-State purchase of goods from unregistered dealer	2,00,000
Inter-State purchase of goods from registered dealer	4,00,000

Balance of ITC at the beginning of September:

CGST	95,000
SGST	60,000
IGST	50,000

Additional Information:

- He purchased a car (Intra-State supply) used for business purpose at a price of INR 6,72,000/- (including CGST of INR 36,000 & SGST of INR 36,000) on September 15. He capitalized the full value including GST in the books on the same date to claim depreciation
- Out of Inter-State purchase from registered dealer, goods worth INR 1,00,000 were received on October 3 due to road traffic jams.

Note:

- Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
- Both inward and outward supplies given above are exclusive of taxes, wherever applicable.
- All the conditions necessary for availing the ITC have been fulfilled except mentioned above.

Compute the net CGST, SGST and IGST payable in cash by Mr. Himanshu for the month of September.

Solution

Computation of net GST payable in cash of Mr. Himanshu for September.

Particulars	Value	CGST	SGST	IGST
Total tax liability				
Intra-State outward supplies of goods	25,00,000	2,25,000	2,25,000	
Inter-State outward supplies of goods	5,00,000			90,000

Particulars	Value	CGST	SGST	IGST
Total tax liability (A)		2,25,000	2,25,000	90,000
Input Tax Credit (ITC)				
Brought forward ITC		95,000	60,000	50,000
Intra-State purchase of goods from registered dealer [Note-1]	14,00,000	1,26,000	1,26,000	
Inter-State purchase of goods from registered dealer [Note-1 and Note 4]	3,00,000	-	-	54,000
Intra-State purchase of goods from unregistered dealer [Note-2]	2,00,000	-	-	-
Purchase of car used for business purpose [Note-3]	-	-	-	-
Total ITC (B)		2,21,000	1,86,000	1,04,000
Net Tax Payable				
Total tax liability (A)		2,25,000	2,25,000	90,000
Less: Set off of IGST liability from IGST credit		-	-	90,000
Less: Set off IGST credit against CGST and SGST liability in any order and in any proportion		-	14,000	-
Less: Set off of CGST and SGST credit against CGST and SGST liability respectively		2,21,000	1,86,000	-
Net GST payable in cash		4,000	25,000	-

Notes:

- Every registered person is entitled to take credit of input tax charged on any inward supply of goods used/intended to be used in the course/furtherance of his business.
- Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the tax leviable thereon under reverse charge. Since no tax has been paid, so no credit is available.
- Input tax paid on capital goods cannot be availed as ITC if depreciation has been claimed on such tax component. Moreover, ITC on motor vehicle (car) is blocked under section 17(5) of CGST Act, 2017.
- A registered person is entitled to avail input tax in respect of any supply of goods to him only if he has actually received the said goods. Since goods worth INR 1,00,000 have not been received by Mr. Himanshu in the month of September 20XX, credit in respect of same cannot be claimed in the said month.

Note: Under the amended position of law, the IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one Solution for the minimum net CGST and SGST payable in cash [i.e., GST liability] as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

Concept Problem 32 [RTP Nov 2020]

From the following, calculate the Net GST payable:

Payments	Amount	Receipts	Amount
Inter-State purchases of office stationery	1,40,000	Inter-State supply of office stationery	2,00,000
Repairing of lorry used to transport goods from warehouse to clients' location [Intra-State supply]	1,00,000	Intra-State supply of 500 combi packs containing one calculator and one diary	4,00,000

		Intra-State supply of services of business correspondent to Shubhvidhi Bank with respect to accounts in its urban area branch	1,00,000
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The following additional information is provided by 'XY' in relation to the above receipts and payments

- i) 10% of the inter-State supply of office stationery are made to unregistered persons.
- ii) Each combi pack (containing a calculator and a diary) is priced at INR 800. The calculator and the diary are individually priced at INR 700 and INR 200 respectively.
- iii) An invoice of INR 40,000 towards purchase of office stationery is missing and no other tax paying document is available in respect of such goods.
- iv) All the figures mentioned above are exclusive of taxes, wherever applicable.
 - a. Rates of CGST, SGST and IGST for all services, office stationery and calculator are 9%, 9% and 18% respectively. Rates of CGST, SGST and IGST for diary are 14%, 14% and 28% respectively.
 - b. Subject to information given above, all the necessary conditions for availing ITC have been fulfilled.

Details of opening balances of input tax credit as on 1st July is given hereunder

Tax	Amount
CGST	5,000
SGST	5,000
IGST	80,000

Compute minimum net GST [CGST, SGST or IGST, as the case may be] payable in cash by 'XY' for month of July.

Concept Problem 33 [ICAI Jan 2021]

Star Ltd., a registered supplier in Karnataka has provided the following details for supply of one machine:-

	Particulars	Amount
i.	List price of machine supplied [exclusive of items given below from (2) to (4)]	80,000
ii.	Tax levied by Local Authority on sale of such machine	6,000
iii.	Discount of 2% on list price of machine was provided (recorded in invoice of machine)	
iv.	Packing expenses for safe transportation charged separately in the invoice	4,000

Star Ltd. received 5,000 as subsidy from a NGO on sale of each such machine. The price of 80,000 of the machine is after considering such subsidy.

During the month of February, 20XX, Star Ltd. supplied three machines to Intra-state customers and one machine to Inter-state customer. Star Ltd. purchased inputs (intra-state) for 1,20,000 exclusive of GST for supplying the above four machines during the month.

The Balance of ITC at the beginning of February, 20XX was:

CGST	SGST	IGST
18,000	4,000	26,000

Note:

- a) Rate of CGST, SGST and IGST to be 9% , 9% and 18% respectively for both inward and outward supplies.
- b) All the amounts given above are exclusive of GST.

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

Compute the minimum net GST payable in cash by Star Ltd. for the month of February, 20XX.

Solution
Computation of value of taxable supply

Particulars	Amount
List Price of the machine	80,000
Add: Tax levied by Local Authority on the sale of machine [Tax other than GST, is charged separately, are included in the value in terms of section 15]	6,000
Add: Packing expenses for safe transportation [Includible in the value as per section 15 of the CGST Act, 2017]	4,000
Add: Subsidy received from a NGO on sale of each machine [Subsidy received from a non-Government body and which is directly linked to the price, the same is included in the value in terms of section 1 of the CGST Act, 2017].	5,000
Total	95,000
Less: Discount @2% on 80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible u/s 15]	1600
Value of taxable supply	93,400

Computation of minimum net GST payable in cash by Star Ltd.

Particulars	CGST	SGST	IGST
Sale of machine [Intra- State Sales = 93,400 x 3 machine = 2,80,200 Inter – state sales = 93,400 x 1 machine = 93,400]	25,218 2,80,200 x 9%]	25,218 2,80,200 x 9%]	16,812 93,400 x 18%]
Total output tax	25,218	25,218	16,812
Less: Set off IGST against IGST and SGST [IGST credit first be utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion]		(9,188)	(16,812)
Less: Set off CGST against CGST and SGST against SGST [CGST credit cannot be utilized towards payment of SGST and vice versa]	(25,218)	(14,800)	
Minimum net GST payable in cash	Nil	1230	

Working Note:-

Computation of total ITC available-

Particulars	CGST	SGST	IGST
Opening balance of ITC	18,000	4,000	26,000
Add: Inputs purchased during the month	10,800 [1,20,000 x 9%]	10,800 [1,20,00 x 9%]	
Total ITC available	28,800	14,800	26,000

Concept Problem 34 [ICAI May 2021]

X Electronics is a registered manufacturer of electrical appliances. It made contract with dealers, that purchase air conditioners of capacity 1.5 ton in the month of October, 20XX of quantity of more than 50 units will entitle them for 10% discount.

Inter- state supply made during the month of October is 50,00,000.

Details of intra state supplies:

Particulars	Amount
Supply of Microwave Oven	15,00,00
Supply of Refrigerators with stabilizers being a mixed supply, rate of GST on refrigerators is 28% (14% CGST 14% SGST), rate of GST on stabilizer is 18% (9% CGST 9% SGST)	40,00,000
Supply of Air Conditioners of capacity 1.5 Ton @ 50,000 per Air Conditioner	50,00,000

Intra – State inward supplies are:

Particulars	Amount
Raw material	20,00,000
Paid Gym membership for employees	50,000
Truck purchased for transportation of goods	30,00,000

X electronics made supply of Air Conditioners (capacity 1.5 ton) to only one dealer named Mr. L

Gym membership for employees is not obligatory for X electronics under any law.

Opening Balance of ITC is as under:

CGST 58,000

SGST 70,000

IGST 10,00,000

Note:

- Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.
- Both inward and outward supplies are exclusive of taxes.
- All the conditions for availing the ITC have been fulfilled.

Compute the Net GST payable in cash by X Electronics for the month of October, 20XX.

Solution

Computation of net GST payable in cash by X Electronics for October 20XX

S No	Particulars	Amount	CGST	SGST	IGST
I.	Intra-State Supply				
	Supply of microwave oven	15,00,000	1,35,000	1,35,000	
	Supply of refrigerators with stabilizers [Being mixed supply, the supply shall be treated as a supply of that particular supply which attracts the highest rate of tax and taxed accordingly. Thus, it will be taxed @ 14% CGST and 14% SGST]	40,00,000	5,60,000	5,60,000	

Supply of 100 (50 lakh/ 50,000) air conditioners [Since 100 air conditioners have been supplied, discount @ 10% will be available]	4,50,000 [50,00,000 x 90%]	4,05,000	4,05,000	
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Note: It has been presumed that there is one supply transaction for 100 ACs and thus, the discount has been given in the invoice itself. Alternatively, even if there have been multiple supply transactions for the ACs during the month and the discount has been given vide credit note, it has been presumed that the credit note has been issued in October 20XX and all other conditions prescribed in section 15(3) (b) of the CGST Act , 2017 have been complied with. Thus, the effect of the discount has been adjusted in the month of October 20XX itself.

S No	Particulars	Amount	CGST	SGST	IGST
II.	Intra –State Supply @18%	50,00,000			9,00,000
Total outward tax liability			11,00,000	11,00,000	9,00,000
Less: Input tax Credit (Refer Working Note Below)					
IGST credit first utilized towards payment of IGST. Remaining amount can be utilized towards CGST and SGST in any order and in any proportion			1,00,000 (IGST)		9,00,000 (IGST)
CGST credit set off against CGST Liability and SGST credit set off against SGST Liability as CGST credit cannot be utilized towards payment of GST & vice versa.			5,08,000 (CGST)	5,20,000 (SGST)	
Net GST liability payable in cash			4,92,000	5,80,000	Nil

Working Note:

Computation of ITC available with X Electronics

Particulars	Amount	CGST	SGST	IGST
Opening balance of ITC		58,000	70,000	10,00,000
Intra- state inward supplies				
Raw material	20,00,000	1,80,000	1,80,000	
Gym membership for employees [ITC on membership of a health and fitness center is blocked if there is no statutory obligation for employer to provide it]	50,000	Nil	Nil	
Truck purchased for transportation of goods [ITC on motor vehicles used for transportation of goods is not blocked]	30,00,000	2,70,000	2,70,000	
Total ITC		5,08,000	5,20,000	10,00,000

Note: In the above Solution, tax payable in cash has been computed by setting off the IGST credit against CGST Liability. However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and /or SGST liabilities in different other ways as well. In all such cases, net CGST and net SGST payable in cash will differ though the total amount of net GST payable (10,72,000) In cash will remain the same.

Concept Problem 35 [ICAI May 2021]

A Ltd. procured the following goods in the month of December, 20XX.

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

Compute the amount of ITC available with A Ltd. for the month of December 20XX by giving necessary explanations. Assume that all the other condition necessary for availing ITC have been fulfilled.

Solution

Computation of amount of ITC available for the month of December 20XX

S.No.	Particulars	GST
1.	Goods used in construction of additional floor of office building [ITC on goods received by a taxable person for construction of an immovable property on his own account is blocked even if the same is used in the course or furtherance of business. It has been assumed that cost of construction of additional floor has been capitalized]	Nil
2.	Goods given as free samples to prospective customers [ITC on goods disposed of by way of free samples is blocked]	Nil
3.	Rucks used for transportation of inputs in the factory [ITC on motor vehicles used for transportation of goods is not blocked]	11,000
4.	Inputs used in trials runs [Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed]	9,850
5.	Confectionary items for consumption of employees working in the factory [ITC on food or beverages is blocked unless the same is used in same line of business or as an element of the taxable composite or mixed supply. Further, ITC on goods and/ or service used for personal consumption is blocked]	Nil
6.	Cement used for making foundation and structural support to plant and machinery [ITC on goods used for construction of plant and machinery is not blocked. Plant and machinery includes foundation and structural supports through which the same is fixed to earth]	8,050
	Total eligible ITC	28,900

Concept Problem 36 [ICAI Nov 2020]

KNK Ltd., a registered supplier of Mumbai is a manufacturer of heavy machines. Its outward supplies (exclusive of GST) for the month of January, 20XX are as follows:

S.No.	Particulars	Amount
i.	Inter- State	85,00,000
ii.	Intra – State	15,00,000

Applicable rate of CGST, SGST and IGST on outward supply are 9%, 9% and 18% respectively. Details of GST paid on

inward supplies during the month of January, 20XX are as follows:

S No	Particulars	CGST	SGST
i.	Raw material A (of which 70% of inputs procured were used and 30% were in stock at the end of January, 20XX)	60,000	60,000
ii.	Raw material B (of which 90% material received in factory and remaining material completely damaged due to a road accident on the way of factory. There was no negligence on the part of KNK Ltd.)	50,000	50,000
iii.	Construction of pipelines laid outside the factory premises	30,000	30,000
iv.	Insurance charges paid for trucks used for transportation of goods.	55,000	55,000

Additional Information:

- There is no opening balance of any input tax credit & all conditions necessary for availing ITC is fulfilled.
- Details of GST paid on inward supplies are available in GSTR-2A except for item (i) i.e. Raw Material A, for which supplier has not filed its GSTR-1 for the month of January 20XX, hence corresponding ITC is not reflecting in GSTR-2A of KNK Ltd. in January, 20XX.

Compute the following:

- Amount of eligible input tax credit (ITC) available for the month of January, 20XX.
- Minimum net GST payable in cash, for the month of January, 20XX after using available input tax credit.

Working notes should form part of your answer.

Solution

Computation of amount of eligible ITC available for the month of January, 20XX

S No	Particulars	CGST	SGST
i.	Raw materials B (90%) [Note-1]	45,000	45,000
ii.	Construction of pipelines laid outside the factory premises [Note-2]	Nil	Nil
iii.	Insurance charges paid for trucks used for transportation of goods [Note-3]	55,000	55,000
iv.	Raw materials A [Note-4]	Nil	Nil
	Eligible ITC on invoices the details of which are available in GSTR-2A	1,00,000 (45,000 + 55,000)	1,00,000 (45,000 + 55,000)
	ITC on invoices the details of which are not available in GSTR-2A, i.e. the invoices which are not uploaded by suppliers in their GSTR-1 [Note-4]	Nil	Nil
	Total eligible ITC	1,00,000	1,00,000

Note:

- ITC on goods destroyed is blocked under section 17 of the CGST Act, 2017.
- ITC on works contract services availed for construction of plant and machinery is allowed but pipelines laid outside the factory premises are excluded from the definition of plant & machinery. Hence, ITC is blocked.
- ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is also allowed on insurance

services relating to motor vehicles, ITC on which is allowed.

4. Where invoice has not been uploaded by the supplier in its GSTR-1, no ITC in respect of such invoices can be claimed by the recipient.

Computation of minimum net GST payable in cash for the month of January, 20XX

Particulars	Value	CGST @ 9%	SGST @ 9%	IGST @ 18%
Inter – State outward supplies	85,00,000			15,30,000
Intra- state outward supplies	15,00,000	1,35,000	1,35,000	
Total output tax payable		1,35,000	1,35,000	15,30,000
Less: set off of CGST and SGST credit against CGST and SGST liability respectively		(1,00,000)	(1,00,000)	
Minimum net GST payable in cash		35,000	35,000	15,30,000

Concept Problem 37 [ICAI May 2021]

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?

Solution

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 -
 - a) issued by a non-existent supplier or by a person not conducting any business from the registered place of business; or
 - b) without receipt of goods and/or services; or
 - c) 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.

Concept Problem 38 [RTP May 2022] [ICAI Nov 22]

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

Or

Rule 86B restricts the use of Input Tax Credit (ITC) available in the Electronic Credit Ledger for discharging output tax liability. List down the exceptions to the rule 86B.

Solution

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 1 lakh**

Rule 86B may not apply in cases whereby person mentioned below have deposited sum of more than 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

- a. The registered person or
- b. The karta/proprietor/the managing director of the registered person;
- c. 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 1 lakh

Rule 86B may not apply whereby registered person has received a refund amount of more than 1 lakh on account of unutilized input tax credit under the following:

- a. zero-rated supplies made without payment of tax
- b. 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:

- a. Government Department; or
- b. a public sector undertaking; or
- c. a local authority; or
- d. 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.

Concept Problem 39

Neelkanth Pvt. Ltd., a registered supplier of goods and services at Kolkata has furnished the following information for the month of February:

S. No.	Particulars	Amount
i.	Intra- state supply of taxable goods including 1,00,000 received as advance in January, the invoice for the entire sale value is issued on 15 th February	4,00,000
ii.	Purchase of goods from a composition dealer, registered in Kolkata	5,50,000
iii.	Services provided by way of labour contracts for repairing a single residential unit otherwise a part of residential complex (It is an intra-state transaction)	1,00,000
iv.	Membership of a club availed for employees working in the factory (it is an intra-state transaction)	1,75,000
v.	Goods Transport services received from a GTA .GST is payable @ 12% (It is an inter-state transactions)	2,00,000
vi.	Inter-state services provided by way of training in recreational activities relating to sports	10,000
vii.	Inter- state security services provided to ABC higher secondary school for their annual day function organized in Fintex Auditorium outside the school campus	15,0000

S. No.	Particulars	Amount
viii.	Inputs to be received in 4 lots, out of which 2 nd lot was received during the month	40,000

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

Particulars	Amount
CGST	57,000
SGST	Nil
IGST	50,000

Note:

- i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- iii) All the conditions necessary for availing the ITC have been fulfilled.
- iv) The turnover of Neelkanth Pvt. Ltd. was 2.5 crore in the previous financial year.

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

Solution

Computation of GST Payable on outward supplies

S.No.	Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%	Total
i.	Intra- state supply of goods for 4,00,000 [Note-1]	36,000	36,000	Nil	72,000
ii.	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note -2]	9,000	9,000	Nil	18,000
iii.	Services provided by way of training in recreational activities relating to sports [Note -3]	Nil	Nil	1,800	1,800
iv.	Inter- state security services provided to ABC higher secondary school for their annual day function to be held in Fintex Auditorium [Note- 4]	Nil	Nil	2,700	2,700
	Total GST Payable	45,000	45,000	4,500	94,500

Notes

1. 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) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.
2. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. Labour contracts **for repairing** are thus, taxable.
3. Services by way of training or coaching in recreational activities relating to sports is exempt under GST vide Notification No. 12/2017 CT(R) dated 28.06.201, only if provided by charitable entities registered under section 12AA of the Income-tax Act. Thus, in the given case, said service is taxable.

4. Security services provided to ABC higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017.

Computation of Total ITC

Particulars	CGST @ 9%	SGST @ 9%	IGST @ 9%
Opening ITC	57,000	Nil	57,000
Add: Purchase of goods from a composition dealer [No tax is payable on the goods purchased under composition scheme]	Nil	Nil	Nil
Add: Membership of a club [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12%. Since in the given case, services have been received from a GTA where GST is payable @12% and recipient is one of the specified recipients, reverse charges provisions will not be applicable. In this case, ITC is available for the services received from GTA].	Nil	Nil	24,000
Add: Inputs to be received in 4 lots, out of which 2 nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
Total ITC	57,000	Nil	74,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%	Total
GST payable	45,000	45,000	4,500	94,500
Less: ITC [First ITC of IGST should be utilized in full – first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(24,500) IGST (3)	(45,000) IGST (2)	(4,500) IGST (1)	74,000
	(20,500) CGST			20,500
Minimum GST Payable in cash	Nil	Nil	Nil	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 first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow.

Concept Problem 40

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

S. No.	Particulars	Amount
i.	Price of the machine (exclusive of taxes and discounts)	5,50,000
ii.	Part fitted in the machine at the premises of the recipient	20,000

S. No.	Particulars	Amount
	[Amount has been paid by recipient directly to the supplier. However, it was Prithviraj Pvt. Ltd.'s liability to pay the said amount.]	
iii.	Installation and testing charges at the premises of the recipient	25,000
iv.	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the price of the machine]	50,000

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

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

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

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

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

Make suitable assumptions, wherever necessary. All the conditions necessary for availing the ITC have been fulfilled.

Opening balance of the input tax credit for the relevant period is Nil.

Solution

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

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

Working note – 1

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

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

Particulars	Amount
in the machine [Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply.]	
Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply.]	25,000
Subsidy received from Shri Ram Trust [Since the subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply.]	50,000
Value of taxable supply of 1 machine	6,45,000
Value of taxable supply of 10 machines [6,45,000 x 10]	64,50,000
GST payable on outward supplies	
CGST @ 9%	5,80,500
SGST @ 9%	5,80,500
[Since all the outward supplies are intra – State supplies, CGST and SGST are payable to the same]	

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

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

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

Concept Problem 41

Alfa Institute of Management (AIM), a private college, is registered under GST in the State of Punjab. AIM provides the following particulars for the month of April, 2022:

S. No.	Particulars	Amount
i.	Tuition fee received from students pursuing management courses recognized by Punjab University, established by an Act of State Legislature	18,00,000
ii.	Tuition fee received from students pursuing under – graduate courses recognized by Stan University, London under Dual Degree Programmes	8,50,000

S. No.	Particulars	Amount
iii.	Fee received from students of competitive exam training academy run by a Department of AIM	5,40,000
iv.	Mess fees received from students pursuing qualification recognized by Indian law (Mess is run by AIM on its own)	3,20,000
v.	Amount paid to Local Municipal Corporation for premises for taken on rent for conducting coaching classes for competitive exams	50,000
vi.	Legal services availed from Top Care & Company a partnership firm of advocates , for the competitive exam training academy (Intra – state competitors)	20,000

Note:

The aggregate turnover of AIM in the preceding financial year exceeds 20 lakhs. Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both outward and inward supplies. All the amounts given above are exclusive of taxes, wherever applicable. All the conditions necessary for availing the ITC have been fulfilled, wherever applicable. There is no opening balance of ITC under any head of tax.

From the information given above, you are required to calculate the Value of taxable supply and minimum GST liability (CGST, SGST or IGST as the case may be) to be paid in cash, if any, by AIM for the month of April, 2022.

Solution
Computation of value of taxable supply and net GST liability to be paid in cash by AIM for April, 2022

Particulars	Amount
Tuition fee received from Students pursuing recognized management courses [Note-1]	Nil
Tuition fee received from students pursuing under-graduate courses recognized by Foreign University [Note -2]	8,50,000
Fee received from students of Competitive Exam Training Academy [Note -3]	5,40,000
Mess fees received from students [Note – 4]	Nil
Total value of taxable supply	13,90,000

Particulars	CGST	SGST
GST Liability under forward charge @ 9% [Note-5]	1,25,100	1,25,100
Services on which tax payable under reverse Charge:		
Rent paid to Local Municipal Corporation [Note – 6]	4,500	4,500
Legal services received from Top Care & Company, a partnership firm of advocates [Note-7]	<u>1800</u>	<u>1800</u>
GST liability under reverse charge payable in cash [A] [Note - 8]	<u>6300</u>	<u>6300</u>
Output tax payable against which ITC can be set off	1,25,100	1,25,100
Less: ITC of renting immovable property and legal services	<u>6300</u>	<u>6,300</u>
Output tax payable after set off ITC [B]	1,18,800	1,18,800
Net GST liability payable in cash [A] +[B]	1,25,100	1,25,100

Notes:

- i) Services provided by an educational institution to its students are exempt. Further, educational institution means inter alia an institution providing services by way of education as a part of a curriculum for obtaining a

qualification recognised by an Indian law. Therefore, tuition fee received by Punjab University, being an educational institution, is exempt, since it provides qualification recognised by Indian law.

- ii) Tuition fee received by Stan University is taxable since Stan University is not an educational institution as qualification provided by it is not recognised by Indian law.
- iii) Fee received from students of competitive exam training academy is taxable as Department of AIM is not an educational institution since competitive exam training does not lead to grant of a recognized qualification.
- iv) Catering services provided by educational institutions to its students are exempt.
- v) Since all the services provided are intra-State, CGST and SGST @ 9% is charged
- vi) GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.
- vii) GST is payable under reverse charge in case of legal services supplied by a firm of advocates to a business entity.
- viii) The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

Concept Problem 42

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

S. No.	Particulars	Amount
i.	Intra-State supply of taxable goods	4,00,000
ii.	Purchase of goods destroyed due to fire before being put into the production process (It is an intra-State transaction)	5,50,000
iii.	Services provided to a foreign diplomatic mission located in India (It is an intra-State transaction)	1,00,000
iv.	Intra-State purchase of food items for being served to the customers, free of cost. (It is an intra-State transaction)	1,75,000
v.	Goods transport services received from a GTA. GST is payable @ 5% (It is an inter-State transaction)	2,00,000
vi.	Inter-State services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi	10,000
vii.	Inter-State security services provided to Torrent Higher Secondary School (unregistered under GST) for their annual day function organised in Katyani Auditorium outside the School campus	15,000
viii.	Inputs to be received in 3 lots, out of which 2nd lot was received during the month	40,000

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

Particulars	Amount
CGST	57,000
SGST	Nil
IGST	50,000

Note:

- i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unless otherwise mentioned.

- ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- iii) All the conditions necessary for availing the ITC have been fulfilled.
- iv) The turnover of Sreshth Pvt. Ltd. was INR 2.5 crore in the previous financial year.

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

Solution

Computation of GST payable on outward supplies

S No	Particulars	CGST	SGST	IGST	Total
	GST Payable under forward charge				
i.	Intra-State supply of goods [Note-1]	36,000	36,000	Nil	72,000
ii.	Services provided to a foreign diplomatic mission located in India [Note-2]	9,000	9,000	Nil	18,000
iii.	Services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi [Note-3]	Nil	Nil	1,800	1,800
iv.	Inter-State security services provided to Torrent higher secondary school for their annual day function to be held in Katyani Auditorium. [Note-4]	Nil	Nil	2,700	2,700
v.	Total GST payable under forward charge	45,000	45,000	4,500	94,500
	GST payable under reverse charge				
	GTA services availed [As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12% and services have been received by the specified recipient. Since in the given case, services have been received from a GTA where GST is payable @ 5% and recipient is one of the specified recipients, reverse charge provisions will be applicable.]	Nil	Nil	10,000	10,000

Notes:-

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

Computation of total ITC available

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

Computation of minimum GST payable from electronic cash ledger

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

Concept Problem 43 [ICAI May 2022]

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.

Solution

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

- i) IGST credit should first be utilized towards payment of IGST.
- ii) Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.
- iii) Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
- iv) Subsequently, ITC of CGST should be utilized for payment of CGST and IGST in that order.
- v) ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order.
- vi) ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.
- vii) ITC of SGST/UTGST cannot be utilized for payment of CGST and vice versa.

Concept Problem 44 [ICAI Nov 21]

M/s ABC Ltd., a registered supplier in Surat, Gujarat and it has calculated output net GST Liability after adjusting ITC in the books for the month of February 2023:

CGST : 3,00,000

SGST : 2,50,000

IGST : 3,00,000

During the above month, the following additional information provided by M/s ABC Ltd.

S.No.	Particulars	Amount
1.	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transportation goods for 10 days. The hiring charges for the trucks were 7,500 per truck per day	3,75,000
2.	The company sold goods to X & Company of Delhi on 6 th January 2023 with a condition that interest @ 2% per month will be charged on invoice value if X & Company failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6 th January 2023. X & Company paid the consideration for the goods on 20 th February along with applicable interest.	5,00,000
3.	The company sought legal consultant services for its business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat	1,50,000
4.	The company ordered 3,000 packets of tools which are to be delivered by the supplier in Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full quantity in February 2023 and the last lot would be delivered in April 2023.	5,00,000
5.	The company shifted 10,000 packets of tools to one of its customer at 10/- per packet in Gujarat in January, 2023. Afterwards, the company re-values it at 9 per packet in February 2023 and the company issued credit note to the customer for 1 per packet.	

The rate of GST is 9% , CGST 9% , SGST and 18% IGST.

You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February 2023.

Concept Problem 45 [ICAI Nov 22]

Ajay Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. The company provided the following details for the month of January 2023:

S. No.	Particulars	Amount
(i)	Outward supply of goods made during the month to various non- related persons:	As given in

	Particulars	Market value	Transaction Value	particulars column
a.	in the State of Bihar (Intra- State)	3,00,000	4,00,000	
b.	to other States (Inter-State)	2,00,000	1,00,000	
(ii)	Services provided to the State Government of Karnataka for conducting a computer training programme for its employees. Total expenditure incurred for the said programme was 90,000, of which 63,000 was borne by the State Govt. (Inter-State transaction)			5,00,000
(iii)	Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTN for convenience of accounting and billing. Value under section 15 - 20,000 (Intra -State)			Nil
(iv)	Intra - State inward supply of various services for use in the course or furtherance of business (30 invoices)			6,50,000

Additional Information:

- All the amounts given above are exclusive of taxes.
- During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for INR 30,000 (excluding tax) dated 02.12.2022 was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January 2023. This invoice was issued by Mr. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra -State transaction).
- Rate of GST applicable on various supplies are as follows:

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

- No opening balance of input tax credit exists in the beginning of the month.
- Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to INR 1,50,000 were e-invoices in which Invoice Reference Number (IRN) was not mentioned. However, all the invoices were duly reflected in GSTR 2B for the month of January 2023, since the suppliers had filed their GSTR-1.
- Subject to the information given above, conditions necessary for claiming ITC were complied with.

You are required to calculate the amount of net GST liability payable in cash by Ajay Limited for the month of January 2023. Brief notes for treatment given for each item should form part of your answer.

Concept Problem 46 [ICAI Nov 22]

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 2023:

S. No.	Particulars	Amount
	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. Value under section 15 - 2,00,000	Nil
v.	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost. Company charges 75,000 for such training when it provides the same to others.	Nil

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

You are required to calculate the gross GST liability and eligible input tax credit for the month of March 2023 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No. (i) to (v).

Solution

Computation of gross GST liability of Mr. Handsome for the month of March 2023

Particulars		CGST	SGST	IGST
Goods sold by Mr. Handsome in his DCA capacity	2,80,000	27,000	27,000	
Add: Interest earned for short term credit facility provided to above customers	<u>20,000</u>	[3,00,000 × 9%]	[3,00,000 × 9%]	
[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 buyer.]				
Commission charged for DCA services [Being taxable supply of services.]				5,400 [30,000 × 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 2023

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 × 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, ITC is not available]	--	--	--
Total ITC available	Nil	Nil	36,000

Concept Problem 47 [RTP May 23]

Mr. Prithviraj, registered under GST, is engaged in supplying services (as discussed in the table below) in Maharashtra. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

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

Note:

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

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

Solution
Computation of GST payable

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

Services provided as a recovery agent [Tax is payable under forward charge since recovery agent's services are being provided to a person other than banking company/financial institution/non-banking financial company.]	15,000	1,350	1,350	Nil
Total GST payable under forward charge (A)		40,950	40,950	Nil
GST payable under reverse charge				
Legal services availed from an advocate	1,75,000	Nil	Nil	31,500
[Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (20 lakh) are not exempt and tax on the same is payable under reverse charge.]				
Total GST payable under reverse charge (B)		Nil	Nil	31,500
Total GST payable [(A)+(B)]		40,950	40,950	31,500

Computation of total ITC available

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

Computation of net GST payable in cash

Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%
GST payable under forward charge	40,950	40,950	Nil
Less: ITC of IGST ¹	(15,750) IGST	(15,750) IGST	-
	25,200	25,200	Nil

Add: GST payable under reverse charge in cash [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	Nil	Nil	31,500
Net GST payable in cash	25,200	25,200	31,500

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

Concept Problem 48 [MTP May 23]

A registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. State the exceptions to said rule.

Solution

The condition of payment of value of supply plus tax within 180 days does not apply in the following situations:

- a) Supplies on which tax is payable under reverse charge
- b) Deemed supplies without consideration
- c) Additions made to the value of supplies on account of supplier's liability, in relation to such supplies, being incurred by the recipient of the supply.

CHAPTER 9

REGISTRATION UNDER GST

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Examine, with reason, whether registration is required, under CGST Act, in the following independent cases:

- i) Aadhav Computers of Gujarat is providing computer maintenance service. Aggregate turnover of Aadhav Computers is ₹ 15 lakh which comprises both inter-State and intra-State supply.
- ii) Soft Wings of West Bengal, exclusively trading in garments, supplies its taxable goods in various States of India from its outlet in West Bengal. Aggregate turnover of Soft Wings is ₹ 35 lakh.

Solution

- i) As per section 24, registration is compulsory for suppliers engaged in inter-State supply. However, as per Notification No. 10/2017 IT, if aggregate turnover is upto 20 lakhs [₹ 10 lakhs in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland], section 24 will not be applicable in case of inter-state supply of service.

Therefore, Aadhav Computers (aggregate turnover 15 lakh) is not required to obtain registration even though it is engaged in inter-State supply of taxable services.

- ii) The threshold limit for registration in the State of West Bengal for the persons engaged exclusively in supply of goods, is 40 lakhs. However, registration is compulsory if the supplier is engaged inter-State supply of goods irrespective of the quantum of aggregate turnover. The threshold exemption is not available in case of inter-State supply of taxable goods. Thus, Soft Wings is required to obtain registration.

Concept Problem 2

Examine whether liability to register compulsorily u/s 24 arises in each of the independent cases mentioned below:

- (1) Meenu, a supplier in Maharashtra, is exclusively engaged in supply of potatoes produced out of cultivation of her own land, within Maharashtra and also outside Maharashtra.
- (2) Jinu Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Further, it provides services of refining of oil to customers. Total turnover of supply of machine oil is ₹ 10 lakh, supply of petrol is ₹ 5 lakh and supply of services is ₹ 6 lakh.
- (3) Tilu is working as an agent, he is supplying taxable goods as an agent of Tiku (who is registered taxable person) and its aggregate turnover does not exceed the applicable threshold limit during the financial year. Invoices to customers are issued in name of Tilu.

Solution

- (1) Section 24 provides that persons making any inter-State taxable supply of goods are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

However, as per section 23, an agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to registration.

Meenu is exclusively engaged in cultivation and supply of potatoes. Thus, she is not liable to registration irrespective of the fact that she is engaged in making inter-State supply of goods. Further, Meenu will not be liable to registration, in the given case, even if her turnover exceeds the threshold limit.

- (2) Section 24 specifies the categories of persons who are required to be mandatorily registered under GST irrespective of the quantum of their aggregate turnover.

In the given case, Jinu Oils does not fall in any of the specified categories. Therefore, it is not required to obtain registration compulsorily under GST.

However, as per section 22 read with Notification No. 10/2019 CT, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making supply of both goods and services is 10 lakhs for the States of Mizoram, Tripura, Manipur and Nagaland and ₹ 20 lakh for the rest of India. Thus, the applicable threshold limit for the State of Gujarat is ₹ 20 lakh for supply of both goods and services. Further, aggregate turnover includes exempted turnover of goods or services.

Accordingly, Jinu Oils is liable obtain registration since its aggregate turnover [₹ 21 lakhs (including turnover of exempt supply of petrol)] exceeds the threshold limit of ₹ 20 lakh.

- (3) Section 24 provides that persons who make taxable supply of goods and/or services on behalf of other taxable persons whether as an agent or otherwise are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

Therefore, Tilu will be mandatorily required to obtain registration.

Concept Problem 3

Determine effective date of registration under CGST Act in respect of the following cases with proper explanation:

- The aggregate turnover of Varun Industries of Mumbai has exceeded ₹ 40 lakh on 1st August. Varun Industries manufactures LED TVs in Mumbai and sells them in Pune. It submits the application for registration on 20th August. Registration certificate granted on 25th August.
- Sweta InfoTech Services is the provider of internet services in Pune. Its aggregate turnover exceeds ₹ 20 lakh on 25th September. It submits the application for registration on 27th October. Registration certificate is granted on 5th November.
- Vikramaditya of Himachal Pradesh is exclusively engaged in intra-State supply of bricks of fossil meals. His aggregate turnover in the current financial year is 24 lakhs. [MTP Nov 22]

Concept Problem 4 [MTP May 23]

Determine the effective date of registration in following cases:

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

Solution

- a) Every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit [40 lakh in this case] in a financial year [Section 22 read with Notification No. 10/2019 CT dated 07.03.2019]. Since in the given case, the turnover of Dhampur Industries exceeded 40 lakhs on 1st September, it becomes liable to registration on said date.

Further, since the application for registration has been submitted within 30 days from such date, the registration shall be effective from the date on which the person becomes liable to registration [Section 25 read with rule 10]. Therefore, the effective date of registration is 1st September.

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

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

Concept Problem 5

In order to be eligible for grant of registration, a person must have a Permanent Account Number issued under the Income- tax Act, 1961. State one exception to it.

Solution

A Permanent Account Number is mandatory to be eligible for grant of registration. One exception to this is a non-resident taxable person. A non- resident taxable person may be granted registration on the basis of other prescribed documents instead of PAN. He has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory who is an Indian Resident having valid PAN and application will be submitted in a different prescribed form [Section 25(6) & (7)].

Concept Problem 6

State which of the following suppliers are liable to be registered:

- a) Agent supplying taxable goods on behalf of some other taxable person and such agent's aggregate turnover does not exceed the applicable threshold limit during the financial year.

Note: Invoices are issued to customers in the name of agent.

- b) An agriculturist who is only engaged in supply of produce out of cultivation of land and its aggregate turnover exceeds the applicable threshold limit during the financial year.

Solution

- a) Section 22 stipulates that every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit in a financial year. However, as per section 24, a person making taxable supply of goods/services or both on behalf of other taxable persons whether as an agent or not is liable to be compulsorily registered even if its aggregate turnover does not exceed the applicable threshold limit during the financial year.
- b) As per section 23, an agriculturist who is only engaged in supply of produce out of cultivation of land is not required to obtain registration even if his turnover exceeded the applicable threshold limit for registration.

Concept Problem 7

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

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

*excluding GST

Determine whether Pure Oils is liable for registration.

Solution

As per section 22 read with Notification No. 10/2019 CT, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a FY exceeds the threshold limit. Threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:

- a) INR 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- b) INR 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- c) 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, pan masala and tobacco and manufactured tobacco substitutes, **fly ash bricks; fly ash**

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

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

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

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

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

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

Section 9(2) provides that CGST is not leviable on five petroleum products i.e. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. As per section 2(47), exempt supply includes non-taxable supply. Thus, supply of high speed diesel in Delhi, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.

In the backdrop of the above-mentioned discussion, the aggregate turnover of Pure Oils for the month of April is computed as under:

S No.	Particulars	Amount
(i)	Supply of machine oil in Delhi	15,00,000
(ii)	Supply of high-speed diesel in Delhi	10,00,000
(iii)	Supply of machine oil made in Punjab by Pure Oils from its branch located in Punjab	10,00,000
	Aggregate Turnover	35,00,000

Pure Oils is making exclusive supply of goods and hence the threshold limit for registration would be 40,00,000. Since the aggregate turnover does not exceed 40,00,000, Pure Oils is not liable to be registered till April. However, if in remaining months of the financial year, its turnover exceeds the said limit, then it would be liable to be registered.

Concept Problem 8

What will be your answer if in question 7 above, in S.No. (ii), Pure Oils supplies the high speed diesel in Delhi in the capacity of an agent of Mixed Oils Ltd., where invoices to customers are issued in name of Pure Oils?

Solution

In case Pure Oils makes the supply in capacity of an agent of Mixed Oils Ltd.:

Section 24 provides that an agent who is engaged in making taxable supplying of goods on behalf of other taxable persons, shall be liable to obtain registration irrespective of the threshold turnover limit.

However, in the present case, if Pure Oils supply high speed diesel on behalf of Mixed Oil Ltd. in Delhi as its agent, it shall still not be liable to obtain registration in Delhi since section 24 comes into play only when agent is making taxable supply of goods on behalf of principal whereas in the given case, Pure Oils is supplying non-taxable goods on behalf of Mixed Oils Ltd.

Concept Problem 9

Examine whether the supplier is liable to get registered in the following independent cases:

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

Concept Problem 10

Examine whether the supplier is liable to get registered in the following independent cases:

- i) Ankit of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is INR 25 lakh.
- ii) Sanchit of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is INR 30 lakh.
- iii) Mr. Ahmad of Jammu engaged in the business of supplying tobacco-based Pan Masala with an aggregate turnover of INR 24 lacs.
- iv) Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of INR 13 lacs. Will your Solution be different if Mr. Lepcha is located in Meghalaya?
- v) Heera, a supplier in Haryana, is exclusively engaged in supply of potatoes produced out of civilization of his own land, within Haryana and also outside Haryana.

Solution

- i) Though Ankit is dealing in Assam, he is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods while he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is INR 20 lakh and hence, Ankit is liable to get registered under GST.
- ii) Since Sanchit is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is INR 20 lakh. Thus, Sanchit is liable to get registered under GST as his turnover is more than the threshold limit.
- iii) A person is eligible for enhanced threshold limit of INR 40 lakh in the State of Jammu and Kashmir if he is engaged exclusively in intra-State supply of goods.

However, the enhanced threshold limit is not applicable if the person is engaged, inter alia, in the supply of pan masala and all goods of chapter 24 i.e. Tobacco and manufactured tobacco substitutes. In that case, the normal threshold limit of INR 20 lakh will be applicable.

In view of said provisions, in the given case, Mr. Ahmad is liable to register since his aggregate turnover (INR 24 lakh) exceeds the applicable threshold limit for registration of INR 20 lakh.

- iv) The enhanced threshold limit of INR 40 lakh as applicable to a person engaged exclusively in intra-State supply of goods, is not applicable to Mizoram [a specified Special Category State]. Instead, a lower threshold limit of INR 10 lakh for registration is applicable for Mizoram.

Thus, in the given case, Mr. Lepcha of Mizoram is liable to register since his aggregate turnover (INR 13 lakh) exceeds the applicable threshold limit for registration of INR 10 lakh.

The enhanced threshold limit of INR 40 lakh is also specifically not applicable in the State of Meghalaya. Instead, the normal threshold limit of INR 20 lakh for registration is applicable to it.

Therefore, if Mr. Lepcha is located in Meghalaya, he is not liable to register since his aggregate turnover (INR 13 lakh) does not exceed the applicable threshold limit for registration of INR 20 lakh

- v) Section 24 of the CGST Act, 2017 provides that persons making any inter-state taxable supply of goods are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

However, as per section 23 of the CGST Act, 2017, an agriculturist, to the extent of supply of products out of civilization of land, is not liable to registration.

Heera is exclusively in cultivation and supply of potatoes. Thus, he is not liable to registration irrespective of the fact that he is engaged in making inter-state supply of goods. Further, Heera will not be liable to registration, in the given case, even if his turnover exceeds the threshold limit.

Concept Problem 11

What are the advantages of taking registration in GST?

Solution

Registration will confer following advantages to the business:

- Legally recognized as supplier of goods or services.
- Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
- Legally authorized to collect tax from his purchasers and pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.
- Become eligible to avail various other benefits and privileges rendered under the GST laws.

Concept Problem 12

Can a person without GST registration collect GST and claim ITC?

Solution

No, a person without GST registration can neither collect GST from his customers nor can claim any input tax credit of GST paid by him.

Concept Problem 13

If a person is making taxable supplies from different States, with the same PAN number, can he operate with a single registration?

Solution

No. Every person who is liable to take a registration will have to get registered separately for each of the States from where he makes taxable supply(ies) provided his aggregate turnover exceeds applicable threshold limit in a financial year.

Concept Problem 14

Can a person having multiple places of business in a State obtain separate registrations for each place of business?

Solution

Yes. In terms of the proviso to sub-section (2) of section 25, a person having multiple places of business in a State may obtain a separate registration for each place of business, subject to such conditions as may be prescribed.

Concept Problem 15

Is there a provision for a person to get himself voluntarily registered though he may not be liable to pay GST?

Solution

Yes. In terms of sub-section (3) of section 25, a person, though not liable to be registered under sections 22 or 24 may get himself registered voluntarily, and all provisions of the GST law, as are applicable to a registered person, shall apply to such person.

Concept Problem 16

Can the Department, through the proper officer, suo-moto proceed to register a person under GST?

Solution

Yes. As per section 25(8), if based on enquiry, survey or investigation, the proper officer has reason to believe that person is liable for registration but has not obtained registration, he may, without prejudice to any action which may be taken under CGST Act, or under any other law for the time being in force, proceed to register such person in the manner as is prescribed in the CGST Rules.

Concept Problem 17

Whether the registration granted to any person is permanent?

Solution

Yes, the registration certificate once granted is permanent unless surrendered, cancelled or suspended.

Concept Problem 18

Is it necessary for the UN bodies to get registration under GST?

Solution

In terms of section 25(9), all notified UN bodies, Consulate or Embassy of foreign countries and any other class of persons so notified would be required to obtain a unique identification number (UIN) from the GST portal.

The structure of the said ID would be uniform across the States in conformity with GSTIN structure and the same will be common for the Centre and the States. This UIN will be needed for claiming refund of taxes paid on notified supplies of goods and services received by them, and for any other purpose as may be notified.

Concept Problem 19

What is the responsibility of the taxable person making supplies to UN bodies?

Solution

The taxable supplier making supplies to UN bodies is expected to mention the UIN on the invoices and treat such supplies as supplies to another registered person (B2B).

Concept Problem 20

What is the validity period of the registration certificate issued to a casual taxable person and non-resident taxable person?

Solution

In terms of section 27(1) read with proviso thereto, the certificate of registration issued to a “casual taxable person” or a “non-resident taxable person” shall be valid for a period specified in the application for registration or 90 days from the effective date of registration, whichever is earlier. However, the proper officer, at the request of the said taxable person, may extend the validity of the aforesaid period of 90 days by a further period not exceeding 90 days.

Concept Problem 21

What happens when the registration is obtained by means of willful mis-statement, fraud or suppression of facts?

Solution

In such cases, the registration may be cancelled with retrospective effect by the proper officer [Section 29(2)(e)].

Concept Problem 22

Is there an option to take centralized registration for services under GST Law?

Solution

No, the tax payer has to take separate registration in every State from where he makes taxable supply of services.

Concept Problem 23

What could be the liabilities (in so far as registration is concerned) on transfer of a business?

Solution

The transferee or the successor shall be liable to be registered with effect from such transfer or succession and he will have to obtain a fresh registration with effect from the date of such transfer or succession [Section 22(3)].

Concept Problem 24

At the time of registration, will the assessee have to declare all his places of business?

Solution

Yes. The principal place of business and place of business have been separately defined under section 2(89) & 2(85) respectively. The taxpayer will have to declare the principal place of business as well as the details of additional places of business in the registration form.

Concept Problem 25

Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled? [MTP May 22]

Solution

Yes, as per section 29(5), every registered taxable person whose registration is cancelled shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher, calculated in prescribed manner.

2. ICAI RTPs, MTPs AND PAST YEAR QUESTIONS**Concept Problem 26**

A business carried on by a taxable person R who is registered under the CGST Act/SGST Act is transferred to G as a going concern by way of a gift. Is G required to take a fresh registration? If yes, when?

Solution

In this case, the transferee i.e. G shall be liable to take registration under the CGST Act/SGST Act with effect from the date of such transfer.

Concept Problem 27 [RTP May 2020]

M/s Siya Ram is a trader of decorative items in Hauz Khas, Delhi. His aggregate turnover exceeded INR 20 lakh in the month of October, 20XX. He applied for registration on GST portal, but missed to submit the details of his bank account. His tax consultant advised him that prior submission of bank details is mandatory to obtain registration. Examine whether the advice of Mr. Siya Ram's tax consultant is correct.

Solution

The advice of Mr. Siya Ram's consultant that prior submission of bank details is mandatory to obtain registration is no more valid in law.

A new rule 10A has been inserted in the CGST Rules, 2017 vide Notification No. 31/2019 CT which allows the registered person to furnish information with respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision, soon after obtaining certificate of registration and a GSTIN, but not later than 45 days from the date of grant of registration or the date on which the return required under section 39 is due to be furnished, whichever is earlier.

This relaxation is however not available for those who have been granted registration as TDS deductor/ TCS collector under rule 12 or who have obtained suo-motu registration under rule 16.

Concept Problem 28

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:

- a) When shall he apply for registration?
- b) Is PAN mandatory for his registration?
- c) What is the period of validity of RC granted to him?
- d) Will he be able to extend the validity of his registration? If yes, what will be the period of extension?

Solution

- a) Mr. Allan, being a non-resident person, should apply for registration, irrespective of the threshold limit, at least 5 days prior to the commencement of business.
- b) No, PAN is not mandatory for his registration.

He has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory who is an Indian Resident having valid PAN.

However, in case of a business entity incorporated or established outside India, the application for registration shall be submitted along with its tax identification number or unique number on the basis of which the entity is identified by the Government of that country or its PAN, if available.

- c) Registration Certificate granted to Mr. Allan will be valid for:
 - a) Period specified in the registration application, or
 - b) 90 days from the effective date of registration whichever is earlier.
- d) Yes, Mr. Allan can get the validity of his registration extended. Registration can be extended further by a period not exceeding 90 days.

Concept Problem 29

Solution the following Concept Problems with respect to casual taxable person under the CGST Act, 2017:

- a. Who is a casual taxable person?
- b. Can a casual taxable person opt for the composition scheme?
- c. When is the casual taxable person liable to get registered?
- d. What is the validity period of the registration certificate issued to a casual taxable person?
- e. Can the validity of registration certificate issued to a casual taxable person be extended? If yes, what will be the period of extension.

Solution

- a) 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.
- b) No, a casual taxable person cannot opt for the composition scheme.
- c) 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 INR 20 lakh (INR 10 lakh in case of specified Special Category States) is available in case of CTP making taxable supplies of specified handicraft goods.

- d) The registration certificate issued to a casual taxable person will be valid for:
- i) the period specified in the registration application, or
 - ii) 90 days from the effective date of registration whichever is earlier.
- e) 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

Concept Problem 30

State the persons who are not liable for registration as per provisions of Section 23 of CGST Act, 2017.

Solution

As per provisions of Section 23 of CGST Act, 2017, the persons who are not liable for registration are as under–

- i) Person engaged exclusively in supplying goods/services/both that are wholly exempt from tax.
- ii) Person engaged exclusively in supplying goods/services/both that are not liable to tax.
- iii) Agriculturist to the extent of supply of produce out of cultivation of land.
- iv) Persons only engaged in making supplies of taxable goods or services or both liable to reverse charge.
- v) Persons making inter-State supplies of taxable services up to an aggregate turnover of INR 20 lakh (INR 10 lakh in case of eight special category States).
- vi) Casual Taxable Persons making taxable supplies of specified handicraft goods up to an aggregate turnover of INR 20 lakh (INR 10 lakh in case of specified special category States) subject to specified conditions.
- vii) Persons making inter-State supplies of specified handicraft goods up to an aggregate turnover of INR 20 lakh (INR 10 lakh in case of specified special category States) subject to specified conditions.
- viii) Job workers making inter-State supply of services to a registered person up to an aggregate turnover of INR 20 lakh (INR 10 lakh in case of specified special category States) subject to specified conditions.
- ix) Persons making supplies of services through an electronic commerce operator (other than supplies specified under section 9(5) of the CGST Act) up to an aggregate turnover of INR 20 lakh (INR 10 lakh in case of specified special category States).

[Note Any 5 points may be mentioned]

Concept Problem 31

Under the provision of section 29(1) of CGST Act, 2017 read with rule 21A of CGST Rules, 2017 related to suspension of registration if the registered person has applied for cancellation of registration, what is the period and manner of suspension of registration?

Solution

Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from:

- a. the date of submission of the application or
- b. the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.

Such person shall not make any taxable supply during the period of suspension and shall not be required to furnish any return.

The expression “shall not make any taxable supply” mean that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the suspension period.

Concept Problem 32

Explain the circumstances under which proper officer can cancel the registration on his own of a registered person under CGST Act, 2017. [ICAI May 22]

Solution

Circumstances under which proper officer can cancel registration on his own of a registered person under CGST Act, 2017 are as under:-

- i) A registered person has contravened any of the following prescribed provisions of the GST law:
 - a. he does not conduct any business from the declared place of business.
 - b. he issues invoice/bill without supply of goods/services in violation of the provisions of GST law.
 - c. he violates the provisions of anti-profiteering.
 - d. he violates the provisions relating to furnishing of bank details.
- ii) A registered person paying tax under regular scheme and not filing return under QRMP scheme has not furnished returns for continuous period of 6 months.
- iii) A registered person paying tax under regular scheme and who has opted for filing return under QRMP scheme, has not furnished returns for continuous period of 2 tax periods i.e. quarters.
- iv) A registered person paying tax under composition scheme has not furnished return in GSTR 4 for a FY beyond three months from the due date of furnishing the said return.
- v) Voluntarily registered person has not commenced the business within 6 months from the date of registration.
- vi) Registration was obtained by means of fraud, wilful misstatement or suppression of facts.

[Note: Any 5 points out of the above 8 points may be mentioned]

Concept Problem 33 [ICAI Nov 2020]

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 preceding previous year 2021-22 was 50 lakhs. The company expects the sales to grow by 10% in the current year 2022-23.

However, effective 01.01.2023, 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 31.12.2022 was 42 lakhs.

BBD Pvt. Ltd. is of the opinion that it is not required to get registered under GST for current FY 2022-23.

Examine the above scenario and advise BBD Pvt. Ltd. whether it needs to get registered under GST or not.

Solution

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 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 31.12.2022, it was not required to be registered till that day; though voluntary registration was allowed.

The position, however, will change from 01.01.2023 as the supply of goods become taxable from that day and the turnover of BBD Pvt. Ltd. is more than 40 lakhs. Since the aggregate turnover limit of 40 lakh includes exempt turnover also, turnover of 'Z' till 31.12.2022 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 01.01.2023.

Concept Problem 34 [RTP May 2022]

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?

Or

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 may be extended on sufficient grounds being shown. You are required to comment upon the validity of contentions raised by Department and Mr. X.

Or

Briefly enumerate the contraventions which make a registered person liable to cancellation of registration, as prescribed under rule 21 of the CGST Rules, 2017.

Solution

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,-

- a) a registered person has contravened such provisions of the Act or the rules made there under as may be prescribed; or
- b) A registered person paying tax under regular scheme and not filing return under QRMP scheme has not furnished returns for continuous period of 6 months.
- c) A registered person paying tax under regular scheme and who has opted for filing return under QRMP scheme, has not furnished returns for continuous period of 2 tax periods i.e. quarters.
- d) A registered person paying tax under composition scheme has not furnished return in GSTR 4 for a FY beyond three months from the due date of furnishing the said return.
- e) 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
- f) registration has been obtained by means of fraud, willful misstatement, or suppression of facts:

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 30 days from the date of service of the order of cancellation of registration.

However, the said period of 30 days may, on sufficient cause being shown and for reasons to be recorded in writing, be extended for a period not exceeding 30 days by Additional/Joint Commissioner and by further period not exceeding 30 days by Commissioner.

Thus, considering the above provisions, the contention of Department is not valid in law as extension can be sought in the prescribed time limit for revocation of cancellation of registration. The contention raised by Mr. X is valid in law as extension in time limit is allowed on sufficient cause being shown and for reasons to be recorded in writing.

Concept Problem 35 [MTP Nov 2022]

“Aadhaar authentication is not required for persons who are already registered under GST.” Examine and discuss the correctness of the statement. You are required to elaborate the relevant legal provisions.

Solution

The given statement is incorrect. Aadhaar authentication has been made mandatory for the new registrants as well as for the existing registrants. With regard to existing registrants, section 25(6A) of the CGST Act, 2017 stipulates that every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in the prescribed form, manner and time. New rule 10B of the CGST Rules, 2017 prescribes the manner in which Aadhaar

authentication needs to be done by a registered person.

A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

- i) Proprietor, in the case of proprietorship firm,
- ii) Any partner, in the case of a partnership firm,
- iii) Karta, in the case of a Hindu undivided family,
- iv) Managing director or any whole-time director, in the case of a company,
- v) Any of the Members of the Managing Committee of an Association of person or body of individuals or a Society, or
- vi) Trustee in the Board of Trustees, in the case of a Trust;
- vii) and of the Authorized Signatory,

in order to be eligible for the following purposes:

- a) for filing of application for revocation of cancellation of registration [Rule 23]
- b) for filing of refund application in Form RFD-01 [Rule 89]
- c) for refund of the IGST paid on goods exported out of India [Rule 96]

First proviso to section 25(6A) of the CGST Act, 2017 provides that if an Aadhaar number is not assigned to an existing registered person, such person shall be offered alternate and viable means of identification in the prescribed manner. Such manner has been prescribed by rule 10B of the CGST Rules, 2017 as follows:

If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely:

- a. his/ her Aadhaar Enrolment ID slip; and
- b.
 - i) Bank passbook with photograph; or
 - ii) Voter identity card issued by the Election Commission of India; or
 - iii) Passport; or
 - iv) Driving license issued by the Licensing Authority

However, once Aadhaar number is allotted to such person, he shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

The afore-said rule 10B shall not be applicable to persons notified under section 25(6D) of the CGST Act, 2017, i.e. to persons exempt from Aadhaar authentication.

Concept Problem 36 [ICAI Nov 2021]

Mr. Q, a Causal Taxable person of Gujarat state is a trader of taxable notified handicraft goods. It makes supplies to the state of Maharashtra, Rajasthan and Andhra Pradesh. Turnover for October 2022 is 18 lakhs.

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

Solution

- i) 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 20 lakh (10 lakh in case of specified Special Category States) is available for registration to a casual taxable person who:

- a. is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods,
- b. is availing the benefit of exemption from registration available to inter-State supply of above-mentioned goods upto the aggregate turnover of 20 lakh (10 lakh in case of specified Special Category States), and
- c. has obtained a PAN and
- d. 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 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.

Concept Problem 37 [ICAI Nov 2021]

Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May 2022 are as follows:

State	Turnover
Madhya Pradesh	5,00,000
Gujarat	14,00,000
Tripura	12,00,000

- i) Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.
- ii) Will your answer be different if Q Ltd., supplies only petrol & diesel from Tripura instead of any other taxable goods?

Solution

Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds 20 lakhs in a financial year. An enhanced threshold limit for registration of 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States. However, the applicable threshold limit for registration gets reduced to 10 lakhs in case a person is engaged in making supply from a specified Special Category State provided such supply is a taxable supply.

- i) Since Q Ltd. is making supply of taxable goods from Tripura – a specified Special Category State, the applicable threshold limit will get reduced to 10 lakhs.

Thus, it is liable to be registered under GST as its aggregate turnover [31 lakh] exceeds the said threshold limit.

- ii) In case Q Ltd. is making supply of non-taxable goods [petrol and diesel] from Tripura, the applicable threshold limit will not be reduced to 10 lakhs; enhanced threshold limit of 40 lakh will be applicable.

Thus, it is not liable to be registered under GST as its aggregate turnover [31 lakh] does not exceed the said threshold limit.

Concept Problem 38 [ICAI Nov 2022]

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

- (i) Briefly discuss the relevant provision
- (ii) decide the correct conclusion and
- (iii) determine the validity of the given advice (Correct/Incorrect)

Dharun provides service as a business facilitator to Zio Bank Limited by facilitating in opening of bank accounts to villagers in its rural branches in Punjab and earned a commission of INR 22 lakh in the month of April, 2022. So far, he is not registered under GST. Dharun's tax consultant advised him that he is liable for registration under GST as his gross receipts exceeded INR 20 lakh. Dharun has no other receipt / business activity other than the above.

Solution

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

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

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

Concept Problem 39 [ICAI Nov 2022]

Nesamani started his business activities in the month of February 2023 in the State of Orissa. He provided the following details:

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.

Solution

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
Inter-State stock transfer of exempt goods [Supply of taxable/exempt goods between distinct persons is includible.]	2,00,000
Outward supply of taxable goods from Uttar Pradesh branch [Value of outward supplies under same PAN are includible.]	5,00,000
Outward supply of services taxable under reverse charge [Includible in aggregate turnover.]	6,00,000
Inward supply of services taxable under reverse charge [Excludible from the aggregate turnover.]	--
Aggregate turnover	17,00,000

For a supplier engaged in supply of goods and services from the States of Orissa and Uttar Pradesh, the threshold limit of aggregate turnover to obtain registration is INR 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.

Concept Problem 40 [MTP May 2023]

B Enterprises started its business activities in the month of January, in the State of Karnataka. It provides the following information:

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

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

Solution

Computation of aggregate turnover of B Enterprises, Karnataka, for January

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

CHAPTER 10

TAX INVOICE, CREDIT & DEBIT NOTES

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Luv & Kush Pvt. Ltd. of Meghalaya engaged in the supply of gifts items and repair services, provides you the following details:

S. No.	Particulars	Date
1.	Commencement of the business of supplying services	1 st August
2.	Turnover exceeds INR 10,00,000 on	15 th August
3.	Turnover exceeds INR 20,00,000 on	5 th September
4.	Application for registration made on	28 th September
5.	Registration certificate granted on	6 th October

The company seeks your advice as to how it should raise revised tax invoices for supplies made. Is there any specific provision for issuance of revised tax invoices to unregistered customers? Explain.

Solution

A supplier of both goods and services whose aggregate turnover in a financial year exceeds INR 20 lakh in a State/UT [10 lakh in specified Special Category States] is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of INR 20 lakh/ 10 lakh) in terms of section 22.

Since Meghalaya is not a specified Special Category State, applicable threshold limit is 20 lakh.

Further, where the application is submitted within said period, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.

Every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices within 1 month from the date of issuance of registration certificate in respect of taxable supplies effected during this period i.e. from the effective date of registration till the date of issuance of registration.

Since Luv & Kush Pvt. Ltd. has made the application for registration within 30 days of becoming liable for registration, the effective date of registration becomes the date on which the company becomes liable to registration i.e. 5th September.

Thus, Luv & Kush Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (5th September) and the date of issuance of registration certificate (6th October), within 1 month from 6th October.

Further, Luv & Kush Pvt. Ltd may issue a consolidated revised tax invoice in respect of all taxable supplies made to unregistered dealers during such period. However, in case of inter-State supplies where the value of supply does not exceed 2.5 Lakh, a consolidated revised invoice may be issued separately in respect of all unregistered recipients located in a State.

Concept Problem 2

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?

Concept Problem 3

Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March:

- Value of supply charged in invoice no. 1 was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000.
- Tax charged in invoice no. 4 was ₹ 32,000 against the actual tax liability of ₹ 68,000 due to wrong HSN code being chosen while issuing invoice.
- Value charged in invoice no. 8 was ₹ 3,20,000 as against the actual value of ₹ 4,20,000 due to wrong quantity considered while billing.

Kartik & Co. asks you to solve the following:

- Who shall issue a debit/credit note under CGST Act?
- Whether debit note or credit note has to be issued in each of the above circumstances?
- What is the maximum time-limit available for declaring the credit note in the GST Return?

Solution

- The debit/credit note shall be issued by the registered person who has supplied the goods and/or services, i.e., Kartik & Co.
- Yes, debit/credit note need to be issued in each of the circumstances as under:
 - A credit note is required to be issued as the taxable value in invoice no. 1 exceeds the actual taxable value.
 - A debit note is required to be issued as the tax charged in the invoice no. 4 is less than the actual tax payable.
 - A debit note is required to be issued as the value of supply charged in the invoice no. 8 is less than the actual value.
- The details of the credit note cannot be declared later than **30th November** of the year following the end of the financial year in which such supply was made or the date of furnishing of the relevant annual return, whichever is earlier.

Concept Problem 4

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 for supply to Prakash Entrepreneurs. Determine the date by which tax invoice must be issued by Sultan Industries Ltd. under GST law.

Solution

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.

Concept Problem 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?

Solution

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, MBM Caretakers should issue quarterly invoices on or before April 1, July 1, October 1, and January 1.

Concept Problem 6

The aggregate turnover of Sangri Services Ltd., Delhi, exceeded 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.

Solution

As per section 25 read with CGST Rules, where an applicant submits application for registration within 30 days from the date, he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Sangri Services Ltd.'s turnover exceeded 20 lakhs 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, 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 effective date of registration till 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.

Concept Problem 7

Shyam Fabrics has opted for composition levy scheme in the current financial year. It has approached you for advice whether it is mandatory for it to issue a tax invoice. You are required to advise hire regarding same.

Solution

A registered person paying tax under the provisions of section 10 [composition levy] shall issue, instead of a tax invoice, a bill of supply containing such particulars and, in such manner, as may be prescribed [Section 31(3)(c)].

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

Concept Problem 8

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 5,00,000 (excluding GST) has been charged. Aura Beauty Services Ltd. issued a duly signed tax invoice on 10th February showing the lumpsum amount of 5,90,000 inclusive of CGST and SGST @ 9% each for the services provided.

- Examine whether the tax invoice has been issued within the time limit prescribed under law.
- 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.

Solution

- 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.

- 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.

Concept Problem 9

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

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

Solution

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.

Concept Problem 10

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)
5 th April	102	Notebooks [10 in numbers]	1,200
10 th May	197	Chart Paper [4 in number]	600
20 th May	230	Crayon colors [2 packets]	500
2 nd June	254	Poster colors [5 packets]	900
22 nd 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?

Solution

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

- the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or
- where the goods supplied are returned by the recipient, or
- 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.

Concept Problem 11

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.

Solution

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

- the recipient is not a registered person; and
- 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.

Concept Problem 12

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.

Solution

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.

Concept Problem 13

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.

Solution

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.

Concept Problem 14

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 for supply to Suraj Enterprises. 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.

Solution

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).

Concept Problem 15

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.

Solution

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

Concept Problem 16 [MTP May 23]

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

Solution

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

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

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

Concept Problem 17

Bhoj Raj, a registered person, has availed GTA services from unregistered supplier, 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.

Solution

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 who is not registered on the date of receipt of goods or services or both.

2. ICAI RTPS, MTPS AND PAST YEAR QUESTIONS

Concept Problem 18 [MTP May 2019]

Mr. Mayank provides Continuous Supply of Services (CSS) to M/s. Omega Limited. He furnishes the following further information:

- | | |
|---|------------|
| a) Date of commencement of Providing CSS | 01-10-20XX |
| b) Date of completion of Providing CSS | 31-01-20XX |
| c) Date of receipt of payment by Mr. Mayank | 30-03-20XX |

Determine the time of issue of invoice as per provisions of CGST Act, 2017, in the following circumstances:

- If no due date for payment is agreed upon by both under the contract of CSS.
- If payment is linked to the completion of service.
- If M/s. Omega Limited has to make payment on 25-03-20XY as per the contract between them.

Solution

- Where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment

Thus, in the given case, the invoice should be issued on or before 30.03.20XY (date of receipt of payment by Mr. Mayank).

- If payment is linked to the completion of an event, the invoice should be issued on or before the date of completion of that event.

Since in the given case payment is linked to the completion of service, invoice should be issued on or before 31.01.20XY (date of completion of service).

- Where the due date of payment is ascertainable from the contract, the invoice should be issued on or before the due date of payment.

If M/s. Omega Limited has to make payment on 25.03.20XX as per the contract between them, the invoice should be issued on or before 25.03.20XX.

Concept Problem 19 [RTP Nov 2021]

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

- Harnam & Co., dealing in interior decoration products made supplies to various registered and unregistered persons in the preceding financial year. The aggregate turnover of Harnam & Co. in preceding FY is 60 crores.
- Rich & Poor Bank, registered under GST has an aggregate turnover of 75 crore in the preceding financial year.

Solution

All registered businesses with an aggregate turnover (based on PAN) in any preceding year from 2017-18 onwards greater than 10 crores are required to issue e- invoices in respect of B2B supplies(supply of goods and/or services to a registered person).

Further, following entities are exempt from the mandatory requirement of e-invoicing :-

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

Thus, above mentioned entities are not required to issue e- invoices even if their turnover exceeds 10 crores in the preceding financial year from 2017-18 onwards.

In view of the above-mentioned provisions, the Solution to the independent cases are as under:-

- i. The aggregate turnover of Harnam & Company exceeds the threshold limit of aggregate turnover applicable for e-invoicing. Thus, Harnam & Company is mandatorily required to issue e-invoices in respect of supplies made to registered persons.
- ii. Banking company is specifically exempt from mandatory requirement of e-invoicing even if the turnover exceeds 10 crores in the preceding financial year. Thus, e- invoicing is not applicable to Rich & Poor Bank.

Concept Problem 20 [RTP May 2021/ Nov 22]

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 15 crore and 10 crores respectively. For the month of November in the current year, Bali limited prepares duplicate invoices and does not issue e-invoices 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.

Solution

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 respect of B2B supplies (supply of goods or services or both to a registered person) or for exports, in any preceding financial year from 2017-18 onwards greater than 10 crores are required to issue e-invoices

The eligibility is based on aggregate turnover on the common PAN. Since, the aggregate turnover of Bali Limited in preceding FY is more than 10 crores (considering both the GSTINs), it 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 business, 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-invoices 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 (purchases) 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.

Concept Problem 21 [ICAI MTP Nov 2022]

Ministry of Communications and Information Technology, a Government Department registered under GST has an aggregate turnover of 52 crore 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?

Solution

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

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

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds 10 crores in the preceding financial year from 2017-18 onwards.

Thus, Ministry of Communications and Information Technology, being a Government Department is not required to issue e-invoices in the current financial year even if its aggregate turnover has exceeded 10 crores.

Concept Problem 22 [ICAI Nov 2021]

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

Solution

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 500 crores.

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

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

Concept Problem 23 [ICAI Nov 2022]

List any three situations that warrant issue of credit note. Briefly explain the time line to declare such credit note in the GST return.

Solution

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

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

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

- i) 30th November following the end of the financial year in which such supply was made, or
- ii) the date of furnishing of the relevant annual return,

Concept Problem 24 [MTP May 2023]

Briefly discuss the following with reference to GST law:

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

Solution

- i) A registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him may, issue a revised tax invoice against the invoices already issued during said period, within 1 month from the date of issuance of certificate of registration in prescribed manner.
- ii) A registered person supplying exempted goods and/or services or paying tax under composition levy, shall issue in prescribed manner, a bill of supply instead of a tax invoice, containing prescribed particulars.

Concept Problem 25

Sitaram Textiles has to send cloth for dyeing to its job-worker. It wishes to know whether it needs to issue a tax invoice at the time of sending the goods to job-worker. Please advise him as per provisions of the CGST Act. [MTP Nov 22]

Solution

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

- i) date and number of the delivery challan;
- ii) name, address and Goods and Services Tax Identification Number of the consigner, if registered;
- iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
- iv) Harmonized System of Nomenclature code and description of goods;
- v) quantity (provisional, where the exact quantity being supplied is not known);

- vi) taxable value;
- vii) tax rate and tax amount - central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
- viii) place of supply, in case of inter-State movement; and
- ix) signature.

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

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

CHAPTER 11

ACCOUNTS AND RECORDS

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Who is required to maintain books of accounts and at which place in terms of Section 35 read with relevant rules?

Solution

Every registered person shall keep and maintain, his books of accounts at his principal place of business and books of account relating to additional place of business as mentioned in the certificate of registration. Where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.

Concept Problem 2

Mr. Sky is engaged in the business of trading of mobiles. He is eligible for composition scheme and has opted for the same. He seeks your advice for records which are not required to be maintained by him as composition taxable person.

Solution

A supplier who has opted for composition scheme is not required to maintain records relating to;

- Stock of goods:** Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
- Details of tax:** Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

Thus, Mr. Sky is not required to maintain above mentioned records.

Concept Problem 3

Mr. Harsh Manjula is engaged in the business of works contract services and request your guidance as to specific records required to be maintained by him under GST law, if any.

Solution

Mr. Harsh Manjula, executing works contract shall keep separate accounts for works contract showing -

- the names and addresses of the persons on whose behalf the works contract is executed;
- description, value and quantity (wherever applicable) of goods/services received for the execution of works contract;
- description, value and quantity (wherever applicable) of goods/services utilized in the execution of works contract;
- the details of payment received in respect of each works contract; and
- the names and addresses of suppliers from whom he received goods or services.

Concept Problem 4

Chill Chain Cold is operating cold storage warehouse and seeks your guidance on the GST accounts and records to be

maintained by them in terms of Section 35.

Solution

Chill Chain Cold shall maintain records of the consigner, consignee and other relevant details of the goods in the prescribed manner.

Chill Chain Cold shall also maintain books of accounts with respect to the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt, and disposal of such goods.

Chill Chain Cold shall store the goods in such manner that they can be identified item-wise and owner-wise and shall facilitate any physical verification or inspection by the proper officer on demand.

Concept Problem 5

Mr. X is of the view that records are to be mandatorily maintained manually only. You are required to examine the view taken by Mr. X?

Solution

The view taken by Mr. X is not valid in law. Books of account include any electronic form of data stored on any electronic device. The registered person may keep and maintain such accounts and other particulars in electronic form stored on any electronic device and record so maintained shall be authenticated by means of a digital signature. The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.

Where the accounts and records are stored electronically by any registered person, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stored in such files.

CHAPTER 12

E-WAY BILL

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

What are the documents and devices to be carried by person-in-charge of conveyance under rule 138A of CGST Rules, 2017?

Solution

The person-in-charge of a conveyance has to carry -

- the invoice or bill of supply or delivery challan, as the case may be; and
- a copy of the e-way bill in physical form or the e-way bill number in electronic form or mapped to a Radio Frequency Identification Device embedded on to the conveyance [except in case of movement of goods by rail or by air or vessel] in such manner as may be notified by the Commissioner

Concept Problem 2

Explain the meaning of consignment value of goods.

Solution

Consignment value of goods shall be the value:

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

Concept Problem 3

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

Solution

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

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

Concept Problem 4

Talli Lal, a registered person, has transported alcoholic liquor for human consumption of consignment value of ₹ 1,50,000 from Delhi to Haryana. He has not generated e-way bill for the same. You are required to examine the correctness of action taken by Talli Lal.

Solution

E-way bill is not required to be generated where the goods being transported are alcoholic liquor for human consumption.

Thus, the action of Talli Limited of not generating the e-way bill is correct in law.

Concept Problem 5

Dhananjay Associates registered in Gujarat deals in industrial grade iron and steel products. The proprietor of Dhananjay Associates sold TMT Iron bars (GST applicable @ 18%) to a retailer in Maharashtra at a value of ₹ 40,000 (excluding GST). As per the agreement of sale, goods are to be delivered at the premises of retailer. The transportation cost of 7,000 has been charged separately to deliver the same to the retailer in Maharashtra. In the above scenario, determine whether an e-way bill is required to be issued under GST?

Solution

Consignment value of goods is the value determined in accordance with the provisions of section 15, and also includes the central tax, state or union territory tax, integrated tax and cess charged, if any, in the document.

Further, since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are to be added in the value of principal supply.

Accordingly, the value of supply as per section 15 in the given case would include the transportation cost in the invoice value i.e. INR 47,000 (40,000 + 7,000).

Consignment value = 47,000 x 118% = 55,460.

Since the movement of goods is in relation to supply of goods and the consignment value exceeds 50,000, e-way bill is mandatorily required to be issued under GST in the given case.

2. ICAI RTPs, MTPs AND PAST YEAR QUESTIONS**Concept Problem 6 [MTP May 2023]**

Explain the following terms regarding e-way bill under the relevant CGST Rules:

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

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

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

ii) Acceptance/rejection of e-way bill

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

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

Concept Problem 7 [RTP May 2020]

Discuss the correctness of the following statements:

- (i) Once generated, an e-way bill cannot be cancelled.
- (ii) E-way bill generated in one State is valid in another State.

Solution

i) The said statement is partially correct. Where an e-way bill has been generated, but goods are either not transported at all or are not transported as per the details furnished in the e-way bill, the e-way bill may be cancelled electronically on the common portal within 24 hours of generation of the e-way bill.

However, an e-way bill cannot be cancelled if it has been verified in transit in accordance with the provisions of rule 138B of the CGST Rules, 2017.

ii) The said statement is correct. The e-way bill generated under Goods and Services Tax Rules of any State or Union territory shall be valid in every State and Union territory.

Concept Problem 8

Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter.

Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder.

Solution

In the given scenario, only one e-way bill is required to be issued.

Part A can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorisation.

Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in Part A, or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in the e-way bill on the common portal in Part B.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, who has filled Part A of the e-way bill, or Mehta Transporter can, before the transfer and further movement of goods, update the details of conveyance in Part B of the e-way bill.

Further, the consignor or the recipient, who has furnished the information in Part A, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, or Mehta Transporter can assign the said e-way bill to Parikh Transporter who will thereafter update the details of conveyance in Part B.

However, upon updation of the details of the conveyance by Parikh transporter in Part B, Mr. Shah or recipient, as the case may be, who has furnished the information in Part A shall not be allowed to assign the e-way bill number to another transporter.

Concept Problem 9 [ICAI Jan 2021]

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, 20XX, 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.

Solution

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.

Concept Problem 10 [ICAI Jan 2021]

Agni Ltd., a registered supplier wishes to transport cargo by road between two cities situated at a distance of 368 kilometers. Calculate the validity period of e-way bill under rule 138(10) of CGST Rules, 2017 for transport of the said cargo, if it is over dimensional cargo or otherwise.

Concept Problem 11 [ICAI RTP May 2022]

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 5,00,000 to be supplied to Mr. Shambhu. Also Mr. Narayan from Jammu approached Mr. Shambhu for purchasing toys amounting to 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.

Solution

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 as amended vide Notification No. 15/2021 CT dated 18.05.2021 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.

Concept Problem 12 [ICAI Nov 2021]

A Consignor hands over his goods for transportation on a Friday to the transporter. However, assigned transporter starts the movement of goods from consigner's warehouse to its depot located at business of 600 k.m. on Monday.

When will the e-way bill generated and for how many days it will be valid?

Solution

E-way bill will be generated before commencement of movement of goods by transporter on Monday.

The validity period of the e-way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter.

Thus, validity period in the given case, is 3 days

Concept Problem 13 [ICAI May 2022]

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

Solution

The statement is invalid.

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

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

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

Concept Problem 14 [ICAI Nov 2022]

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

Solution

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

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

CHAPTER 13

PAYMENT OF TAX

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

M/s. Daksha Enterprises has made a cash deposit of INR 10,000 under minor head 'tax' of major head 'SGST'. It has a liability of INR 2,000 for minor head "Interest" under the major head "SGST".

State whether M/s. Daksha Enterprises can utilise the amount available for payment of interest.

Solution

The Registered person is allowed to transfer the amount available under any minor head of a major head to any of the minor head of the same or other major head as per Section 49(10) of the CGST Act vide Form PMT-09.

Therefore, in the given case, amount of INR 10,000 available under minor head 'tax' of major head 'SGST' can be utilised for payment of liability of INR 2,000 under minor head 'interest' of the same major head, **after making a due transfer entry using Form GST PMT-09 from the minor head of 'tax' to 'interest'**.

Concept Problem 2

Mr. Alok, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 20XX on 15th April, 20XX. The prescribed due date to file the said GSTR3B was 20th February, 20XX. 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 ₹ 36,500 which was paid on 15th April, 20XX. 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. [MTP May 22]

Solution

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, 20XX to 15th April, 20XX = 54 days.

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

Concept Problem 3

M/s ABC Ltd., have filed their GSTR 3B for the month of July, 20XX within the due date prescribed under Section 39 i.e., 20.08.20XX. Post filing of the return, the registered person has noticed during September 20XX that tax dues for the month of July, 20XX have been short paid for INR 40,000. M/s ABC Ltd., has paid the above shortfall of INR 40,000, through GSTR 3B of September 20XX, filed on 20.10.20XX [payment through Cash ledger - INR 30,000 and Credit ledger INR 10,000].

Examine the Interest payable under the CGST Act, 2017.

What would be your Solution if, GSTR 3B for the month of July 20XX has been filed belatedly on 20.10.20XX and the self-assessed tax of INR 40,000/- has been paid on 20.10.20XX [payment through electronic cash ledger - INR 30,000 and electronic credit ledger INR 10,000]

Notes:

- No other supply has been made nor tax payable for the month of July, 20XX other than INR 40,000/- missed out to be paid on forward charge basis.

- Ignore the effect of leap year, if applicable in this case. [Modified ICAI Nov 21] [MTP May 22]

Concept Problem 4

How many types of electronic ledger/register are being maintained on GST common portal?

Solution

- Electronic cash ledger
- Electronic credit ledger
- Electronic liability register

Concept Problem 5

What are the main features of GST payment process?

Solution

The main features of GST payment process are as follows:-

- Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan;
- Facilitation for the tax payer by providing hassle free, anytime, anywhere mode of payment of tax;
- Convenience of making payment online;
- Realtime data for tax collection in electronic format;
- Faster remittance of tax revenue to the Government Account;
- Paperless transactions;
- Speedy Accounting and reporting;
- Electronic reconciliation of all receipts;
- Simplified procedure for banks;
- Warehousing of Digital Challan.

Concept Problem 6

Are principles of unjust enrichment applicable for payment of tax made under GST?

Solution

Yes, as per Section 49(9) of the CGST Act, 2017 every person who has paid the tax on goods or services or both under this Act shall, unless the contrary is proved by him, be deemed to have passed on the full incidence of such tax to the recipient of such goods or services or both.

Concept Problem 7

State the name of output tax under GST, where any of the input tax credit under GST can be utilised?

Solution

IGST, CGST, SGST, UTGST i.e. all input tax credit can be availed against output tax liability known as IGST.

Concept Problem 8

Mr. A has deposited a sum of INR 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 INR 30,000. When approached with the consultant, 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.

Solution

Provisions of Section 49(10) of CGST Act, 2017 permit a registered person for transferring the amount deposited under any of the minor head i.e. tax, interest, penalty, fees or others to any of the heads under IGST/CGST/SGST/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 accordingly.

Concept Problem 9

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, 20XX within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 20XX, which have been finalised during May 20XX. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of 2,000 under CGST and SGST each.

Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger for the late fees. Give your guidance in this regard.

Concept Problem 10

Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 20XX 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:

- i) Are manual challans allowed under GST?
- ii) What is the validity period of the challan?
- iii) Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?

Solution

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:-

- a. Internet Banking through authorised banks;
- b. Credit card or Debit card through the authorised bank;
- c. National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- d. Over the Counter payment through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft.
- e. Unified Payment Interface
- f. Immediate Payment System

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

- i) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.
- ii) Challan is valid for a period of 15 days.
- iii) Yes, 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.

Concept Problem 11

Suhasini is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid 75,000 to various vendors. The total input tax involved on the goods and services procured by her is INR 13,500. Out of the total bills paid by her, one bill for INR 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 INR 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 assuming provisions of rule 86B are not applicable.

Solution

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.

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 INR 2,700 on security service through electronic cash ledger.

2. ICAI RTPs, MTPs AND PAST YEAR QUESTIONS

Concept Problem 12

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

Solution

Every registered person, shall avail the input tax credit through a return filed u/s 39 of CGST Act, 2017. ITC availed shall be credited to electronic credit ledger u/s 41 of the CGST Act, 2017 on a provisional basis.

As per provisions contained in Rule 86A, In case the Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, has reasons to believe that ITC available in the electronic credit ledger has been fraudulently availed or is ineligible, he may prohibit use of ITC for discharge of any liability under section 49 or for claim of any refund of any unutilized amount.

Concept Problem 13

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

Examine the relevant provisions of CGST Act, 2017 towards payment of tax and compliance with the law.

Solution

Provisions of Section 49(10) of CGST Act, 2017 permit a registered person for transferring the amount deposited under any of the minor head i.e. tax, interest, penalty, fees or others to any of the heads under IGST/ CGST/ SGST/ 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.

Concept Problem 14

PPC Ltd., has availed Input Tax credit for 54,000/- IGST during February 20XX on a particular purchase. Accounting records for the above purchase, indicate that IGST paid to the supplier is 45,000/- as per the bill

received. GSTR 1 uploaded by the supplier for the above supply indicates 45,000/- as tax paid. Examine as per GST provisions, what value shall be updated in the ledgers maintained on behalf of PPC Ltd., on the common portal?

Solution

PPC Ltd., have accounted and paid 45,000/- as IGST to the supplier concerned. However, availment of input tax credit has been made for 54,000/-.

As per section 49(2) of CGST Act, 2017 "The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41."

Accordingly, electronic credit ledger of PPC Ltd., shall be updated with a value of 54,000/- as per self- assessed return to be filed for February 20XX, though the input tax credit shown by the supplier is only for 45,000/-.

Concept Problem 15 [RTP May 2020] [RTP May 2023]

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?

Or

State the order in which every taxable person discharges his tax and other dues under GST law, as provided under section 49 of the CGST Act, 2017.

Solution

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:

- i) self -assessed tax and other dues for the previous tax periods have to be discharged first;
- ii) the self -assessed tax and other dues for the current period have to be discharged next;
- iii) 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.

Concept Problem 16 [ICAI Nov 2022]

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

Solution

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

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

Therefore, in the given case, amount of INR 5,000 available under minor head 'fee' of major head 'cess' and INR 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.

CHAPTER 14

TAX DEDUCTION AT SOURCE & COLLECTION OF TAX AT SOURCE

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Mr. X is a supplier selling his own products through a web site hosted by him. Does he fall under the definition of an “electronic commerce operator”? Whether he is required to collect TCS on such supplies?

Solution

As per the definitions in Section 2(44) and 2(45) of the CGST Act, 2017, Mr. X will come under the definition of an “electronic commerce operator”. However, according to Section 52 of the Act *ibid*, TCS is required to be collected on the net value of taxable supplies made through it by other suppliers where the consideration is to be collected by the ECO. In cases, where someone is selling their own products through a website, there is no requirement to collect tax at source as per the provisions of this Section. These transactions will be liable to GST at the prevailing rates.

Concept Problem 2

If Mr. A purchase goods from different vendors and in turn Mr. A, is selling them on his own website under his own billing, Is TCS required to be collected on such supplies?

Solution

No. According to Section 52 of the CGST Act, 2017, TCS is required to be collected on the net value of taxable supplies made through E-commerce operator by other suppliers where the consideration is to be collected by the ECO. In this case, there are two transactions - Mr. A purchase the goods from the vendors, and those goods are sold through his own website. For the first transaction, GST is leviable, and will need to be paid to vendor, on which credit is available to Mr. A. The second transaction is a supply on own account of Mr. A, and not by other suppliers and there is no requirement to collect tax at source. The transaction will attract GST at the prevailing rates.

Concept Problem 3

Whether the rate of tax of 1% notified under section 52 is CGST or SGST or a combination of both CGST and SGST?

Solution

The rate of TCS as notified under CGST Act is payable under CGST and the equal rate of TCS is expected under the SGST Act also, in effect aggregating to 1%.

Concept Problem 4

Is every e-commerce operator required to collect tax on behalf of actual supplier?

Solution

Yes, every e-commerce operator is required to collect tax where consideration with respect to the supply is being collected by the e-commerce operator.

However, no TCS is required to be collected in the following cases:-

- on supply of services notified under section 9(5) of the CGST Act, 2017.
- on exempt supplies

c) on supplies on which the recipient is required to pay tax on reverse charge basis.

Concept Problem 5

State whether the provisions pertaining to tax collected at source under section 52 of CGST Act, will be applicable, if Fitan Ltd. sells watch on its own through its own website?

Solution

As per Section 52, every electronic commerce operator not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator.

Hence, if the person sells on his own, provisions pertaining to tax collected at source (TCS) will not be applicable.

Concept Problem 6

There is no onus of filing any monthly & annual statements by ECO. Examine the technical veracity of the statement by explaining relevant provisions.

Solution

The given statement is invalid. An electronic statement has to be filed by the ECO containing details of the outward supplies of goods and/ or services effected through it, including the supplies returned through it and the amount collected by it as TCS during the month within 10 days after the end of each month in which supplies are made.

Additionally, the ECO is also mandated to file an Annual Statement on or before 31st day of December following the end of the financial year.

The Commissioner has been empowered to extend the due date for furnishing of monthly and annual statement by the person collecting tax at source.

Concept Problem 7

State whether the provisions pertaining to tax collected at source under section 52 of CGST Act, will be applicable, if ABC limited who is dealer of Royul brand sells watches through Slipkart, an electronic commerce operator?

Solution

As per Section 52, every electronic commerce operator not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator. If ABC limited who is dealer of Royul brand sells watches through Slipkart, then the provision of TCS will be applicable to Slipkart.

CHAPTER 15

RETURNS UNDER GST

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Mr. X, a registered taxpayer under regular scheme, did not make any taxable supply during the month of July.

Is he required to file a GSTR-3B if he is monthly filer?

Solution

A registered taxpayer is required to furnish a return u/s 39 for every month (every quarter in case of quarterly filers) even if no supplies have been effected during such period. In other words, filing of Nil GSTR-3B is also mandatory.

Therefore, being a monthly filer, Mr. X is required to file GSTR-3B even if he did not make any taxable supply during the month of July.

Concept Problem 2

If a return has been filed, how can it be revised if some changes are required to be made?

Solution

In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/ credit notes. Instead of revising the return already submitted, the system allows amendment in the details of those individual details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1 in the tables specifically provided for the purposes of amending previously declared details.

As per section 39(9), omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the month during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in “Amendment Tables” contained in GSTR-1. However, no such rectification of any omission or incorrect particulars is allowed after the due date for furnishing of return for the month of September or second quarter (in case of quarterly filers) following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

Concept Problem 3 [ICAI May 2022]

"All taxpayers are required to file GSTR-1 only after the end of the tax period." Examine the validity of the statement.

Solution

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:

- Casual taxpayers, after the closure of their business
- 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.

Concept Problem 4

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 if he is a monthly filer? Explain.

Solution

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.

Concept Problem 5

Mr. Kalpesh is a registered dealer in Kerala paying tax under composition levy from 1st April. However, he opts to pay tax under regular scheme from 1st December.

Is he liable to file GSTR-4 for the said F.Y. during which he opted out of composition scheme? Discuss.

Solution

Where a taxpayer opts to withdraw from the composition scheme, he has to file GSTR-4 for the period for which he has paid tax under the composition scheme. Such return is required to be furnished till 30th day of April following the end of the financial year during which such withdrawal falls. Therefore, in the given case, Mr. Kalpesh is liable to file GSTR-4 for the said F.Y. during which he opted out of composition scheme by 30th April of next F.Y.

Concept Problem 6

Mrs. Zarina, a registered dealer in Rajasthan, did not file GSTR-3B for the month of June but she wants to file GSTR-3B for the month of July. Is it possible? Answer with reference to section 39 of the CGST Act.

Solution

As per section 39(10), a registered person is not allowed to furnish a return for a tax period if the return for any of the previous tax periods has not been furnished by him

Therefore, in the given case, Mrs. Zarina cannot file GSTR-3B for July if she has not filed GSTR-3B for the preceding month, i.e., June.

Concept Problem 7 [ICAI Nov 2022]

List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF).

Solution

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

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

Concept Problem 8

A is a chartered accountant in practice and is registered under GST. On a query regarding return filing process by a potential client, A has represented him as a GST practitioner. A is of the view that since he is a qualified chartered accountant with a GST registration in the name of his proprietorship firm, he also qualifies as GST practitioner.

Is the understanding of A correct? Discuss.

Solution

The understanding of A is not correct.

A chartered accountant can become a GST practitioner (GSTP). However, holding a certificate of practice as a chartered accountant and having GST registration does not imply that such chartered accountant is a GST practitioner as well.

For becoming a GSTP, even a chartered accountant in practice has to follow the enrolment process of GSTP as provided under the GST law and only upon approval of such enrolment can a chartered accountant represent himself as a GSTP.

Concept Problem 9

Quicktax, a GST return filing service provider, has asked its clients to provide the scanned copies of the tax invoices issued to B2B customers for uploading on the GST portal and filing the return.

Whether the process followed by Quicktax is correct?

Solution

No, the process followed by Quick tax is not correct.

The registered persons supplying goods or services to B2B customers are required to upload the invoice wise details of supplies made during the tax period. However, there is no requirement to upload the scanned copies of the invoices issued to the customers on the GST portal at the time of filing returns. Only information required as per the format of GST returns is to be captured in the return filing utility and the same is to be uploaded on the GST portal and not the scanned copies of the actual invoices.

Concept Problem 10

X Ltd., a normal taxpayer, is winding up its business in Rajasthan. The Tax Consultant of X Ltd. has suggested that X Ltd. will have to file either the annual return or the final return at the time of voluntary cancellation of registration in the state of Rajasthan.

Do you agree with the stand taken by Tax Consultant of X Ltd.? Offer your comments.

Solution

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

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

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

2. RTPS, MTPS, PAST YEAR QUESTIONS

Concept Problem 11

Ms. Pragya, a taxpayer registered under regular scheme (Section 9), files GSTR-3B for the month of October on 20th November. After filing the return, she discovers that the value of a taxable supply has been under-reported therein.

Ms. Pragya now wants to file a revised GSTR-3B. Examine the scenario and give your comments.

Solution

Under GST law, a return once filed cannot be revised. However, the details of those transactions that are required to be amended can be changed in any of the future GSTR-1s. For this purpose, specific tables are provided in GSTR-1 to amend previously declared details.

Thus, Ms. Pragya cannot revise GSTR-3B filed by her for the month of October. However, she can amend the details of the taxable supply, which was under-reported, in GSTR-1 for the month of November. The tax payable on account of such error will be paid along with interest in GSTR-3B for the month of November.

Concept Problem 12

Mr. X, a registered taxpayer under regular scheme, did not make any taxable supply during the month of July. Is he required to file a GSTR-3B?

Solution

A registered taxpayer is required to furnish a return u/s 39 for every month even if no supplies have been effected during such period. In other words, filing of Nil GSTR-3B is also mandatory. Therefore, Mr. X is required to file GSTR-3B even if he did not make any taxable supply during the month of July.

Concept Problem 13

Assuming in (2) above, Mr. X does not have internet facility in his mobile and there is no facilitation center notified by the commissioner, whether no return is required to be filed in the absence of means to file return? Explain.

Solution

GSTR-3B can be submitted electronically on the common portal, either directly or through a Facilitation Center notified by the Commissioner. Further, a Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer.

Thus, Mr. X is required to file Nil GSTR-3B for the month of August through an SMS using his registered mobile number even though there is no internet facility in her mobile and no facilitation Center notified by the Commissioner.

Concept Problem 14

M/s Cavenon Enterprises, a registered supplier of designer wedding dresses under regular scheme, has aggregate annual turnover of INR 30 lakh 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.

Solution

Section 37 stipulates that GSTR-1 for a particular month is required to be filed on or before the 10th 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 INR 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 INR 5 crore in the preceding financial year.

Concept Problem 15

X has not made any outward supply during the month of September. However, X has procured certain input services during the month. X is of the opinion that he can file Nil GSTR-3B for the month of September through SMS.

Whether the understanding of X is correct? Explain.

Solution

Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case X has received certain input services, he cannot file Nil GSTR- 3B through SMS as the said input services will need to be disclosed in the Table for Eligible ITC in GSTR-3B.

Concept Problem 16

X Ltd. is winding up its business in Rajasthan. The Tax Consultant of X Ltd. has suggested that X Ltd. will have to file either the annual return or the final return at the time of voluntary cancellation of registration in the state of Rajasthan. Do you agree with the stand taken by Tax Consultant of X Ltd.? Offer your comments.

Solution

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

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

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

Concept Problem 17 [RTP May 2020]

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

Solution

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 INR 2,50,000 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

Concept Problem 18

Discuss the provisions of Section 39(9) of the CGST Act, 2017, relating to rectification of errors/omissions in GST returns already filed and also state its exceptions. State the time limit for making such rectification.

Solution

Omission or incorrect particulars discovered in the returns filed under section 39 can be rectified in the return to be filed for the month/quarter during which such omission or incorrect particulars are noticed.

Any tax payable as a result of such error or omission will be required to be paid along with interest.

Exception

Section 39(9) of the CGST Act does not permit rectification of error/omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities.

The time limit for making such rectification is earlier of the following dates:

- 30th November of succeeding financial year; or
- Actual date of filing annual return for the relevant financial year.

Concept Problem 19

Mr. KK is registered person under GST. State whether he can furnish GSTR-1, GSTR- 3B and FORM GST CMP-08 in following case through SMS.

Case	Taxpayer	Tax Outward supply	ITC	Tax Payable
1.	Registered u/s 9	80 lakhs	70 lakhs	10 lakhs
2.	Registered u/s 9	80 lakhs	80 lakhs	Nil
3.	Registered u/s 9	Nil	40 lakhs	Nil
4.	Registered u/s 9	Nil	Nil	Nil
5.	Registered u/s 10	Nil	NA	Nil

Solution

- Mr. X is required to pay tax of 20 lakhs; therefore, he needs to furnish GSTR-1 and GSTR 3B electronically over GST common portal.

- 2) Tax payable by Mr. X Nil, however there is outward supply of 90 lakhs and also ITC of 90 lakhs, therefore he should furnish GSTR-1 and GSTR 3B electronically over GST common portal.
- 3) Tax payable by Mr. X Nil, however, there is ITC of 90 lakhs, therefore he can furnish GSTR-1 over portal or through SMS facility and he should furnish GSTR 3B electronically over GST common portal.
- 4) Tax payable by Mr. X is Nil. Also, the outward supply and ITC both are NIL, therefore he can furnish GSTR-1 and GSTR 3B over portal or through SMS facility.
- 5) Since there is no transaction during the tax period, therefore, a Nil statement in FORM GST CMP -08, can be furnished over portal or through SMS facility.

Concept Problem 20 [ICAI May 2021]

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

Solution

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

Any person who, (i) is a citizen of India; (ii) is a person of sound mind; (iii) is not adjudicated as insolvent; (iv) has not been convicted by a competent court;

And satisfies any of the following conditions, namely that he:

1. Is a retired officer of Commercial Tax Department of any State Government who, during service under Government has worked in a post not lower than rank of a Group B gazetted officer for a period of 2 years or more, or
2. Is enrolled as a Sales Tax Practitioner or Tax Return Preparer under the erstwhile indirect taxes laws for a period of not less than 5 years; or
3. Acquired any of the prescribed qualifications
 - a) Has passed Graduate/ postgraduate degree or its equivalent examination having a degree in specified disciplines, from any Indian University or a degree examination of any Foreign University recognized by any Indian University as equivalent to degree examination.
 - b) Has passed any other notified examination
 - c) Has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India

Concept Problem 21 [ICAI MTP Nov 2021]

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

Solution

A registered person shall not be allowed to furnish the details of outward supplies in Form GSTR-1 for the current tax period, if he has not furnished the details of outward supplies in Form GSTR - 1 for any of the previous tax period.

A registered person filling returns on monthly basis shall not be allowed to furnish the details of outward supplies in Form GSTR - 1 for the current tax period, if he has not furnished his return in Form GSTR 3B for the preceding month.

A registered person opting for QRMP Scheme shall not be allowed to furnish the details of outward supplies in Form GSTR -1 or IFF for the current tax period, if he has not furnished, the return in Form GSTR 3B for the preceding tax period.

Concept Problem 22 [ICAI MTP Nov 2021]

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, 2023 within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 2023, which have been finalised during May 2023. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of INR 2,000 under CGST and SGST each. Accountant of M/s ABC &

Co. sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger for the late fees. Give your guidance in this regard.

Solution

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

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

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

Concept Problem 23 [ICAI MTP Nov 2021]

Discuss the eligibility for QRMP scheme under GST?

Solution

Registered persons (other than supplier of online information and database access or retrieval services (OIDAR) located in non-taxable territory and providing such services to a non-taxable online recipient), having an aggregate turnover up to 5 crore in the preceding financial year, and who have opted to furnish quarterly return under QRMP scheme are eligible for QRMP scheme as the class of persons who shall furnish a return for every quarter from January, 2021 onwards, and pay the tax due every month.

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

Concept Problem 24 [ICAI MTP May 2022]

- Mr. Ayushman, a registered person having intra-State aggregate turnover of 1.2 crores in the preceding financial year did not file GSTR-3B for the month of September, 2022 by 10th November, 2022. The amount of tax payable for the month of September, 2022 is 8 lakhs. All his supplies are intra-State supplies. Is there any late fee payable for the same? If yes, what is the amount of late fee payable?
- Will your answer be different in (a), if Mr. Ayushman has intra-State aggregate turnover of 5 crores in the preceding financial year?
- Will your answer be different in (a), if total amount of tax payable in GSTR-3B for the month of September is Nil?

Solution

- 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 ≤ 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 2,000 (1,000 each under CGST & SGST).

Thus, late fee is payable in the given case and the amount of late fee payable is 2,000 (1,000 each under CGST & SGST).

- 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 1.5 crores but less than equal to 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 5,000 (2,500 each under CGST & SGST).

Thus, late fee is payable in the given case and the amount of late fee payable is 5,000 (2,500 each under CGST & SGST).

- 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 500 (250 each under CGST & SGST).

Thus, 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 500 (250 each under CGST & SGST).

Concept Problem 25 [ICAI MTP Nov 2022]

Elaborate the provisions relating to annual return contained under section 44 of the CGST Act, 2017.

Solution

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

However, the Commissioner may exempt any class of registered persons from filing annual return. Further, any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India, or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force, is not required to furnish annual return.

Concept Problem 26 [ICAI May 2021]

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

Solution

Every registered person who is required to furnish a return whose registration has been surrendered or cancelled. Is required to file a final return. The final return has to be filed within 3 months of the

i) Date of cancellation

OR

ii) Date of order of cancellation

Whichever is later

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

a) 100 for every day during which such failure continues

OR

b) 5,000

Whichever is lower.

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

Concept Problem 27 [MTP May 2023]

Briefly elaborate the provisions relating to nil GSTR-3B.

Solution

Filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

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

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

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