

# Case Based MCQs – Indirect Tax – May/September 2024/January 2025

## Question 1 – May 2024 MTP – Series I

XYZ Electronics Pvt. Ltd. is a leading electronic goods manufacturing company in Delhi. The company produces a wide range of products, including smartphones, laptops, and home appliances.

The sales by the Company are mainly through its distributors on the following credit terms:

For laptops – up to 15 days

For smartphones – up to 90 days

For other home appliances – up to 45 days

During the year, the Company purchased plant and machinery worth ₹1 crore exclusive of GST. The GST rate for such plant and machinery is 18%. The input tax credit on such plant and machinery is not blocked under any provision of the CGST Act, 2017.

The Company is planning to demerge its operations in relation to the laptops and other computer accessories from the next financial year. The demerged entity will be a separate legal entity of the Company in form of a wholly owned subsidiary of the Company having common Board of Directors.

The Company also participates in domestic and international level trade fairs to showcase its products and sale through those events. The Electronics Association of Rajasthan is organising a trade fair in Jaipur. The Company is keen to participate in the same. To ensure the GST compliances, the Company wants to obtain the GST registration as casual taxable person in the state of Rajasthan. The Company obtained the GST registration as casual taxable person in the state of Rajasthan with the validity period of 45 days.

The Company transferred the goods from one of its godown in Delhi to another godown in Gujarat wherein the Company has a registered place of business. The value of goods transferred is ₹5 crores and the rate of GST applicable on such transfer is 18%. The tax invoice was issued, and GST was deposited by the Company. However, the consideration was not paid by the Gujarat office of the Company to the Delhi office even after 180 days of the invoice date. Further, there was no reverse movement of such goods from Gujarat godown to Delhi Godown.

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

1. What shall be the time limit to issue invoice for supply of smartphones on credit:
  - a. Invoice shall be issued on 31st day from the date of removal of smartphones to distributors.
  - b. Invoice shall be issued before or at the time of removal of smartphones to distributors.
  - c. Invoice shall be issued at the time of receiving payment from distributors.
  - d. Invoice shall be issued upon completion of credit term, i.e. 90 days.
2. In relation to the plant and machinery purchased by the Company, select the correct alternative from the following:
  - a. ITC of ₹18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹1.18 crore.

- b. ITC of ₹18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income-Tax Act, 1961 shall be ₹1 crore.
  - c. ITC cannot be claimed in such transaction and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹1 crore.
  - d. ITC of ₹18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹82 lakh.
3. How shall the demerged entity be treated under the provisions of GST Law?
  - a. The demerged entity shall be treated as related party of the Company.
  - b. The demerged entity shall be treated as distinct entity of the Company.
  - c. The demerged entity shall be treated as additional place of business of the Company.
  - d. The demerged entity shall be treated as sole selling agent of the Company.
4. The period of retention of books of accounts related to period prior to demerger under GST Law is:
  - a. 36 months from the end of financial year
  - b. 60 months from the end of financial year
  - c. 72 months from the end of financial year
  - d. 72 months from due date of furnishing annual return for the relevant financial year
5. The validity of GST registration as a casual taxable person in the state of Rajasthan is:
  - a. 45 days
  - b. 90 days
  - c. 180 days
  - d. 135 days
6. Which of the following statements is true in relation to the non-payment of consideration by the Gujarat godown to Delhi godown?
  - a. The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and also required to pay interest computed from the date of invoice till the date of reversal of ITC.
  - b. The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and no interest shall be applicable.
  - c. The restriction of 180 days for payment of consideration is not applicable in the present case.
  - d. The Delhi godown shall issue a credit note to Gujarat godown to reverse the supply.

### Solution

1. (b)  
As per the GST regulations, the invoice for the supply of goods should be issued either before or at the time of removal of goods for supply to the customer. The credit terms provided to the distributors do not affect the timing for issuing the invoice. The invoice must be issued when the goods are removed for distribution, irrespective of when the payment is actually received.
2. (b)  
When a business claims an Input Tax Credit (ITC) on the GST paid for assets, the GST amount is not included in the cost of the asset for the purpose of claiming depreciation under the Income Tax Act. Therefore, the company can claim the ITC of ₹18 lakh (which is 18% of ₹1 crore). Since the ITC on GST is claimed, the cost of the asset for the purpose of calculating depreciation under the Income Tax Act remains at the original purchase price exclusive of GST, which is ₹1 crore. This prevents the double benefit of depreciation on the GST component.
3. (a)

Under GST Law, if the demerged entity is a wholly owned subsidiary, it would indeed be treated as a related party of the parent company. Here's why:

- Related parties under GST include entities where one directly or indirectly controls the other, or both are directly or indirectly controlled by a third party. In this case, since the parent company controls the wholly owned subsidiary, they are considered related parties.
- The related party status affects certain transactions like the valuation of supplies, where transactions between related parties must be made at arm's length prices unless they are specifically exempt.

4. (d)

Under GST regulations, every registered person is required to retain books of account and other records for a period of six years (72 months) from the due date of furnishing of the annual return for the relevant financial year. This requirement ensures that records are available for any potential audits or assessments conducted by tax authorities, ensuring compliance with the legal and procedural frameworks established under the GST.

5. (a)

Under GST law, the registration of a casual taxable person is valid for the period specified in the application for registration or ninety days, whichever is earlier. However, in the scenario provided, it was specifically mentioned that the company obtained GST registration as a casual taxable person in Rajasthan with a validity period of 45 days. Therefore, the correct answer reflects this specific duration.

6. (c)

The GST provision requiring the reversal of Input Tax Credit (ITC) if payment is not made within 180 days applies to the recipient of goods or services. However, following are the exceptions:

- Supplies on which tax is payable under reverse charge.
- Deemed supplies without consideration, as specified in Schedule I of the Act.
- Additions made to the value of supplies due to the recipient incurring the supplier's liabilities as per Section 15(2)(b).

In this case, the transfer of goods is between two godowns of the same legal entity (from the Delhi godown to the Gujarat godown of the company), and thus it is a deemed supply without consideration, as specified in Schedule I of the Act. Therefore, the restriction of 180 days for payment of consideration is not applicable in the present case.

### Question 2 – May 2024 MTP – Series II

Ecotech Solutions Private Limited is engaged in manufacturing and supply of energy products and solutions across multiple States in India. The Company manufactures solar panels and also imports certain category of solar panels as per the customer orders. The company also provides installation services and annual maintenance contracts for its products.

The Company received an advance payment for a bulk order of goods in March 2024, but the delivery was completed in May 2024. The amount of advance received by the Company was ₹1 crore.

During the month of March 2024, the Company sold goods worth ₹5 crores and provided services amounting to ₹1 crore to its customers across India. The goods worth ₹1 crore sold under multiple invoices were returned by a customer due to defective quality in the month of March, 2024 which were originally sold by the Company in December, 2023. The Company issued a GST credit note against the returned goods in March, 2024.

The Company incurred an amount of ₹5 lakh on the repair of the returned goods to make them resalable in the market to customers other than a related party.

Further, the customers who returned the goods issued an invoice to Gujarat unit of the Company of ₹1 lakh for the expense related to return of goods. The goods were initially sold from the Gujarat unit of the Company but the same were returned to Maharashtra unit of the Company and subsequently moved by the Company from Maharashtra unit to Gujarat Unit i.e. the original place of supply. The Company is registered under GST in both the States i.e. Gujarat and Maharashtra.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

1. At what point of time, tax will be payable in relation to the advance received by the Company of ₹1 crore?
  - a. The tax is payable at the time of receipt of advance.
  - b. The tax is payable at the time of supply of goods.
  - c. 50% of tax is payable at the time of receipt of advance.
  - d. Tax is payable at the time of issuance of receipt voucher.
2. The total amount of supply during the month of March, 2024 to be reported in GSTR -1 by the Company is \_\_\_\_\_.
  - a. ₹1 crore
  - b. ₹5 crores
  - c. ₹6 crores
  - d. ₹7 crores
3. Which of the following options is correct in relation to the returned goods of value ₹1 crore?
  - a. Company has an option to issue single credit note against multiple invoices.
  - b. Company has to mandatorily issue credit note against each invoice.
  - c. The Company cannot issue credit note in any subsequent period after the supply is made.
  - d. The Company can only issue a commercial credit note and GST adjustment cannot be made.
4. In case returned goods are sold by the Company to customers other than the related parties, the value of supply of such goods under GST shall be \_\_\_\_\_.
  - a. equivalent to original value of supply only.
  - b. equivalent to original value of supply plus the cost incurred on making the goods reusable
  - c. 110% of original value of supply plus the cost incurred on making the goods reusable.
  - d. transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.
5. Which of the following option(s) is correct in relation to the invoice of 1 lakh issued by the customer for the expenses relating to returned goods?
  - a. The Company shall be eligible to avail full input tax credit.
  - b. The Company shall not be allowed to avail input tax credit.
  - c. The Company shall not be allowed to avail input tax credit in excess of 50% of the tax amount charged on such invoice.
  - d. The Company shall be allowed to claim input tax credit only if it has not issued any credit note to the customer against such returned goods.
6. While moving the goods from Maharashtra unit to Gujarat unit by the Company, goods shall be accompanied by \_\_\_\_\_.

- a. Original invoice issued in December, 2023
- b. Invoice issued by the returning customer to the Gujarat unit of the Company
- c. Invoice by Maharashtra unit to the Gujarat unit of the Company
- d. Delivery challan issued by the Customer to the Company.

### Solution

1. (b)

According to Notification No. 66/2017 CT dated 15.11.2017, GST on advances received for goods is not required to be paid at the time of receipt of the advance. Instead, it is payable at the time of supply or the issuance of the invoice. Therefore, the correct answer to the question is (b): The tax is payable at the time of supply of goods.

2. (b)

To determine the total amount of supply to be reported in GSTR-1 by Ecotech Solutions Private Limited during the month of March 2024, we need to consider all the relevant transactions:

- Total Sales: ₹5 crores.
- Services Provided: ₹1 crore.
- Goods Returned: Goods worth ₹1 crore were returned and a GST credit note was issued. This return would reduce the total taxable supply.

Here's how the calculation is affected:

- The initial sales of goods and services amounted to ₹6 crores (₹5 crores in goods + ₹1 crore in services).
- The returned goods worth ₹1 crore would reduce the taxable supply since a credit note was issued.

Therefore, after adjusting for the returns, the total amount of supply to be reported in the GSTR-1 for March 2024 would be:

Total Supply = Sales + Services – Returns = ₹5 crores + ₹1 crore – ₹1 crore = ₹5 crores

Thus, the correct answer is option (b): ₹5 crores

3. (a)

The correct handling of the GST credit note for returned goods can be summarized from the GST guidelines as follows:

- a. Company has an option to issue single credit note against multiple invoices: According to GST rules, a supplier has the flexibility to issue a single credit note against multiple invoices in cases where returns or discounts apply to multiple transactions. This approach simplifies the accounting process for both the supplier and the customer, particularly when multiple transactions are affected over a given period.

The other options provided:

- b. Company has to mandatorily issue credit note against each invoice: This is not a requirement under GST, as mentioned above.
- c. The Company cannot issue credit note in any subsequent period after the supply is made: GST rules allow the issuance of credit notes even after the financial year in which the original invoice was issued.
- d. The Company can only issue a commercial credit note and GST adjustment cannot be made: This is incorrect as GST adjustments can indeed be made through GST credit notes when goods are returned or when there is a post-sale discount.

Therefore, the correct answer is option (a): Company has an option to issue single credit note against multiple invoices.

4. (d)

When determining the value of supply for GST purposes, especially in the case of returned goods that have been repaired and resold, the relevant GST regulation to consider is Section 15 of the CGST Act, 2017. This section lays out the principles for determining the transaction value on which GST should be calculated.

Here's what each choice means in the context of Section 15(2):

- a. Equivalent to original value of supply only: This would not typically include any additional costs incurred after the initial supply, such as repairs.
- b. Equivalent to original value of supply plus the cost incurred on making the goods reusable: This choice seems logical but does not strictly align with GST rules, which focus on transaction value as a broader concept.
- c. 110% of original value of supply plus the cost incurred on making the goods reusable: There is no basis in the GST law for adding a specific percentage over the cost incurred in making goods reusable.
- d. Transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017: According to Section 15, the transaction value is the price actually paid or payable for the said supply of goods or services where the supplier and the recipient are not related, and the price is the sole consideration for the sale. This includes any costs incurred by the seller that are necessary to make the goods saleable, including repairs or reconditioning.

Therefore, the correct answer is option (d): transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.

5. (a)

To determine the correct handling of input tax credit (ITC) for the invoice of ₹1 lakh issued by the customer for expenses relating to returned goods, we need to consider the guidelines provided under the GST framework. The situation described involves a customer charging the company for expenses related to the return of goods, which is somewhat unique and not a straightforward scenario covered directly by general GST rules. Here's a breakdown of the options:

- a. The Company shall be eligible to avail full input tax credit: This option is possible if the invoice for ₹1 lakh represents GST-compliant expenses directly related to business activities and the company can justify the expenses as necessary for its business operations. The expenses must be directly linked to taxable supplies for the company to claim ITC.
- b. The Company shall not be allowed to avail input tax credit: This could be applicable if the charges by the customer do not qualify under GST rules for ITC, such as if they are deemed to be penalties or fines which are generally not eligible for ITC.
- c. The Company shall not be allowed to avail input tax credit in excess of 50% of the tax amount charged on such invoice: There is no general GST rule that restricts ITC claims to 50% for expenses related to returned goods. This restriction typically applies to specific cases like motor vehicles for certain purposes, etc.
- d. The Company shall be allowed to claim input tax credit only if it has not issued any credit note to the customer against such returned goods: Issuing a credit note to a customer for returned goods does not generally impact the eligibility to claim ITC on other invoices related to necessary business expenses unless the credit note itself adjusts the tax liability linked to the same transaction in a manner that affects ITC eligibility.

Based on typical GST regulations, the most applicable option, assuming all conditions for a valid ITC are met (such as the expense being for business purposes, proper documentation, and GST compliance), would be option (a): The Company shall be eligible to avail full input tax credit.

6. (c)

When moving goods between different states or units under the same company registration in India, it's important to comply with GST regulations regarding documentation. Specifically, when goods are transferred from one unit to another without a change in ownership (i.e., between branches of the same company in different states), the documentation required is not the original sales invoice or an invoice issued by the customer. Here are the details for each option:

- a. Original invoice issued in December, 2023: This would not be the correct document for inter-branch transfers as it pertains to the original sale and not the transfer between units.
- b. Invoice issued by the returning customer to the Gujarat unit of the Company: This invoice relates to the customer's charges to the company, not the internal movement of goods between units.
- c. Invoice by Maharashtra unit to the Gujarat unit of the Company: In the context of GST, when goods are transferred between different GST registrations (even within the same company), a transfer invoice or stock transfer invoice should typically be issued. However, for the movement of goods alone, especially returned goods being transferred back to the original unit, an invoice may not be the most appropriate document.
- d. Delivery challan issued by the Customer to the Company: This would be unlikely as the customer generally would not issue a delivery challan for goods being returned to the seller; the company would handle its own documentation for such movements.

For the internal movement of goods, especially in the case of returns or transfers without a sale, the most appropriate document is usually a delivery challan. This document is used to accompany goods when there is no sale but a movement of goods for reasons such as returns, approvals, or transfers within the same company across state borders. However, the correct form of this document would be one issued by the company itself, not by the customer.

Given the options provided and typical practice, the best answer, assuming the intent was to represent a document generated by the company for the movement of goods, would be closest to option (c): Invoice by Maharashtra unit to the Gujarat unit of the Company.

### Question 3 – MTP May 2023 – Series I

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

1. Kunal Traders, an unregistered partnership firm
2. Mr. Amar, who is not registered under GST
3. Small Traders Co-Operative Society registered under Societies Registration Act

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

1. Defence Equipments
2. Railway Equipments

### 3. Organic Manure

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

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

1. Which of the following persons are liable to pay GST under reverse charge in respect of the GTA services provided by Poorva Logistics in February of the preceding financial year?
  - i. Kunal Traders
  - ii. Mr. Amar
  - iii. Small Traders Co-operative society
  - a. i & ii
  - b. ii & iii
  - c. i & iii
  - d. i, ii & iii
2. Transportation of \_\_\_\_\_ by Poorva Logistics is exempt from GST.
  - i. Defence Equipments
  - ii. Railway Equipments
  - iii. Organic Manure
  - a. i
  - b. i & ii
  - c. i & iii
  - d. i, ii & iii
3. What will be the time of supply in respect of the services provided by Poorva Logistics to Bama Steels Pvt. Ltd.?
  - a. 6<sup>th</sup> May
  - b. 5<sup>th</sup> May
  - c. 30<sup>th</sup> May
  - d. 1<sup>st</sup> April

### Solution

1. (c)

GTA services are taxable at the following two rates:

- If the GTA has not taken ITC on goods or services used in supplying transportation of goods by road, the rate applicable is 5% (2.5% CGST + 2.5% SGST/UTGST or 5% IGST).
- If the GTA has taken ITC on goods or services used in supplying transportation of goods or services, the rate applicable is 12% (6% CGST + 6% SGST/UTGST or 12% IGST).

The reverse charge provisions are applicable only if the recipient is a specified recipient.

Specified Recipients are any of the following:

- any factory registered under, or governed, by the Factories Act, 1948; or
- any society registered under the Societies Registration Act, 1860, or, under any other law for the time being in force in any part of India; or
- any cooperative society established by or under any law; or
- any person registered under the CGST Act or the IGST Act or the SGST Act or the UTGST Act; or
- any body-corporate established, by or under any law; or



- any partnership firm whether registered or not under any law including association of persons; or
- any casual taxable person; located in the taxable territory.

Therefore, Kunal Traders (being an unregistered partnership firm), and Small Traders Co-operative Society are liable to pay GST under Reverse Charge in respect of GTA Services provided by Poorva Logistics.

2. (c)

Services provided by Goods Transport Agency by way of transport of the following are exempt:

- Agricultural produce
- Milk, salt, and food grain including flour, pulses, and rice
- Organic manure
- Newspaper or magazines registered with the Registrar of Newspapers
- Relief materials meant for victims of natural or man-made disasters, calamities, accidents, or mishaps; or
- Defence or military equipment

Therefore, transportation of Defence Equipment and Organic Manure by Poorva Logistics is exempt from GST.

3. (d)

- Poorva Logistics exercises the option to itself pay GST on services supplied by it @ 12% from April. Therefore, the provisions of time of supply of services in case of forward charge will apply in this case.
- Provisions of Time of Supply:
  - The time of supply of services is the date of issue of invoice if the same is issued within 30 days from the date of supply of service OR the date of receipt of payment, whichever is earlier [Section 13(2)(a)].
  - In case the invoice is not issued within 30 days from the date of supply of service, time of supply is the date of provision of service OR the date of receipt of payment, whichever is earlier [Section 13(2)(b)].
- In the present case, the services are provided on 1<sup>st</sup> April, and the invoice is issued on 5<sup>th</sup> May, i.e., beyond 30 days from the supply of services.
- Therefore, the time of supply shall be the date of supply of service, i.e., 1<sup>st</sup> April.

#### Question 4 – RTP May 2024

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

In addition to the aforesaid, ABC Ltd. owns a commercial space which is rented out to a registered person at the monthly rent of ₹50,000. The maintenance of the premises is the responsibility of ABC Ltd. In pursuance of the same, during the month of April, ABC Ltd. incurred certain expenses on the purchase of maintenance related materials. The said expenses are recoverable from the tenant alongwith the invoice issued for rent. The rate of tax applicable on the material used for maintenance was 5%. During the year, ABC Ltd. agreed to provide the hotel to Mr. X for a business conference to be held at Udaipur. Mr. X is an unregistered person residing in Maharashtra.

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

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

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

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

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

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

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

1. For the transaction related to renting of commercial space, what should be the rate of tax charged by ABC Ltd.?
  - a. The rate of GST on rent and maintenance material related recovery shall be 18%.
  - b. The rate of GST on rent shall be 18% and, on the material, shall be 5%.
  - c. No GST shall be charged on the recovery related to material used in maintenance. Rate of GST on rent shall be 18%.
  - d. The rate of GST on rent and maintenance material related recovery shall be 5%.
2. Compute the value of supply under section 15 of the CGST Act, 2017 made by ABC Ltd. in the month of June?
  - a. ₹45,000
  - b. ₹47,500
  - c. ₹48,500
  - d. ₹51,000
3. With respect to the hotel accommodation service provided to Mr. X, GST payable by ABC Ltd. is \_\_\_\_\_.
  - a. nil, GST on accommodation service is payable by the recipient, Mr. X, under reverse charge
  - b. nil, GST on accommodation services provided to an unregistered person is exempt from GST
  - c. in the nature of CGST and SGST
  - d. in the nature of IGST
4. Which of the following options is correct with regard to the availability of ITC to ABC Ltd. in respect of GST paid on the procurement of goods meant for the purpose of corporate social responsibility activity?
  - a. The amount of ITC related to such procurement of goods is not available to ABC Ltd.
  - b. The amount of ITC related to such procurement of goods is available to ABC Ltd.

- c. The amount of ITC only to the extent of 50% of amount of such procurement of goods is available to ABC Ltd.
  - d. The amount of ITC shall be available to the registered person to whom such goods are distributed under CSR activity.
5. Which of the following options is correct with regard to the advice given by GST officer in respect of auditing of accounts?
- a. There is no requirement of separate audit of the financial statements from the perspective of GST provisions.
  - b. Only reconciliation statement shall be audited by a Chartered Accountant.
  - c. The annual return as well as the reconciliation statement shall be audited by a Chartered Accountant.
  - d. Separate audit of financial statements at each State level is required by ABC Ltd. under the GST law.

### Solution

1. (a)  
It is clearly mentioned that the rate of GST on all inward and outward supplies is 18%, unless otherwise mentioned.

2. (a)

#### Computation of Value of Supply

Particulars	₹
Basic price of the machinery before TCS under Income Tax Act, 1961	45,000
Add: Tax collected at source under Income-tax Act, 1961 (Note 1)	-
Subsidy from Green Foundation Pvt. Ltd. (Note 2)	-
<b>Value of Supply</b>	<b>45,000</b>

#### Notes:

1. TCS is not includible in the value of supply as it is an interim levy not having the character of tax.
  2. When a supplier receives a subsidy, that subsidy amount is added to the value of the supply made by the supplier. However, only subsidies directly connected to the price of goods or services are added to the value. Blanket subsidies or donations that are not directly linked to the price of goods or services are not included in the value.
3. (c)
- Location of Supply and Place of Supply: ABC Ltd. provided hotel accommodation services to Mr. X in Udaipur, Rajasthan. According to GST laws, the place of supply for hotel accommodation services is the location of the property, which in this case is Rajasthan.
  - Registration of the Recipient: Mr. X, the recipient of the hotel service, is an unregistered person who resides in Maharashtra.
  - Type of GST applicable: Since both the place of supply and the location of the service provider (ABC Ltd.) are in Rajasthan, the transaction is intra-state. Hence, Central GST (CGST) and State GST (SGST) are applicable.
  - Nature of Service and Taxability: The service of hotel accommodation does not fall under any exemption, nor is it subject to reverse charge mechanism when provided to an unregistered person. Therefore, ABC Ltd. is responsible for collecting and remitting the CGST and SGST on this supply.

4. (a)

- Nature of CSR Expenditure: Expenses incurred on procurement of goods for Corporate Social Responsibility (CSR) activities are considered as obligations and are typically not in the course or furtherance of business, although they are mandatory under the Companies Act, 2013.
  - GST Laws on ITC: Under the GST law, Input Tax Credit (ITC) can only be claimed for goods or services used or intended to be used in the course or furtherance of business. Since CSR activities are generally considered as not being in the course or furtherance of business but rather as a compliance requirement, the GST paid on goods procured specifically for CSR purposes does not qualify for ITC.
  - Specific Provisions: Although the GST Act does not explicitly mention CSR expenses, the underlying principle that ITC can only be availed for goods or services used in the course or furtherance of business applies, which leads to the exclusion of ITC on CSR-related expenditures.
5. (a)  
The GST officer's advice about needing a separate audit of the financial statements under GST law appears to be a misconception. As per the GST legislation, the requirement is for the submission of an annual return along with a reconciliation statement (GSTR-9C) if the turnover exceeds ₹5 crore. This statement should be self-certified. However, this requirement does not extend to a separate audit of the financial statements purely for GST purposes at the state level.

#### Question 5 – MTP November 2023 – Series I

Ms. Chanchala, is a doctor, registered person under GST as a monthly return filer, having in-patient facility in her hospital.

She availed interior decoration services from her spouse without any consideration being paid. She also availed IT related services from her sister-in-law without any consideration. Both services were for the purpose of her profession.

Ms. Chanchala provided treatment of various diseases in her hospital and apart from that she also provided the following services in her hospital

1. Plastic surgery to enhance the beauty of the face
2. Ambulance service for transportation of patients
3. Renting of space to run medical store in hospital premises.

She is also a consultant in other hospitals and received ₹40,00,000 as consultancy fee from the other hospitals.

Further, she also provides canteen facility and received ₹55,000 from in-patients, ₹35,000 from patients who are not admitted and ₹25,000 from visitors for the same facility.

She filed GSTR-3B for the month of June with some errors. She filed the Annual return for the said financial year on 31<sup>st</sup> October of the next financial year, whereas due date for the said Annual return is 31<sup>st</sup> December of the next financial year.

Proper Officer of the department had cancelled the registration certificate of Ms. Chanchala suo-motu on 31<sup>st</sup> July. Order of cancellation was served on 5<sup>th</sup> August. However, she applied for revocation of the same and got her registration restored back.

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

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

1. Which of the following is a correct statement as per the provisions of CGST Act, 2017?
  - i. Service availed from her Spouse is a deemed supply
  - ii. Service availed from her Sister-in-Law is a deemed supply
  - iii. Service availed from her Spouse is not a deemed supply
  - iv. Service availed from her Sister-in-Law is not a deemed supply
  - a. (i) and (iv)
  - b. (iii) and (iv)
  - c. (ii) and (iii)
  - d. (i) and (ii)
2. Compute the taxable value of supply of canteen service provided by Ms. Chanchala?
  - a. ₹25,000
  - b. ₹35,000
  - c. ₹60,000
  - d. ₹80,000
3. By which date Ms. Chanchala should have applied for revocation of cancellation of registration certificate, in case no extension is granted?
  - a. 5<sup>th</sup> August
  - b. 20<sup>th</sup> August
  - c. 30<sup>th</sup> August
  - d. 4<sup>th</sup> September
4. Maximum time permissible for rectification of error committed in monthly return of June is \_\_\_\_\_
  - a. 30<sup>th</sup> November of the next year
  - b. 20<sup>th</sup> October of the next year
  - c. 31<sup>st</sup> October of the next year
  - d. 31<sup>st</sup> December of the next year
5. Determine which of the following services provided by Ms. Chanchala and her hospital is exempt from GST?
  - i. Plastic surgery to enhance the beauty of the face
  - ii. Ambulance service for transportation of patients
  - iii. Renting of space to run medical store in hospital premises
  - iv. Consultancy service by Ms. Chanchala in other hospitals
  - a. (i), (ii) & (iv)
  - b. (i), (ii)
  - c. (ii) & (iv)
  - d. (i) & (iii)

### Solution

1. (a)

As per Para 2 of 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 treated as supply even if it is made without consideration. Persons shall be deemed to be “related persons” if they are members of the same family. “Family” means:

- the spouse and children of the person, and

- the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.

Therefore, sister-in-law is not covered in the definition of family. Therefore, service received from husband is a deemed supply, whereas service received from sister-in-law is not deemed supply.

2. (c)

Under the GST framework, services directly related to the treatment of in-patients in a hospital are exempt from tax as they are considered part of the overall healthcare service. Therefore, the ₹55,000 collected from in-patients for canteen services is not taxable.

The remaining amounts are:

- ₹35,000 from patients who are not admitted (out-patients)
- ₹25,000 from visitors

The sum of these two taxable amounts is ₹25,000 + ₹25,000 = ₹60,000

3. (d)

As per the provisions of Section 30 of the CGST Act, 2017 and Rule 23 of the CGST Rules, 2017, a taxpayer whose GST registration has been canceled by a proper officer has 30 days from the date of service of the cancellation order to apply for revocation of the cancellation.

In this case, Ms. Chanchala received the cancellation order on 5th August. The first day will be counted from 6<sup>th</sup> August. Therefore, the deadline for applying for the revocation of the cancellation without any extension is:

5th August + 30 days = 4th September

4. (c)

According to Section 39(9) of the CGST Act, 2017, errors in monthly returns (GSTR-3B) should be rectified by 30<sup>th</sup> November following the end of the financial year to which such details pertain; or the date of filing the annual return, whichever is earlier.

Date of filing annual return is 31<sup>st</sup> October, which is earlier than 30<sup>th</sup> November, therefore, rectification must be done by 31<sup>st</sup> October of the next financial year.

5. (c)

Let's analyze the GST exemption status of each service provided by Ms. Chanchala:

- Plastic surgery to enhance the beauty of the face: Cosmetic and plastic surgeries purely for aesthetic purposes (such as enhancing facial beauty) are not exempt from GST. Such procedures are taxable.
- Ambulance service for the transportation of patients: Ambulance services provided to transport patients are exempt from GST under healthcare services.
- Renting of space to run a medical store on hospital premises: Renting of space, even within hospital premises, is considered a taxable supply under GST.
- Consultancy service by Ms. Chanchala in other hospitals: Consultancy services provided by doctors are considered taxable supplies and are not exempt from GST.

Thus, the services exempt from GST are (c): (ii) & (iv)

### Question 6 – MTP November 2023 - Series II

M/s. Neelkanth & Co., a registered supplier under GST, is dealing in supply of taxable goods in the State of Karnataka.

The firm had opted for Composition Scheme from April month of last financial year. It's turnover crossed ₹1.50 Crores on 9<sup>th</sup> May of current financial year and had opted for withdrawal of composition scheme on the said date.

Neelkanth & Co. removed goods on 10<sup>th</sup> June for delivery to Chandra & Co. on 'Sale or Return Basis'. Chandra & Co. accepted the goods vide its confirmation mail dated 15<sup>th</sup> December.

The firm has paid GST for various items during the month of August. It comprised of the following:

1. GST paid on input services intended to be used for personal purposes – ₹12,000
2. GST paid on purchase of Motor Vehicle for business use (being a two-wheeler having engine capacity of 25CC) – ₹9,000
3. GST paid on purchase of computer – ₹19,000  
(GST portion was included as part of cost to claim depreciation under Income-tax Act, 1961)

During May, Neelkanth and Co. had reversed ITC of ₹10,000 for not making payment to Vendors within the time prescribed under CGST Act, 2017. This pending payment was cleared in the month of August.

Out of purchases made and ITC availed during earlier months, the following information is made available as on September:

Supplier Name	Payment is Due for (Number of Days)	Related ITC Component
XYZ	165	₹13,000
ABC	199	₹15,000
PQR	99	₹20,000

Neelkanth & Co received accounting services from Raghu & Co., an associated enterprise, located in Sri Lanka. Raghu & Co. issued invoice for the service on 1<sup>st</sup> September, which was entered by Neelkanth & Co. in its book on 10<sup>th</sup> October. But payment was made on 30<sup>th</sup> September.

All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

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

1. Neelkanth & Co. needs to furnish a statement containing details of stock of inputs/inputs held in semifinished/finished goods on the withdrawal of composition scheme by \_\_\_\_\_
  - a. 9<sup>th</sup> May
  - b. 23<sup>rd</sup> May
  - c. 8<sup>th</sup> June
  - d. 7<sup>th</sup> July
2. In respect of the goods sent on sale or return basis, Neelkanth & Co. shall issue the invoice by \_\_\_\_\_
  - a. 10<sup>th</sup> June
  - b. 10<sup>th</sup> September
  - c. 10<sup>th</sup> December
  - d. 15<sup>th</sup> December
3. Determine the amount of eligible input tax credit that can be availed by Neelkanth & Co for the month of August?
  - a. Nil
  - b. ₹19,000
  - c. ₹22,000
  - d. ₹50,000
4. Compute the amount of ITC to be reversed for the month of September? Ignore interest liability, if any.
  - a. Nil

- b. ₹28,000  
 c. ₹15,000  
 d. ₹13,000
5. Time of supply in respect of service imported by Neelkanth & Co from its Associated Enterprise is \_\_\_\_\_
- a. 1<sup>st</sup> September  
 b. 30<sup>th</sup> September  
 c. 1<sup>st</sup> October  
 d. 10<sup>th</sup> October

### Solution

1. (c)  
 Upon opting out of the composition scheme, a taxpayer needs to submit a declaration in Form GST ITC-01. This form captures the details of the stock of inputs and inputs contained in semifinished/finished goods held by the taxpayer on the date of withdrawal. According to the GST rules, the taxpayer has 30 days from the date of becoming ineligible to furnish this statement. In this case, Neelkanth & Co. opted out of the composition scheme on 9th May. Therefore, the due date for submitting the statement is 8<sup>th</sup> June.
2. (c)  
 Under the GST regulations, for goods sent on a "sale or return" basis, the invoice needs to be issued by the earlier of:
- The date when the buyer confirms acceptance of the goods, or
  - Six months from the date of removal.
- In this case, Neelkanth & Co. removed goods on 10<sup>th</sup> June for delivery to Chandra & Co. and received confirmation of acceptance via email on 15<sup>th</sup> December. However, six months from the removal date of 10<sup>th</sup> June is 10<sup>th</sup> December. Therefore, Neelkanth & Co. should have issued an invoice by 10<sup>th</sup> December.
3. (b)  
 To determine the amount of eligible Input Tax Credit (ITC) that Neelkanth & Co. can claim for the month of August, let's analyze each item of GST paid:
- a. GST paid on input services intended for personal purposes: ITC on goods/services used for personal purposes is not allowed under the GST law. Therefore, the ₹12,000 paid here is not eligible for ITC.
- b. GST paid on the purchase of a motor vehicle: GST paid on purchase of motor vehicles is not eligible for ITC unless used for eligible purposes.  
 As per Section 2(76) of the CGST Act, 2017, Motor vehicle shall have the same meaning as assigned to it in clause (28) of section 2 of the Motor Vehicles Act, 1988.  
 As per Section 2(28) of Motor Vehicles Act, 1988, Motor vehicle or vehicle means any mechanically propelled vehicle adapted for use upon roads whether the power of propulsion is transmitted thereto from an external or internal source and includes a chassis to which a body has not been attached and a trailer; **but does not include** a vehicle running upon fixed rails or a vehicle of a special type adapted for use only in a factory or in any other enclosed premises or **a vehicle having less than four wheels fitted with engine capacity of not exceeding twenty five cubic centimetres.**  
 In the present case, the purchased vehicle is a two-wheeler (having less than four wheels), and has an engine capacity of 25cc (not exceeding twenty five cubic centimeters). Therefore, this vehicle doesn't fall under the definition of Motor Vehicle. Hence, GST paid on its purchase is eligible for ITC. Thus, ₹9,000 paid here is eligible.



- c. GST paid on the purchase of a computer: This is eligible for ITC, provided that it is used for business purposes. However, since Neelkanth & Co. has claimed depreciation on the total cost including GST under the Income Tax Act, the ITC on this component is not eligible. Thus, the ₹19,000 GST paid here is also not eligible.
  - d. Reversed ITC of ₹10,000 for non-payment to vendors: This ITC reversal can be reclaimed when the payment is made to the vendors within the prescribed time. Since Neelkanth & Co. cleared this payment in August, they can reclaim the reversed ITC of ₹10,000.
- Therefore, the eligible ITC that can be claimed for August is ₹9,000 + ₹10,000 = ₹19,000.

4. (c)

Under GST rules, a taxpayer must reverse the Input Tax Credit (ITC) if payment to the supplier for an inward supply is not made within 180 days from the invoice date. The ITC will be reversed to the extent of the amount unpaid.

Let's analyze each supplier to determine the amount of ITC that Neelkanth & Co. needs to reverse in September:

- Supplier XYZ (Payment due for 165 days):
  - Payment is still within the 180-day limit.
  - No reversal required.
- Supplier ABC (Payment due for 199 days):
  - Payment has exceeded the 180-day limit.
  - ITC to be reversed: ₹15,000
- Supplier PQR (Payment due for 99 days):
  - Payment is still within the 180-day limit.
  - No reversal required.

The ITC to be reversed for September is ©: ₹15,000

5. (b)

In case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be the earlier of the following:

- The date of entry in the books of account of the recipient of supply; or
- The date of payment,

In this case:

- Payment Date: Neelkanth & Co. made the payment on 30<sup>th</sup> September.
- Entry Date in Books: The entry was made in the books on 10<sup>th</sup> October.

Since the payment was made on 30<sup>th</sup> September, which is earlier than the date of entry in the books, the time of supply for the imported service is 30<sup>th</sup> September.

### Question 7 – MTP May 2023 – Series II

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

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

She received following payments during the month of May:

- earned ₹160,000 by performing western music in a cultural event at a Resort

- earned ₹50,000 by providing services by way of renting of residential dwelling for use as a boutique to Supriya, an unregistered person.
- received ₹70,000 by way of rent for letting of agro machinery

Ms. Riya made a supply during June, details of which are as follows:

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

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

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

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

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

1. Supply of package made by Ms. Riya to Dhruv Traders is a \_\_\_\_\_ and is taxable under GST @ \_\_\_\_\_.
  - a. composite supply; 12%
  - b. mixed supply; 18%
  - c. composite supply; 18%
  - d. mixed supply; 12%
2. Out of payments received by Ms. Riya in month of May, value of exempt supply is \_\_\_\_\_.
  - a. ₹50,000
  - b. ₹70,000
  - c. ₹1,20,000
  - d. ₹1,60,000
3. Compute the value of supply under section 15 of the CGST Act, 2017 made by Ms Riya in the month of June.
  - a. ₹45,000
  - b. ₹47,500
  - c. ₹48,500
  - d. ₹51,000
4. Compute the amount of input tax credit that can be claimed by Ms. Riya in July.
  - a. ₹30,000
  - b. ₹37,000
  - c. ₹1,50,000
  - d. ₹1,57,000

## Solution

1. (b)

The supply made by Ms. Riya to Dhruv Traders, which includes a stapler, a calculator, and a charger packaged together for a single price of ₹300, is a mixed supply. According to the GST laws, a mixed supply refers to two or more individual goods or services supplied together for a single price but that are not naturally bundled and are independently taxable.

In a mixed supply, the highest tax rate among the items is applied to the whole package. In this case, the tax rates for each item are:

- Stapler: 5%
- Calculator: 12%
- Charger: 18%

The highest GST rate among these items is 18%, which applies to the entire package.

Therefore, the correct answer is option (b) mixed supply

2. (b)

Let's analyze the different payments received by Ms. Riya in May to identify which of them are considered exempt supplies:

- Western Music Performance (₹1,60,000): Services provided by an individual artist for performing at a cultural event are not exempt from GST.
- Renting Residential Dwelling for a Boutique (₹50,000): The renting of a residential dwelling for commercial use (like a boutique) is not exempt and is taxable under GST.
- Renting Agro Machinery (₹70,000): Renting of agro machinery is considered an exempt supply under GST.

Therefore, the value of exempt supplies in May is ₹70,000.

3. (a)

### Computation of Value of Supply

Particulars	₹
Basic price of the machinery before TCS under Income Tax Act, 1961	45,000
Add: Tax collected at source under Income-tax Act, 1961 (Note 1)	-
Subsidy from Green Foundation Pvt. Ltd. (Note 2)	-
Value of Supply	45,000

Notes:

1. TCS is not includible in the value of supply as it is an interim levy not having the character of tax.
2. When a supplier receives a subsidy, that subsidy amount is added to the value of the supply made by the supplier. However, only subsidies directly connected to the price of goods or services are added to the value. Blanket subsidies or donations that are not directly linked to the price of goods or services are not included in the value.

4. (c)

To compute the amount of input tax credit (ITC) that can be claimed by Ms. Riya in July, let's analyze each inward supply:

- Invoice for Goods (GST component: ₹30,000): The goods are to be delivered in 5 lots, and 3 lots have been received in July. In case of goods received in lots, ITC can be claimed only when the last lot has been received. Therefore, ₹30,000 is not eligible for credit.
- Car Purchase (GST component: ₹1,50,000): Ms. Riya purchased a car for imparting training on driving motor vehicles. According to GST law, ITC is available on motor vehicles used for training purposes. Therefore, ITC of ₹1,50,000 is eligible.

- Health Insurance Service (GST component: ₹7,000): The health insurance service for employees is provided voluntarily and is not mandated by law. According to GST law, ITC is not available for health insurance services provided voluntarily. Therefore, ITC cannot be claimed on this service.

Total Eligible ITC = ₹1,50,000

### Question 8 – RTP May 2023

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

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

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

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

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

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

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

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

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

1. Which of the following activities of Manavtaa Trust does not amount to supply under the GST law?
  - a. Free laptops distributed to the needy students
  - b. Boarding, lodging and maintenance of the senior citizens by the old age home run by the trust
  - c. Renting of community hall situated within the precincts of the temple managed by the trust
  - d. Renting of rooms in the precincts of the temple managed by the trust
2. Compute the value of inward supplies on which tax is payable by Manavtaa Trust under reverse charge, for the month of July.
  - a. ₹2,00,000
  - b. ₹3,20,000
  - c. ₹1,20,000
  - d. Nil
3. Compute the value of exempt supply made by Manavtaa Trust for the month of August.
  - a. ₹3,00,000
  - b. Nil
  - c. ₹3,35,000
  - d. ₹35,000
4. Compute the value of taxable supply made by Manavtaa Trust for the month of August.
  - a. ₹3,00,000
  - b. ₹11,000
  - c. Nil
  - d. ₹35,000
5. Determine the amount of ITC that can be credited to the Electronic Credit Ledger of Manavtaa Trust, in the month of August assuming rate of GST to be 18%.
  - a. ₹36,000
  - b. ₹63,000
  - c. ₹1,89,000
  - d. ₹2,88,000

### Solution

1. (a)

Under GST law, a “supply” is considered as any goods or services provided for consideration, whether or not for profit. However, there are some exemptions and exceptions provided.

- Free laptops distributed to needy students: This activity does not constitute a supply under GST since the laptops are given out free of cost and are not part of any business promotion.
- Boarding, lodging, and maintenance of senior citizens by the old age home: If charges are collected from the senior citizens, these services would generally be considered a taxable supply. However, if the trust is a charitable organization and qualifies for GST exemption, these services might not attract GST.
- Renting of community hall within the precincts of the temple: Renting the hall for a religious function may be exempt under GST as part of religious services. Renting for other purposes like an art exhibition would be a taxable supply.
- Renting of rooms in the precincts of the temple: This activity would typically qualify as a taxable supply if the rent per room exceeds ₹1,000 per day.

Among these activities, free laptops distributed to the needy students do not amount to supply under GST law because there is no consideration involved. The correct answer is option (a).

2. (d)

Under the GST regime, certain services and goods are liable to reverse charge, where the recipient of the goods or services pays the tax directly to the government instead of the supplier.

In this case, Manavtaa Trust received the following services in July:

- Security Personnel Services: Provided by 'Perfect Security Solutions', a proprietorship concern, for security of the school premises for a consideration of ₹2,00,000.
- Legal Consultancy Services: Provided by 'Maya & Co.', a firm of advocates, relating to the school for ₹1,20,000.

Applicability of Reverse Charge Mechanism (RCM)

- Security Services: When security services are provided to an educational institution offering pre-school education and education up to higher secondary level or equivalent, they are exempt from GST under Notification No. 12/2017-Central Tax (Rate). Thus, the ₹2,00,000 worth of security services is exempt from GST and will not be taxed under reverse charge.
- Legal Services: Legal services provided by advocates to business entities are taxable under reverse charge. However, since the services were provided to an educational institution, which is not classified as a business entity, the reverse charge mechanism does not apply here.

As a result, for the month of July, the value of inward supplies on which tax is payable under reverse charge is nil.

3. (c)

To compute the value of exempt supplies made by Manavtaa Trust for the month of August, let's analyze the specific services provided:

- Old Age Home: The trust charges ₹15,000 per member for 20 members in the old age home. Services by a charitable trust to senior citizens for residential facilities are exempt under GST as per Notification No. 12/2017-Central Tax (Rate), if the consideration is upto ₹25,000 per member which includes charges for boarding, lodging, and maintenance. Therefore, this service is exempt. Value: ₹15,000 × 20 = ₹3,00,000
- Renting of Community Hall: Renting of community hall is exempt if it is for the purpose of a religious function and the charges per day do not exceed ₹10,000. In the present case, the community hall for rented for religious function as well as for art exhibition, and also the charges exceed ₹10,000 (₹5,000 + ₹6,000 = ₹11,000). So, no exemption for this will be provided.
- Renting of Rooms: Renting rooms within temple precincts for devotees is exempt from GST if the rent does not exceed ₹1,000 per day per room. Since the total rent collected for rooms amounts to ₹35,000 and each room is rented at ₹950 per day (below ₹1,000), this is also exempt. Value: ₹35,000

Total Value of Exempt Supplies:

- Old Age Home: ₹3,00,000
- Renting of Community Hall: NIL
- Renting of Rooms: ₹35,000

Total Exempt Supplies Value: ₹3,35,000. Therefore, the correct answer is option ©.

4. (b)

To compute the value of taxable supplies made by Manavtaa Trust for the month of August, we will examine the activities provided:

- Old Age Home: Charges for boarding, lodging, and maintenance provided by the old age home are exempt as long as the fees per member do not exceed ₹25,000. In this case, all fees were within this limit, so this service is fully exempt.
- Renting of Community Hall: Religious Function: Renting the hall for a religious function would normally be exempt, but because the total charges for renting the community hall (including the art exhibition) exceed ₹10,000 (₹5,000 for a religious function and ₹6,000 for an art exhibition), the exemption does not apply. Taxable Value: ₹11,000
- Renting of Rooms: Renting rooms within the temple precincts is exempt from GST if the rent does not exceed ₹1,000 per day per room. In this case, the rooms were rented for ₹950 per day, so this service is exempt.

Total Value of Taxable Supplies: ₹11,000.

5. (b)

To calculate the amount of Input Tax Credit (ITC) that can be credited to the Electronic Credit Ledger of Manavtaa Trust for August, we'll analyze the expenses incurred:

- Services for Supplying Taxable Outward Supplies:
  - Value of services received for taxable supplies: ₹3,50,000
  - GST at 18%:
  - ITC =  $3,50,000 \times 18\% = ₹63,000$
- Catering Services:
  - Catering services received for students (considered an exempt activity): ₹2,00,000
  - GST at 18%:
  - ITC =  $2,00,000 \times 18\% = ₹36,000$   
(Cannot be claimed due to the nature of the exempt supplies.)
- Buses Purchase:
  - Buses purchased: ₹10,50,000
  - GST at 18%:
  - ITC =  $10,50,000 \times 18\% = ₹1,89,000$   
(Cannot be claimed because buses were delivered in September, and as per Section 16, ITC can only be taken if the goods have actually been received. Therefore, ITC would not be available in the month of August.)

Thus, the only ITC that can be credited to the Electronic Credit Ledger is ₹63,000.

### Question 9 – RTP November 2023

Bali Bells Ltd. (hereinafter referred as Bali Bells), a private limited company registered in Chennai, Tamil Nadu, provides the following outward supplies in the month of September:

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

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

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

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

Bali Bells made a supply during November, details of which are as follows:

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

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

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

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

1. Determine the aggregate turnover of Bali Bells for the month of September.
  - a. ₹2,70,00,000
  - b. ₹95,00,000
  - c. ₹2,95,00,000
  - d. ₹70,00,000
2. Bali Bells wants to avail ITC on GST paid on the heavy steel machinery purchased in September. Which of the following statements is true in this regard?
  - a. ITC on the machinery cannot be availed since depreciation has been claimed on the GST paid on the machinery under Income-tax Act, 1961.
  - b. ITC on the machinery shall be allowed to the extent of 50% in the current financial year and balance 50% in the subsequent financial year.
  - c. ITC on the machinery shall be allowed in the current financial year only to the extent of the depreciation claimed on GST paid on machinery.
  - d. Full ITC of GST paid on the machinery can be availed in the current year.
3. Whether Bali Bells can avail ITC on the free samples of goods distributed in the month of October?
  - a. Yes; ITC is available on outward supplies even if made without consideration in the course or furtherance of business.
  - b. No; ITC is not available since supply of samples is without consideration.
  - c. No; ITC on free samples is blocked under section 17(5) of the CGST Act, 2017.
  - d. No; ITC is not available since supply of free samples is not in course or furtherance of business.
4. Bali Bells can claim ITC on inputs received in July of preceding financial year upto \_\_\_\_\_ of the current financial year.
  - a. 30th November
  - b. 25th July
  - c. 31st December
  - d. 30th September



5. Compute the value of supply under section 15 of the CGST Act, 2017 made by Bali Bells in the month of November?
- ₹45,000
  - ₹47,500
  - ₹48,500
  - ₹51,000

### Solution

1. (b)

In order to determine the aggregate turnover of Bali Bells Ltd. for the month of September, let's break down each component of turnover.

- Intra-State Outward Supplies:
  - Taxable supplies: ₹40,00,000
  - Exempt supplies: ₹15,00,000
  - Total intra-state supplies: ₹55,00,000
- Inter-State Outward Supplies:
  - Taxable supplies: ₹30,00,000
  - Exempt supplies: ₹10,00,000
  - Total inter-state supplies: ₹40,00,000
- Sale of Land: Sale of land is specifically excluded from the definition of "supply" under GST and hence does not form part of the aggregate turnover.

Aggregate Turnover Calculation:

Aggregate Turnover = Intra-State Outward Supplies + Inter-State Outward Supplies

Aggregate Turnover = ₹55,00,000 + ₹40,00,000 = ₹95,00,000

2. (a)

To determine the correct statement regarding the availability of Input Tax Credit (ITC) on the heavy steel machinery purchased by Bali Bells Ltd. in September, we need to consider the rules outlined in the GST Act regarding ITC.

According to Section 16 of the Central Goods and Services Tax Act, 2017 (CGST Act), ITC is not allowed on goods or services where the taxpayer has claimed depreciation on the GST component. If depreciation has been claimed on the tax component of the machinery, the ITC on that component is not allowed.

In this case, Bali Bells Ltd. capitalized the value of the machinery including GST paid and claimed depreciation on the full value, which includes the GST amount. This practice disqualifies them from availing ITC on the GST component of the machinery, as per Section 16(3) of the CGST Act.

Therefore, the correct answer is option (a): ITC on the machinery cannot be availed since depreciation has been claimed on the GST paid on the machinery under the Income-tax Act, 1961.

3. (c)

The treatment of Input Tax Credit (ITC) for free samples is specifically addressed in Section 17(5) of the Central Goods and Services Tax Act, 2017. This section explicitly blocks ITC on goods that are disposed of by way of samples or gifts.

While these free samples might be given in the course or furtherance of business, the ITC on these goods is still blocked. The relevant section (17(5)(h)) mentions that ITC is not available for "goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples."

Therefore, the correct answer is option (c): No; ITC on free samples is blocked under section 17(5) of the CGST Act, 2017.

4. (a)

According to Section 16(4) of the Central Goods and Services Tax (CGST) Act, 2017, a registered person can claim ITC on invoices pertaining to a particular financial year up to the earliest of the following two dates:

- November 30<sup>th</sup> of the succeeding financial year, or
- Date of filing the relevant annual return.

Therefore, the correct answer is option (a): 30th November

5. (a)

**Computation of Value of Supply**

Particulars	₹
Basic price of the machinery before TCS under Income Tax Act, 1961	45,000
Add: Tax collected at source under Income-tax Act, 1961 (Note 1)	-
Subsidy from Green Foundation Pvt. Ltd. (Note 2)	-
Value of Supply	45,000

Notes:

1. TCS is not includible in the value of supply as it is an interim levy not having the character of tax.
2. When a supplier receives a subsidy, that subsidy amount is added to the value of the supply made by the supplier. However, only subsidies directly connected to the price of goods or services are added to the value. Blanket subsidies or donations that are not directly linked to the price of goods or services are not included in the value.

**Question 10 – ICAI**

Mr. Pasupathi, registered taxpayer under GST, is engaged in trading of various types of consumer goods. His turnover in se preceding financial year was below the threshold limit liable for registration.

During the month of April in the current year, he availed the following services:

1. GTA services from XYZ Transports (GST was charged @ 5%) – ₹35,000
2. Renting of Godown premises from Local Municipality – ₹40,000
3. Legal service availed from a Firm of Advocates – ₹50,000

He sold a car used for his personal purposes for ₹1,00,000. He disposed off his old computers for ₹60,000 on which no ITC was claimed. He also gave away his stock of old consumer goods amounting to ₹75,000 (on which he had claimed ITC) to an Orphanage Home.

He received goods on 1<sup>st</sup> May that are liable to tax under reverse charge. Invoice was issued on 5<sup>th</sup> May and payment for the same was made on 6<sup>th</sup> June entered in the books of accounts on same day and debited in the bank account on 7<sup>th</sup> June.

He paid repair expenses for truck used for transportation of goods of his business. GST component involved thereon was ₹13,000. He arranged for catering for his workers on Labour Day function and paid bill in which GST component was ₹15,000. He received first lot of certain goods having GST component of ₹25,000.

All the amounts given above are exclusive of taxes, wherever applicable. All the supplies referred above are intra-State unless specified otherwise. Conditions necessary for claiming ITC have been fulfilled subject to the information given above.

Based on the information given above, choose the most appropriate answer for the following questions:

1. Determine the value of services taxable under reverse charge mechanism?
  - a. ₹35,000
  - b. ₹75,000
  - c. ₹85,000
  - d. ₹1,25,000
2. In respect of sale of personal car and disposal of computer and stock of goods, total value of supply will be \_\_\_\_\_
  - a. ₹60,000
  - b. ₹75,000
  - c. ₹1,35,000
  - d. ₹2,35,000
3. Time of Supply of goods received by Mr. Pasupathi is \_\_\_\_\_
  - a. 1<sup>st</sup> May
  - b. 5<sup>th</sup> May
  - c. 5<sup>th</sup> June
  - d. 6<sup>th</sup> June
4. Compute the amount of input tax credit (except ITC on services taxable under reverse charge mechanism) that can be claimed by Mr. Pasupathi?
  - a. ₹28,000
  - b. ₹38,000
  - c. ₹40,000
  - d. ₹13,000

#### Solution

1. (b)

To determine the value of services taxable under the reverse charge mechanism (RCM) for Mr. Pasupathi, let's analyze the information provided:

- GTA (Goods Transport Agency) services:
  - GTA services from XYZ Transports with GST charged @ 5% – ₹35,000.
  - Under GST rules, services by a GTA are taxable under reverse charge.
- Renting of Godown premises:
  - Renting a godown from the Local Municipality – ₹40,000.
  - Services provided by the government or local authorities are taxable under reverse charge (excluding services specifically exempted).
- Legal services from a firm of advocates:
  - Legal services availed – ₹50,000.
  - Legal services are taxable under reverse charge.
  - However, if any legal services are supplied by an advocate or a firm of advocates to a business entity not liable to be registered, such services are exempt. In the present case, Mr. Pasupathi is not liable to get himself registered as his turnover in the preceding financial year did not exceed the threshold for registration. Therefore, such services would be exempt.

Thus, the value of services taxable under reverse charge mechanism is the sum of the GTA services, and the renting of godown premises.

Total RCM taxable value = ₹35,000 + ₹40,000 = ₹75,000

2. (b)

To determine the total value of supply from the sale of Mr. Pasupathi's personal car, the disposal of computers, and the disposal of stock of consumer goods, let's analyze the transactions:

- Sale of Personal Car: The car was used for personal purposes. As per GST rules, sale of personal assets not used for business purposes is not considered a supply, and hence not taxable under GST.
- Disposal of Old Computers:
  - Computers were sold for ₹60,000.
  - No input tax credit (ITC) was claimed on these computers.
  - Since no ITC was claimed, this transaction will not be treated as a taxable supply under GST.
- Disposal of Old Consumer Goods:
  - Goods given away to an Orphanage Home, amounting to ₹75,000.
  - ITC was claimed on these goods, which makes this a taxable supply under GST even if no payment was received, as it is considered a supply.

Therefore, the total value of supply is ₹75,000.

3. (a)

Under the GST regime, the time of supply determines when the tax liability arises. For supplies liable to reverse charge, the time of supply is covered by Section 12(3) of the CGST Act, 2017. According to this section, the time of supply is the earliest of the following:

- The date of receipt of goods.
- The date immediately following 30 days from the date of issue of the supplier's invoice.
- The date on which payment is recorded in the recipient's books of account or debited from their bank account.

In the given case:

- Date of receipt of goods: 1st May.
- Date of invoice: 5th May.
- Date of payment recorded in books and debited from the bank:
  - Recorded in the books of accounts: 6th June.
  - Debited from the bank account: 7th June.

Let's apply the earliest criteria:

Date of receipt of goods (1st May) is the earliest date.

Therefore, the correct answer is (a) 1st May.

4. (d)

To compute the amount of input tax credit (ITC) that Mr. Pasupathi can claim, let's analyze the expenses and determine which are eligible for ITC:

- Repair Expenses for Truck:
  - The truck is used for transportation of goods in his business.
  - The GST component on repair expenses is ₹13,000.
  - ITC on repair expenses can be claimed since the truck is used for business purposes.
- Catering Expenses:
  - GST on catering services is ₹15,000.
  - ITC on catering services is not eligible as it's used for personal consumption or employee welfare.
- Goods Received:

- GST component on received goods is ₹25,000.
- When the goods are received in lots, ITC can be claimed only on the receipt of last lot. Since, only first lot has been received, ITC won't be available.

Total ITC = 13,000

### Question 11 – ICAI

M/s. Triambak & Co., an LLP registered dealer under GST is engaged in various types of business activities.

It provided GTA services to Government Department, registered under GST for providing various services for which GST is payable @ 5%.

The firm provided services of Direct Selling Agency (DSA Services) to NBFC located in Mumbai.

The firm also provided gift to each of its employees valuing ₹50,000 once in a financial year.

M/s Triambak & Co let out its warehouse to Mr. Grushnesh, who in turn let out to an Agriculturist for warehousing of agricultural produce. The firm also undertakes milling of paddy into rice for various agriculturists (not under the Public Distribution Scheme).

The firm paid GST with respect to an order served by the GST authority demanding to pay GST on two counts:

1. Demand to pay GST of ₹45,000 for suppression of sales figures in monthly returns
2. Demand to pay GST ₹55,000 for fraudulently obtaining refund of GST.

Further, in a particular month, the GST liability of the firm was ₹20,000 IGST; ₹10,000 CGST; ₹10,000 SGST. The following credits were available in the said month:

IGST: ₹8,000

CGST: ₹12,000

SGST: ₹5,000

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions for availing ITC are fulfilled subject to the information given above.

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

1. Choose the correct statement(s).
  - i. For GTA services, Government is liable to pay GST under reverse charge
  - ii. For DSA services, NBFC is liable to pay GST under reverse charge
  - iii. For GTA services, Triambak & Co is liable to pay GST under forward charge
  - iv. For DSA services, Triambak & Co is liable to pay GST under forward charge
  - a. i & ii
  - b. iii & iv
  - c. i & iv
  - d. ii & iv
2. Gift of ₹50,000 in value provided by Triambak & Co to each of its employee will be

- a. Supply of goods
  - b. Supply of services
  - c. Both supply of goods and services
  - d. Neither supply of goods nor supply of services
3. Which of the following statement is correct:
- i. Letting out of warehouse to Grushnesh is exempt
  - ii. Milling of paddy into rice is exempt
  - iii. Letting out of warehouse to Grushnesh is not exempt
  - iv. Milling of paddy into rice is not exempt
- a. i & ii
  - b. iii & iv
  - c. i & iv
  - d. ii & iii
4. M/s Triambak & Co is eligible to claim input tax credit of \_\_\_\_\_
- a. ₹45,000
  - b. ₹55,000
  - c. ₹1,00,000
  - d. Nil
5. Compute the GST liability of the firm to be paid in cash, if rule 86B is not applicable?
- a. IGST: ₹10,000; CGST: Nil; SGST: ₹5,000
  - b. IGST: ₹12,000; CGST: Nil; SGST: ₹5,000
  - c. IGST: Nil; CGST: ₹10,000; SGST: ₹5,000
  - d. IGST: 5,000; CGST: Nil; SGST: 10,000

### Solution

1. (c)

Let's analyze each statement provided regarding the GST liability for GTA (Goods Transport Agency) and DSA (Direct Selling Agency) services:

- Statement i: For GTA services, Government is liable to pay GST under reverse charge.: This statement is correct because, under the GST rules, when services are provided by a GTA to a specified category of recipients (which includes government departments registered under GST), the recipient is liable to pay GST under the reverse charge mechanism.
- Statement ii: For DSA services, NBFC is liable to pay GST under reverse charge.: This statement is incorrect because as per Entry 11 of Notification 13/2017, if any services are provided by Individual Direct Selling Agents (other than a Body Corporate, Partnership, or Limited Liability Partnership) to a banking company or a non-banking financial company located in the taxable territory, GST is paid by the banking company or the non-banking financial company under reverse charge. In the present case, services are provided by an LLP, not an individual, and therefore, the provisions of Reverse Charge mechanism won't apply.
- Statement iii: For GTA services, Triambak & Co is liable to pay GST under forward charge.: This statement is incorrect because, in the case of specified recipients (like government departments), the GST is payable by the recipient under reverse charge.
- Statement iv: For DSA services, Triambak & Co is liable to pay GST under forward charge.: This statement is correct because as per Entry 11 of Notification 13/2017, if any services are provided by Individual Direct Selling Agents (other than a Body Corporate, Partnership, or Limited Liability Partnership) to a banking company or a

non-banking financial company located in the taxable territory, GST is paid by the banking company or the non-banking financial company under reverse charge. In the present case, services are provided by an LLP, not an individual, and therefore, the provisions of Reverse Charge mechanism won't apply. Hence, GST for DSA services would be paid under the forward charge mechanism.

The correct answer would be (c): i & iv.

2. (d)

Under GST, gifts provided by an employer to its employees exceeding ₹50,000 in a financial year are considered taxable supplies. However, gifts of up to ₹50,000 per employee per financial year are specifically excluded from the definition of "supply" as per Schedule I of the CGST Act. Therefore, such gifts are not considered either a supply of goods or a supply of services for GST purposes.

In this case, Triambak & Co is providing gifts worth ₹50,000 to each employee, which is within the limit for exclusion. Therefore, the answer is option (d): Neither supply of goods nor supply of services.

3. (b)

Let's analyze each statement:

- Statement i: Letting out of warehouse to Grushnesh is exempt.:
  - According to GST regulations, renting of warehouses is generally exempt from GST only if the warehouse is directly rented to an agriculturist or if the agricultural produce is stored directly by the warehouse owner.
  - In this case, M/s Triambak & Co is letting out its warehouse to Grushnesh, who subleases it to an agriculturist. Since the immediate tenant (Grushnesh) is not using the warehouse directly for storing agricultural produce but subletting it, the exemption does not apply. Thus, this transaction is taxable.
  - Hence, this statement is incorrect.
- Statement ii: Milling of paddy into rice is exempt.: Processes which are carried out after the cultivation is over are not considered as intermediate production processes in relation to cultivation of plants, and are hence, taxable. Milling of paddy into rice is one such process. Also, it changes the essential characteristics of rice. Therefore, this statement is incorrect.
- Statement iii: Letting out of warehouse to Grushnesh is not exempt.: This statement is correct. Refer explanation to Statement i.
- Statement iv: Milling of paddy into rice is not exempt.: This statement is correct. Refer explanation to Statement ii.

The correct answer would be option (b): iii & iv

4. (d)

In this scenario, M/s Triambak & Co is facing two specific demands from GST authorities:

- Demand to pay GST of ₹45,000 for suppression of sales figures in monthly returns, and
- Demand to pay GST ₹55,000 for fraudulently obtaining a refund of GST.

Under Section 17(5) of the CGST Act, 2017, input tax credit (ITC) is explicitly blocked for amounts paid due to tax fraud or non-compliance. Specifically, Section 17(5)(i) blocks the ITC for any tax paid "in accordance with the provisions of sections 74, 129, and 130":

- Section 74 deals with tax paid due to fraud, willful misstatement, or suppression of facts.
- Section 129 involves tax related to detention, seizure, and release of goods in transit.
- Section 130 is about tax when goods are confiscated.

In the case of M/s Triambak & Co, the demands for GST payment due to suppression of sales figures and fraudulent GST refunds likely fall under Section 74, which relates to tax paid due to fraud or misstatements. Thus, these amounts are explicitly blocked from being claimed as ITC under Section 17(5)(i).

Therefore, M/s Triambak & Co is not eligible to claim input tax credit on these amounts. The correct answer is option (d): NIL.

5. (a)

**Computation of Net GST Payable in Cash**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Output Liability		10,000	10,000	20,000
Less: Input Tax Credit				
IGST Credit utilised		-	-	8,000
		10,000	10,000	12,000
CGST Credit utilised		10,000		2,000
		-	10,000	10,000
SGST Credit utilised			5,000	
Net GST Payable (in Cash)		-	5,000	10,000

**Question 12 – ICAI**

M/s. Visali & Co, a Partnership firm, is engaged in manufacturing of equipments in the State of Kerala.

The firm became liable for registration on 10<sup>th</sup> July. It applied for registration on 10<sup>th</sup> August and was granted registration certificate by 14<sup>th</sup> August.

The firm received sponsorship services from “Leisure Treat Bay Private limited” for conducting a business expo. It received a consignment from M/s. Safe Logistics, a GTA, which charged 6% each CGST and SGST for its services. It also received security services from Prompt Security Agency Pvt. Ltd.

The firm had opted for composition levy and its turnover for the quarter ending September was ₹14 lakh, out of which taxable supply amounted to ₹10 lakh and exempt supply amounted to ₹4 lakh.

The firm made a supply of equipments to an unrelated limited company in the month of October having market value of ₹12 lakh, wholesale value of ₹13 lakh and maximum retail price was ₹14 lakh. However, the transaction was made at ₹11 lakh.

The firm belatedly paid the tax amounting to ₹40,000 for the quarter ending December on 9<sup>th</sup> February of the succeeding year.

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

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

- The effective date of registration of M/s. Visali & Co is \_\_\_\_\_
  - 10<sup>th</sup> July
  - 9<sup>th</sup> August
  - 10<sup>th</sup> August
  - 14<sup>th</sup> August
- Amongst the services availed by M/s. Visali & Co, which of the following services are taxable under reverse charge mechanism?



- i. Sponsorship services received from Leisure Treat Bay Pvt. Ltd. Co.
  - ii. GTA Services received from Safe Logistics
  - iii. Security Services received from Prompt Security Agency Pvt. Ltd.
- a. i
  - b. i & ii
  - c. i & iii
  - d. ii & iii
3. Determine the value of supply of equipments under section 15(1) of CGST Act, 2017 made by M/s. Visali & Co. in the month of October?
  - a. ₹14 lakh
  - b. ₹13 lakh
  - c. ₹12 lakh
  - d. ₹11 lakh
4. Compute the tax payable by the firm for the quarter ending September under CGST and SGST?
  - a. ₹5,000 each
  - b. ₹7,000 each
  - c. ₹10,000 each
  - d. ₹35,000 each
5. Compute the interest payable by the firm for the belated payment of tax?
  - a. ₹395
  - b. ₹434
  - c. ₹414
  - d. ₹552

### Solutions

1. (d)
 

According to GST regulations, when an entity applies for registration within 30 days of becoming liable for registration, the effective date is the date when the liability for registration arose. However, if registration is sought after this 30-day period, the effective date is the actual date when the registration certificate is granted.

In the case of M/s. Visali & Co., the firm became liable for registration on 10th July. The 30-day period ended on 9th August, but the firm applied for registration on 10th August, which exceeded the 30-day limit. Consequently, the effective date of registration is the date the certificate was granted, which was 14th August.
2. (a)
 

Let's analyze the applicability of the reverse charge mechanism (RCM) on each of these services:

  - Sponsorship services received from Leisure Treat Bay Pvt. Ltd. Co.: If any person supplies sponsorship services to any body corporate or partnership firm located in the taxable territory, GST is paid by the body corporate or partnership firm under reverse charge.
  - GTA services (Goods Transport Agency) received from Safe Logistics: Since GTA has charged GST @ 6% each for CGST and SGST, it implies that the GTA will pay GST under Forward Charge.
  - Security services received from Prompt Security Agency Pvt. Ltd.: If any person, other than a body corporate, supplies the services by way of supply of security personnel to a registered person located in the taxable territory, GST is paid by such taxable person under reverse charge. In the present case, security services are provided by Prompt

Security Agency Pvt. Ltd., which is a body corporate. Therefore, reverse charge mechanism doesn't apply here.

Therefore, among the services listed, only sponsorship services (option i) are taxable under RCM. The correct answer is option (a).

3. (d)

Section 15(1) of the CGST Act, 2017, outlines that the value of supply shall be the transaction value, which is the price actually paid or payable for the supply of goods or services, provided the supplier and recipient are not related, and the price is the sole consideration for the sale. In this case, M/s. Visali & Co. made a supply of equipment to an unrelated limited company at a transaction price of ₹11 lakh. The other price references (market value of ₹12 lakh, wholesale value of ₹13 lakh, and maximum retail price of ₹14 lakh) are not considered under Section 15(1) because the supply is to an unrelated party and the price of ₹11 lakh is the sole consideration.

Therefore, the value of supply under Section 15(1) is option (d): ₹11 lakh

4. (b)

For manufacturers under the composition scheme, GST is charged at a flat rate of 1% on the total turnover within the state or union territory, regardless of whether the supplies are taxable or exempt.

- Key Details:
  - Total turnover (taxable + exempt): ₹14 lakh
  - Applicable GST rate: 1% (0.5% CGST + 0.5% SGST)
- Calculation:
  - Total tax (1% on ₹14 lakh): ₹14,000
  - CGST: 0.5% of ₹14 lakh = ₹7,000
  - SGST: 0.5% of ₹14 lakh = ₹7,000

Therefore, the tax payable by the firm for the quarter ending September is option (b): ₹7,000 each.

5. (b)

A composition supplier is required to file the quarterly statement for payment of tax by the 18<sup>th</sup> of the month succeeding the quarter. Therefore, for the quarter ending December, the tax should have been paid by 18<sup>th</sup> January; however, the tax has been paid on 9<sup>th</sup> February. Therefore, there's a delay of 22 days. Therefore, interest @ 18% p.a. will be levied on ₹40,000 for 22 days. Interest =  $18\% \times ₹40,000 \times 22/365 = ₹433.97 \approx ₹434$ .

### Question 13 – ICAI

Mr. Mandeep, a registered dealer, is engaged in the business of supplying construction material in the State of Assam. He availed architect services for his business from his friend in London free of cost. He also availed designing services from his brother in London for ₹5 lakh for his personal purposes.

He availed services, from an entity in India, which are liable to tax under reverse charge for which date of invoice was 1<sup>st</sup> September, payment date as per his books of account and as per his bank account was 15<sup>th</sup> November and 18<sup>th</sup> November respectively.

His turnover for the current financial year is as follows:

- Taxable supply of goods – ₹55 lakh
- Exempt supply of goods – ₹16 lakh

- Inward supply liable to tax under reverse charge – ₹8 Lakh

He intends to start providing services, other than restaurant services, also from the next financial year and also to avail composition scheme under section 10(1) of the CGST Act, 2017. He also wishes to make supplies to the Government.

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

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

- In respect of services imported by Mr. Mandeep, which of the following is a correct statement?
  - Architect services for his business from his friend in London free of cost is considered as a supply
  - Designing services from his brother in London for ₹5 Lakh for his personal purposes is considered as a supply.
  - Architect services for his business from his friend in London free of cost is not considered as a supply
  - Designing services from his brother in London for ₹5 Lakh for his personal purposes is not considered as a supply.
  - i & ii
  - i & iv
  - ii & iii
  - iii & iv
- Determine the time of supply of services, received by Mr. Mandeep and taxable under reverse charge?
  - 1<sup>st</sup> September
  - 1<sup>st</sup> November
  - 15<sup>th</sup> November
  - 18<sup>th</sup> November
- Compute the aggregate turnover of Mr. Mandeep for the given financial year?
  - ₹63 lakh
  - ₹79 lakh
  - ₹71 lakh
  - ₹55 lakh
- Mr. Mandeep will be eligible for composition scheme under section 10(1) of the CGST Act, 2017, in the next financial year, but he can supply services only upto \_\_\_\_\_
  - ₹5.00 lakh
  - ₹6.3 lakh
  - ₹7.90 lakh
  - ₹7.10 lakh

#### Solution

- (c)

Let's review each statement:

- Statement (i): Architect services from his friend in London free of cost are considered as a supply.

Clarification: Importation of services is considered a supply only if it involves a consideration. In this case, the architect services are free of cost and provided by a

friend (who is not a related person or an establishment of the importer). As such, this will not be considered a supply.

- Statement (ii): Designing services from his brother in London for ₹5 lakh for personal purposes is considered as a supply.

Clarification: According to GST law, any importation of services for a consideration is considered a supply regardless of whether or not it's in the course or furtherance of business. Thus, the designing services from his brother are considered a supply even though they are for personal purposes.

- Statement (iii): Architect services from his friend in London free of cost are not considered as a supply.

Clarification: As explained in Statement (i), this service does not qualify as a supply because it's provided without consideration and by a person not classified as related. Therefore, this statement is correct.

- Statement (iv): Designing services from his brother in London for ₹5 lakh for personal purposes is not considered as a supply.

Clarification: Despite being for personal use, these services were imported for consideration, which makes them a supply under the GST law. This statement is incorrect.

Conclusion: Based on the above analysis, the correct combination is option (c) ii & iii.

2. (b)

According to Section 13(3) of the CGST Act, 2017, the time of supply for services under reverse charge mechanism is determined as follows:

The time of supply in respect of persons who are required to pay tax as recipients of service under the Reverse Charge Mechanism shall be the date of payment or the date immediately following 60 days from the date of issue of invoice by the supplier, whichever is earlier.

In the present case:

- Date of Invoice: 1<sup>st</sup> September
- Date of Payment: Earlier of 15<sup>th</sup> and 18<sup>th</sup> November, i.e., 15<sup>th</sup> November
- 61<sup>st</sup> Day from the date of invoice: 1<sup>st</sup> November

Therefore, time of supply shall be the earlier of 1<sup>st</sup> November, or 15<sup>th</sup> November, i.e., 1<sup>st</sup> November.

3. (c)

Aggregate Turnover = Taxable Supplies + Exempt Supplies = ₹55 lakhs + ₹16 lakhs = ₹71 lakhs.

4. (d)

A composition supplier who is either a manufacturer or a restaurant service provider or a trader of goods, may supply some other services upto the higher of:

- 10% of the "Turnover in State" or Union Territory in the preceding financial year, or
- ₹5,00,000

Accordingly,

- 10% of Turnover in State =  $10\% \times ₹71,00,000 = ₹7.10$  lakhs
- ₹5,00,000

Clearly, higher value is ₹7.10 lakhs, and therefore, option (d) is the answer.

#### Question 14 – ICAI

M/s. Shanky Consultants, a partnership firm, registered in Delhi, as a regular tax payer, renders following services during the year:

1. Security services: ₹2,00,00,000 to registered business entities.
2. Manpower services (Accountants): ₹5,00,000
3. Auditing services: ₹1,00,00,000

Other Information:

1. Shanky Consultants also paid sponsorship fees of ₹70,000 at seminar organized by a private NGO (a partnership firm) in Delhi.
2. Shanky Consultant pays rent amounting to ₹6,00,000 for a building owned by Municipal Corporation of Delhi.
3. Assume all services are taxable at 18% and all transactions to be intra-State supplies.

Based on the above information, answer the following questions:

1. What is the aggregate turnover of Shanky Consultants?
  - a. ₹3,05,00,000
  - b. ₹3,05,70,000
  - c. ₹1,05,00,000
  - d. ₹1,05,70,000
2. GST liability paid under reverse charge by Shanky Consultants is?
  - a. CGST: ₹60,300, SGST: ₹60,300
  - b. CGST: ₹6,300, SGST: ₹6,300
  - c. CGST: ₹54,000, SGST: ₹54,000
  - d. None of the above
3. State which of the following statement is true in respect of security services provided by Shanky Consultants to registered business entities:
  - a. Shanky Consultants shall issue GST compliant tax invoice.
  - b. Shanky Consultants shall issue bill of supply stating "Tax to be paid by service recipient under reverse charge".
  - c. Shanky Consultants can issue any document in lieu of tax invoice.
  - d. Shanky Consultants shall issue receipt voucher every time, it receives payment.

**Solution**

1. (a)

Here's the breakdown of how to calculate the aggregate turnover of Shanky Consultants under India's Goods and Services Tax (GST) framework:

- What is Included in Aggregate Turnover
  - Taxable services: Revenue from security, manpower, and auditing services are all taxable under GST.
  - Exempt Payments: The sponsorship fees paid to the NGO are not considered part of the taxable turnover.
  - Rent paid to the Municipal Corporation is also exempt.
- Calculation: Total Taxable Turnover:
  - Security Services: ₹2,00,00,000
  - Manpower Services: ₹5,00,000
  - Auditing Services: ₹1,00,00,000
  - Total: ₹3,05,00,000

Aggregate Turnover: The aggregate turnover is the total taxable turnover, which is ₹3,05,00,000 in this case.

2. (a)

The provisions of GST relating to reverse charge are:

- If any person supplies sponsorship services to any body corporate or partnership firm located in the taxable territory, GST is paid by the body corporate or partnership firm under reverse charge.
- When the services of renting of immovable property are provided by the Government (Central Government excluding the Ministry of Railways (Indian Railways), State Government or Union Territory or Local Authority) to any person registered under CGST Act, 2017, the registered person is required to pay GST under reverse charge.

Based on the above provisions,

- GST should be paid under RCM by Shanky Consultants for payment of sponsorship fees of ₹70,000 at seminar organized by a private NGO (a partnership firm) in Delhi.
- GST should be paid under RCM by Shanky Consultant for payment of rent amounting to ₹6,00,000 for a building owned by Municipal Corporation of Delhi.

Therefore, total value on which GST is to be paid on Reverse Charge Mechanism = ₹70,000 + ₹6,00,000 = ₹6,70,000.

CGST = 9% × ₹6,70,000 = ₹60,300; SGST = 9% × ₹6,70,000 = ₹60,300

3. (a)

Since M/s. Shanky Consultants is a partnership firm, registered in Delhi, as a regular tax payer, it has to issue a GST compliant tax invoice.

### Question 15 – ICAI

PTL Pvt. Ltd. is a retail store of merchandise located in 25 States in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched scheme of “Buy One Get One Free” for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. For saving cost, PTL Pvt. Ltd. directly purchases merchandise from the manufacturers.

In the month of May, in order to save employee cost, PTL Pvt. Ltd. purchased a tempo traveller worth ₹12,00,000 with seating capacity of 25 persons (including driver) for transportation of its employees. Further, for ensuring the well-being of its employees, PTL Pvt. Ltd. voluntarily obtained the health insurance cover of ₹2,00,000 for each employee in the same month. The premium of ₹1,500 per employee has been paid by the company for 100 employees.

In the month of July, Mr. Raghav, a customer of the company, filed a law suit in the Court, against the company for not supplying goods of the value of ₹1,00,000. PTL Pvt. Ltd. engaged Mr. Ram, an advocate, to represent it in Court for an agreed consideration of ₹25,000. As per the terms of the contract, Mr. Ram issued an invoice on 5th July. However, consideration was not paid till February next year.

All the amounts given above are excluding taxes and all transactions are intra-State transactions. Rates of tax are CGST - 9% and SGST – 9%. However, for tempo traveller, the rates of taxes are CGST - 14% and SGST – 14%.

In relation to the above, answer the following questions:

1. With respect to “Buy One, Get One free” offer, which of the following statements is true:
  - a. It will not be considered as supply at all since no consideration is involved in one of the items.

- b. Supply of item for which consideration is charged is a supply under section 7 of the CGST Act, 2017 while supply of the other item supplied free of cost is not a supply.
  - c. These are two individual supplies where a single price is charged for the entire supply. Since a single price is charged, the same will always be taxed as a mixed supply.
  - d. These are two individual supplies where a single price is charged for the entire supply. Their taxability will depend upon as to whether the supply is a composite supply or a mixed supply.
2. Eligible input tax credit for the month of May (i) on the purchase of tempo traveller and (ii) on health insurance premium paid (assuming that all other conditions, for availing input tax credit have been complied with) is:
- a. (i) CGST - Nil, SGST - Nil and (ii) CGST - Nil, SGST - Nil
  - b. (i) CGST - ₹1,68,000, SGST - ₹1,68,000 and (ii) CGST - Nil, SGST - Nil
  - c. (i) CGST - Nil, SGST - Nil and (ii) CGST - ₹18,000, SGST - ₹18,000
  - d. (i) CGST - ₹1,68,000, SGST - ₹1,68,000 and (ii) CGST - ₹18,000, SGST - ₹18,000
3. Which of the following statements is true in respect of the services of advocate availed by the company?
- a. CGST - ₹2,250 and SGST - ₹2,250 on advocate services are payable by PTL Pvt Ltd. ITC availed thereon is to be added to its output tax liability with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
  - b. CGST - ₹2,250 and SGST - ₹2,250 on advocate services are payable by Mr. Ram. ITC availed thereon is to be added to output tax liability of PTL Pvt Ltd. with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
  - c. CGST - ₹2,250 and SGST - ₹2,250 on advocate services are payable by PTL Pvt. Ltd. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.
  - d. CGST - ₹2,250 and SGST - ₹2,250 on advocate services are payable by Mr. Ram. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.

### Solution

1. (d)  
 In the "Buy One, Get One Free" scheme, two individual items are being offered together as a package. Under GST law, the taxability of such an arrangement hinges on the distinction between composite supply and mixed supply. A composite supply involves two or more goods or services that are naturally bundled and provided in conjunction with each other, where one is a principal supply. On the other hand, a mixed supply involves distinct goods or services that are bundled together and sold as a single package, but do not naturally relate to each other. In this case, the two shirts offered under the "Buy One, Get One Free" scheme are of the same type. Thus, they form a naturally bundled package and should be considered as a composite supply. The tax rate of the principal supply (the shirt for which consideration is charged) would apply to the entire package.  
 Therefore, the correct answer is option (d): These are two individual supplies where a single price is charged for the entire supply. Their taxability will depend upon as to whether the supply is a composite supply or a mixed supply.
2. (b)  
 Let's analyze the eligibility of input tax credit for each transaction:
- Tempo Traveller:

- According to the GST law, input tax credit (ITC) is not allowed on motor vehicles for transportation of persons with a seating capacity of up to 13 people, including the driver. However, ITC is allowed if the vehicle is used for providing certain services like transportation, driving training, or passenger transport, or if the seating capacity exceeds 13 people.
- In this case, the tempo traveler has a seating capacity of 25, which is above the threshold of 13, making it eligible for ITC.
- The tax rate for the tempo traveler is CGST 14% and SGST 14%.
- ITC calculation:
  - Purchase value: ₹12,00,000
  - CGST (14%): ₹12,00,000 × 14% = ₹1,68,000
  - SGST (14%): ₹12,00,000 × 14% = ₹1,68,000
- Health Insurance Premium:
  - Under GST law, ITC on health insurance premiums is generally not allowed unless it's mandated by law or as part of an employer-employee contractual obligation.
  - In this case, the health insurance was voluntarily obtained by PTL Pvt. Ltd. and is not a statutory requirement. Therefore, the company is not eligible to claim ITC on the health insurance premium.

The eligible input tax credit is option (b): (i) CGST - ₹1,68,000, SGST - ₹1,68,000 and (ii) CGST - Nil, SGST - Nil

3. (c)

Under the GST framework, legal services provided by an individual advocate or firm are covered under the reverse charge mechanism (RCM). In such cases, the recipient of the services is responsible for paying the GST instead of the service provider.

Here's how it applies in this situation:

- GST Liability on Advocate Services:
  - As PTL Pvt. Ltd. availed services from an advocate, the company is liable to pay GST under RCM at 18% (CGST 9% and SGST 9%).
  - The service fee charged by Mr. Ram, the advocate, is ₹25,000.
  - Therefore, GST payable by PTL Pvt. Ltd. would be:
    - CGST (9% of ₹25,000) = ₹2,250
    - SGST (9% of ₹25,000) = ₹2,250
- Input Tax Credit (ITC) and the 180-Day Rule:
  - Under Section 16 of the CGST Act, ITC can be availed on GST paid under RCM.
  - The 180-day rule generally requires that ITC be reversed if payment for an invoice is not made within 180 days.
  - However, this rule does not apply for services covered under RCM, so ITC remains valid even if the payment to the advocate is delayed beyond 180 days.

Therefore, the correct statement is option (c): CGST - ₹2,250 and SGST - ₹2,250 on advocate services are payable by PTL Pvt. Ltd. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.