

Super 30 Questions – GST

Chapter 2 – Supply Under GST

Question 1 – RTP May, 2024

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

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

Also state the conditions to be complied with.

Solution

Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act has been specifically declared to be a supply of service vide para 5(e) of Schedule II of the CGST Act, 2017 if the same constitutes a supply as per the CGST Act, 2017.

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

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

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

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

Question 2 – November 2023 – 2 Marks each

Examine whether the following activities would be treated as supply under GST law?

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

Solution

1. Donations received by the charitable organisations are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything (supply a service).
Since the name of the donor, Mr. Sonu is displayed in temple as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business, hence, donation of water cooler by Mr. Sonu to temple is without quid pro quo and is, thus, not a supply under GST law.
However, supply of water cooler by Malhotra Bros. to Mr. Sonu is supply as it is made for consideration in course or furtherance of business.
2. As per schedule I, in case of import of services by a person from a related person or from his establishments located outside India, without consideration, in the course or furtherance of business shall be treated as "supply".
Hence, services received by Wesco Ltd. qualify as supply even though such services have been provided free of cost by the head office.

Chapter 3 – Charge of GST

Question 3 – MTP May, 2024 – Series I – 6 Marks

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

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

Solution

1. As per Para I of Schedule III of the CGST Act, 2017 services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e., they are neither supply of goods nor supply of services. Services provided by the independent directors who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable. Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis.
Thus, GST is applicable in this case and Star Company Private Limited is liable to pay GST.
2. The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III of the CGST Act, 2017.
Further, the part of employee director's remuneration which is declared separately other than salaries in the company's accounts and subjected to TDS under section 194J of the IT Act as fees for professional or technical services are treated as consideration for providing services which are outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis. In lieu of the above provisions, ₹60,000 declared as salaries in the books of Star Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III of the CGST Act, 2017.
Further, ₹65,000 declared separately other than salaries in the Star Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III of the CGST Act, 2017 and is therefore, taxable. The recipient of the said services i.e., the Star Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

Question 4 – January, 2021 (Similar) – 5 Marks

Mr. Vicky Frankyn, an unregistered famous author, received ₹ 3 crore of consideration from Shiv Bhawan Publications (SBP) located in Indore for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. He finished his work and made available the book to the publisher, but has yet not raised the invoice. Mr. Vicky Frankyn is of the view that SBP is liable to pay tax under reverse charge on services provided by him. SBP does not concur with his view and is not ready to deposit the tax under any circumstances. Examine whether the view of Mr. Vicky Frankyn is correct. Further, if the view of Mr. Vicky Frankyn is correct, what is the recourse available with Mr. Vicky Frankyn to comply with the requirements of GST law as SBP has completely refused to deposit the tax.

Solution

Yes, the view of Mr. Vicky Frankyn is correct. GST is payable under reverse charge in case of supply of services by an author by way of transfer/permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary work to a publisher located in the taxable territory in terms of reverse charge Notification No. 13/2017. Therefore, in the given case, person liable to pay tax is the publisher, i.e., SBP.

However, since SBP has completely refused to deposit the tax on the given transaction, Mr. Vicky Frankyn has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfil the following conditions:

1. Since he is unregistered, he first has to take registration under the CGST Act, 2017
2. He needs to file a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) of the CGST Act, and to comply with all the provisions as they supply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option;
3. He has to make a declaration on the invoice, which he would issue to SBP, in prescribed form.

Chapter 4 – Composition Levy

Question 5

Mr. NISH10 opened a retail shop – ‘Aapki Dukaan’ in Janta Market, Jaipur, Rajasthan on 1st April, 2022. He opted to pay tax under section 10(1) of the CGST Act, 2017 in the said financial year. The aggregate turnover of the retail shop for the quarter ending 30th June, 2022 was ₹40 lakh. Further, for the half year ending 30th September, 2022, the turnover reached ₹85 lakh. Aapki Dukaan recorded a rapid growth and the turnover reached ₹150 lakh by the end of December, 2022 and ₹165 lakh by the end of January, 2023. Determine the total tax liability of Aapki Dukaan. Mr. NISH10 has duly complied with the provisions of GST laws. Normal rate of tax in respect of goods sold in shop is 12%.

Solution

Section 10(1) of the CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹1.5 crore in the State of Rajasthan, will be eligible to opt for payment of tax under the composition scheme.

According to Section 10(3), the benefit of composition scheme can be availed up to the aggregate turnover of ₹1.5 crore in the current financial year. The option availed of by a registered person under Section 10(1) shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit of ₹1.5 crore.

For the purposes of determining the tax payable by a person under this section, the expression “turnover in State or turnover in Union Territory” shall not include the value of following supplies, namely:

1. Supplies from the first day of April of a Financial Year upto the date when such person becomes liable for registration under this Act; and
2. Exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Thus, Aapki Dukaan is eligible to pay tax under this section upto the turnover of ₹150 lakh. The total tax payable by it is as under:

Period	Cumulative Turnover	Turnover for the Period	Tax Rate	Tax Liability
1st Quarter	40,00,000	40,00,000	Since the turnover did not exceed ₹40 lakhs, there's no need to obtain registration. Hence, no tax is to be paid.	-
2nd Quarter	85,00,000	45,00,000	1%	45,000
3rd Quarter	1,50,00,000	65,00,000	1%	65,000
4th Quarter	1,65,00,000	15,00,000	12%	1,80,000
Total				2,90,000

Question 6

Chanchal started providing beauty and grooming services and inaugurated “Care & Care Beauty Centre” in Janak Puri, Delhi on 1st April, 2022. She opted to pay tax under section 10(2A) of the CGST Act, 2017 in the said financial year. The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 2022 was ₹20 lakhs. Further, for the half year ending 30th September, 2022, the turnover reached ₹50 lakhs. Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹70 lakh by the end of October, 2022. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 2022.

Care & Care Beauty Centre wishes to opt for composition scheme under section 10(1) from the next financial year. You are required to advise it whether it can do so.

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

Solution

Section 10(2A) of the CGST Act, 2017 provides an option to a registered person to pay CGST @ 3% [Effective rate 6% (CGST + SGST/UTGST)] on first supplies of goods and/or services upto an aggregate turnover of ₹50 lakh made on/after 1st April in any financial year, subject to specified conditions.

According to the Explanation, for the purposes of determining the tax payable by a person under this section, the expression “turnover in State” or “turnover in Union Territory” shall not include the value of following supplies, namely:

1. Supplies from the first day of April of a financial year upto the date when such person becomes liable for registration under this Act; and
2. Exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

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

Period	Cumulative Turnover	Turnover for the Period	Tax Rate	Tax Liability
1st Quarter	20,00,000	20,00,000	Since the turnover did not exceed ₹20 lakhs, there's no need to obtain registration. Hence, no tax is to be paid.	-
2nd Quarter	50,00,000	30,00,000	6%	1,80,000
October 2022	70,00,000	20,00,000	18%	3,60,000
Total				5,40,000

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

Chapter 5 – Place of Supply

Question 7 – MTP May, 2024 – Series I – 5 Marks

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

Solution

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

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

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

Question 8 – RTP May, 2024

With reference to GST law, Determine the place of supply with reasons in the following independent circumstances:

1. Miss Kanika of Kolkata (West Bengal) visited to Jodhpur Law University (Rajasthan) and paid her college fees by purchasing a demand draft from a bank located in the University campus. Miss Kanika did not have any account with the bank.
2. Mizu Machine Ltd., registered in the State of Andhra Pradesh, supplied a machinery to Keyan Wind Farms Ltd., registered in the State of Karnataka. However, this machinery was assembled and installed at the wind mill of Keyan Wind Farms Ltd., which was located in the State of Tamilnadu.

Solution

1. Section 12(12) of the IGST Act, 2017 provides that the place of supply of banking and other financial services, including stock broking services to any person is the location of the recipient of services in the records of the supplier of services. However, if the location of recipient of services is not available in the records of the supplier, the place of supply is the location of the supplier of services. Therefore, since the location of recipient is not available in the records of the supplier, the place of supply is the location of the supplier of services, i.e. Rajasthan (or Jodhpur).
2. Section 10(1)(d) of the IGST Act, 2017 provides that if the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly. Thus, the place of supply is the site of assembly of machine, i.e., Tamilnadu.

Question 9 – MTP May, 2024 – Series II – 5 Marks

Discuss briefly the place of supply of goods purchased over the counter in one State and transported to another State by the buyer.

Solution

There are cases where an unregistered person purchases goods over the counter (OTC) in one State and thereafter, transports the goods to another State (generally, the State where he resides). For instance, migrant workers, tourists, etc. who come to a State for work, tourism, etc. and purchase goods in that State to take it to their respective State. Similarly, in automobile sector, the residents of a State may travel to another State to purchase vehicle from that State to take advantage of lower registration charges and road tax, which vary from State to State and thereafter, take the vehicle to their State.

Where the supply of goods is made to a person other than a registered person, the place of supply shall be the location as per the address of the said person recorded in the invoice issued in respect of the said supply and the location of the supplier where the address of the said person is not recorded in the invoice.

For this purpose, recording of the name of the State of the said person in the invoice shall be deemed to be the recording of the address of the said person.

Chapter 6 – Exemptions from GST

Question 10 – MTP May, 2024 – Series I – 4 Marks

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

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

Comment on the taxability or otherwise of the above transactions under GST law. Also state the correct legal provisions for the same.

Solution

S. No.	Description of Services Provided	Taxability
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods. (Pure services provided to Government are exempt.)	Exempt
(ii)	Service provided by Fair Price Shops owned by Nath Services Limited by way of sale of sugar under Public Distribution System against consideration in the form of commission. (Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against consideration in the form of commission is exempt.)	Exempt
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares alongwith maintenance. Generally replacement of defunct lights and other spares constitutes 35% of the supply of service. (Composite supply of goods and services to Government in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply is exempt. Since, in this case value of supply of goods constitutes 35% of the supply of composite service, same is taxable.)	Taxable
(iv)	Service of brochure distribution provided under a training programme for which 70% of the total expenditure is borne by the Government. (Services provided to the Government under any training programme for which 75% or more of the total expenditure is borne by the Government is exempt. Since in the given case, 70% of the total expenditure is borne by the Government, it is taxable.)	Taxable

Question 11 – May, 2019 – 4 Marks

Decide with reason whether the following independent services are exempt under CGST Act, 2017:

1. Gokul Residents' Welfare Association received ₹ 9,000 per month as contribution from each member for sourcing of goods and services from third persons for common use of its members.
2. Mr. Vikalp, a performing artist, has received ₹ 1,58,000 from performance of classical dance and ₹ 90,000 from acting in TV Serial during the month of June 2023.

Solution

1. Service by an unincorporated body or a non-profit entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹ 7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in a housing Society or residential complex is exempt from tax.
In this case, the monthly bill is ₹ 9,000 and the same is on account of services were common use of its members. Hence exemption of ₹ 7,500 shall not be available and GST will be payable on entire amount of ₹ 9,000.
2. The activities by performing artist in folk or classical art forms of music, dance or theatre are exempt if consideration does not exceed ₹ 1,50,000. However, if consideration from such activities exceeds ₹ 1,50,000 entire consideration, subject of GST.
Further, all other activities by an artist and other art forms, e.g., western music or dance, Modern theatres, performance of actors in films of television series would be taxable. Similarly, activities of artists in still art forms, e.g., painting, sculpture, making etc are taxable. Thus, ₹ 1,58,000 received by Mr Vikalp from performing classical dance and ₹ 90,000 from acting in TV serial will be liable to GST.

Chapter 7 – Time of Supply

Question 12 – RTP May, 2024

From the following information provided by M/s Sasta Bazaar. Determine the time of supply for the purpose of payment of GST:

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

Solution

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

- Date of issue of the voucher, if the supply that it covers is identifiable at that point, or
 - Date of redemption of the voucher in other cases.
1. In the given case, supply can be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their issue i.e. 20.06.2023.
 2. In the given case, supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption i.e. 18.08.2023.
 3. Section 12(6) of the CGST Act, 2017 prescribes that time of supply in case of addition in value on account of interest/late fee/penalty for delayed payment of consideration for goods is the date on which the supplier receives such addition in value. Therefore, time of supply in the given case is 11.11.2023.

Question 13 – December, 2021 – 5 Marks

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

Solution

Alternative 1: Assuming that services of transportation of goods by road have been provided by a GTA which is taxable under reverse charge mechanism

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

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

1. Date of making payment, or
2. 61st Day from the date of issue of invoice by supplier

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

1. 25th August or
2. 20th August (61st day from 20th June)

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

Alternative 2: Assuming that services of transportation of goods by road have been provided by a GTA which has paid GST @ 12% or at 5% and GTA has exercised the option to pay tax under forward charge mechanism. Thus, GST is payable on forward charge.

The time of supply of services in case where the invoice is issued within 30 days of provision of service is the earlier of date of invoice or date of receipt of payment.

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

Chapter 8 – Value of Supply

Question 14 – MTP May, 2024 – Series I – 5 Marks

Gulati Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Mridul Traders and Kalu Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Gulati Ltd. has furnished the following details for the current month:

S. No.	Particulars	Mridul Traders (₹)	Kalu Motors Ltd. (₹)
(i)	Price of the goods (excluding GST)	10,000	30,000
(ii)	Packing charges	500	
(iii)	Commission	500	
(iv)	Weighment charges		2,000
(v)	Discount for prompt payment (recorded in the invoice)		1,000

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

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

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

Make suitable assumptions, wherever necessary.

Solution

Computation of GST liability

Particulars	Mridul Traders (₹)	Kalu Motors Ltd. (₹)
Price of Goods	10,000	30,000
Add: Packing Charges (Note 1)	500	-
Commission (Note 1)	500	-
Weighment Charges (Note 1)	-	2,000
	11,000	32,000
Less: Discount for Prompt Payment (Note 2)	-	1,000
Value of Taxable Supply	11,000	31,000
IGST Payable @ 18% (Note 3)	1,980	
CGST Payable @ 9% (Note 4)		2,790
SGST Payable @ 9% (Note 4)		2,790

Notes:

- Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weighment charges are also incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].
- Since discount is known at the time of supply, it is deductible from the value in terms of section 15 of the CGST Act, 2017.
- Section 10 of the IGST Act, 2017 provides that where the supply involves movement of goods, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. Thus, place of supply is Gujarat. Further, where the location of the supplier and the place of supply are in two different States,

supply of goods shall be treated as a supply of goods in the course of inter-State trade or commerce. Since supply made to Mridul Traders is an inter-State supply, IGST is payable.

4. Since Kalu Motors Ltd. is located in Pune (Maharashtra), location of supplier and the place of supply are in the same state, i.e., Maharashtra. Therefore, it is an intra-state supply, and CGST and SGST are attracted.

CA NISHANT KUMAR

Question 15 – May, 2022 – 6 Marks

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

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

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

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

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

Solution**Computation of Value of Taxable Supply Made by XYZ Pvt. Ltd.**

Particulars	₹
List price of the goods (exclusive of taxes and discount)	50,000
Tax levied by the Municipal Authority on the sale of such goods (Note 1)	6,000
Packing charges (Note 2)	2,500
Subsidy received from an NGO, directly linked to price (Note 3)	-
Paid to one of the vendors by ABC Pvt. Ltd. in relation to the service provided by the vendor to XYZ Pvt. Ltd. (Note 4)	2,000
Turnover Discount (Note 5)	-
Interest for Delayed Payment ($₹ 5,000 \times 100 \div 118$) (Note 6)	4,237
Value of Taxable Supply	64,737

Notes:

1. Taxes other than GST, if charged separately, are includible in the value of supply.
2. Packing charges, being incidental expenses, same are includible in the value of supply.
3. Since subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply. Since it is already included in the price, no treatment is required.
4. Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply. It has been most logically assumed that service provided by the vendor to XYZ Pvt. Ltd. is in relation to supply of goods by XYZ Pvt. Ltd. to ABC Pvt. Ltd.
5. Since discount is not known at the time of supply, it is not deductible from the value of supply.
6. Interest for delayed payment is includible in the value of supply.

Chapter 9 – Input Tax Credit

Question 16 – RTP May, 2019

Mr. Ekaant, a supplier registered in Delhi, is engaged in the business of sale and purchase of plastic raincoats. He furnishes the following information pertaining to inward/outward supply made by him for the month of July, 2022:

Particulars	₹
Value of inter-State outward supply to registered persons	30,00,000
Value of intra-State outward supply to registered persons	50,00,000
Value of intra-State outward supply to unregistered persons	15,00,000
Value of intra-State inward supply from registered persons	10,00,000
Value of inter-State inward supply from registered persons	5,00,000
Value of intra-State inward supply from unregistered persons	2,00,000

Following additional information is also provided by Mr. Ekaant:

Particulars	₹
IGST credit on capital goods purchased in the month of July	1,50,000
CGST/SGST credit on other inward supplies [including credit of ₹ 5,000 (CGST and SGST each) on account of membership of a club]	50,000
Availed consultancy services from Mr. Sujit, advocate located in Delhi [Intra-State services]	1,00,000

The amount of ITC brought forward in the month of July, 2022 is as under:

CGST : ₹ 2,00,000
 SGST : ₹ 2,00,000
 IGST : ₹ 5,00,000

Calculate the net GST liability (CGST and SGST or IGST, as the case may be) to be paid in cash for the month of July, 2022 by assuming the rates of GST as under:

CGST 9% SGST 9% IGST 18%

Note:

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

Solution

Computation of Net GST Payable in Cash by Mr. Ekant

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Value of Intra-state legal consultancy services, i.e., inward supplies liable to reverse charge mechanism (to be paid in cash) (A) (Note 1)	1,00,000	9,000	9,000	
Value of Inter-State outward supplies (B1)	30,00,000			5,40,000
Value of Intra-State outward supplies to registered persons as well as to unregistered persons (B2) (₹ 50,00,000 + ₹ 15,00,000)	65,00,000	5,85,000	5,85,000	
Total (B) = (B1) + (B2)		5,85,000	5,85,000	5,40,000
Less: Input Tax Credit (Note 2)				
IGST Credit utilised (Note 6)		2,00,000		5,40,000
		3,85,000	5,85,000	-
CGST Credit utilised		3,44,000		-
		41,000	5,85,000	-

SGST Credit utilised			3,44,000	-
Liability after Set-Off		41,000	2,41,000	-
Add: GST on Reverse Charge to be paid in cash		9,000	9,000	-
Net GST Payable in Cash		50,000	2,50,000	-

Notes:

1. Services supplied by an individual advocate to any business entity located in the taxable territory by way of legal services, directly or indirectly are taxable under reverse charge mechanism. Thus, tax is payable by the recipient (Mr. Ekaant) on said services to the Government. Further, as per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger [ITC amount] may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.
2. Computation of Input Tax Credit Available

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening Balance		2,00,000	2,00,000	5,00,000
Value of Intra-State inward supplies from a registered person (Note 3)	10,00,000	90,000	90,000	
Value of Inter-State inward supplies from a registered person (Note 3)	5,00,000			90,000
Value of Intra-State inward supplies from an unregistered person (Note 4)	2,00,000			
IGST Credit for Capital Goods (Note 3)				1,50,000
Credit on other inward supplies purchased in the month of July less credit on membership of club (Notes 3 and 5)		45,000	45,000	
Credit of legal consultancy services (Note 3)		9,000	9,000	
Total ITC Available		3,44,000	3,44,000	7,40,000

3. Every registered person is entitled to take credit of input tax charged on any inward supply of goods and/or services which are used or intended to be used in the course or furtherance of his business in terms of section 16 of CGST Act, 2017. Further "input tax" in relation to a registered person includes the tax payable under reverse charge mechanism in terms of section 2(62) of the CGST Act, 2017.
4. Notified intra-State supplies received by a notified registered person from any unregistered supplier, are liable to GST under RCM. Since such supplies have not been notified u/s 9(4) GST is not payable on same. Since no tax has been paid, so no credit is available.
5. Input tax credit is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.
6. Once the IGST credit is utilised towards IGST liability, the balance can be utilised for either CGST liability or SGST liability in any order. After utilising the IGST credit against the IGST liability, the balance IGST has been utilised towards CGST. Alternate answers are also possible.

Question 17 – May, 2018 – 4 Marks

Fun Pharma Private Limited, a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information of GST paid on the purchases made/input services availed by it during the month of September 2022:

Inward Supplies	GST (₹)
1. Purchase of cabs used for the transportation of its employees	3,30,000
2. Inputs consisting of three lots, out of which first lot was received during the month	1,25,000
3. Capital Goods (out of three items, invoice for one item was missing and GST paid on that item was ₹ 25,000)	2,50,000
4. Outdoor catering service availed on Women's day	72,000

Determine the amount of Input Tax Credit available with M/s. Fun Pharma Private Limited for the month of September 2021 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.

Solution

Computation of ITC available with Fun Pharma Private Ltd. for the month of September, 2022

Particulars	₹
Purchase of cabs used for the transportation of its employees (Note 1)	-
Inputs consisting of three lots, out of which first lot was received during the month (Note 2)	-
Capital Goods (out of three items, invoice for one item was missing and GST paid on that item was ₹ 25,000) (Note 3)	2,25,000
Outdoor catering service availed on Women's day (Note 4)	-
Total input tax credit available	2,25,000

Notes:

1. As per Section 17(5)(a), no Input tax credit is available in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), unless they are used for making the following taxable supplies, namely: (A) further supply of such motor vehicles; or (B) transportation of passengers; or (C) imparting training on driving such motor vehicles. Hence, no input tax credit is available on the said motor vehicles.
2. As per first proviso to Section 16(2), when inputs are received in lots/instalments, ITC can be availed only on receipt of last lot/instalment.
3. As per Section 16(2)(a), ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC.
4. As per Section 17(5)(b), input tax credit cannot be availed in respect of supply of outdoor catering service.

Question 18 – November, 2018 – 4 Marks

CANWIN Ltd., a registered supplier, is engaged in the manufacture of Tanks. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of January 2023:

Inward Supplies	GST (₹)
1. Purchase of Machinery where debit note is issued	1,15,000
2. Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
3. Computers purchased (Depreciation was claimed on the said GST portion under the ITA, 1961)	50,000
4. Works Contract services availed for construction of Staff quarters within the company premises	4,25,000

Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January 2023 by giving brief explanations for treatment of various items. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.

Solution**Determination of the amount of ITC available to M/s. CANWIN Ltd.**

Particulars	₹
Purchase of Machinery where debit note is issued (Note 1)	1,15,000
Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier (Note 2)	80,000
Computers purchased (Depreciation was claimed on the said GST portion under the ITA, 1961) (Note 3)	-
Works Contract services availed for construction of Staff quarters within the company premises (Note 4)	-
Total input tax credit available	1,95,000

Notes:

- ITC can be availed on the basis of debit note issued by the supplier in accordance with Rule 36 of CGST Rules, 2017.
 - As per Explanation to Section 16(2), it shall be deemed that the registered person has received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise. Thus, ITC can be availed in case the goods are directly delivered to job-worker on direction of CANWIN Ltd.
- As per Section 16(3), where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed.
- The same comes under the ambit of blocked credit u/s 17(5)(c), hence ITC shall not be admissible.

Question 19 – RTP November, 2018

Cloud Seven Private Limited, a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of February, 2023:

Inward Supplies	GST (₹)
1. Trucks used for the transport of raw material	1,20,000
2. Food and beverages for consumption of employees working in the factory	40,000
3. Inputs are to be received in five lots, out of which third lot was received during the month	80,000
4. Membership of a dub availed for employees working in the factory	1,50,000
5. Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000)	4,00,000
6. Raw material (to be received in March, 2023)	1,50,000

Determine the amount of input tax credit available with Cloud Seven Private Limited for the month of February, 2023 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.

Solution

Computation of ITC available with Cloud Seven Private Limited

Particulars	₹
Trucks used for the transport of raw material (Note 1)	1,20,000
Food and beverages for consumption of employees working in the factory (Note 2)	-
Inputs are to be received in five lots, out of which third lot was received during the month (Note 3)	-
Membership of a dub availed for employees working in the factory (Note 4)	-
Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000) (Note 5)	3,50,000
Raw material (to be received in March, 2023) (Note 6)	-
Total input tax credit available	4,70,000

Notes:

1. ITC on motor vehicles used for transport of goods is not blocked u/s17(5) of the CGST Act, 2017.
2. As per Section 17(5)(b), ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply or where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.
3. When inputs are received in instalments, ITC can be availed only on receipt of last instalment [Section 16(2)].
4. Membership of a club is specifically disallowed under section 17(5) of the CGST Act, 2017.
5. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2) of CGST Act, 2017].
6. Input tax credit is available only upon the receipt of goods in terms of section 16(2) of CGST Act, 2017.

Chapter 10 – Registration

Question 20 – MTP May, 2024 – Series I – 5 Marks

Examine whether the supplier of goods is liable to get registered in the following independent cases:

1. Om Sai Builders of Rohini, Delhi is exclusively engaged in intra-State taxable supply of building bricks. It's aggregate turnover in the current financial year is ₹23 lakh.
2. Hukum Chand of Himachal Pradesh is exclusively engaged in intra-State taxable supply of footwear. His turnover in the current financial year (FY) from Himachal Pradesh showroom is ₹32 lakh. He has another showroom in Nagaland with a turnover of ₹11 lakh in the current FY.

Solution

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to get registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

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

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

1. The benefit of enhanced threshold limit of registration of ₹40 lakh is not applicable for Om Sai Builders even though it is exclusively engaged in intra-State taxable supply of goods in Delhi as it is engaged in making supplies of building bricks. Thus, the applicable threshold limit for registration for Om Sai Builders in the given case is ₹20 lakh. Thus, it is liable to get registered under GST as its turnover is more than the threshold limit.
2. Hukum Chand could have been eligible for enhanced threshold limit of turnover for registration, i.e. ₹40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Hukum Chand is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to ₹10 lakh. Thus, Hukum Chand is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States.

Question 21 – RTP May, 2018

Rishabh Enterprises, a sole proprietorship firm, started an air-conditioned restaurant in Virar, Maharashtra in the month of February wherein the customers are served cooked food as well as cold drinks/non-alcoholic beverages. In March, the firm opened a liquor shop in Kohima, Nagaland for trading of alcoholic liquor for human consumption. Determine whether Rishabh Enterprises is liable to be registered under GST law with the help of the following information:

Particulars	February* (₹)	March* (₹)
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	5,50,000	6,50,000
Sale of alcoholic liquor for human consumption in Nagaland		5,00,000
Supply of wholly exempt services	1,00,000	1,00,000
Export of packed food items from restaurant in Maharashtra	1,50,000	2,00,000

* excluding GST

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

Solution

A supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds ₹ 20 lakh.

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

In the given question, since Rishabh Enterprises is engaged in making taxable supplies of goods and services from Maharashtra which is not a specified Special Category State, the threshold limit for obtaining registration is ₹ 20 lakh. It will not get the benefit of higher threshold limit of ₹ 40 lakhs since it is not engaged in exclusive supply of goods as it is also providing exempt services. The threshold limit is not reduced to ₹ 10 lakh in this case, as sale of alcoholic liquor for human consumption from Nagaland (one of the specified Special Category States) are non-taxable supplies.

Aggregate turnover includes the aggregate value of:

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

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

In the light of the aforementioned provisions, the aggregate turnover of Rishabh Enterprises is computed as under:

Particulars	Turnover of February	Cumulative Turnover of February and March
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	5,50,000	12,00,000

Add: Sale of alcoholic liquor for human consumption in Nagaland (Note 1)	-	5,00,000
Supply of wholly exempt services (Note 2)	1,00,000	2,00,000
Export of packed food items from restaurant in Maharashtra	1,50,000	3,50,000
Aggregate Turnover	8,00,000	22,50,000

Notes:

1. As per Section 2(47) of the CGST Act, 2017, exempt supply includes non-taxable supply. Thus, supply of alcoholic liquor for human consumption in Nagaland, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.
2. Supply of wholly exempt services is includible while computing the aggregate turnover.

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

Chapter 11 – Tax Invoice, Credit and Debit Notes

Question 22 – RTP May, 2024

The aggregate turnover of M/s Mangal & Co., a registered person, for the financial year 2022-2023 was ₹8 Crores. It approaches you as GST Consultant for the issue of e-invoicing. Advice whether it is mandatory to issue e-invoice? Also list out the entities which are exempt from the mandatory requirement of e-invoicing.

Solution

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

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

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

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

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

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

Chapter 12 - Accounts and Records

Question 23 – MTP May, 2024 – Series I – 5 Marks

Mr. Mehta is engaged in the business of trading of books. He is eligible for composition scheme and has opted for the same. He seeks your advice for records which are not required to be maintained by him as composition taxable person.

Solution

A supplier who has opted for composition scheme is not required to maintain records relating to:

1. Stock of goods: Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
2. Details of tax: Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

Thus, Mr. Mehta is not required to maintain above mentioned records.

Chapter 14 – Payment of Tax

Question 24 – MTP May, 2024 – Series I – 10 Marks

Vishnu Pvt. Ltd., a registered supplier of goods and services at Kolkata has furnished the following information for the month of February:

S. No.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods including ₹1,00,000 received as advance in January, the invoice for the entire sale value is issued on 15th February	4,00,000
(ii)	Purchase of goods from a composition dealer, registered in Kolkata	5,50,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
(iv)	Membership of a club availed for employees working in the factory (It is an intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GTA has exercised option to pay tax @12% (It is an inter-State transaction)	2,00,000
(vi)	Inter-State services provided by way of training in sports	10,000
(vii)	Inter-State security services provided to Bharat higher secondary school for their annual day function organised in Kaman Auditorium outside the School campus	15,000
(viii)	Inputs to be received in 4 lots, out of which 2 nd lot was received during the month	40,000

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

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

Note:

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

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

Solution

Computation of Minimum GST Payable in Cash

Particulars	Value	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Intra-State supply of taxable goods (Note 1)	4,00,000	36,000	36,000	-
Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (Note 2)	1,00,000	9,000	9,000	-
Services provided by way of training in recreational activities relating to sports (Note 3)	10,000	-	-	1,800
Inter-State security services provided to Bharat higher secondary school for their annual day function to be held in Kaman Auditorium (Note 4)	15,000	-	-	2,700
Total GST Payable		45,000	45,000	4,500
Less: Input Tax Credit (Note 5)				

IGST Credit Utilised (Note 6)		24,500	45,000	4,500
		20,500	-	-
CGST Credit Utilised		20,500	-	-
		-	-	-
SGST Credit Utilised		-	-	-
Minimum GST Payable		-	-	-
ITC Carried Forward		36,500		

Notes:

1. A registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12 of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued. Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.
2. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt. Labour contracts for repairing are thus, taxable.
3. Services by way of training in sports is exempt under GST, only if provided by charitable entities registered under section 12AA or section 12AB of the Income-tax Act, 1961. Thus, in the given case, said service is taxable.
4. Security services provided to Bharat higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt.
5. Calculation of ITC Available

Particulars	Value	CGST (₹)	SGST (₹)	IGST (₹)
Opening ITC		57,000	-	50,000
Purchase of goods from a composition dealer, registered in Kolkata (ITC is not available in case of supply of goods where tax has been paid under composition scheme)	5,50,000	-	-	-
Membership of a club availed for employees working in the factory (It is an intra-State transaction) (Blocked Credit)		-	-	-
Goods transport services received from GTA (Input tax credit is available for the services received from GTA as the same are used in the course or furtherance of business)	2,00,000			24,000
Inputs to be received in 4 lots, out of which 2nd lot was received during the month (In case of goods received in lots, ITC can be taken only upon receipt of the last lot)	40,000	-	-	-
Total ITC		57,000	-	74,000

6. Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow.

Question 25 – July, 2021 – 8 Marks

X Electronics is a registered manufacturer of electrical appliances.

It made contract with dealers, that purchase of air conditioners of capacity 1.5 ton in the month of October, 2022 of quantity of more than 50 units will entitle them for 10% discount.

Inter-State supply made during the month of October 2022 is ₹ 50,00,000

Details of Intra-State supply:

Particulars	Amount (₹)
Supply of Microwave Oven	15,00,000
Supply of Refrigerators with Stabilizers being a mixed supply, rate of GST on Refrigerator is 28% (14% CGST & 14% SGST), rate of GST on Stabilizer is 18% (9% CGST & 9% SGST)	40,00,000
Supply of Air Conditioners of capacity 1.5 Ton @ ₹ 50,000 per Air Conditioner	50,00,000

Intra-State inward supplies are:

Particulars	Amount (₹)
Raw Material	20,00,000
Paid Gym membership for employees	50,000
Truck purchased for transportation of goods	30,00,000

X Electronics made supply of Air Conditioners (capacity 1.5 ton) to only one dealer named Mr. L.

Gym membership for employees is not obligatory for X Electronics under any law.

Opening Balance of ITC is as under:

CGST: ₹ 58,000

SGST: ₹ 70,000

IGST: ₹ 10,00,000

Note:

1. Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.
2. Both inward and outward supplies are exclusive of taxes.
3. All the conditions for availing the ITC have been fulfilled.

Compute the Net GST payable in cash by X Electronics for the month of October, 2022.

Solution

Computation of Net GST Payable in Cash by X Electronics for October 2022

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State Supplies				
Supply of Microwave Oven	15,00,000	1,35,000	1,35,000	
Supply of Refrigerators with Stabilizers (Note 1)	40,00,000	5,60,000	5,60,000	
Supply of Air conditioners (Note 2)	45,00,000	4,05,000	4,05,000	
Inter-State Supplies	50,00,000			9,00,000
Total Outward Tax Liability		11,00,000	11,00,000	9,00,000
Less: Input Tax Credit (Note 3)				
IGST Credit utilised (Note 6)		1,00,000		9,00,000

CGST Credit utilised against CGST		10,00,000	11,00,000	-
		5,08,000		
SGST Credit utilised against SGST		4,92,000	11,00,000	-
			5,20,000	
Net GST Liability Payable in Cash		4,92,000	5,80,000	-

Notes:

1. Since it is a mixed supply, the supply shall be treated as a supply of that particular supply which attracts the highest rate of tax and taxed accordingly. Thus, it will be taxed @ 14% CGST and 14% SGST.
2. Number of air conditioners supplied = ₹ 50,00,000 ÷ ₹ 50,000 = 100. Since 100 air conditioners have been supplied, discount @ 10% will be available. Therefore, value of air conditioners = 90% × ₹ 50,00,000 = ₹ 45,00,000. It has been presumed that there is one supply transaction for 100 ACs and thus, the discount has been given in the invoice itself. Alternatively, even if there have been multiple supply transactions for the ACs during the month and the discount has been given vide credit note, it has been presumed that the credit note has been issued in October 2022 and all other conditions prescribed in section 15(3)(b) of the CGST Act, 2017 have been complied with. Thus, the effect of the discount has been adjusted in the month of October 2022 itself.
3. Calculation of Input Tax Credit Available

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening Balance		58,000	70,000	10,00,000
Raw Material Purchased	20,00,000	1,80,000	1,80,000	
Gym Membership for Employees (Note 4)	50,000	-	-	-
Truck purchased for transportation of goods (Note 5)	30,00,000	2,70,000	2,70,000	
Total ITC Available		5,08,000	5,20,000	10,00,000

4. ITC on membership of a health and fitness centre is blocked if there is no statutory obligation for the employer to provide the same.
5. ITC on motor vehicles used for transportation of goods is not blocked. It has been assumed that depreciation has not been claimed on tax component.
6. IGST credit first utilized towards payment of IGST. Remaining amount can be utilized towards CGST and SGST in any order and in any proportion. In the above solution, it has been set off against CGST liability to minimize payment in cash.

Question 26 – December, 2021 – 8 Marks

ABC Ltd., a registered supplier in Surat, Gujarat has calculated output net GST liability after adjusting ITC in the books for the month of February 2023:

CGST: ₹ 3,00,000

SGST: ₹ 2,50,000

IGST: ₹ 3,00,000

During the above month, the following additional information is provided by ABC Ltd.:

S. No.	Particulars	Amount (excluding GST) ₹
1.	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. The hiring charges for the trucks were ₹ 7,500 per truck per day	3,75,000
2.	The company sold goods to X & Co. of Delhi on 6 th January 2023 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6 th January 2023. X & Co. paid the consideration for the goods on 20 th February along with applicable interest.	5,00,00
3.	The company sought legal consultancy services for its business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat.	1,50,000
4.	The company ordered 3,000 packets of tools which are to be delivered by the supplier of Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full quantity in February 2023 and the last lot would be delivered in April 2023.	5,00,000
5.	The company supplied 10,000 packets of tools to one of its customers at ₹ 10/- per packet in Gujarat in January 2023. Afterwards, the company re-values it at ₹ 9 per packet in February 2023 and the company issued credit note to the customer for ₹ 1 per packet	

The rate of GST is 9% CGST, 9% SGST and 18% IGST.

You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February 2023.

Solution

Calculation of Net GST Liability of ABC Ltd.

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Net Output Liability as Given		3,00,000	2,50,000	3,00,000
Add: Trucks given on hire (Note 1)	3,75,000			
Interest on delayed payment (Note 2)	5,900			900
Total Output Liability		3,00,000	2,50,000	3,00,900
Less: ITC on Legal Services (Note 3)	1,50,000	13,500	13,500	
Net Output Liability (A)		2,86,500	2,36,500	3,00,900
Legal Consultancy Services Received (B) (Note 3)	1,50,000	13,500	13,500	
Total GST Payable in Cash (A) + (B)		3,00,000	2,50,000	3,00,900

Notes:

1. Services by way of giving a means of transportation of goods on hire to a goods transport agency are exempt.
2. Interest on delayed payment of 15 days (6th February to 20th February) is includible in the value in terms of Section 15 of the CGST Act, 2017. Interest on delayed payment collected is assumed to be inclusive of GST. Further, the invoice value has been taken as inclusive of GST for computing said penal interest. Therefore, the value of interest = $2\% \times ₹ 5,90,000 \times 15/30 = ₹ 5,900$. However, it is also possible to assume the interest to be exclusive of GST and to compute the same by taking the values as exclusive of GST (i.e., ₹ 5,00,000).
3. Tax is payable under reverse charge on legal services received by a business entity from a partnership firm of advocates. Further, tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash. ITC in respect of legal services paid as reverse charge is available. It has been most logically assumed that the aggregate turnover of ABC Ltd. in the preceding FY was above the threshold limit for registration under GST law.
4. ITC on goods received in lots is available on receipt of last lot. Hence, ITC on tools received will not be available in February 2023.
5. Since discount given by ABC Ltd. on the packets of tools was not known at the time of supply, it shall not be excluded from its value of supply.

Question 27 – May, 2022 – 8 Marks

Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand, is engaged in the manufacturing of washing machines & mixer grinders. It provides you the details of various activities undertaken during the month of September, 2022 as follows:

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

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

Nature of Supply	CGST	SGST	IGST
Composition Supplies	0.5%	0.5%	-
Bus	14%	14%	28%
Raw Material	6%	6%	12%
Washing Machines & Mixer Grinders	9%	9%	18%

Opening balances of input tax credit as on 01/09/2022 were as follows:

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

Note:

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

Calculate the amount of net minimum GST payable in cash by Zeon Ltd. for the month of September, 2022.

Brief and suitable notes should form part of your answer.

Solution

Computation of Net Minimum GST Payable in Cash by Zeon Ltd. for September, 2022

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State outward supplies	24,00,000	2,16,000	2,16,000	
Inter-State outward supplies	5,00,000			90,000
Total Outward Tax Liability		2,16,000	2,16,000	90,000
Less: Input Tax Credit (Note 1)				
IGST Credit utilised (Note 4)		-	5,000	90,000
CGST Credit utilised		2,16,000	2,11,000	-
SGST Credit utilised		-	2,11,000	-
		2,16,000	2,03,000	-

Net GST Payable in Cash		-	8,000	-
ITC to be carried forward to next month		2,000		

Notes:

1. Computation of Input Tax Credit Available

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening Balance		20,000	5,000	95,000
Purchase of raw materials from dealers within Jharkhand (₹ 7,00,000 – ₹ 2,00,000) (Note 2)	5,00,000	30,000	30,000	
Bus purchased from dealer in Jharkhand used to ferry 25 workers to and from factory (Note 3)	12,00,000	1,68,000	1,68,000	
Total ITC Available		2,18,000	2,03,000	95,000

- ITC on purchases of goods worth ₹ 2,00,000 on which tax has been paid under composition scheme is blocked. ITC on remaining purchases worth ₹ 5,00,000 is available, being supply of goods used/intended to be used in the course/furtherance of business. The rate of GST for Raw Materials given in the question is 12% (6% CGST and 6% SGST).
- ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed. The rate of GST for Bus given in the question is 28% (14% CGST and 14% SGST).
- Once the IGST credit is utilised towards IGST liability, the balance can be utilised for either CGST liability or SGST liability in any order. After utilising the IGST credit against the IGST liability, balance IGST credit = ₹ 95,000 – ₹ 90,000 = ₹ 5,000. Since the SGST credit is less than the CGST credit, and we have to keep the net GST payable in cash minimum, the remaining IGST credit is utilised against SGST liability. After exhausting IGST credit, CGST and SGST credit is to be utilized. CGST credit is to be utilized for payment of CGST and SGST credit is to be utilized for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.

Question 28 – November, 2022 – 8 Marks

Ajay Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. The company provided the following details for the month of January 2022:

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

Additional information:

- All the amounts given above are exclusive of taxes.
- During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 02.12.2021 was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January 2022. This invoice was issued by Mr. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra-State transaction).
- Rate of GST applicable on various supplies are as follows:

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

- No opening balance of input tax credit exists at the beginning of the month.
- Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to ₹ 1,50,000 were e-invoices in which Invoice Reference Number (IRN) was not mentioned. However, all the invoices were duly reflected in GSTR 2B for the month of January 2022, since the suppliers had filed their GSTR-1.
- Subject to the information given above, conditions necessary for claiming ITC were complied with.

You are required to calculate the amount of net GST liability payable in cash by Ajay Limited for the month of January 2022. Brief notes for treatment given for each item should form part of your answer.

Solution

Computation of Net GST Liability Payable by Ajay Limited for January, 2022

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State Supplies:				
Intra-State outward supplies (Note 1)	4,00,000	36,000	36,000	

Intra-State stock transfer to Gaya Branch with separate registration (Note 2)	20,000	1,800	1,800	
Inter-State Supplies:				
Inter-State outward supplies (Note 1)	1,00,000			18,000
Inter-State services provided to State Government of Karnataka for conducting a computer training programme (Note 3)	5,00,000			90,000
Total Outward Tax Liability		37,800	37,800	1,08,000
Less: Input Tax Credit (Note 4)				
IGST Credit utilised		-	-	-
		37,800	37,800	1,08,000
CGST Credit utilised against CGST and then against IGST (Note 7)		37,800		7,200
		-	37,800	1,00,800
SGST Credit utilised against SGST and then against IGST (Note 7)			37,800	7,200
Net GST Payable in Cash		-	-	93,600

Notes:

1. Value of supply is the transaction value of the goods.
2. Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.
3. Not exempt since the State Government has borne less than 75% of total expenditure of the training programme.
4. Computation of Input Tax Credit Available

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening Balance		-	-	-
Intra-State inward supply of services (₹ 6,50,000 – ₹ 1,50,000) (Note 5)	5,00,000	45,000	45,000	
Cars taken on rental basis from Mr. Mukesh (Note 6)	-	-	-	
Total ITC Available		45,000	45,000	-

5. ITC cannot be claimed on the e-invoices without IRN since an e-invoice without IRN is not treated as valid document for claiming ITC. (Note: You'll study about it in the next chapter)
6. Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a non-body corporate to a body corporate and invoice is issued charging CGST/SGST @ 2.5% is payable under reverse charge.
Time of supply of such services is 1st February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, tax liability on the same does not arise in said month.
Further, ITC on renting of motor car services received is blocked since the recipient - Ajay Ltd. is not in the same line of business. It has been most logically assumed that Ajay Ltd. is not engaged renting of cars business.
7. CGST credit should be utilized for payment of CGST and IGST in that order. Similarly, SGST credit should be utilized for payment of SGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.

Chapter 15 – Tax Deduction and Collection at Source

Question 29 – ICAI SM

State whether the provisions pertaining to tax collected at source under section 52 of CGST Act, will be applicable, if ABC limited who is dealer of Royul brand sells watches through Slipkart, an electronic commerce operator?

Solution

As per Section 52, every electronic commerce operator not being an agent, shall collect an amount calculated at such rate not exceeding one per cent, as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator. If ABC limited who is dealer of Royul brand sells watches through Slipkart, then the provision of TCS will be applicable to Slipkart.

Chapter 16 – Returns

Question 30 – RTP November, 2019

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

During a given tax period in the current financial year, owing to an off-season, M/s Cavenon Enterprises has not made any taxable supply. Therefore, M/s Cavenon Enterprises opines that no return under GST is required to be filed for the said period. You are required to examine the technical veracity of the opinion of M/s Cavenon Enterprises.

Solution

Section 37 of the CGST Act, 2017 stipulates that GSTR-1 for a particular month is required to be filed on or before the 10th day of the immediately succeeding month, i.e., on a monthly basis.

However, presently, as a measure of easing the compliance requirement for small taxpayers, GSTR-1 has been allowed to be filed quarterly by small taxpayers with aggregate annual turnover up to ₹ 5 crore in the preceding financial year or the current financial year. Taxpayers with an annual aggregate turnover above ₹ 5 crore will however continue to file GSTR-1 on a monthly basis.

In view of the same, M/s Cavenon Enterprises can file its GSTR-1 on quarterly basis as its aggregate turnover does not exceed ₹ 5 crore in the preceding financial year.

Further, GSTR-1 needs to be filed even if there is no business activity in a tax period. Thus, in the present case, even if no supply has been made by M/s Cavenon Enterprises, a nil return is required to be filed for the relevant tax period.