



**CA DREAMERS**  
THE AVENGER

**CA INTER**

**VIGHNAHARTA**

**LIST FOR**

**INDIRECT TAX**

**MOST IMPORTANT  
QUESTIONS with  
ANSWERS**

**By: Vinit Mishra Sir**



**ॐ गं गणपतये नमः**



**सरस्वती महामाये दिव्य तेज स्वरूपिणी।  
हंस वाहिनी समायुक्ता विद्या दानं करोतु मे।**





# CA Dreamers the Avenger

Our Proud Moment

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**AIR-4**

**ARUL KUMAR**

(STUDENT OF TOP-20)



**AIR-10**

**MEGHANA SAWAKAR**

(STUDENT OF TOP-20)

**We are waiting for the  
NEXT RANK HOLDERS**

**Is That You**



**AIR-?**

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# GST IN INDIA AN INTRODUCTION

**Q.1:** Which are the commodities which have been kept outside the purview of GST? Examine the status of taxation of such commodities after introduction of GST. [ICAI Study Material]

**ANSWER:**

- Supplies of all goods &/or services are taxable under GST except alcoholic liquor for human consumption.
- Supply of following would be taxable with effect from the date notified by Government on recommendations of the GST Council:-
  - (a) Petroleum crude,
  - (b) High speed diesel,
  - (c) Motor spirit (petrol),
  - (d) Natural gas &
  - (e) Aviation turbine fuel.
- The taxation system (CST/VAT & central excise) still continues for said commodities.

**Q.2:** Mr. Ajay a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 20XX:

Particulars	(₹)
Inter-State taxable supply of goods	10,00,000
Intra-State taxable supply of goods	2,00,000
Intra-State purchase of taxable goods	5,00,000

He has the following Input tax credit at the beginning of August 20XX:

Nature	ITC Amount in (₹)
CGST	20,000
SGST	30,000
IGST	25,000

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively. Both Inward and outward supplies are exclusive of taxes wherever applicable.

All of the conditions necessary for availing the ITC have been fulfilled. Compute the net GST Payable by Mr. Ajay for the month of August 20XX. [CA Inter May 18]

**ANSWER:**

**Note I:** Computation of Total ITC

Particulars	IGST @ 18%	CGST @ 9%	SGST @ 9%
Opening ITC	25,000	20,000	30,000
Add: ITC on Intra-State purchases of taxable goods valuing ₹ 5,00,000	-	45,000	45,000
<b>Total ITC</b>	<b>25,000</b>	<b>65,000</b>	<b>75,000</b>

**Computation of Net GST payable by Mr. Ajay for the month of August, 20XX**

S. No.	Particulars	Taxable value	IGST 18% ₹	CGST 9% ₹	SGST 9% ₹
1.	Intra-State taxable supply of goods	2,00,000	--	18,000	18,000
2.	Inter-State supply of goods	10,00,000	1,80,000	--	--
	<b>Total GST Payable</b>		1,80,000	18,000	18,000
3.	Less: : ITC (Note – 1) IGST – 25,000		(25,000)	--	--
4.	CGST – 65,000		(47,000)	(18,000)	X
5.	SGST – 75,000		(57,000)	X	(18,000)
	<b>Net GST Payable</b>		<b>51,000</b>	<b>Nil</b>	<b>Nil</b>

**Note:-**

1. IGST credit is used to pay IGST 1<sup>st</sup>, once IGST credit is fully utilized then CGST/SGST credits are used first to pay tax under same head & balance credit is used to pay IGST.
2. Also, SGST credit can be utilised to pay IGST only when credit of CGST is not available to pay IGST.

**Q.3: Explain the salient features of indirect taxes.****[ICAI Study Material]****ANSWER:****(i) An important & Major source of revenue**

Indirect tax is major source of revenue for all Govts. in the world. In India, it contributes more than 50% of the total tax revenues of Central & State Governments.

**(ii) Tax on commodities and services:**

It is levied on commodities at the time of supply, or manufacture or purchase or sale or import/export thereof. Hence, it is also known as commodity taxation. It is also levied on provision of services.

**(iii) Shifting of burden:**

Indirect tax paid by supplier is recovered from buyer by including the tax in the cost of commodity/service & shifting tax burden in this way.

**(iv) No perception of direct pinch:**

Since, Indirect tax is generally inbuilt in the price of commodity/service, most of the time tax payer pays the same without actually knowing that he is paying tax to Government.

**(v) Inflationary:**

Tax imposed causes an all-round price spiral. In short, indirect taxation directly affects the prices of commodities & Services & leads to inflationary trend.

**(vi) Wider tax base:**

Majority of products or services are subject to indirect taxes with low thresholds.

**(vii) Promotes social welfare:**

High taxes are imposed on consumption of harmful products/sin goods such as alcoholic products, tobacco products, etc. This not only checks their consumption but also enables the State to collect substantial revenue.

**(viii) Regressive in nature:**

The rich & Poor have to pay the same rate of indirect taxes. This further increases the income disparities between the rich and the poor.

**Q.4:** Discuss the deficiencies in the existing indirect taxes which led to the need for ushering into GST regime. **[ICAI Study Material]**

**ANSWER:**

**Deficiencies in the erstwhile indirect tax regime:**

1. **Double Taxation:** Earlier same items were treated both as goods & Services that led to double taxation.
2. **No set-off:** CENVAT & State level VAT were value added taxes but cross credit i.e. Set-off of those was not possible as CENVAT was central levy & the other one was a State levy.
3. **Cascading of Taxes:** CENVAT did not include value addition chain in distributive trade after the stage of production & in state level VAT also, CENVAT load on goods was not removed leading to cascading of taxes.
4. **Several taxes not subsumed in VAT:** For a single transaction, multiple taxes in multiple forms were required to be paid like Luxury Tax, Entertainment Tax, etc. which were not subsumed in VAT.
5. **Non-integration of VAT & Service Tax:** VAT on goods was not integrated with service tax at the state level. So, the cascading effect of service tax was not removed.
6. **Cascading nature of CST:** CST was non-vatable (i.e. no credit was allowed) and an origin-based tax which had cascading effect.
7. **High Compliance Cost:** Large number of taxes created high compliance cost for the taxpayers in form of more returns, payments, etc.

**Q.5:** Why was the need to amend the Constitution of India before introducing the GST? **[ICAI Study Material]**

**ANSWER:**

- Earlier, the fiscal powers between the Centre and the States were clearly demarcated in the Constitution with almost no overlap between the respective domains.
- The Centre had the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States had the powers to levy tax on the sale of goods.
- In the case of inter-State sales, the Centre had the power to levy the Central Sales Tax, but the tax was collected and retained entirely by the States.
- As for services, it was the Centre alone that was empowered to levy service tax.
- **Introduction of the GST** necessitated the amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax.
- The Constitution of India was amended by the Constitution (101st Amendment) Act, 2016 for this purpose. Article 246A of the Constitution introduced thereby empowered the Centre and the States to simultaneously levy and collect the GST.

**Q.6:** List some of the benefits that GST may accrue to the economy. **[ICAI Material]**

**ANSWER:**

**GST may accrue following benefits to the economy:**

**(a) Creation of unified national market:**

GST aims to make India a common market with common tax rates and procedures and remove the economic barriers, thereby paving the way for an integrated economy at the national level.

**(b) Boost to 'Make in India' initiative:**



GST may give a major boost to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market. This would make India a manufacturing hub.

**(c) Boost to investments, exports and employment:**

- Under the GST regime, the principle of exporting only the cost of goods or services and not taxes is being followed.
- This may boost Indian exports thereby improving the balance of payments position. Exporters are being facilitated by grant of provisional refund of 90% of their claims within 7 days of issue of acknowledgement of their application, thereby resulting in the easing of position with respect to cash flows.
- With a boost in exports and manufacturing activity, more employment would be generated and GDP would increase.

**Q.7: Under Goods and Services Tax (GST), only value addition is taxed, and burden of tax is to be borne by the final consumer. Examine the validity of the statement.** **[ICAI Material]**

**ANSWER:**

**The statement is correct.**

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

**Q.8: Discuss the functions of Common GST portal/GSTN?**

**[ICAI Study Material]**

**ANSWER:**

Common GST Portal is a robust settlement mechanism amongst the States & the Centre as GST is a destination-based tax. It is a clearing house & It verifies the claims and inform the respective governments to transfer the funds.

Thus, Common GST Electronic Portal – [www.gst.gov.in](http://www.gst.gov.in) – is a website managed by Goods & Services Network (GSTN). It establishes a uniform interface for tax payer and a common and shared IT infrastructure between the Centre and States.

**The functions of common GST portal / GSTN include: -**

- Facilitating registration
- Forwarding the returns to Central & State authorities
- Computation & settlement of IGST
- Matching of tax payment details with banking network
- Providing various MIS reports to the Central & the state Governments based on the taxpayer return information
- Providing analysis of taxpayer's profile
- Running the matching engine for matching, reversal & reclaim of input tax credit
- For furnishing E-way Bill
- For generation of E-Invoice

# SUPPLY

**Q.1:** Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of ₹ 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd.

Examine whether this activity would amount to “supply” under GST law?

[CA Inter May 2022]

**ANSWER:**

- An activity qualifies as supply under GST only if it is for a consideration and is in course/furtherance of business.
- Donations received by the charitable organizations are treated as consideration only when there's an obligation on part of the recipient of the donation to do anything.
- Since in the given case, the display of products sold by the donor – Glory Ltd. - in charitable organization's premises aims at advertising/promotion of its business, it is supply for consideration in course/furtherance of business and thus, qualifies as supply under GST law.

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

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

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

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

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

You are required to calculate the gross GST liability and eligible input tax credit for the month of March 20XX of Mr. Handsome.

Brief notes should form part of your answer for treatment of items in Sl. No. (i) to (v).

[CA Inter Nov. 22 Exam]

**ANSWER:**

(1) Computation of Gross GST liability of Mr. Handsome for the month of March 20XX: -

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

(2) Computation of eligible ITC for the month of March 20XX: -

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

**Q.3:** With reference to provisions of the CGST Act, 2017, discuss in brief, when “Importation of services” is to be considered as supply and when it is not to be considered as supply. [CA Inter Nov 20 Exams]

**ANSWER:**

- As per section 7(1)(b) of CGST Act, 2017, Importation of services for a consideration whether or not in the course or furtherance of business is to be considered as supply.
- Thus, if services are imported for a consideration, then they are taxable in both situations i.e. when importation is in the course or furtherance of business & even when it is not.
- Para 4 of Schedule I of CGST Act states that Importation of services by a person without consideration is deemed as supply provided the following two conditions are satisfied: -
  - Such import is from related person or from his establishments located outside India &
  - Such import is in the course or furtherance of business.
- In case any or both of the above two conditions is/are not satisfied, the import of services without consideration shall not be deemed as supply.

**Q.4:** List down the activities/transactions specified under schedule III of the GST Act as non- supplies or 'Negative List'. [CA IPC July 21 Exam; CA Inter May 23 Exam]

**ANSWER:**

- As per section 7(2) (a) of CGST Act, 2017, activities or transactions specified in Schedule III shall be treated neither as a supply of goods nor a supply of services.
- Activities/transactions specified under schedule III of GST Act as non-supplies! "Negative List" are as follows:

Para No.	Activities or transactions which shall be treated neither as a supply of goods nor a supply of services: -
1.	Services by an employee to the employer in the course of or in relation to his employment.
2.	Services by any court of Tribunal established under any law for the time being in force.
3.	(a) Functions performed by the Members of Parliament, Members of State Legislature Members of Panchayats, Members of Municipalities and Members of other local authorities. (b) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity. (c) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
4.	Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
5.	Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building.
6.	Actionable claims, other than lottery, betting and gambling.

**Q.5:** Dumdum Electronics has sold the following electronic items to Akbar Retail Store.

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

Dumdum Electronics has issued a single invoice, indicating price of each of the above items separately in the same. Akbar Retail Store has given a single cheque of ₹ 1,00,000/- for all the items as a composite discounted price. State the type of supply and the tax rate applicable in this case. [ICAI Study Material]

**ANSWER:**

- In the given case, the items supplied by Dumdum Electronics are not naturally bundled in the ordinary course of business. Therefore, such supply is not a composite supply.
- Further, Akbar Retail Store has paid a composite discounted price for these goods but Dumdum Electronics has not charged a single price for the said supply.
- Therefore, said supply is also not a mixed supply.
- Thus, there is supply of individual items which are taxable at the respective rates applicable to them.

[Author's Note: if this question comes for more marks than it deserve, then you can write legal provision for what is composite supply and mixed supply at start of ans]

**Q.6:** Explain the composite supply & mixed supply. If a trader launches a package sales for marriage containing double bed, refrigerator, washing machine, wooden wardrobe at a single rate. He is issuing invoice showing value of each goods separately. Whether this is case of mixed supply or composite supply. Explain.

[CA Inter Jul 21 Exams]

**ANSWER:**

- As per section 2(30) of CGST Act, "**Composite supply**"
  - Consists of two or more taxable supplies of goods &/or services,
  - Such supplies are naturally bundled,
  - Such supplies are supplied in conjunction with each other,
  - They are supplied in the ordinary course of business &
  - Have one supply as principal supply.
- As per section 2(74) of CGST Act, "**Mixed supply**"
  - Consist of two or more individual supplies of goods &/or services,
  - They can be supplied independently, still supplied together by the taxable person,
  - Supplied for a single price &
  - Is not naturally bundled i.e. it is not a composite supply.
- Items such as double bed, refrigerator, washing machine & wooden wardrobe are not naturally bundled &
- The invoice for the supply shows separate values for each item i.e., the package is not supplied for a single price.
- Thus, supply of such items as a package will neither constitute a composite supply nor a mixed supply.
- Thus, the various items of the package will be treated as being supplied individually.

**Q.7:** Damodar Private Ltd., registered in Delhi, is planning to transfer some goods to its branch, registered in West Bengal, without any consideration, so that the goods can be sold from the branch. The company believes that the transaction that will be undertaken by it would not qualify as supply as no consideration is involved. Ascertain whether the transfer of goods by Damodar Private Ltd. to its branch office would qualify as supply.

[ICAI Study Material]

**ANSWER:**

- As per Schedule I read with section 7(1)(c), supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business, is deemed as supply even if made without consideration
- In the given case, since the Damodar Private Ltd. and its branch located in another State are distinct persons.
- Thus, supply of goods between them would qualify as supply.

**Q.8:** Examine whether the activity of import of service in the following independent cases would amount to supply under section 7:

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

[ICAI Study Material]



**ANSWER:**

- As per section 7(1)(b) of CGST Act, Supply includes import of services for a consideration whether or not it is in the course or furtherance of business.
- Section 7(1)(c) read with Para 4 of Schedule I of CGST Act, states that if services are imported by a person from a related person located outside India without consideration & that too in the course or furtherance of business, then it is treated as supply.
- Explanation to section 15 states that members of the same family are deemed to be \related persons\.
- Further, as per section 2(49), brother is treated member of same family only when he is wholly or mainly dependent on the said person.

<b>(1)</b>	In the given case, although the import of service for consideration by Miss. Shriniti Kaushik is not in course or furtherance of business, it would be treated as supply.
<b>(2)</b>	<ul style="list-style-type: none"><li>➤ In the given case, Miss Shriniti Kaushik has received interior decoration services from her brother.</li><li>➤ Miss Shriniti and her brother shall be considered to be related as Miss Shriniti's brother is wholly dependent on her.</li><li>➤ However, Miss Shrinti has taken interior decoration services for her residence and not in course or furtherance of business. Consequently, services provided by Miss Shrinti's brother to her would not be treated as supply under section 7 read with Schedule I.</li></ul>
<b>(3)</b>	If Miss Shriniti has taken interior decoration services for her business premises, services provided by Miss Shriniti's brother to her would be treated as supply u/s 7 read with Schedule I, as the same are provided in course or furtherance of business.



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# REVERSE CHARGE AND ECO

**Q.1:** GTA services provided to an unregistered person (including unregistered casual taxable person) are exempt from GST by virtue of Entry 21 A of GST Laws. Discuss the validity of above statement.

[CA Inter May 23 Exam]

**ANSWER:**

- The said statement is invalid.
- Services provided by a GTA to an unregistered person, including an unregistered casual taxable person are exempt except when provided to a:
  - (a) Factory
  - (b) Society
  - (c) Co-operative society
  - (d) Body corporate
  - (e) Partnership firm
  - (f) Registered casual taxable person

**Q.2:** “Under the GST law, taxes on taxable services supplied by the Central Government or the State Government to a business entity in India are payable by recipient of services”.

State the exceptions of the above statement

[CA Inter May 22 Exam]

**ANSWER:**

As per section 9(3) of CGST Act, Services supplied by the Central Government or State Government to a business entity in India are payable by the Recipient of services except:

- (1) Service of renting of immovable property provided to an unregistered business entity.
- (2) Services in relation to an aircraft of a vessel, inside or outside the precincts of a part or an airport.
- (3) Services of transport of goods or passengers

**Q.3:** 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 & 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.

[CA Inter Jan 21 Exam]

**ANSWER:**

Yes, the view of Mr. Vicky Frankyn is correct.

As per section 9(3) of CGST Act, if services are supplied by an author by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory, then GST is payable on reverse charge basis by recipient.

- In the given case, Mr. Vicky temporarily transferred copyright relating to original literary works of his new book to the publisher - SBP.

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

**Q.4:** Decide which person is liable to pay GST in the following independent cases, where the recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

- (i) Mr. Raghu provided sponsorship services to WE-WIN Cricket Academy, an LLP.
- (ii) 'Safe Trans', a Goods Transport Agency, transported goods of Kapil & Co., a partnership firm which is not registered under GST. [CA Inter Suggested Nov 19; CA Inter - Nov 18 Exam]

**ANSWER:**

- (i) As per section 9(3) of CGST Act, if sponsorship services are provided by any person to any body corporate or partnership firm located in taxable territory, then GST is payable on reverse charge basis by recipient.
  - In the given case, sponsorship services are provided to an LLP which is considered as a partnership firm under GST law.
  - Therefore, WE-WIN Cricket Academy is liable to pay GST under reverse charge.
- (ii) As per section 9(3) of CGST Act, if services are provided by Goods Transport Agency (GTA) for transportation of goods by road to any partnership firm whether registered or not under any law, then GST is payable on reverse charge basis by recipient.
  - In given case, Safe Trans is transporting goods of Kapil & Co. which is a partnership firm.
  - Thus, Kapil & Co. is liable to pay GST under reverse charge & it shall apply for compulsory registration u/s 24.

**Assume :-** It is assumed that GTA has not exercised the option to pay tax under forward charge on services of transportation of goods supplied by it.

**Q.5:** In the following independent cases, decide, who is liable to pay GST, if any. You may assume that recipient is located in the taxable territory. Ignore the aggregate turnover and exemption available.

- (i) 'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law.
- (ii) Mr. Kamal Jain, an unregistered famous author, received ₹ 20 lakh of consideration from PQR Publications Ltd. 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. [CA Inter Nov 20 Exam]

**ANSWER:**

- (i) As per section 9(3) of CGST Act, in case of a GTA service,
  - Where GST is payable @ 5% without ITC and recipient is one of the specified recipients, tax is payable under reverse charge by the recipient of service &

- Where GST is payable @ 12% with ITC, tax is payable under forward charge by the supplier of service.
- In the given case, GTA is paying GST @ 12%.
- Also, the recipient of service is other than specified recipient, i.e., unregistered sole proprietorship firm.
- Therefore, GST is payable by “Veer Transport”, a registered GTA under forward charge.

(ii)

- As per section 9(3) of CGST Act, if services are supplied by an author by way of transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory, then GST is payable on reverse charge basis by recipient.
- The Author can pay tax under forward charge if the author is a registered person.
- In the given case, the author is an unregistered person.
- So, the option of paying tax under forward charge is not available to him.
- Therefore, PQR Publications Ltd. (i.e. the recipient) is liable to pay GST under reverse charge.

**Q.6:** State the person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:-

- Services supplied by a recovery agent to a car dealer.
- Security services (services provided by way of supply of security personnel) provided to a registered person.
- Vivek Goyal, an independent director, appointed in accordance with the provisions of the Companies Act, 2013, of A2Z Pvt. Ltd., has received sitting fee amounting to ₹ 1 lakh from A2Z Pvt. Ltd for attending the Board meetings. Who is the person liable to pay tax in this case? [ICAI Study Material]

**ANSWER:**

- As per section 9(3) of CGST Act, if services are supplied by a recovery agent to a banking company or a financial institution or a nonbanking financial company (NBFC) located in the taxable territory, then GST is payable on reverse charge basis by recipient.
  - In the given case, services are being supplied by a recovery agent to a car dealer & not to a banking company or financial institution or NBFC.
  - Thus, service provider i.e. the recovery agent is liable to pay GST under forward charge.
- As per section 9(3) of CGST Act, if security services (services provided by way of supply of security personnel) are provided by any person other than a body corporate to a registered person located in the taxable territory, then GST is payable on reverse charge basis by recipient.
  - Therefore, in the given case, registered person receiving the services liable to pay GST under reverse charge.
- As per section 9(3) of CGST Act, if services are provided by director to the company located in taxable territory, then the company (recipient) is liable to pay tax under reverse charge
  - Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., A2Z Pvt. Ltd.

**Q.7:** State the person liable to pay GST in the following independent services provided:-

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

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

[CA Inter RTP May 23]

**ANSWER:**

(1)

- Services provided to an unregistered person by way of renting of residential dwelling for use as residence is exempt from GST.
- If the residential dwelling is rented to a registered person, exemption is not available.
- Further, as per section 9(3) of CGST Act, 2017, tax on service provided by way of renting of residential dwelling to a registered person is payable by the recipient under reverse charge.
- In given case, Rudra Technologies is liable to pay GST on the residential dwellings taken on rent by it from Siddhi Builders, under reverse charge mechanism.

(2)

- As per section 9(3) of CGST Act, if sponsorship services are provided by any person to a body corporate or a partnership firm located in taxable territory, GST is payable by recipient under reverse charge.
- In given case, sponsorship services are provided by the private NGO to a partnership firm – M/s. Purohit Consultants.
- Therefore, Purohit Consultants is liable to pay GST under reverse charge.

**Q.8:** State, with reasons, the person liable to pay GST in each of following independent cases: -

Assume recipient is located in taxable territory.

- (i) Rental income received by Tamil Nadu State Government from renting an immovable property to Mannappa Pvt. Ltd. (Turnover of the company was 22 lakhs in the preceding F. Y.) [CAI Study Material]
- (ii) Legal Fees received by Mr. Sushrut, a senior advocate, from M/s. Tatva Trading Company having turnover of 50 lakhs in preceding financial year. [ICAI Study Material]

**ANSWER:**

- (i) As per section 9(3) of CGST Act, if service of renting of immovable property is provided by the Central Government, State Government, Union Territory, or local authority to any registered person located in the taxable territory, then GST is payable under reverse charge by recipient.
- In the given case, Mannappa Pvt. Ltd. is registered under GST as the turnover of the company was ₹ 22 lakhs in the preceding financial year which is exceeding threshold limit for registration u/s 22 of CGST Act.
  - So, here, the State Government of Tamil Nadu provided service of renting of immovable property to a registered person located in taxable territory Therefore, Mannappa Pvt. Ltd. is liable to pay GST under reverse charge.
- (ii) As per section 9(3) of CGST Act, if legal services are supplied by a senior advocate to any business entity located in the taxable territory, then GST is payable on reverse charge basis by recipient.
- In the given case, Mr. Sushrut is a senior advocate & he is supplying legal services to M/s. Tatva Trading Company i.e. a business entity.
  - Thus, M/s. Tatva Trading Company is liable to pay GST under reverse charge.



# COMPOSITION SCHEME

**Q.1:** Zen Pvt. Ltd. is a dealer in goods having registered office at Noida, Uttar Pradesh and shops are located at Noida, Uttar Pradesh and Chennai, Tamil Nadu. Details of various supplies both inward & outward undertaken by them during June 20XX quarter are given in the table below:

All the values given in the table are inclusive of GST (CGST/SGST/UTGST/IGST), wherever applicable. Applicable IGST Rate is 5% and CGST & SGST @ 2.5% each, on inward & RCM Supplies as well.

S.No.	Particulars	Amounts (₹)
i.	Export of goods to China from Noida	20,00,000
ii.	Goods supplied to SEZ located at Delhi from Noida	15,00,000
iii.	Supply of goods directly to customer from location of job worker at Lucknow (U.P.) after completion of job work. (intra state)	2,00,000
iv.	Sales from Chennai shop (Inter State)	11,00,000
v.	Local sales at Noida (Intra State)	25,00,000
vi.	Services of transport availed from M/s. ABC Transport (Inter State)	3,00,000
vii.	Commission paid to Mr. Nagar, Sale Executive which is not part of the terms of employment. (Intra State)	50,000

Calculate the aggregate turnover of Zen Ltd. for June 20XX quarter. Brief and suitable notes should form part of your answer. **[CA IPC July 21 Exam]**

**ANSWER:**

Computation of aggregate turnover of Zen Pvt. Ltd.: -

Sr. No.	Particulars	Amount (₹) [excluding GST]	Reason/ Assumptions
i	Export to goods to China from Noida	20,00,000	Includible in the aggregate turnover & It is assumed that exports are made without payment of tax.
ii.	Goods supplied to SEZ located at Delhi from Noida	15,00,000	Includible in the aggregate turnover & It is assumed that supply of goods to SEZ are made without payment of tax
iii.	Supply of goods directly to customer from location of job worker	1,90,476 (₹ 2,00,000 × 100/105)	Includible in the aggregate turnover of Zen Pvt. Ltd. & IGST be excluded from same
iv.	Sales from Chennai Shop (Inter State)	10,47,619 [₹ 11,00,000 × 100/105]	Includible in the aggregate turnover, Further, IGST be excluded from the same
v.	Local sales at Noida (Intra State)	23,80,952 [₹ 25,00,000 × 100/105]	Includible in the aggregate turnover & CGST and SGST and SGST be excluded from the same.
vi.	Services of transport availed	Nil	Inward supplies are not included in aggregate turnover
vii.	Commission paid to Sales Executive	Nil	Inward supplies are not included in aggregate turnover
	<b>Total aggregate turnover</b>	<b>71,19,047</b>	

**Q.2:** Mr. Zafar of Assam, provides the following information for the preceding financial year 20XX-XX. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not, for the F.Y. 20YY-ZZ.

Particulars	Amount (₹)
Value of taxable outward supplies (include 10 lakh of inter-state transactions)	50.00
Value of exempt supplies (include 30 lakh received as interest on loans & advances)	70.00
Value of inward supplies on which he is liable to pay tax under reverse charge	5.00
Value of exports	5.00
All of the amount are exclusive of GST.	

[CA Inter Nov 19 Exam New]

**ANSWER:**

- As per section 10(1) of CGST Act, a registered person can opt to pay tax under composition scheme, if aggregate turnover in preceding financial year was not exceeding ₹ 1.5 Crore other than special category states but including Assam, Himachal Pradesh & Jammu & Kashmir.
- As per section 10(2) (c), he should not be engaged in making outward inter-state supply in current financial year
- As per section 2(6) read with explanation I to section 10 of CGST Act, Aggregate Turnover means aggregate value of all Taxable supplies, Exempt supplies (wholly exempt, nil rated & Non-taxable), Exports, Inter-State supplies of persons having same PAN, to be computed on all India basis but It excludes: -
  - CGST/SGST/ UTGST/IGST/ Cess &
  - Value of inward supplies on which tax is payable by a person under revers charge.
  - Value of exempt supply of services provided by way of extending deposits loans or advances in so far as the consideration is represented by way interest or discount.
- Computation of aggregate turnover of Mr. Zafar for F.Y. 20XX-YY for eligibility of composition levy:

Particulars	Amount (₹)
Value of taxable outward supplies	50
Value of exempt supplies	40
Value of inward supplies on which Mr. Zafar is liable to pay tax under reverse charge	Nil
Value of exports	5
<b>Aggregate turnover for determining eligibility for composition scheme</b>	<b>95</b>

- In the given case, the aggregate turnover of Mr. Zafar is ₹ 95 lakhs in preceding financial year 20XX-YY which is not exceeding ₹ 1.5 Crore.
- Therefore, Mr. Zafar is eligible to opt for composition scheme u/s 10(1) financial year 20YY-20ZZ assuming that he is not engaged in making any inter State outward supply of goods or services in financial 20YY-20ZZ.

**Q.3:** Enumerate the person who are not eligible to opt for Composition Scheme under section 10(2) of the CGST Act, 2017. [CA Inter Exam – May 19 Nov]

**ANSWER:**

A registered person shall not be eligible to opt for composition scheme u/s 10(2) of CGST Act, if: -

- |     |  |
|-----|--|
| (a) | He is engaged in supply of services (other than those referred to in clause (b) of paragraph 6 of Schedule II), exceeding the higher of: - |
|-----|--|

	<ul style="list-style-type: none"> <li>➤ 10% of turnover in state or Union territory in preceding financial year or</li> <li>➤ ₹ 5 lakhs.</li> </ul>								
(b)	He is engaged in supply of goods or services not leviable to tax under GST law.								
(c)	He is engaged in Inter-State outward supplies of goods or services.								
(d)	He is engaged in supply of goods or services through an electronic commerce operator, who is required to collect tax at source u/s 52.								
(e)	<p>He is a manufacturer of notified goods, i.e.,</p> <table border="1"> <tr> <td>Ice cream and other edible ice, whether or not continuing cocoa</td> <td>Fly ash bricks; Fly ash aggregates; Fly ash blocks</td> </tr> <tr> <td>Pan Masala</td> <td>Bricks of fossil meals or similar siliceous earths</td> </tr> <tr> <td>Aerated water</td> <td>Building bricks</td> </tr> <tr> <td>Tobacco and Manufactured tobacco substitutes</td> <td>Earthen or roofing tiles</td> </tr> </table>	Ice cream and other edible ice, whether or not continuing cocoa	Fly ash bricks; Fly ash aggregates; Fly ash blocks	Pan Masala	Bricks of fossil meals or similar siliceous earths	Aerated water	Building bricks	Tobacco and Manufactured tobacco substitutes	Earthen or roofing tiles
Ice cream and other edible ice, whether or not continuing cocoa	Fly ash bricks; Fly ash aggregates; Fly ash blocks								
Pan Masala	Bricks of fossil meals or similar siliceous earths								
Aerated water	Building bricks								
Tobacco and Manufactured tobacco substitutes	Earthen or roofing tiles								
(f)	He is a casual taxable person or a non-resident taxable persons.								

**Q.4:** Mr. X is running a consulting firm and also a readymade garment showroom in Kolkata registered under same PAN. Turnover of the showroom is ₹ 70 lakh and receipt of consultancy firm is 15 lakh in the preceding financial year.

You are required to answer the following: -

- (1) Is Mr. X eligible for composition scheme?
- (2) Is it possible for Mr. X to opt for composition scheme only for showroom?

[CA Inter Suggested Nov. 18 Old]

**ANSWER:**

- As per section 10(1) of CGST Act, a registered person can opt to pay tax under composition scheme, if aggregate turnover in preceding financial year was not exceeding ₹ 1.5 Crore other than special category states but including Assam, Himachal Pradesh & Jammu & Kashmir
- As per Second proviso to section 10(1), A person who opts to pay tax u/s 10(1) may supply services (other than Restaurant service), of value not exceeding the higher of:
  - 10% of turnover in a State or Union territory in the preceding financial year or
  - ₹ 5 Lakhs.
- In given case, as Mr. X is engaged in supply of consultancy service along with sale of goods with the Aggregate turnover of preceding financial year is ₹ 85 lakhs which does not exceed ₹ 1.5. crore.
- Thus, Mr. X is eligible to opt for composition scheme u/s 10(1), if value of supply of service to be provided in current financial year does not exceeds marginal limit allowed of ₹ 8.5 lakhs [i.e. higher of 10% (70 lakhs + 15 lakhs) or 5 lakhs].

**No**, it is not possible for Mr. X to opt for composition scheme only for showroom as all the registrations under the same PAN have to opt for composition scheme & here, the person is ineligible to opt for composition levy as discussed above.

**Q.5:** Explain in brief the conditions to be fulfilled by a registered person under GST law for availing the option to pay concessional tax @ 3% (effective rate 6%) under GST as per the provisions of Sec 10(2A).

[CA Inter Nov 19 Exam New]

**ANSWER:**

The registered person desirous of availing the option to pay concessional tax @ 3% (effective rate 6%) u/s 10(2A) of CGST Act, 2017 shall: -

1.	Not be eligible of composition scheme u/s 10(1) & (2).
2.	Not have the aggregate turnover in the preceding financial year exceeding ₹ 50 lakhs.
3.	Not be engaged in making any supply of goods or services which are not leviable to tax.
4.	Not be engaged in making any inter-State outward supply of goods or services.
5.	Not be engaged in making any supply of goods or services through an electronic commerce operator who is required to collect tax at source u/s 52.
6.	Not be engaged in manufacturing of goods (i.e., Ice cream, pan masala, Aerated Water & tobacco & Manufactured tobacco substitutes or supplying of such services as may be notified by Government on recommendation of Council.)
7.	Neither be a casual taxable person nor a non-resident taxable person.
8.	Neither collect any tax from the recipient nor be entitled to any input tax credit.
9.	Issue a bill of supply instead of tax invoice.

**Note:** Any 5 conditions may be mentioned out of the above-mentioned conditions for 5 Marks.

**Q.6:** Vansh Traders, a registered supplier, is providing restaurant services in Manipur. It has turnover of ₹ 55 lakh in the preceding financial year 20XX-YY. It has started providing intra- State event management services in the current financial year 20YY-ZZ and discontinued rendering restaurant services.

- (i) With reference to the provisions of the CGST Act, 2017, examine whether Vansh Traders can opt for the composition scheme under section 10 of the CGST Act, 2017 in the current financial year?
- (ii) Is Vansh Traders eligible to avail benefit of concessional payment of tax under Sec 10(2A)?

[CA IPC Jan 21 Exam]

**ANSWER:**

- A registered person who is exclusively engaged in providing services other than restaurant services is not eligible for the composition scheme u/s 10(1) & 10(2) of the CGST Act, 2017.
- Such person is eligible for composition scheme u/s 10(2A) of the CGST Act, 2017, provided his aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.
- In the given case, Since Vansh Traders is engaged exclusively in supply of services other than restaurant services (viz. event management services) in the current financial year 20YY-ZZ, it is not eligible for composition scheme u/s 10(1) & 10(2) in said FY.
- Further, since its aggregate turnover in the preceding financial year 20XX-YY exceeds ₹ 50 lakh, it cannot opt for the composition scheme u/s 10(2A) also in the current financial year 20YY-ZZ.

**Q.7:**

- (a) Chanchal started providing beauty and grooming services and inaugurated “Care & Care Beauty Centre” in Janak Puri, Delhi on 01st April, 20XX. She opted to pay tax under Sec.10(2A) scheme. The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 20XX was ₹ 20 lakh. Further, for the half year ending 30th September, 20XX, the turnover reached ₹ 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹ 70 lakh by the end of October, 20XX. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 20XX.
- (b) Care & Care Beauty Centre wishes to opt for composition scheme 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%.

[CA Inter RTP May 2020 & RTP May 21]

**ANSWER:**

(a)

- A registered person who is exclusively engaged in providing services other than restaurant services is not eligible for the composition scheme u/s 10(1) & 10(2) of the CGST Act, 2017.
- As per section 10(2A) of CGST Act, if a registered person is not eligible to opt to pay tax u/s 10(1) & (2) & has aggregate turnover in preceding financial year not exceeding ₹ 50 Lakhs, then such person can opt to pay tax under composition scheme under section 10(2A).
- Such supplies will be liable to GST @6% (i.e. CGST @3% & SGST @3%) of the turnover in state from 1st April in current financial year upto the time when the aggregate turnover of current financial year reaches ₹ 50 Lakhs & thereafter at normal tax rates.
- As per explanation 2 to Sec 10, to determine tax payable u/s 10, "turnover in State or Union territory" shall not include supplies from 1st April a financial year upto the date when such person becomes liable for registration under GST Act.

Computation of the total tax liability of Care & Care Beauty Central by the end of October, 20XX: -

Period	Tax Rate	Turnover (₹)	Tax Liability (₹)
Quarter I	Since, aggregate turnover did not exceed ₹ 20 lakh, it was not required to obtain registration u/s 22 of CGST Act. Hence, no tax was required to be paid.	20 Lakh	Nil
Quarter II	Effective rate is 6% (CGST @ 3% + SGST/UGST @3%)	30 Lakhs [(50 – 20) lakh]	1,80,000
October, 20XX	Normal rate of GST of 18% is to be applied	20 Lakh [(70 – 50) lakh]	3,60,000
<b>Total tax payable</b>			<b>5,40,000</b>

- (b) No, Care & Care Beauty Centre cannot opt for composition scheme u/s 10(2A) from the next financial year as the aggregate turnover in the current financial year is exceeding ₹ 50 lakhs.

**Q.8:** Mr. Ajay has a registered repair centre where electronic goods are repaired/ serviced. His repair centre is located in State of Rajasthan and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is ₹ 45 lakh.

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme under section 10(1) & 10(2) in the current financial year?

Or whether he is eligible to avail benefit of composition scheme under section 10(2A)?

Considering the option of payment of tax available to Mr. Ajay, compute the amount of tax payable by him assuming that his aggregate turnover in the current financial year is ₹ 35 lakh.

Will your answer be different if Mr. Ajay procures few items required for providing repair services from neighbouring State of Madhya Pradesh? [ICAI Study Material]

**ANSWER:**

- A registered person who is exclusively engaged in providing services other than restaurant services is not eligible for the composition scheme u/s 10(1) & 10(2) of the CGST Act, 2017.
- As per section 10(2A) of CGST Act, if a registered person is not eligible to opt to pay tax u/s 10(1) & (2) has aggregate turnover in preceding financial year not exceeding 50 Lakhs, then such person can opt to pay tax under composition scheme under section 10(2A).
- Then, supplies are liable to GST @6% (i.e. CGST @3% & SGST @3%) of the turnover in state till the aggregate turnover reaches ₹ 50 lakhs.



- As per the conditions given u/s 10(2A), he should not be engaged in outward inter-state supply of goods or services.
- In the given case, since Mr. Ajay is an exclusive supplier of services (i.e. repair services) other than restaurant services, he is not eligible for composition scheme under section 10(1) & 10(2).
- However, Mr. Ajay is eligible to avail the composition scheme under section 10(2A) as his aggregate turnover in the preceding FY was ₹ 45 lakhs which does not exceed ₹ 50 lakh and he is not eligible to opt for the composition scheme under section 10(1) & 10(2).
- Thus, the amount of tax payable by him as per the composition scheme under section 10(2A) is ₹ 2,10,000 [6% of ₹ 35 lakh.].
- There is restriction on making inter-state outward supply and not on inter-State procurement of goods.
- Hence, answer will remain the same even if Mr. Ajay procures few items from neighbouring State of Madhya Pradesh.



# VALUE OF SUPPLY

**Q.1:** M/s. Chand is a manufacturer of Paper products having factory at Pune, Maharashtra. M/s. Kela and M/s. Bela of Mumbai, Maharashtra are appointed as agents to sell the products on behalf of M/s. Chand with the conditions that both of them guarantee the realization of payment from buyers. Both M/s. Kela and M/s. Bela provide short-term borrowing facilities to buyers for timely payment of dues against supplies made to them and for this they charge interest from the ultimate buyer. While M/s. Kela raises invoices in the name of M/s. Chand and M/s. Bela raises invoices in its own name.

In light of provisions contained in Para 3 of Schedule I of CGST Act, kindly explain treatment of interest charged by M/s. Kela and M/s. Bela in above mentioned cases. [CA IPC July 21 Exam]

## ANSWER:

- M/s. Kela and M/s. Bela are del credere agents (DCA) of M/s. Chand as they guarantee payment to supplier.
- A DCA falls under the ambit of 'agent' under Para 3 of Schedule I of the CGST Act, 2017, if the invoice for supply of goods is issued by the DCA in its own name.
- However, if the invoice for supply of goods is issued by the supplier to the customer, either himself or through DCA, the DCA is not an 'agent' in terms of Para 3 Schedule 1.
- Thus, M/s. Bela is an agent of M/s. Chand in terms of Para 3 of Schedule 1, M/s Kela is not.
- **Where the DCA is not an agent under Para 3 of Schedule 1:**
  - The temporary short-term loan being provided by DCA to the buyer is a supply of service by the DCA to the recipient on principal-to-principal basis and is an independent supply.
  - Said supply is specifically exempt from tax.
  - Thus, interest charged by M/s. Kela is an independent supply and is exempt from tax.
- **Where the DCA is an agent under Para 3 of Schedule I:**
  - The temporary short-term credit being provided by DCA to the buyer no longer retains its character of an independent supply and is subsumed in the supply of the goods by the DCA to recipient.
  - Interest charged for such credit is also included in value of supply of goods by DCA to recipient.
  - Thus, interest charged by M/s. Bela will be included in the value of goods supplied by it.

**Q.2:** Following are the particulars, relating to one of the machine sold by SQM Ltd. to ACD Ltd. in the month of February 20XX at list price of ₹ 9,50,000 (exclusive of taxes and discount). Further, following additional amounts have been charged from ACD Ltd: -

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

Additional Information: -

- (i) SQM Ltd. normally gives an interest-free credit period of 30 days for payment, after that it charges interest @ 1% p.m. or part thereof on list price. ACD Ltd. paid for the supply after 45 days, but SQM Ltd. waived the interest payable.
- (ii) SQM Ltd. received ₹ 50,000 as subsidy, from one non-government organization (NGO) on sale of such machine. This subsidy was not linked to the price of machine and also not considered in list price of ₹ 9,50,000.

- (iii) ACD Ltd. deducted discount of ₹ 15,000 at the time of final payment, which was not as per agreement.
- (iv) SQM Ltd. collected ₹ 9,500 as TCS (tax collected at source) under the provisions of the Income Tax Act, 1961.

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

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

[CA Inter Nov 20 Exam]

**ANSWER:**

Computation of value of taxable supply: -

Sr. No.	Particulars	Amount in ₹
	List price (exclusive of taxes and discount)	9,50,000
(i)	Municipal Taxes [Note-1]	45,000
(ii)	Outward freight charge [Note-2]	65,000
	<b>Value of taxable supply</b>	<b>10,60,000</b>

Notes: -

- As per section 15(2)(a) of CGST Act, Tax other than GST are includible in the value, if charged separately,
- Since contract is to deliver machine at buyer's factory, it is a composite supply wherein the freight charges will be added to the value of principal supply of machine & it is includible as per section 15(2)(c).
- As per section 15(2)(d), Value of supply includes interest charged for delayed payment. However, since the interest on delayed payment has been waived off, the same has not been added to the value.
- As per section 15(2)(e), Subsidy directly linked to the price provided by non-government bodies is includible in value. Since subsidy received from NGO is not directly linked to the price of the machine, the same has not been added to the value.
- Since the discount was not known or agreed to at the time of supply of goods to the buyers, such discount cannot be reduced from the price, as per section 15(3).
- TCS is not includible in the value of supply as it is an interim levy not having the character of tax.

**Q.3:** XYZ Pvt. Ltd. provided the following particulars relating to goods sold by it to ABC Pvt. Ltd.:

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

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

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

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

[CA Inter May 22 Exam]

**ANSWER:**

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

Particulars	Amount (₹)	Remark
List price of the goods (exclusive of taxes and discount)	50,000	-
Tax levied by Municipal Authority on the sale of such goods	6,000	As per section 15(2)(a) of CGST Act, Tax other than GST are includible in value, if charged separately.
Packing charges	2,500	As per section 15(2)(c) of the CGST Act, the value of supply shall include incidental expenses, including commission and packing charges, charged by supplier to recipient
Subsidy received from NGO	-	As per section 15(2) (e) of the CGST Act, subsidy is received from a non-Govt. body and directly linked to the price, the same is includible in the value of supply
Payment made by ABC Pvt. Ltd. in relation to service provided by vendor to XYZ Pvt. Ltd.	2,000	As per section 15(2)(b) of the CGST Act, Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply
Turnover discount	-	As per section 15(3), Since discount is not known at the time of supply, it is not deductible from the value of supply.
Interest for delayed payment (rounded off)	4237 (5000*100/118)	As per section 15(2)(d) of CGST Act, the value of supply shall include interest or late fee or penalty for delayed payment of any consideration for supply.
Value of taxable supply	<b>64,737</b>	

**Q.4:** AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten or specified chemical residues. AKJ Foods Pvt. Ltd. does the testing and charges a testing fee for the same from the customer. AKJ Foods Pvt Ltd. argues that such testing fees should not form part of the consideration for the sale as it is a separate activity. Is the argument correct in light of section 15? **[ICAI Study Material]**

**ANSWER:**

**No.** The argument of AKJ Foods Pvt. Ltd. is not correct.

- Section 15(2)(c) of CGST Act, specifies that amount charged for anything done by supplier in respect of supply at the time of or before delivery of goods or supply of services shall be included in value of supply.
- In the given case, Since AKJ Foods Pvt. Ltd. does the testing on customer's request before the delivery of goods, the charges therefore will be included in the value of the consignment.
- The testing fee should be added to the price to arrive at value of the consignment.

**Q.5:** Furniture Wala is a chain of retail showrooms selling both modern and classic furniture. In order to build strong customer association, the showroom provides free delivery of the furniture at the premises of the customers if the distance between the showroom and the customer's premises is upto 20 kms. Where the distance is more than 20 kms, the showroom charges a concessional freight of ₹ 10 for every additional km.

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

Will your answer change if residence of Ms. Leena is 50 km away from showroom?

**[ICAI Study Material]**

**ANSWER:**

As per section 15(2)(c) of the CGST Act, the value of supply includes:

- Incidental expenses, including commission and packing, charged by supplier to recipient &
- Any amount charged for anything done by the supplier in respect of the supply until delivery of goods or supply of services.
- In the given case, the showroom is not charging any amount towards freight from Ms. Leena but incurring the same out of its own pocket.
- Thus, the same shall not be added to value & the value of supply will be ₹ 2,00,000 in this case.
- However, the answer will change in the second case when the showroom will charge ₹ 300 for freight [(50km - 20 km) x ₹ 10] from Ms. Leena.
- In this second case, the supply will be a composite supply where the principal supply being the supply of furniture and value thereof will be ₹ 2,00,300.

**Q.6:** Mezda Banners, an advertising firm, gives an interest-free credit period of 30 days for payment by the customer. Its customer ABC paid for the supply 32 days after the supply of service. Mezda Banners waived the interest payable for delay of two days. The Department wants to add interest for two days as per contract. Should notional interest be added to the taxable value? **[ICAI Study Material]**

**ANSWER:**

The Contention of Department to add notional interest is not valid in the eyes of law.

- As per section 15(1) of CGST Act, 2017, value of supply is the transaction value (i.e. price actually paid or payable) where price is sole consideration for supply & supply is made to unrelated person.
- As per section 15(2)(d) of CGST Act, 2017, the value of supply shall include Interest or late fee or penalty for delayed payment of any consideration for supply.
- Such interest is added to transaction value on receipt basis & not on notional basis.
- In given case, Mezda Banners waived the interest payable for delay of two days & thus, it did not actually receive that notional interest.
- Once waived, the interest is not payable and is therefore, not to be added to the value.

**Q.7:** Koli Ltd., a registered supplier, has supplied machinery to Ghisa Ltd. (a supplier registered in the same State). It provides following particulars regarding the same:

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

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

**[ICAI Study Material]**

**ANSWER:**

Computation of taxable value of supply of machinery by Koli Ltd.: -

Particulars	Amount (₹)	Remark
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Price of machinery (exclusive of taxes & discounts)	5,50,000	
Add: Amount paid by Ghisa Ltd. directly to the supplier for a part fitted in the machinery	20,000	As per section 15(2)(b) of CGST Act, it shall be added in value as it is supplier's liability being incurred by recipient and no included in price also.
Add: Installation and testing charges	25,000	As per section 15(2)(c) of CGST Act, any amount charged for anything done by supplier for supply of goods at the time of, or before delivery of goods shall be included in value.
Less: Discount 2% on machinery price [₹ 5,50,000 × 2%]	(11,000)	As per section 15(3)(a) of CGST Act, since discount is given before or at the time of supply of machinery & recorded in invoice, this discount shall be deducted from value.
Less: Additional 1% discount at year end	Nil	As per section 15(3)(b) of CGST Act, though the additional discount is established before or at the time of supply, it is not deductible from value as the same is not linked to any specific transaction & is adjusted by parties at end of the financial year
<b>Value of taxable supply</b>	<b>5,84,000</b>	

**Q.8:** Namo Shankar Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Narad Traders and Nandi Motors Ltd. locate in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Namo Shankar Ltd. has furnished the following details for the current month:

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

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

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

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

Make suitable assumptions, wherever necessary.

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

[CA Inter RTP-Nov 21]

**ANSWER:**

Computation of GST Liability: -

Sr. No.	Particulars	Narad Traders (₹)	Nandi Motors Ltd. (₹)
(i)	Price of goods	10,000	30,000
(ii)	Add: Packing charges (Note-1)	500	

(iii)	Add: commission (Note-1)	500	
(iv)	Add: Weighment charges (Note-1)		2,000
(v)	Less: Discount for prompt (Note-2)		(1,000)
	<b>Value of taxable supply</b>	<b>11,000</b>	<b>31,000</b>
	IGST payable @ 18% (Note-3)	1,980	
	CGST payable @ 9% (Note-4)		2,790
	SGST payable @ 9% (Note-4)		2,790

**Notes: -**

- As per section 15(2)(c) of CGST Act, 2017, Incidental expenses, including commission and packing, charged by supplier to recipient of supply until the time of delivery of goods is includible in value of supply. Weighment charges are also incidental expenses, hence includible in value of supply.
- Since discount is known at the time of supply, it is deductible from the value as per section 15(3) of the CGST Act, 2017.
- Since supply made to Narad Traders is an inter-State supply, IGST is payable in terms of section 5 of the IGST Act, 2017.
- Since supply made to Nandi Motors Ltd. is an intra-State supply, CGST & SGST is payable on the same as per section 9 of CGST/SGST Act.



**CA DREAMERS**  
THE AVENGER

# TIME OF SUPPLY

**Q.1:** Mr. XYZ & Co., a firm of Chartered Accountants, issued invoice for services rendered to Mr. A on 7th September, 20XX. Determine the time of supply in the following independent cases:

- (1) The provision of service was completed on 1st August, 20XX and payment was received on 28th September, 20XX.
- (2) The provision of service was completed on 14th August, 20XX and payment was received on 28th September, 20XX.
- (3) Mr. A made the payment on 3rd August, 20XX where provision of service was remaining to be completed at that time.
- (4) Mr. A made the payment on 15th September, 20XX where provision of service was remaining to be completed at that time. **[CA Inter Nov 18 Exam]**

**ANSWER:**

➤ As per section 13(2) of CGST Act, 2017, the time of supply of services shall be as follows: -

Sr. No.	Cases	Time of supply
(a)	If the invoice is issued within the period prescribed u/s 31: -	Time supply shall be earlier of: - ➤ The date of issue of invoice by the supplier or ➤ The date of receipt of Payment.
(b)	If the invoice is not issued within the period prescribed u/s 31: -	Time of supply shall be earlier of: - ➤ The date of provision of service or ➤ The date of receipt of payment.

➤ As per section 31(2), generally, the tax invoice shall be issued within 30 days of supply of service & in case of banking & FI, It should be within 45 days.

In accordance with aforesaid provisions, time of supply is:

- (1) 01.08.20XX since invoice is not issued within 30 days of supply of service i.e. till 31.08.20XX.
- (2) 07.09.20XX since the invoice is issued within 30 days of supply of service i.e. till 13.09.20XX and the payment is received after the issuance of invoice.
- (3) 03.08.20XX which is earlier of date of issuance of invoice (07.09.20XX) or date of receipt of payment (03.08.20XX).
- (4) 07.09.20XX which is earlier of issuance of invoice (07.09.20XX) or date of receipt of payment (15.09.20XX).

**Q.2:** Know & Grow Publishers, a registered dealer in India, paid an advance of ₹ 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1)(a) of the Copyright Act, 1957, of his original literary work on 5-9-20XX. It made the balance payment of ₹ 1,50,000 on 12-12-20XX. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on:

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

**[CA Inter GST Nov. 19 Exam New]**

**ANSWER:**

➤ As per section 9(3) of CGST Act, 2017, if services are supplied by an author by way of transfer or permitting the use or enjoyment of a copyright covered u/s 13(1)(a) of Copyright Act, 1957 relating to original literary works to a publisher, then GST is payable under reverse charge by publisher.

➤ As per section 13(3) of CGST Act, 2017, the time of supply of service taxable under reverse charge is earlier of the following:

- (a) Date of payment made by the recipient.
- (b) Date immediately following 60 days from date of issue of invoice by the supplier.

In given case, GST is payable by publisher Know & Grow Publishers (i.e. the recipient) under reverse charge as per section 9(3) & thus, the time of supply shall be determined as per section 13(3).

**(1) If the invoice is issued on 06.10.20XX, time of supply is as under:**

- 05.09.20XX is the time of supply for payment of ₹ 50000 as this is earlier than the 61st day (i.e. 06.12.20XX) from date of issue of invoice.
- 06.12.20XX is the time of supply for payment of ₹ 150000 as this is earlier than the date of payment 12-12-20XX.

**(2) If the invoice is issued on 17.12.20XX, time of supply is as under:**

- 05.09.20XX is the time of supply for payment of ₹ 50000 as this is earlier than the 61st day (i.e. 16.02.20XX) from date of issue of invoice.
- 12.12.20XX is the time of supply for payment of ₹ 150000 as this is earlier the 61<sup>st</sup> day (i.e. 16.02.20XX) from date of issue of invoice.

**Assumption:** - It is assumed that Author has not taken responsibility to pay tax under Forward Charge by filing declaration to commissioner.

**Q.3:** A Ltd., registered under GST, is engaged in job work of engineering goods as well as supplying of engineering goods. A Ltd. provides following details regarding orders received for Job work and supply of goods:-

**A. Job work of engineering goods: -**

Date of confirmation of order	01.03.20XX
Date of receipt of advance of 1,50,000	03.03.20XX
Date of completion of job work	06.03.20XX
Date of issue of invoice for total amount	11.03.20XX
Date of receipt of balance payment of 1,00,000	16.03.20XX

**B. Supply of engineering goods: -**

Date of confirmation of order	08.01.20XX
Date of receipt of advance of 1,50,000	12.01.20XX
Date of removal of goods	17.01.20XX
Date of issue of invoice for total amount	22.01.20XX
Date of receipt of balance payment of 1,00,000	01.02.20XX

You are required to examine and determine the time and value of supply under forward charge w.r.t. job work and supply of goods under the provisions of CGST Act, 2017. [CA IPC Dec 21 Exam]

**ANSWER:**

**(a) Time and value of supply in case of job work: -**

- Job work is treated as supply of services.
- As per section 13(2)(a) of CGST Act, 2017, if invoice is issued within the time prescribed u/s 31 (i.e. within 30 days) for supply of services, then the time of supply of such services shall be earlier of:

- (a) the date of issue of invoice by the supplier or
- (b) the date of receipt of payment

(to the extent the invoice/payment covers the supply of services).

- Thus, the time of supply for advance of ₹ 1,50,000 received for the supply of job work services is 03.03.20XX and for balance payment of ₹ 1,00,000 is 11.03.20XX.
- Value of supply is ₹ 2,50,000.

**(b) Time and value of supply in case of supply of goods:-**

- As per section 12(2) of CGST Act, 2017 read with notification 66/2017, the time of supply of goods taxable under forward charge shall be earlier of the following dates:
  - (a) Date of issue of invoice or
  - (b) last date to issue the invoice u/s 31 (i.e. before or at the time of removal of goods for supply to the recipient, where supply involves movement of goods).
- Thus, the time of supply for advance of ₹ 1,50,000 as well as for balance payment of ₹ 1,00,000 is 17.01.20XX which is the date of removal of goods.
- Value of supply is ₹ 2,50,000.

**Q.4:**

- (i) An order is placed to T & Co., Sholapur on 18th August, 20XX for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 20XX and after completion of the order issued the invoice on 15th September, 20XX. The payment against the same was received on 30<sup>th</sup> September, 20XX. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations.
- (ii) HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May, 20XX. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July, 20XX. Invoice was received from the transporter on 20<sup>th</sup> June, 20XX and payment was made on 25th August, 20XX. What is the time of supply of the transporter's service? **[CA Inter Dec 21 Exam]**

**ANSWER:**

- (i)
  - As per section 12(2) of CGST Act, 2017 read with notification 66/2017, the time of supply of goods shall be earlier of the following dates:
    - (a) Date of issue of invoice or
    - (b) Last date to issue the invoice u/s 31.
 (As per notification per notification 66/2017, the time of supply of goods is not on advanced received).
  - As per section 31(1), the registered person is required to issue invoice before or at the time of delivery of goods or making goods available to the recipient.
  - In given case, last date to issue invoice is the date of delivery of fabrics i.e. 4th September, 20XX which precedes the date of invoice i.e. 15th September, 20XX.
  - Thus, the time of supply is 4th September, 20XX.
- (ii) Assuming that services of transportation of goods by road have been provided by a GTA which has not paid GST @ 12%; i.e. GST is payable @ 5%.
  - As per section 9(3) of CGST Act, 2017, if service of transportation of goods by road is provided by GTA to a body corporate (which includes company), then GST is payable under reverse charge by body corporate.
  - As per section 13(3) of CGST Act, 2017, the time of supply of service taxable under reverse charge is earlier of the following:



- (a) Date of payment made by the recipient.
  - (b) Date immediately following 60 days from date of issue of invoice by the supplier.
- Thus, in the given case, time of supply is earlier of:
  - 25th August, 20XX i.e. the date of payment or
  - 20th August, 20XX (61st day from 20th June which is the date of invoice)
  - Therefore, the time of supply is 20th August, 20XX.

**Q.5:** An order is placed on Ram & Co. on 18th August for supply of a consignment of customized shoes. Ram & Co. gets the consignment ready and informs the customer and issues the invoice on 2nd December. The customer collects the consignment from the premises of Ram & Co. on 7th December and electronically transfers the payment on the same date, which is entered in the accounts on the next day, 8th December.

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

[ICA Study Material]

**ANSWER:**

- As per section 12(2) of the CGST Act, 2017 read with notification 66/2017, the time of supply of goods shall be earlier of the following dates:
  - (a) Date of issue of invoice or
  - (b) last date to issue the invoice u/s 31.
- As per notification 66/2017, the time of supply of goods is not on advanced received & this is applicable to all registered persons except composition supplier.
- Further, u/s 31(1), if supply involves movement of goods, a registered person is required to issue a tax invoice before or at the time of removal of goods for supply to the recipient.
- In this case, invoice is issued before the removal of the goods (i.e. collection of goods by customer) & is thus, within the time limit prescribed u/s 31(1).
- Therefore, the time of supply for payment of tax is date of issue of invoice, which is 2nd December.

**Q.6:** Investigation shows that 150 cartons of ceramic capacitors were dispatched on 2nd August but no invoice was raised and the transaction (dispatch of cartons) were not entered in the accounts. There was no evidence of receipt of payment.

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

[ICAI Study Material]

**ANSWER:**

- As per section 12(2) of the CGST Act, 2017 read with notification 66/2017, the time of supply of goods shall be earlier of the following dates:
  - (a) Date of issue of invoice or
  - (b) last date to issue the invoice u/s 31.
- In this case, since the invoice has not been issued, the time of supply for the purpose of payment of tax will be the last date on which the invoice is required to be issued.
- The invoice for supply of goods must be issued on or before dispatch of goods, i.e. on 2nd August.
- Therefore, the time of supply of goods will be 2nd August

**Q.7:** Raju Pvt Ltd. receives the order and advance payment on 5th January for carrying out an architectural design job. It delivers the designs on 23rd April. By oversight, no invoice is issued at that time, and it is issued much later, after the expiry of prescribed period for issue of invoice. When is the time of supply of service?

[ICAI Material]

**ANSWER:**

- As per section 13(2)(b) of CGST Act, 2017, if invoice is not issued within the time prescribed u/s 31 for supply of services, then the time of supply of such services shall be earlier of:
  - The date of provision of service or
  - The date of receipt of payment.
- As per section 31(2), generally, the tax invoice shall be issued within 30 days of supply of service & in case of banking & FI, it should be within 45 days.
- In the given case, the advance payment was received on 5th January and the service was provided on 23rd April.
- However, no invoice was issued even after the expiry of prescribed period for issue of invoice.
- Therefore, the time of supply of service is 5th January which is the date of receipt of payment.

**Q.8:** Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4th and 5th September but could not raise invoice till 19th November because of some dispute about the condition of the devices on return. The payment was made in December. What is the method to fix the time of supply of the service? [ICAI Study Material; CA Inter MTP Oct 2020]

**ANSWER:**

- As per Section 13(2)(b) of CGST Act, 2017, if Invoice is not issued within the time prescribed u/s 31 for supply of services, then the time of supply of such services shall be earlier of: -
  - The date of provision of service or
  - The date of receipt of payment.
- As per section 31(2), generally, the tax invoice shall be issued within 30 days of supply of service & in case of banking & FI, it should be within 45 days.
- In this case, the service is provided on 5<sup>th</sup> September but the invoice is not issued within the prescribed time limit of 30 days of supply of service.
- Therefore, 5th September will be the time of supply which is the date of provision of service, being earlier than the date of payment.

# PLACE OF SUPPLY

**Q.1:** What will be the place of supply if the goods are delivered by the supplier to another person on the direction of a third person? [ICAI Study Material]

**ANSWER:**

As per section 10(1)(b) of IGST Act, if goods are delivered by supplier to any person on direction of a third person, before or during movement of goods, then: -

- It shall be deemed that the said third person has received the goods and
- Place of supply of such goods shall be the principal place of business of such third person.

**Q.2:** MA Pvt. Ltd. (New Delhi) has leased its machine (cost ₹ 8,00,000) to MB Pvt. Ltd. (Noida, Uttar Pradesh) for production of goods on a monthly rent of ₹ 40,000. After 14 months, MB Pvt. Ltd. requested MA Pvt. Ltd. to sell the machine to it for ₹ 4,00,000, which is agreed to by MA Pvt. Ltd. Determine the place of supply & the nature of transaction. [ICAI Study Material]

**ANSWER:**

- As per section 10(1)(c) of IGST Act, if the supply does not involve movement of goods by supplier or recipient, the place of supply shall be the location of goods at the time of the delivery to recipient.
- In this case, there will be no movement of goods and the same will be sold on as is where is basis.
- Thus, location of machine at the time of sale will be the place of supply i.e., Noida, Uttar Pradesh.
- Since the location of Supplier and the place of supply are in different States, it is an Inter-state supply & thus, liable to IGST.

**Q.3:** Pure Refineries (Mumbai, Maharashtra) gives a contract to PQ Ltd. (Ranchi, Jharkhand) to supply a machine which is required to be assembled in a power plant in tis refinery located in Kutch, Gujarat. Determine the place of supply. [ICAI Study Material]

**ANSWER:**

- As per section 10(1)(d) of IGST Act, if goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly.
- In the given case, the place of supply is the site of assembly machine i.e., Kutch even though Pure refineries is located in Maharashtra.

**Q.4:** What is the place of supply where the goods or services are supplied on board a conveyance, such as a vessel, an aircraft, a train or a motor vehicle? [ICAI Study Material]

**ANSWER:**

- As per section 10(1)(e) of IGST Act, if goods are supplied on board a conveyance including a vessel, an aircraft, a train or a motor vehicle, the place of supply shall be the location at which such goods are taken on board.
- However, in respect of services, the place of supply is the location of the first scheduled point of departure of that conveyance for the journey as per sections 12(10).

**Q.5:** The place of supply in relation to immovable property (situated in India) is the location of immovable property. Suppose a road is constructed from Delhi to Mumbai covering multiple states. What will be the place of supply of construction services? [ICAI Study Material]

**ANSWER:**

- As per explanation to section 12(3) of IGST Act, if the immovable property is located in more than one State, the supply of service is treated as made in each of the States in proportion to the value for services separately collected or determined in contract or agreement entered into.
- In the absence of such contract or agreement, value of supply for each state is determined on other prescribed reasonable basis.
- As per Rule 4 of IGST Rules, in the absence of a contract or agreement between supplier & recipient of services, the proportionate value of services supplied different States where the immovable property is located is computed on the basis of the area of immovable property lying in each state.

**Q.6:** Timmy Ferreira, a makeup artist at Kolkata, goes to Jaipur, Rajasthan for doing the makeup of Ms. Simran Kapoor, a Bollywood actress based in Mumbai. **[Study Material (Example)]**

**ANSWER:**

- As per section 12(4) of IGST Act, the place of supply of restaurant and catering services & beauty treatment service shall be the location where the services are actually performed.
- The place of supply of beauty treatment service provided by Mr. Timmy Ferreira is Jaipur, Rajasthan where the service of doing makeup is actually performed.

**Q.7:** What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States? **[ICAI Study Material]**

**ANSWER:**

- As per section 12(7) of IGST Act, if service of organizing of an event is provided to a registered person, the place of supply shall be the location of such registered recipient, whether event is actually held, either in India or outside India.
- However, if recipient is not registered, place of supply shall be the place where event is actually held and if the event is held outside India, the place of supply shall be the location of the recipient.
- As per explanation to section 12(7) of IGST Act, if the event is held in multiple States & consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion the value for services determined as per the contract or agreement.
- As per Rule 5 of IGST Rules, in the absence of a contract or agreement between supplier & recipient of services, such proportionate value shall be determined by the application of generally accepted accounting principles.

**Q.8:** What is the place of supply of services by way of transportation of goods, including by mail or courier when both the supplier and the recipient of the services are located in India? **[ICAI Study Material]**

**ANSWER:**

As per section 12(8) of IGST Act, for supply of services by way of transportation of goods, including mail or courier, the place of supply shall be as under: -

- If the recipient is registered, place of supply shall be the location of such registered person.
- If the recipient is not registered, the place of supply shall be the place where the goods are handed over for their transportation.

# EXEMPTION

**Q.1:** Mr. Shyam Das was admitted to Suraksha Hospital in Mumbai for 2 days in relation to diagnosis of removal of stones from his kidney. For the said services, Suraksha hospital charged following from

Mr. Das:

- (i) Room rent ₹ 7,000 per day for 2 days.
- (ii) Operation theatre charges ₹ 5,000
- (iii) Doctors Consultation Charges ₹ 8,000
- (iv) Other services ₹ 4,000

In each of the above scenario explain whether Suraksha Hospital should levy GST or not in line with the relevant provisions of the GST laws. **[CA Inter May 23 Exam]**

**ANSWER:**

- Health care services by a clinical establishment are exempt from GST.
- However, services provided by a clinical establishment by way of providing room having room charges exceeding ₹ 5,000 per day to a person receiving health care services are not exempt.
- In view of the same, only the room rent of ₹ 14,000 (₹ 7,000 per day × 2 days) is liable to GST.
- Other than room rent, all other nature of services provided by Suraksha Hospital are exempt from GST.

**Q.2:** Anand Trust, Kolkata is registered under section 12AA of the Income Tax Act, 1961. It has provided following particulars relating to the activities carried out by it for the month of March, 20XX: -

Particulars	Amount (₹)
Donation received against display of name of a city-based school in annual religious book published by the Trust	500000
Receipts from sale of food in Anand food court, located in the Trust premises	200000
Refundable deposit of ₹ 2,00,000 and annual fees of ₹ 1,00,000 received from restaurants (located in West Bengal) using brand name and logo of Anand Food Court	300000
Donation received for Pooja organized in Trust premises on occasion of 'Shivratri'	400000
Amount received for activities relating to preservation of Tigers in Sundarbans, West Bengal	300000
Letting out of precincts of a religious place owned by Trust in Kolkata (Rent ₹ 10,000 per day)	200000

From given information, you are required to calculate the value of taxable supply.

**[CA IPC Nov 20 Exam]**

**ANSWER:**

Computation of value of taxable supply of Anand Trust for the month of March, 20XX: -

Particulars	Amount (₹)	Reason
Donation received for publishing the name of a school in annual religious publication of Trust	5,00,000	<b>Taxable</b> , as it is a non-charitable activity, service provided by Trust is not eligible for exemption & also, publishing name of school is giving publicity/advertisement to it.
Receipts from sale of food in food court in the premises of Trust	2,00,000	<b>Taxable</b> , as it is a non-charitable activity, service provided by Trust is not eligible for exemption from GST.



Annual fees received from restaurants for use of brand name and logo of court	1,00,000	<b>Taxable</b> , as it is a non-charitable activity, service provided by Trust is not eligible for exemption, However, deposit being refundable in nature cannot be construed as consideration. <b>Note:</b> It is assumed that refundable deposit of ₹ 2,00,000 has not affected, in any manner, the consideration charged for use of brand name and logo of the food court.
Donation received for pooja organized in Trust premises on occasion of 'Shivratri'	Nil	Exempt because services of conduct of a religious ceremony are exempt from GST.
Receipts from skill development program for senior citizens (aged more than 65 years) residing in Kolkata	4,00,000	<b>Taxable</b> , as Skill development program conducted by Trust for persons over the age of 65 years is not a charitable activity since such persons are not residing in rural area, but in an urban area (Kolkata). Thus, not eligible for exemption.
Preservation of Tigers in Sundarbans, West Bengal	Nil	<b>Exempt</b> , as it is a charitable activity of preservation of wildlife, service provided by Trust is eligible for exemption.
Letting out of precincts of religious place owned by Trust in Kolkata	2,00,000	<b>Taxable</b> , as the rent is ₹ 10,000 per day, it is not eligible for exemption. Renting of precincts of a religious place meant for general public owned by a charitable trust is exempt only when rent is less than ₹ 10,000 per day.
<b>Total value of taxable supply</b>	<b>14,00,000</b>	

**Q.3:** Green Agro Services, a registered person provides the following information relating to its activities during the month of February, 20XX: -

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

All the above receipts are exclusive of GST. Compute the value of taxable supplies under GST laws for the month of February, 20XX. **[CA Inter Jan 21 Exam]**

**ANSWER:**

Particulars	Amount (₹)	Remark
Services relating to rearing of sheep	Nil	<b>Exempt</b> since services relating to rearing of all life forms of animals, except horses, for food etc. are exempt.
Services of artificial insemination of horses	4,00,000	<b>Not exempt</b> , since artificial insemination of livestock other than horses are exempt.
Processing of sugarcane into jaggery	8,00,000	<b>Not exempt</b> , since processes which alter essential characteristics of agricultural produce are not exempt & processing of sugarcane into jaggery changes essential characteristics of sugarcane.
Milling of paddy into rice	7,50,000	<b>Not exempt</b> , as this process, being carried out after cultivation is over, is not an intermediate production process for cultivation of plants & it also changes essential characteristics of paddy.

Fumigation in a warehouse of agricultural produce	1,80,000	<b>Not exempt</b> , Services by way of fumigation in a warehouse of agricultural produce are taxable.
<b>Value of taxable supplies</b>	<b>2,13,0000</b>	

**Q.4:** Kesar Maharaj, a renowned classical dancer gave a classical dance performance in an auditorium. The consideration charged for the said performance is ₹ 98,500. Is Kesar Maharaj liable to pay GST on the consideration received for the said performance, if such performance is not for promotion of any product/services? If yes, determine his GST liability.

Will your answer be different if:

- (i) Consideration charged by Kesar Maharaj for the said performance is ₹ 1,60,000?
- (ii) Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product?
- (iii) Kesar Maharaj gives a contemporary Bollywood style dance performance in TV Serial?
- (iv) Kesar Maharaj gives Coaching in recreational activities relating to arts?

Note:- GST has been charged separately, if any.

[CA Inter Exam May 19]

**ANSWER:**

- (a) Performance by an artist in folk or classical art forms of music, dance or theatre is exempt from GST, if consideration charged for such performance is not more the ₹ 1,50,000. However, exemption will not apply to service provided by such artist as brand ambassador.
- (b) Training or coaching service in recreational activities relating to arts or culture by an Individual is exempt from GST.
  - In given case, classical dance performance by Kesar Maharaj is exempt from GST as consideration is ₹ 98,500 which does not exceed ₹ 1,50,000 & also, he is not promoting anything. Hence, he is not liable to pay GST.
  - **Yes, the answers in different scenarios shall be as under:-**
    - (i) If consideration charged by Kesar Maharaj is 1,60,000, he will be liable to pay GST as although the performance is in classical art form of dance, but the consideration is more than 150000.
    - (ii) If Kesar Maharaj is performing as a brand ambassador of a food product to promote the same, then he will be liable to pay GST as the exemption is not applicable to a brand ambassador.
    - (iii) If Kesar Maharaj gives a contemporary Bollywood style dance performance in TV Serials, then such performance will not be eligible for exemption because the performance is not in folk or classical art forms of dance. Hence, GST would be payable on the same.
    - (iv) If Kesar Maharaj, being an individual provides coaching in recreational activities relating to arts, then he is not liable to pay GST as this service is specifically exempted.

**Q.5:** XYZ Pvt. Ltd. manufactures beauty soap with the brand name 'Forever beauty'. XYZ Pvt. Ltd. has organized a concert to promote its brand. Ms. Mahima, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert is ₹ 1,25,000.

- (i) Explain with relevant provisions of GST, whether Ms. Mahima will be required to pay any GST.
- (ii) What will be the answer if the proceeds of the concert is donated to a charitable organization?

[CA Inter July 21 Exam]

**ANSWER:**

- (i)
  - Services by an artist by performing folk or classical art forms of music, dance or theatre or exempt from GST, if the consideration charged for such performance is not more than ₹ 1,50,000.

- However, this exemption is not available to an artist performing as a brand ambassador.
  - In the given case, Ms. Mahima is the brand ambassador of 'Forever Beauty' soap manufactured by XYZ Pvt. Ltd.
  - Hence, services rendered by her by way of a classical dance performance in the concert organized by XYZ Pvt. Ltd. to promote its brand will not be eligible for exemption & thus, be liable to GST.
- (ii) Even if the proceeds of concert is donated to a charitable organization, she will be liable to GST as this fact will not have any bearing on eligibility or otherwise to above-mentioned exemption.

**Q.6:** M/s. Apna Bank Limited, a Scheduled Commercial Bank has furnished the following details for the month of August, 20XX: -

Particulars	₹ in Crore (Excluding GST)
Extended Housing Loan to its customers	100
Processing fees collected from its customers on sanction of loan	20
Commission collected from its customers on bank guarantee	30
Interest income on credit card issued by the bank	40
Interest received on housing loan extended by the bank	25
Minimum balance charges collected from current account and saving account holder	01

[CA Inter Exam May 19]

**ANSWER:**

Computation of value of taxable supply of M/s. Apna Bank Limited for the month of August, 20XX: -

Particulars	₹ in crore	Remark
Extended Housing Loan to its customers	Nil	<b>Exempt</b> , since money does not constitute goods or services, extending housing loan is not a supply
Processing fees collected from its customers on sanction of loan	20	<b>Taxable</b> , since interest does not include processing fee on sanction of the loan.
Commission collected from its customers on bank guarantee	30	<b>Taxable</b> , as any commission collected over & above interest on loan, advance or deposit is not exempt.
Interest income on credit card issued by the bank	40	<b>Taxable</b> , as interest income on extending loans is exempt but interest income on credit card services is an exception to this exemption.
Interest received on housing loan extended by the bank	Nil	<b>Exempt</b> , as services of extending loans where consideration is represented by way of interest are exempt.
Minimum balance charges collected from current account & saving account holder	01	<b>Taxable</b> , as any charges collected over & above interest on loan, advance or deposit is not exempt.
<b>Value of Taxable Supply</b>	<b>91</b>	

**Q.7:** AB Ltd., a registered company of Chennai, Tamil Nadu, provided following services for month of Oct, 20XX: -

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

All the above amounts are exclusive of GST. Compute the taxable supplies of AB Ltd. for the month of October, 20XX with necessary explanations. **[CA Inter Dec 21 Exam]**

**ANSWER:**

Computation of value of taxable supplies of AB Ltd. for the month of October, 20XX:

Particulars	₹	Explanation
Services of transportation of students, faculty & Staff to commerce college	250000	<b>Not exempt</b> , as transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.
Online monthly magazine to students of PQR Law College	Nil	<b>Exempt</b> , since service of supply of online educational journals provided to an educational institution providing qualification recognized by law are exempt from GST.
Housekeeping services to T Coaching Institute	50000	<b>Not exempt</b> , since T Coaching Institute is not an educational institution.
Security services to N Higher Secondary School	Nil	<b>Exempt</b> , since security services provided to an educational institution providing education up to higher secondary school are exempt. <b>Note:</b> It has been assumed that security services are performed in N Higher Secondary School.
Services of providing breakfast, lunch & dinner to students of ABC Medical College	580000	<b>Not exempt</b> , since catering services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.
<b>Value of Taxable supplies</b>	<b>880000</b>	

**Q.8:** Mr. Jayesh, a registered supplier of Mumbai, received the following amounts in respect of the various activities undertaken by him during the month of October 20XX.

Sr. No.	Remark	Amount (₹)
(i)	Commission received as a recovery agent from a Non-Banking Finance Company (NBFC)	8,00,000
(ii)	Actionable claim received from normal business debtors	10,50,000
(iii)	Amount received from ABC Ltd. for performance of classical dance in one program.	1,74,500
(iv)	Business assets (old computers) given to a friend free of cost, the market value of all the computers was ₹ 51,000. No input tax credit has been availed on such computers when used for business	No Amount charged

(v)	Consideration received for one month rent from a registered individual person for renting of residential dwelling for use as residence.	15,200
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**Notes:**

(i) All the amount stated above in both the tables are exclusive of GST, wherever applicable.

(ii) Aggregate turnover of Mr. Jayesh in previous year was ₹ 42,00,000.

You are required to compute Gross value of supplies, on which GST to be paid by Mr. Jayesh for the month of October 20XX. **[CA Inter May 23 Exam]**

**ANSWER:**

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

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



# PAYMENT OF TAX & TDS-TCS

**Q.1:** List out the benefits of the new payment system of GST available to the taxpayer and the GST Department.

[CA IPC Dec 21 Exam]

**ANSWER:**

**Benefits of the payment system of GST available to the taxpayer and the GST Department:**

**Benefits to Taxpayer:**

- No more queues and waiting for making payments as payments can be made online 24 X 7.
- Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan. Paperless transactions.
- Instant online receipts for payments made online.
- Tax consultants can make payments on behalf of the clients.
- Single challan form to be created online, replacing the three or four copy Challan.
- Online payments made after 8 pm will be credited to the taxpayer's account on the same day.
- Greater transparency.

**Benefits to the GST Department:**

- Revenue will come more rapidly into the Government Treasury.
- Logical tax collection data in electronic format.
- Speedy accounting and reporting.
- Electronic reconciliation of all receipts.
- Warehousing of digital challan.

**Q.2:** What are the E-ledgers? State the entries to be debited to electronic liability register under the CGST Act, 2017 and the CGST Rules, 2017.

[CA Inter Exam May 19]

**ANSWER:**

- Electronic Ledgers or E-Ledgers (i.e., Electronic Cash Ledger and Electronic Credit Ledger) are statements of cash and input tax credit in respect of registered taxpayer.
- In addition, each taxpayer shall also have an electronic tax liability register.
- The entries to be debited to electronic liability register under the CGST Act, 2017 and the CGST Rules, 2017 are as follows:
  - (i) All amounts payable towards tax, interest, late fee and any other amount as per return filed;
  - (ii) All amounts payable towards tax, interest, penalty and any other amount determined in any proceeding by an Assessing authority or as ascertained by the taxable person;
  - (iii) The amount of tax and interest payable due to mismatch;
  - (iv) Any amount of interest that may accrue from time to time.

**Q.3:** Explain the order of discharge of tax and other dues as per the provisions of section 49(8) of the CGST Act, 2017.

[CA Inter Nov 20 Exam]

**ANSWER:**

- As per section 49(8) of CGST Act, 2017, Every taxable person shall discharge his tax and other dues under GST law in following order, namely:
  - (a) Self-assessed tax, and other dues related to returns of previous tax periods.
  - (b) Self-assessed tax, and other dues related to the return of the current tax period.
  - (c) Any other amount payable under GST law including the demand as per 73 or section 74.
- The liability if any, arising out of demand notice and adjudication proceedings comes last.
- **This sequence has to be mandatorily followed.**

Thus, in the given case, Mr. Ram Narayan cannot discharge his self-assessed tax liability for the current period before setting the dues for the previous tax period.

**Q.4:** Mr. Manik provides the following information regarding his tax & other liabilities under GST law as per Electronic Liability Register:

Sr. No.	Particulars	₹
1	Tax due for the month of May	10,00,000
2	Interest due for the month of May	10,00,000
3	Penalty due for the month of May	10,00,000
4	Tax due for the month of June	10,00,000
5	Liability arising out of demand notice u/s 73	10,00,000

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

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

[CA Inter May 23 Exam]

**ANSWER:**

- As per section 49(8) of CGST Act, 2017, Every taxable person shall discharge his tax and other dues under GST law in following order, namely
  - (a) self-assessed tax, interest, penalty, fee or any other amount related to returns of the previous tax periods.
  - (b) self-assessed tax, interest, penalty, fee or any other amount related to returns of the current tax period.
  - (c) any other amount payable including demand determined under section 73 or section 74,
- In this case, Mr. Manik cannot clear his liability of demand notice u/s 73 first.
- Thus, The order of discharge of liability of Mr. Manik will be as under:
  - (a) Tax, interest and penalty for the month of May ₹ 30,000
  - (b) Tax due for the month of June ₹ 35,000
  - (c) Liability arising out of demand notice u/s 73 ₹ 48,000

**Q.5:** ABC Ltd., have filed their GSTR3B for the month of July, 2021 within the due date prescribed under Section 39 i.e. 20.08.2021. Post filing of the return, the registered person has noticed during September 2021 that tax dues for the month of July, 2021 have been short paid for ₹ 40,000. ABC Ltd., has paid the above shortfall of ₹ 40,000, through GSTR 3B of September 2021, filed on 20.10.2021 [payment through Cash ledger - ₹ 30,000 and Credit ledger ₹ 10,000]. Examine the Interest payable under the CGST Act, 2017.

What would be your answer if, GSTR3B for the month of July 2021 has been filed belatedly on 20.10.2021 and the self-assessed tax of ₹ 40,000/- has been paid on 20.10.2021 [payment through electronic cash ledger - ₹ 30,000 and electronic credit ledger ₹ 10,000]

Notes:

(1) No other supply has been made nor tax payable for the month of July, 2021 other than ₹ 40,000/- missed out to be paid on forward charge basis

(2) Ignore the effect of leap year, if applicable in this case.

[CA Inter Dec 21 Exam]

**ANSWER:**

- As per section 50 of the CGST Act, 2017, Interest is payable on delayed payment of tax at the rate 18% from the day succeeding the due date of payment till the date of payment.
- As per proviso to section 50, the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date is payable on the net tax liability paid through electronic cash ledger.
- In the given case, ABC Ltd., has defaulted in making the payment for ₹ 40,000 on self-assessment basis in the return for the month of July 20XX.

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

➤ Thus, the amount of interest payable by ABC Ltd. is as under:

Period of delay = 21st August 20XX to 20th October 20XX = 61 days

Hence, Interest = ₹ 40,000 × 18% × 61/365 = ₹ 1,203

➤ In the second case, if ABC Ltd., have filed the return for the month of July 20XX on 20.10.20XX, beyond the stipulated due date of 20.08.20XX and if the self-assessed tax for July 20XX has been paid on 20.10.20XX, Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only.

➤ Hence Interest is payable from 21st August 20XX till 20th October 20XX = 61 days.

Interest = ₹ 30,000 × 18% × 61/365 = ₹ 902

**Q.6:** MNI Ltd. provides following details for the month of March 20XX:

- (1) While filling GST return of March 20XX on 20-04-20XX (within the prescribed due date), they came to know that one bill of January 20XX consisting tax amount of ₹ 50,000 was not considered while filling return for the month of January 20XX (Return was filed on 20-02-20XX, within the prescribed due date).
- (2) MNI Ltd. has paid the above shortfall of ₹ 50,000 of January 20XX, through GSTR-3B for the month of March 20XX (payment through cash ledger was ₹ 30,000 and payment through credit ledger was ₹ 20,000).
- (3) MNI Ltd. got a notice regarding interest payment u/s 50 of the CGST Act, 2017. MNI Ltd. assumed that they paid self-assessed tax and both returns were also filed timely so they were not liable for payment of interest.

They seek your opinion regarding whether,

(i) They are liable to pay interest u/s 50 of the CGST Act.

(ii) If they had filed return of January 20XX on 20-04-20XX (Self assessed tax also paid on 20-04-20XX of ₹ 50,000 (payment through cash ledger was ₹ 30,000 and payment through credit ledger was ₹ 20,000), then also they are liable to pay interest u/s 50 of the CGST Act.

[CA IPC July 21 Exam]

**ANSWER:**

➤ As per section 50 of the CGST Act, 2017, Interest is payable on delayed payment of tax at the rate 18% from the day succeeding the due date of payment till the date of payment.

➤ Further, the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date is payable on the net tax liability paid through electronic cash ledger.

(i) ➤ In the given case, MNI Ltd. has defaulted in making the payment of ₹ 50,000 in the return of January 20XX.

➤ Therefore, it will be liable to pay interest @18% p.a. from 21.02.20XX till the date of payment.

- Further, since the return for the month of January, 20XX has been filed on the due date, MNI Ltd. will be liable to pay interest on the gross tax liability i.e., ₹ 50,000 and not on net tax liability paid in cash.
- (ii) If MNI Ltd. had filed the return for the month of January, 20XX on 20.04.20XX, i.e. after the prescribed due date and the tax of ₹ 50,000 is also paid on 20.04.20XX, interest will be payable on net tax liability paid through electronic cash ledger i.e., ₹ 30,000.

**Q.7:** Is every e-commerce operator required to collect tax on behalf of actual supplier? **[ICAI Study Material]**

**ANSWER:**

- Yes, every e-commerce operator is required to collect tax where consideration with respect to the supply is being collected by the e-commerce operator.
- However, no TCS is required to be collected in the following cases:-
  - on supply of services notified under section 9(5) of the CGST Act, 2017.
  - on exempt supplies
  - on supplies on which the recipient is required to pay tax on reverse charge basis.

**Q.8:** State whether the provisions pertaining to tax collected at source under section 52 of CGST Act, will be applicable,

- (a) If Fitan Ltd. sells watch on its own through its own website?
- (b) If ABC limited who is dealer of Royul brand sells watches through Slipkart, an electronic commerce operator? **[ICAI Study Material]**

**ANSWER:**

- As per Section 52 of the CGST Act, Every ECO not being an agent, shall collect tax at source
  - at 0.5% (i.e. 0.5 % CGST & SGST/UTGST each or 1% IGST)
  - of the net value of taxable supplies made through it by other suppliers
  - where the consideration for such supplies is to be collected by ECO.

(1)	<ul style="list-style-type: none"> <li>➤ In the given case, Fitan Ltd. sells watch through its own website.</li> <li>➤ Thus, TCS won't be applicable.</li> </ul>
(2)	<ul style="list-style-type: none"> <li>➤ In the given case, ABC limited who is dealer of Royul brand sells watches through Slipkart.</li> <li>➤ Thus, TCS will be applicable to Slipkart.</li> </ul>

# INPUT TAX CREDIT

**Q.1:** Laxmi Traders, a supplier of electric goods, is registered under GST in the state of Karnataka. Laxmi Traders receives 200 invoices for inward supply of goods and services, involving GST of ₹ 8,00,000, from various suppliers during the month of November, 20XX.

Compute the input tax credit (ITC) that can be claimed by Laxmi Traders in his GSTR-3B for the month of November, 20XX to be filed by 20th December, 20XX in the following independent situations assuming that GST of ₹ 8,00,000 otherwise eligible for input tax credit:

**Situation 1st:** Out of 200 invoices, 160 invoices involving GST of ₹ 7,00,000 have been uploaded by the suppliers in their respective GSTR-I filed on the prescribed due date thereof.

**Situation 2nd:** Out of 200 invoices, 140 invoices involving GST of ₹ 5,00,000 have been uploaded by the suppliers in their respective GSTR-1 filed on the prescribed due date thereof. **[CA IPC JAN 21 EXAM]**

**ANSWER:**

Computation of ITC that can be claimed by Laxmi Traders in his GSTR-3B for the month of November, 20XX:

**Situation 1:**

Invoices	ITC as per invoices (₹)	ITC that can be availed (₹)
160 invoices uploaded in GSTR-1	7,00,000	7,00,000 [Note 1]
40 invoices not uploaded in GSTR-1	1,00,000	Nil [Note 2]
<b>Total ITC that can be claimed</b>	<b>8,00,000</b>	<b>7,00,000</b>

**Situation 2:**

Invoices	ITC as per invoices (₹)	ITC that can be availed (₹)
140 invoices uploaded in GSTR-1	5,00,000	5,00,000 [Note 1]
60 invoices not uploaded in GSTR-1	3,00,000	Nil [Note 2]
<b>Total ITC that can be claimed</b>	<b>8,00,000</b>	<b>5,00,000</b>

**Notes: -**

- (1) Full ITC can be availed on the invoices uploaded by the suppliers in their GSTR-1s u/s 16(2)(aa) read with rule 36(4).
- (2) ITC on invoices which are not uploaded by the suppliers in their GSTR-1s is restricted fully u/s 16(2)(aa) read with rule 36(4).

**Q.2:** PQR Ltd, a registered supplier from Madhya Pradesh, is engaged in the manufacturing of heavy machines. Company provides following details of purchases made/services availed by it during month of Feb, 20XX:

Sr. No.	Particulars	GST
1	Payment for fitness club membership availed by employee as one of the terms of employment	25,000
2	Payment made to outdoor catering service to run a free canteen in factory as it is required under the factories Act, 1948	55,000
3	Payment made to travel agency for organizing a free vacation for its best performance awarded employees	35,000
4	Payment made for work contract service availed for the construction of pipe line to be laid outside company's factory	1,05,000

You are required to determine the eligible ITC available to PQR Ltd. for the month of February, 20XX by giving brief explanations for treatment of various items. Assume all the conditions necessary for availing ITC have been fulfilled. **[CA IPC Dec 21 Exam]**

**ANSWER:**

Computation of eligible ITC available to PQR Ltd. for the month of February, 20XX: -

S.No.	Particulars	GST	Explanation
1	Payment for fitness club membership of employee	Nil	<b>ITC is blocked w/ 17(5)(b)</b> of CGST Act club membership of as said service is not provided by employer employee to employee under any statutory obligation.
2	Payment for outdoor catering service for canteen under Factories, Act	55,000	<b>ITC is allowed u/s 17(5)(b)</b> of CGST Act as said service is provided by employer to employee under a statutory obligation.
3	Payment to travel agency for free vacation of employees	Nil	<b>ITC is blocked u/s 17(5)(b)</b> of CGST Act as said service is not provided by employer to employee under any statutory obligation.
4	Works contract service availed for construction of pipeline laid outside company's factory	Nil	<b>ITC is blocked u/s 17(5)(c)</b> of CGST Act on works contract services for construction of immovable property except plant & machinery, Construction of pipeline laid outside factory premises is excluded from plant & machinery.
	<b>Eligible ITC Available</b>	<b>55,000</b>	

**Q.3:** A Ltd. procured the following goods in the month of December, 20XX: -

Sr. No.	Particulars	GST
1	Goods used in construing an additional floor of office building	18,450
2	Goods given as free sample to prospective customers	15,000
3	Trucks used for transportation of inputs in the factory	11,000
4	Inputs used in trial runs	9,850
5	Confectionery items for consumption of employees working in the factory	3,250
6	Cement used for making foundation and structural support to plant and machinery	8,050

Compute the amount of ITC available with A Ltd. for the month of December, 20XX by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled.

**[CA Inter July 21 Exam]**

**ANSWER:**

Computation of amount of ITC available with A Ltd. for the months of December, 20XX: -

S.No.	Particulars	GST (₹)	Explanation
1	Goods used in constructing an additional an additional floor of office building	Nil	ITC is blocked u/s 17(5) of CGST Act on goods received by a taxable person for construction of an immovable property on his own account even if it is used in the course or furtherance of business & it is assumed that cost of construction of additional floor is capitalized.
2	Goods given as free sample to prospective customers	Nil	ITC is blocked u/s 17(5) of CGST Act on goods disposed of by way of free samples.



3	Trucks used to transport inputs in factory	11,000	ITC is not blocked u/s 17(5) of CGST Act on motor vehicles used for transportation of goods & thus, allowed unconditionally.
4	Inputs used in trial runs	9850	Here, inputs are used in the course or furtherance of business & Hence, TIC thereon is allowed.
5	Confectionery items for consumption of employees working in the factory	Nil	ITC on food or beverages is blocked u/s 17(5) of CGST Act unless it is used in same line of business or as an element of taxable composite or mixed supply or provided by an employer to its employees under a statutory obligation i.e. ITC is blocked when the same consumed & not supplied.
6	Cement used for making foundation & structural support to plant & machinery	8050	ITC is not blocked u/s 17(5) of CGST Act on goods used for construction of plant and machinery. Plant and machinery
	<b>Total Eligible ITC</b>	<b>28,900</b>	

**Q.4:** ABC Co. Ltd., registered under GST is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.

Sr. No.	Items	GST
1	Electrical transformers to be used in the manufacturing process	5,20,000
2	Trucks used for the transport of raw material	1,00,000
3	Raw material to be received in August	2,00,000
4	Confectionery items. These items were supplied free of cost to the customers in a customer meet organized by the company	25,000
5	Capital Goods (Invoice missing for one out of 5 items & GST paid on the same was ₹ 70,000)	5,00,000
6	GST paid on health insurance policies	80,000

Determine the amount of ITC available with ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. [ICAI Study Material; CA IPCC Nov. 2022 Exam]

**ANSWER:**

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

S.No.	Particulars	GST (₹)	Explanation
1	Electrical transformers to be used in the manufacturing process	520000	ITC is available on goods used in the course or furtherance of business u/s 16(1) of CGST Act.
2	Trucks used to transport of raw material	1,00,000	ITC is not blocked u/s 17(5)(a) of CGST Act on motor vehicles used for transportation of goods.
3	Raw material	-	Since raw material is not received in July, 20XX, ITC for the same cannot be availed in July, 20XX u/s 16(2).
4	Confectionery items for consumption of customers at customers meet	-	ITC is blocked u/s 17(5) (b) of CGST Act on food or beverages 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 provided by an employer to its employees under a statutory obligation.

5	Capital Goods	4,30,000	ITC can be availed only on basis of a valid document u/s 16(2). Thus, ITC for the item for which invoice is missing cannot be availed (i.e. for ₹ 70,000).
6	GST paid on health insurance policies	-	ITC is blocked u/s 17(5) of CGST Act on health insurance taken for employees except when there is a statutory obligation on employer to provide the same.
	<b>Total ITC Available</b>	<b>10,50,000</b>	

**Q.5:** Dina Ltd., a registered supplier from Maharashtra, is engaged in the manufacture of passenger autos. The company provides the following details of purchases made/services availed by it during the month of March:

Sr. No.	Items	GST
1	Purchase of iron which is used as a raw material [Goods were received in two instalments – first in March and the second in April]	2,50,000
2	Purchase of accessories which were delivered directly to the dealers of the company on the direction of Dina Ltd. [Only invoice was received by Dina Ltd.]	90,000
3	Purchase of bus (seating capacity 15) for the transportation of employees from their residence to company and back	1,97,000
4	General insurance taken on a car used by executives of the company for official purposes	5,200
5	Machinery purchased to be used in the manufacturing process of auto parts	3,00,000
6	Inputs purchased, but stolen from the factory	1,40,000
7	Rent-o-cab facility availed for employees to fulfil a statutory obligation	36,000
8	Outdoor catering services taken for a Meeting organised in the factory	10,000
9	Payment made for material and to contractor for construction of staff quarter	1,25,000

You are required to determine the ITC available with Dina Ltd. for the month of March, by giving brief explanations for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled. [ICAI Study Material; Ca Inter May 19 Exam]

**ANSWER:**

Computation of ITC available with Dino Ltd. for the month of March:

S. No.	Items	(₹)	Explanation
1	Purchase of iron which is used as a raw material	Nil	1st proviso to section 16(2) of CGST Act states that if goods against an invoice are received in instalments, ITC can be availed only on the receipt of last instalment. Since last instalment is received in April, ITC cannot be availed in March.
2	Purchase of accessories delivered directly to dealers of company	90,000	As per explanation to section 16(2)(b), goods delivered to a third person on direction of registered person are deemed to have been received by such registered person. So, ITC is available to registered person even though he did not receive the goods.
3	Bus for transportation of employees	1,97,000	ITC is not blocked u/s 17(5) (a) of CGST Act on motor vehicles for transportation of persons with seating

			capacity more than 13 persons (including driver) used for any purpose.
4	General insurance taken on car used by executives of company for official purpose	Nil	As per section 17(S) (ab) of CGST Act, ITC is blocked on general insurance of those motor vehicles on which ITC is blocked u/s 17(5)(a). In this case, ITC on car is blocked u/s 17(5)(a) as it's seating capacity less than 13 & not used for purpose mentioned in exceptions & thus, ITC is blocked on general insurance of car also.
5	Machinery purchased to be used in the manufacturing process of auto parts	3,00,000	ITC is available on goods used or intended to be used in course or furtherance of business u/s 16(1) of CGST Act.
6	Inputs purchased, but stolen from factory	Nil	ITC is blocked on goods stolen as per 17(5)(h) of CGST Act.
7	Rent-a-cab facility availed for employees to fulfil a statutory obligation	36,000	ITC is not blocked u/s 17(5)(b) of CGST Act on rent-a cab services where the government notifies services which are obligatory for an employer to provide to its employees.
8	Outdoor catering services taken for a Meeting organised in the factory	Nil	ITC is blocked u/s 17(5)(b) of CGST Act on catering services except when such services are used by a registered person for making outward catering supply or as an element of a taxable composite or mixed supply or provided by an employer to its employees under a statutory obligation.
	Payment made for material and to contractor for construction of staff quarter	Nil	ITC is blocked u/s 17(5)(d) of CGST Act on goods & /or services received by a taxable person for construction of an immovable property on his own account including when they are used in the course or furtherance of business
	<b>Total ITC available</b>	<b>6,23,000</b>	

**Q.6:** Paritosh & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	₹
Intra state supplies of goods	10,00,000
Inter state supplies of goods	8,00,000

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

Particulars	₹
Intra state purchase of goods	3,00,000
Inter state purchase of goods	2,50,000

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

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

Note:

(i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Paritosh & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required. [ICAI Study Material; CA IPCC May 18]

**ANSWER:**

(1) Computation of GST payable on outward supplies:

S. No.	Particulars	IGST @ (₹)	CGST @ (₹)	SGST @ (₹)
(i)	Intra-State supply of goods	--	90,000	90,000
(ii)	Inter-State supply of goods	1,44,000		
	<b>Total ITC</b>	<b>1,44,000</b>	<b>90,000</b>	<b>90,000</b>

(2) Computation of total ITC:

Particulars	IGST @ (₹)	CGST @ (₹)	SGST @ (₹)
Opening ITC	1,40,000	57,000	60,000
<b>Add:</b> ITC on Intra-State purchase of goods	--	27,000	27,000
<b>Add:</b> ITC on inter-State purchase of goods	45,000	--	--
<b>Total ITC</b>	<b>1,85,000</b>	<b>84,000</b>	<b>87,000</b>

(3) Computation of minimum GST payable from Electronic cash ledger:

Particulars	IGST @ (₹)	CGST @ (₹)	SGST @ (₹)
GST Payable	1,44,000	90,000	90,000
Less: ITC (Note)			
IGST: 1,85,000	(1,44,000)	(22,000)	(19,000)
CGST: 84,000	--	(68,000)	X
SGST: 87,000	--	X	(71,000)
<b>Minimum GST payable in cash</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
ITC balance to be carried forward next month	Nil	16,000	16,000

**Note:**

- First ITC of IGST should be utilized in full, first against IGST liability and then against CGST or SGST liabilities in any order to minimize cash outflow.
- ITC of CGST cannot be used for SGST & vice-versa

**Q.7:** Satya Sai Residents Welfare Association, a registered person under GST has 30 members each paying ₹ 8,000 as maintenance charges per month for sourcing of goods and services from third persons for common use of its members.

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

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

GST rate is 18%. All transactions are intra-State.

There is no opening ITC and all conditions for ITC are fulfilled.

[CA Inter Jan 21 Exam]

**ANSWER:**

**Computation of total GST payable by Satya Sai Residents Welfare Association for February, 20XX: -**

Particulars	Value (₹)	GST @ 18%
Maintenance Charge received [₹ 8,000 x 30 members] [Refer Note] (It is logically presumed that maintenance charges are exclusive of GST)	2,40,000	43,200
<b>Total GST payable</b>		<b>43,200</b>
Less: ITC of GST paid on water pump purchased (₹ 9,000) and input services availed (₹ 3,600)		(12,600)
<b>Net GST payable</b>		<b>30,600</b>

**Note:**

Services by RWA to its members for sourcing of goods or services from a third person for common use of its members in a housing society are exempt, if the share of contribution per month per member is upto ₹ 7,500. Otherwise, entire amount is taxable. Thus, maintenance charges are taxable in this case.

**Q.8:** KNK Ltd., registered supplier of Mumbai, is a manufacturer of heavy machines. It outward supplies (exclusive of GST) for the month of January, 20XX are as follows –

S.No.	Particulars	Amount (₹)
(i)	Inter-State	85,00,000
(ii)	Intra-State	15,00,000

Application rate of CGST, SGST and IGST on outward supply are 9%, 9% & 18% respectively. Details of GST paid on inward supplies during the month of January, 20XX are as follows: -

S.No.	Particulars	CGST (₹)	SGST (₹)
1	Raw material A (of which, 70% of inputs procured were used and 30% were in stock at the end of the January, 20XX)	60,000	40,000
2	Raw Material B (of which, 90% material received in factory and remaining material completely damaged due to a road accident on the way to factory. There was no negligence on the part of the KNK Ltd.)	50,000	50,000
3	Construction of pipelines laid outside the factory premise	30,000	30,000
4	Insurance charges paid for trucks used for transportation of goods	55,000	55,000

**Additional information:**

- There is no opening balance of any tax credit and all the conditions necessary for availing the input tax credit (ITC) have been fulfilled.
- Details of GST paid on inward supplies are available in GSTR-2A except for item(i) i.e. Raw Material A, for which supplier has not filed its GSTR-1 for the month of January 20XX, hence corresponding input tax credit (ITC) is not reflecting in GSTR-2A of KNK Ltd. in January, 20XX.

**Compute the following: -**

- Amount of eligible input tax credit (ITC) available for the month of January, 20XX.
- Minimum net GST payable in cash, for the months of January, 20XX after using available input tax credit.

Working notes should form part of your answer:

[CA Inter Nov 20 Exam]

**ANSWER:**

(1) Computation of eligible ITC available for the months of January, 20XX: -

S.No.	Particulars	CGST (₹)	SGST (₹)
i	Raw material A [Note-1]	Nil	Nil
ii	Raw materials B (90%) [Note-2]	45,000	45,000
iii	Construction of pipelines laid outside the factory premises [Note-3]	Nil	Nil
iv	Insurance charges paid for trucks used for transportation of goods [Note-4]	55,000	55,000
	<b>Total eligible ITC</b>	<b>1,00,000</b>	<b>1,00,000</b>

**Notes:**

- (1) ITC shall not be availed, if the invoice is not reported by supplier in his GSTR-1 & also but reflected in GSTR-2B of recipient u/s 16(2)(aa) read with Rule 36(4).
- (2) ITC on goods destroyed (i.e. 10% of the goods) is blocked u/s 17(5) (h) of the CGST Act, 2017.
- (3) As per section 17(5) (c), ITC on works contract services availed for construction of plant and machinery is allowed but pipelines laid outside the factory premises are excluded from the definition of plant and machinery and hence, ITC thereon is blocked.
- (4) ITC on motor vehicles used for transportation of goods is not blocked u/s 17(5) & hence, ITC is also allowed on insurance services relating to such motor vehicles on which ITC is allowed.

(2) Computation of minimum net GST payable in cash for the month of January, 20XX: -

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Inter-State supply of goods	85,00,000	15,30,000	-	-
Inter-State supply of goods	15,00,000	-	1,35,000	1,35,000
<b>Total output tax payable</b>		<b>15,30,000</b>	<b>1,35,000</b>	<b>1,35,000</b>
<b>Less: Set off of CGST and SGST credit against CGST and SGST liability respectively</b>			<b>(10,00,000)</b>	<b>(1,00,000)</b>
<b>Minimum net GST payable in cash</b>		<b>15,30,000</b>	<b>35,000</b>	<b>35,000</b>



# REGISTRATION

**Q.1:** Nesamani stated his business activities in the month of February 20XX in the State of Orissa. He provided the following details:

S. No.	Particulars	Amount (₹)
1.	Outward supply of petrol (Intra State)	4,00,000
2.	Transfer of exempt goods to his branch in Rajasthan (Inter-State)	2,00,000
3.	Outward supply of taxable goods by his branch in Uttar Pradesh (inter State)	5,00,000
4.	Outward supply of services on which tax is payable under RCM by the recipient of services (inter-State)	6,00,000
5.	Inward supply of services on which tax is payable under RCM (Intra –State)	2,00,000

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

[CA Inter Nov. 22 Exam]

**ANSWER:**

- As per Section 22 of CGST Act, 2017, for a supplier engaged in supply of goods & services from states of Orissa & Uttar Pradesh, threshold limit of aggregate turnover to obtain registration is ₹ 20 lakh.
- However, as per section 24 of said Act, person required to pay tax under reverse charge has to obtain registration compulsorily irrespective of the quantum of turnover.
- **Computation of aggregate turnover of Nesamani: -**

Particulars	Amount in ₹	Explanation
Outward supply of petrol	4,00,000	Supply of petrol being a non-taxable supply is an exempt supply. Value of exempt supply is includible in aggregate turnover.
Inter-State stock transfer of exempt goods	2,00,000	Supply of taxable/exempt goods between distinct persons is includible.
Outward supply of taxable goods from Uttar Pradesh branch	5,00,000	Value of outward supplies under same PAN are includible.
Inward supply of services taxable under reverse charge	-	Excludible from the aggregate turnover.
<b>Aggregate Turnover</b>	<b>17,00,000</b>	

- In the given case, Nesamani is required to pay tax under reverse charge, thus, it is liable to obtain registration compulsorily irrespective of his quantum of turnover.

**Q.2:** Happy Trader, a sole proprietorship firm, started a business of dealing in supply of both exempted as well as taxable goods in Assam. Happy Trader has furnished the following details relating to the sales made for the month of April, 20XX. All amounts are exclusive of GST.

Sr. No.	Particulars	₹
1.	Intra-State sale of goods chargeable with GST @ 12%	15,00,000
2.	Intra-State sale of non-taxable goods	5,00,000

3.	Intra-State sale of alcoholic liquor for human consumption	2,00,000
	Intra-State sale of Tobacco	3,00,000

With reference to the above and provisions of CGST Act, 2017,

- (i) Compute the aggregate turnover.
- (ii) Examine whether Happy Trader is liable to be registered under the Act, with reasons for the same.
- (iii) What is the threshold limit for taking registration in this Case? [CA IPC Jan 21 Exam]

**ANSWER:**

- As per section 2(6) of CGST Act, 2017, “aggregate turnover” means the aggregate value of all: -
  - Taxable supplies,
  - Exempt supplies (wholly exempt, nil rated & Non-taxable)
  - Exports &
  - Inter-State supplies
 of persons having the same Permanent Account Number, to be computed on all India basis but excludes: -
  - Central tax, State tax, Union territory tax, integrated tax and cess &
  - The value of inward supplies on which tax is payable by a person on reverse charge basis
- As per section 22(1) read with proviso to section 22(1) of the CGST Act, 2017, Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds the threshold limit in a financial year.
- The threshold limit for a person making exclusive intra-state supplies of goods is as under: -
  - ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
  - ₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
  - ₹ 40 lakh for rest of India.
- However, the higher threshold limit of 40 lakh is not available to persons engaged in making supplies of Tobacco and manufactured tobacco substitutes & other notified goods.

Particulars	Amount in ₹
Intra-State sale of goods chargeable with GST @ 12% [Aggregate turnover includes value of all outward taxable supplies]	15,00,000
intra-State sale of non-taxable goods [Non-taxable supply, being an exempt supply is included in aggregate turnover]	5,000
Intro-State sale of alcoholic liquor for human consumption [Sale of alcoholic liquor for human consumption, being a non-taxable supply, is an exempt supply and is therefore, included in aggregate turnover]	2,00,000
Intra-State sale of tobacco [Aggregate turnover includes value of all outward taxable supplies.]	3,00,000
<b>Aggregate turnover</b>	<b>25,00,000</b>

**(ii) & (iii)**

- In view of the same, the applicable threshold limit of registration for Happy Traders is ₹ 20 lakh the person is supplying tobacco and thus, is ineligible for higher threshold.
- Thus, it is liable to be registered under the CGST Act as its aggregate turnover exceeds the said threshold limit.

**Q.3:** Explain the registration requirements under GST law in the following case: -

Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of ₹ 13 lacs. Will your answer be different if Mr. Lepcha is located in Meghalaya? **[CA Inter Nov 19 Exam]**

**ANSWER:**

- The higher threshold limit of 40 lakh as applicable to a person engaged exclusively in intra-State supply of goods is not applicable to Mizoram [a specified Special Category State].
- Instead, a lower threshold limit of 10 lakh for registration is applicable for Mizoram.
- (i) In the given case, Mr. Lepcha of Mizoram, is liable to register since his aggregate turnover (₹ 13 lakh) exceeds the applicable threshold limit for registration of ₹ 10 lakh.
- (ii) ➤ The enhanced threshold limit of 40 lakh is also specifically not applicable in the State of Meghalaya.
  - Instead, the normal threshold limit of 20 lakh for registration is applicable to it.
  - Therefore, if Mr. Lepcha is located in Meghalaya, he is not liable to register since his aggregate turnover (13 lakh) does not exceed the applicable threshold limit for registration of 20 lakh.

**Q.4:** Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May 20XX are as follows:

State	Turnover
Madhya Pradesh	5,00,000
Gujarat	14,00,000
Tripura	12,00,000

- (i) Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.
- (ii) Will your answer be different if Q Ltd. supplies only petrol & diesel from Tripura instead of any other taxable goods? **[CA Inter Dec 21 Exam]**

**ANSWER:**

- As per section 22(1) read with proviso to section 22(1) of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.
- The threshold limit for a person making exclusive intra-state supplies of goods is as under:
  - ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
  - ₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
  - ₹ 40 lakh for rest of India.
- Further a person exclusively supplying non-taxable goods or services in a state is not required to take registration, irrespective of his threshold limit.
- (i) ➤ Since Q Ltd. is making supply of taxable goods from Tripura, a specified special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh.
  - Thus, it is liable to be registered under GST as its aggregate turnover [₹ 31 lakh] exceeds the said threshold limit.

**Assumption: -**

It has been assumed that Q Ltd. is not engaged in making supplies of notified goods that makes it ineligible for threshold of ₹ 40 Lakhs.

- (ii) ➤ In Case Q Ltd. is making supply of non-taxable goods [Petrol and diesel] from Tripura, the applicable threshold limit will not be reduced to ₹ 10 lakh.

- The enhanced threshold limit of ₹ 40 lakh will be applicable.
- Thus, it is not liable to be registered under GST as its aggregate turnover [₹ 31 lakh] does not exceed the said threshold limit.

**Q.5:** Examine whether the supplier of goods is liable to get registered in the following independent cases.

- (i) Rudra Builders of Rohini, Delhi is exclusively engaged in intra-State taxable supply of building bricks. It's aggregate turnover in the current financial year is ₹ 23 lakh.
- (ii) Heera 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.

**[CA Inter RTP Nov 22) (Similar Ques CA Inter July 21 Exam]**

- (iii) Ankit of Telangana is exclusively engaged in intra-State taxable supply of footwears. His aggregate turnover in the current financial year is ₹ 25 lakh **[ICA Inter July 21 Exam] [CA Inter RTP- Nov 21]**
- (iv) Ankit Ltd. of Assam is exclusively engaged in intra-state supply of taxable services. It's aggregate turnover in the current financial year is ₹ 25 lakh
- (v) Aaru Ltd. of Assam is engaged in intra-State supply of both taxable goods and services. It's aggregate turnover in the current financial year is ₹ 30 lakh **[CA Inter MTP Oct 2020; ICAI Study Material]**

**ANSWER:**

- As per section 22(1) read with proviso to section 22(1) of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.
- The threshold limit for a person making exclusive intra-state supplies of goods is as under:
  - ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
  - ₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
  - ₹ 40 lakh for rest of India.
- However, the higher threshold limit of ₹ 40 lakh is not available to persons engaged in making supplies of notified goods, one of which is Building bricks.
- The threshold limit for a person making exclusive supply of services or supply of both goods and services is as under:
  - ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
  - ₹ 20 lakh for the rest of India
- (i) ➤ Though the enhanced threshold limit for registration of ₹ 40 lakh is available to Delhi, the same will not be applicable if the person is engaged in supply of notified goods, one of which is Building Bricks.
  - In view of the same, the applicable threshold limit for Rudra builders is ₹ 20 lakh.
  - Thus, It is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- (ii) ➤ Since Heera is making taxable supply from Nagaland – a Special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh.
  - Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit
  - Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States
- (iii) ➤ Since Ankit is exclusively engaged in intra-State supply of goods in Telangana, which is not a specified State for enhanced threshold limit, the applicable threshold limit for registration is ₹ 20 lakh.
  - Thus, Ankit is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.

- (iv) ➤ Ankit Ltd. is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods and not services.
- Thus, applicable threshold limit for registration for making supply in Assam is ₹ 20 lakh.
  - Hence, Ankit Ltd. is liable to get registered under GST as it's turnover is more than the threshold limit.
- (v) ➤ Aaru Ltd. is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods and here, there is supply of both goods as well as services.
- Since Aaru Ltd. is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in this case is ₹ 20 lakh.
  - Thus, Aaru Ltd. is liable to get registered under GST as It's turnover is more than the threshold limit.

**Q.6:** State with brief reason, whether following suppliers of taxable goods are required to register under the GST Law:

- (i) **Mr. Raghav is engaged in wholesale cum retail trading of medicines in the State of Assam. His aggregate turnover during the financial year is ₹ 9,00,000 which consists of ₹ 8,00,000 as Intra-State supply and ₹ 1,00,000 as Inter-State supply.**
- (ii) **Mr. S.N Gupta of Rajasthan is engaged in trading of taxable goods on his own account and also acting as an agent of Mr. Rishi of Delhi. His turnover in the financial year 20XX-XY is of ₹ 12 lakhs on his own account and ₹ 9 lakhs on behalf of principal. Both turnovers are Intra -State supply.**
- (iii) **Mr. A from Loandon is engaged in supplying of Online money gaming to Mr. B in Pune & Mr. A's turnover is ₹ 18 Lakh during the month of October, 20XX. Determine Mr. A's liability to get registered under GST.**

**[CA IPC May 19] [CA IPC Nov 20 Exam- similar question]**

**ANSWER:**

- (i)
- As per section 24 of CGST Act, 2017, person making interstate taxable supply of goods (other than taxable supply of handicraft goods) are compulsorily required to obtain registration irrespective of the quantum of aggregate turnover.
  - Here, Raghav is making inter-state taxable supply of goods.
  - Thus, he is required to obtain registration compulsorily under GST laws even though his aggregate turnover does not exceed the threshold limit applicable u/s 22.
- (ii)
- As per section 24 of CGST Act, 2017, Persons making taxable supply of goods on behalf of other taxable persons whether as an agent or otherwise are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.
  - As per Explanation to section 22 of CGST Act, 2017, aggregate turnover includes all supplies made by the taxable person,
    - whether on his own account or
    - made on behalf of all his principals,
  - If agent issues invoice in his own name, then section 24 gets attracted, otherwise he is liable to register u/s 22 if his aggregate turnover crosses the threshold limit for registration.
  - In the given case, since Mr. S.N Gupta is also acting as an agent of Mr. Rishi of Delhi, he is required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

**Assumption:** - It is assumed that agent is issuing invoice for further supply in his own name.

(iii)

As per Section 24 of CGST Act 2017, every person supplying online money gaming from a place outside India to a person in India is liable to be registered compulsorily under GST irrespective of threshold limit for registration.

In given case, since Mr. A is engaged in supplying of Online money gaming from London (outside India) to Mr. B in Pune (in India), Mr. A is require to obtain registration compulsorily though his aggregate turnover does not exceed the threshold of ₹ 20 lakhs.

**Q.7:** Mr. Q, a casual taxable person of Gujarat state is a trader of taxable notified handicraft goods. It makes supplies to the states of Maharashtra, Rajasthan and Andhra Pradesh. Turnover for October, 20XX is ₹18 Lakh.

- (i) Explain the provisions of registration for casual taxable person under GST. Examine whether Mr. Q is liable for registration or not?
- (ii) What will be the answer if Mr. Q makes trading in taxable notified products instead of taxable notified handicraft goods which involves 75% making on machine and 25% by hand? **[CA Inter Dec 21 Exam]**

**ANSWER:**

- (i)
- As per section 24 of CGST Act, 2017, a casual taxable person is required to obtain compulsory registration under GST irrespective of the quantum of its aggregate turnover.
  - However, a threshold limit of ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States of Manipur, Mizoram, Tripura & Nagaland) is available for registration to a casual taxable person who:
    - (i) Is making inter-State taxable supplies of notified handicraft goods & notified hand-made goods,
    - (ii) Is availing the benefit of exemption from registration available to inter-State supply of above-mentioned goods upto the aggregate turnover of ₹ 20 lakh (₹10 lakh in case of specified Special Category States), and
    - (iii) has obtained a PAN and
    - (iv) has generated an e-way bill.
  - In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover does not exceed ₹ 20 lakh, he will not be liable to registration provided he fulfils other conditions specified herein.

**Assumption:**

It has been assumed that Mr. Q has started supply of goods in October 20XX itself.

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

**Q.8:** State the persons who are not liable for registration as per provisions of Section 23 & 24 of Central Goods and Service Tax Act, 2017. **[CA Inter Exam Nov 18 New]**

**ANSWER:**

As per Section 23 & 24 of CGST Act, 2017, the persons who are not liable for registration are as under:

- (a) Person engaged exclusively in supplying good &/or services that are wholly exempt from tax.
- (b) Person engaged exclusively in supplying goods &/ or services that are not liable to tax.
- (c) Agriculturist to the extent of supply of produce out of cultivation of land.
- (d) Persons only engaged in making supplies of taxable goods & /or services that are liable to tax under reverse charge.
- (e) Persons making inter-State supplies of taxable services up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States of Manipur, Mizoram, Tripura & Nagaland).



- (f) Casual Taxable Persons making taxable supplies of specified handicraft goods up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States of Manipur, Mizoram, Tripura & Nagaland), subject to specified conditions.
- (g) Persons making inter-State taxable supplies of specified handicraft goods up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States of Manipur, Mizoram, Tripura & Nagaland), subject to specified conditions.
- (h) Job workers making inter-State supply of services to a registered person up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States of Manipur, Mizoram, Tripura & Nagaland), subject to specified conditions.
- (i) Persons making supplies of services through an electronic commerce operator (other than supplies specified under section 9(5) of the CGST Act) up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States of Manipur, Mizoram, Tripura & Nagaland).



# TAX INVOICE

**Q.1:** I am supplying A 4 – Sized bundles of paper to an Advocate’s Office. I submit the account of total supplies made during the 2-month period on the 25th of alternate month. Do I have to issue an invoice each time I dispatch the bundles? **[CA Inter May 22 Exam]**

**ANSWER:**

As per section 31(4) of the CGST Act, 2017, in case of continuous supply of goods involving periodic statement of accounts or payments under a contract, the invoice shall be issued before or at the time of: -

- Issue of the statements of accounts or
  - Receipt of payments.
1. No, invoice is not required to be issued each time the bundle is dispatched.
  2. Since, the given instance is a case of continuous supply of goods, tax invoice has to be issued latest by the time of submitting the statement every time (i.e. 25<sup>th</sup> of Alternate Month).

**Q.2:** M/s. Xing Trans of Kolkata is engaged in the trading of transmitters. On 20/05/20XX, M/s. Xing Trans has sent 500 units of transmitters for exhibition at Chennai on sale or return basis. Out of the said 500 units, 300 units have been sold on 28/07/20XX at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25/1/20XX and balance 50 units have neither been sold nor brought back.

Explain the provisions under GST law relating to issue of invoices with exact dates on which tax invoices need to be issued by M/s. Xing Trans. **[CA Inter May 22 Exam]**

**ANSWER:**

As per Sec 31(7), Where the goods being sent for sale or return are removed before the supply takes place, the tax invoice shall be issued

- Before or at the time of supply or
  - 6 months from the date of removal, whichever is earlier
- In the given case, 500 units of transmitters have been sent for exhibition on sale or return basis out of which 300 units are sold before 6 months from the date of removal
- Thus, tax invoice for 300 units needs to be issued before or at the time of supply of such goods, i.e. upto 28/07/20XX.
- Remaining 200 (150+ 50) units have neither been sold nor brought back till the expiry of 6 months from the date of removal goods, i.e. 20/11/20XX.
- Thus, tax invoice for 200 units needs to be issued upto 20/11/20XX.

**Q.3:** Examine the following independent cases of supply of services and determine the time of issue of invoice under each of the cases as per the provisions of CGST Act, 2017: -

- (i) Trust and Fun Ltd., an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5th June, 20XX. Payment for the event was made on 19th June, 20XX.
- (ii) Katyani Security Services Ltd. provides security services to Royal Jewellers for their Jewellery Exhibition to be organized on 5th October. **[ICAI Study Material; CA Inter May 19 Exam]**

**ANSWER:**

As per section 31(2) of CGST Act, 2017, a registered person [other than an insurer/ banking company/ financial institution, including an NBFC] supplying taxable services shall issue a tax invoice before or after the provision of service, but within a period of 30 days from the date of supply of service.

- In the first case, invoice has to be issued within 30 days from 5th June, 20XX (date of supply of service), i.e. on or before, 5th July, 20XX.
- In the second case, Katyani Security Services Ltd. needs to issue a tax invoice within 30 days of supply of security services, i.e. on or before 4th November.

**Q.4:** Mr. Lakhan provides Continuous Supply of Services (CSS) to M/s. TNB Limited. He furnishes the following further information:

- (a) Date of commencement of providing CSS - 01-10-20XX
- (b) Date of completion of providing CSS-31-01-20XY
- (c) Date of receipt of payment by Mr. Lakhan - 30-03-20XY

Determine the time of issue of invoice as per provisions of CGST Act, 2017 in the following circumstances:

- (i) If no due date for payment is agreed upon by both under the contract of CSS.
- (ii) If payment is linked to the completion of service.
- (iii) If M/s. TNB Limited has to make payment on 25-03-20XY as per the contract between them.

[CA Inter Nov 18 Exam New]

**ANSWER:**

As per section 31(5) of CGST Act, 2017, the time period within which tax invoice shall be issued in case of continuous supply of services is as below: -

- (a) If due date of payment is ascertainable from the contract: -
  - ☞ Invoice shall be issued on or before due date of payment.
- (b) If due date of payment is not ascertainable from the contract: -
  - ☞ Invoice shall be issued before or at the time receipt of payment by supplier of services.
- (c) If payment is linked to the completion of an event: -
  - ☞ Invoice shall be issued on or before the date of completion of that event.

In view of the aforesaid provisions, time of issue of invoice will be as follows in the given different

**Circumstances: -**

- (i) In the given case, the invoice should be issued on or before 30.03.20XY which is the date of receipt of payment by Mr. Lakhan.
- (ii) In the given case, Since payment is linked to the completion of service, the invoice should be issued on or before 31.01.20XY which is the date of completion of service.
- (iii) If M/s. TNB Limited has to make payment on 25.03.20XY as per the contract between them, the invoice should be issued on or before 25.03.20XY.

**Q.5:** Briefly discuss the following with reference to GST law : -

- (i) Revised Tax invoice
- (ii) Bill of Supply OR (Under what circumstances, a registered person is required to issue a “Bill of Supply”?)
- (iii) Receipt Voucher
- (iv) Payment Voucher
- (v) Refund Voucher

[CA IPC Nov 20 Exam; CA IPC July 21 Exam]

**ANSWER:**

- (i) As per section 31(3)(a) of CGST Act, 2017 read with rule 53 of CGST Rules, 2017, if a registered person is granted registration with effect from a date earlier than the date of issuance of registration certificate, then
- ☞ He may issue revised tax invoices for taxable supplies effected
  - ☞ Between effective date of registration & date of issue of registration certificate.
  - ☞ Within 1 month from the date of issue of registration certificate.
- (ii) As per section 31(3) (c) of CGST Act, 2017, a registered person is required to issue a "bill of supply" instead of a tax invoice in prescribed manner containing prescribed particulars in the following two circumstances:
- (a) In case of supplying exempted goods and/or services or
  - (b) In case of payment of tax under composition levy.
- (iii) As per section 31(3) (d) of CGST Act, 2017, on receipt of advance payment for any supply of goods and/or services, a registered person shall issue a receipt voucher or any other document evidencing receipt of such payment & containing prescribed particulars.
- (iv) As per section 31(3) (g) of CGST Act, 2017, a registered person who is liable to pay tax under section 9(3)19(4) of CGST Act shall issue a payment voucher at the time of making payment to the supplier.
- (v) As per section 31(3) (e) of CGST Act, 2017, if a registered person issues a Receipt Voucher for advance payment received for supply of goods &/or services, but subsequently:
- ☞ No supply is made &
  - ☞ No tax invoice is issued for the same,
- then he may issue a Refund Voucher against such advance payment to the person who had made the payment.

**Q.6:**

- (1) The aggregate turnover of Sangri Services Ltd., Delhi, exceeded ₹ 20 lakh on 12th August. He applied for registration on 3rd September and was granted the registration certificate on 6th September. You are required to advise Sangri Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices
- (2) Luv & Kush Pvt. Ltd. of Srinagar, Jammu & Kashmir, engaged in the supply of gifts items provides you the following details:

Sl. No.	Particulars	Relevant dates
1	Commencement of the business of supplying goods	01.08.20XX
2	Turnover exceeds ₹ 10,00,000 on	15.08.20XX
3	Turnover exceeds ₹ 20,00,000 on	05.09.20XX
4	Application for registration made on	28.09.20XX
5	Registration certificate granted on	06.10.20XX

The company seeks your advice as to how it should raise revised tax invoices for supplies made. Is there any specific provision for issuance of revised tax invoices to unregistered customers? Explain. (Assumption: - Supplier is not exclusively engaged in supply of goods)

[CA IPCC Dec 21 Exam; ICAI Study Material]

**ANSWER:**

- As per section 22(1) of CGST Act, 2017, a supplier is liable to register under GST Act, if his aggregate turnover in a financial year for other than special category states of Manipur, Mizoram, Tripura & Nagaland exceeds ₹ 20 lakhs.

- Where the application is submitted within 30 days from the date of becoming liable to registration, the effective date of registration is the date on which the person becomes liable to registration, otherwise it is the date of grant of registration.
  - As per section 31(3)(a) of CGST Act, 2017 of CGST Rules, 2017, if a registered person is granted registration with effect from a date earlier than the date of issuance of registration certificate, then
    - He may issue revised tax invoices for taxable supplies effected
    - During the period between effective date of registration and date of issue of registration certificate.
    - Within 1 month from the date of issue of registration certificate.
- 1 In the given case, Sangri Services Ltd. has to issue the Revised Tax Invoices in respect of taxable supplies effected during the period starting from the effective date of registration (12th August) till the date of issuance of certificate of registration (6th September) within 1 month from the date of issuance of certificate of registration, i.e. on or before 6th October.
- 2
- In the given case, the threshold limit applicable for registration is ₹ 20 Lakhs.
  - Since Luv & Kush Pvt. Ltd. has made the application for registration within 30 days of becoming liable for registration, the effective date of registration is the date when it becomes liable to registration i.e. 05.09.20XX.
  - Only a registered person can collect tax & hence till the time of granting of registration, no tax invoice could be issued to collect tax.
  - It may issue revised tax invoices against the invoices already issued to collect tax for supplies made between effective date of registration (05.09.20XX) & the date of issuance of registration certificate (06.10.20XX), within 1 month from 06.10.20XX (i.e. on or before 06.11.20XX).
  - It may issue a consolidated revised tax invoice for all taxable supplies made to a unregistered recipient during such period.
  - But, if the value of a supply does not exceed ₹ 250000 for inter-state supplies, a consolidated revised tax invoice may be issued separately for all the unregistered recipients located a state.

**Q.7:** ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens was issuing consolidated tax invoice for supplies at the close of each day in terms of section 31(3) (b) of CGST Act, 2017 read with fourth proviso to rule 46 of CGST Rules, 2017. During the month of October, 20XX, the Department raised objection for this practice and asked to issue separate tax invoices for each ticket. Advise ABC Cinemas for the procedure to be followed in the light of recent notification. **[CA Inter Jan 21 Exam]**

**ANSWER:**

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

- The option to issue consolidated tax invoice is not available to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens.
- Thus, ABC Cinemas cannot issue consolidated tax invoice for supplies made by it at the close of each day.
- ABC Cinemas is required to issue an electronic ticket.
- The said electronic ticket shall be deemed to be a tax invoice, even if such ticket does not contain the details of the recipient of service but contains the other information as prescribed to be mentioned.

**Q.8:** Answer the following questions: -

- (i) What is 'e-invoicing'?
- (ii) What is the threshold limit for mandatory issuance of E-invoice for all registered businesses?

**[CA Inter Dec 21 Exam]**

- (iii) To whom mandatory E-invoicing is applicable? & State the entities are exempt from mandatory requirement of E-invoicing
- (iv) Bali Limited, a registered taxpayer, provides security services to registered persons from Mumbai office and Delhi office. The aggregate turnover of Mumbai office and Delhi office in the preceding financial year is ₹ 30 crore and ₹ 25 crore respectively. For the month of November in the current financial year, Bali Limited prepares duplicate invoices and does not issue e-invoice as it is of the view that its aggregate turnover does not cross the threshold limit to make it liable for issuing e-invoices.
- (a) Briefly explain whether the view taken by Bali Limited is correct in law?
- (b) Also explain the advantages of e-invoicing, if any. [CA Inter RTP May 21]
- (v) Speedy transport is a goods transport agency providing a service of goods transport by air, having aggregate turnover calculated on all India basis of ₹ 700 Cr in previous year 20XX-XY. It provides the GTA service to other registered GTA only for fast delivery of their courier and does not provide any services to unregistered person. The accountant of GTA agency is of view that there is no need to prepare e-invoices as it falls under exception. You as a chartered accountant are required to advise GTA regarding whether Speedy transport is required to prepare E-invoice or not?

**ANSWER:**

- (i) E-invoicing is reporting of business to business (B2B) invoices to GST system for certain notified category of taxpayers
- (ii) The threshold limit for mandatory issuance of e-invoice for all registered businesses is ₹ 10 Crores.
- (iii) ➤ Mandatory e-invoicing is applicable to all notified registered businesses (except specified class of persons) with an aggregate turnover exceeds ₹ 10 crore (based on PAN) in any preceding financial year from 2017-18 onwards.
- The following entities are exempt from mandatory requirement of e-invoicing:
- A Government Department
  - A Local Authority
  - 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

**Note:** A taxpayer whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 10 Crore but is exempted from invoicing shall give a declaration in the tax invoice that

- Invoice is not required to be issued in the manner specified under rule 48(4).

- (iv) The view taken by Bali Limited is not correct in law.
- All notified registered businesses (except specified class of persons) with an aggregate turnover (based on PAN) in the preceding financial year greater than ₹ 10 crores, are required to issue e-invoices.
  - Thus, the aggregate total turnover of Bali Limited is more than ₹ 10 crores (considering both the GSTINs) and is required to issue e-invoices.
  - Further, if e-invoicing is applicable, there is no need of issuing invoice copies in triplicate/ duplicate

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

- Auto-reporting of invoices into GST return & auto-generation of e-way bill (wherever required):**  
Once B2B invoice data is reported in e-invoice form, the same is reported in multiple forms (GSTR-1, e-way bill etc.).



**2. Substantial reduction in transcription errors & Reconciliation:**

This is because same data will get reported to tax department & to buyer to prepare his inward supplies register. Buyer can reconcile with his Purchase Order.

**3. Matching of ITC & output tax by Dept.:**

A complete trail of B2B invoices is available with Department which enables the system-level matching of ITC & output tax thereby reducing the tax evasion.

**4. Eliminates fake invoices: -**

Claiming fictitious ITC by raising fake invoices is one of the biggest challenges currently faced by tax-authorities. The e-invoice system will help to curb the actions of unscrupulous taxpayers & reduce the number of fraud cases as the tax authorities will have access to data in real-time.

**5. Other Advantages: -**

- Facilitate standardisation & inter-operability,
- Reduction of disputes among transacting parties,
- Better relationship,
- Improve payment cycles.
- Eco-friendly as it eliminates paper,
- Internal controls,
- Reduction of processing costs &
- Improving overall business efficiency greatly
- Eco-friendly as it eliminates paper

- (v) ➤ As per Rule 48(4) of CGST Rules, 2017, E-Invoice is required to be prepared by a registered person having aggregate turnover in any preceding financial year from 2017-18 onwards exceeding 10 Crore.
- Exception to generating E-Invoice:
- However, Goods Transport Agency (GTA) supplying services of transportation of goods by road in a goods carriage is exempted from the requirement of preparing E-Invoice.
- In the present case, GTA is providing services by air.
- But the exemption from preparing E-Invoice is given to GTA only if it provides goods transportation services by road and not by air.
- Since the aggregate turnover of GTA also exceeds 10 Crore in previous year 20XX-XY and it makes supplies to registered person only, the GTA is required to prepare E-invoice.

Therefore, the view taken by accountant is not correct.

# ACCOUNTS, RECORDS & E-WAY BILL

**Q.1:** Who is required to maintain books of accounts and at which place in terms of Section 35 read with relevant rules? **[ICAI Study Material]**

**ANSWER:**

- Every registered person shall keep & maintain his books of accounts at his principal place of business & additional place of business (if any) as mentioned in certificate of registration.
- If more than one place of business is specified in the certificate of registration, the accounts relating to each place of business should be kept at such places of business.

**Q.2:** Mr. Sky is engaged in the business of trading of mobiles. He is eligible for composition scheme and has opted for the same. He seeks your advice for records which are not required to be maintained by him as composition taxable person. **[ICAI Study Material]**

**ANSWER:**

As per rule 56(2) & (4) of CGST Rules, Following records are not required to be maintained by a supplier who has opted for composition scheme but are required to be maintained by a normal tax payer:-

**(1) Stock of goods:-**

- Accounts of stock in respect of goods received and supplied by him.
- 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.

**Q.3:** Mr. Harsh Manjula is engaged in the business of works contract services and request your guidance as to specific records required to be maintained by him under GST law, if any. **[ICAI Study Material]**

**ANSWER:**

As per rule 56(14) of CGST Rules, Mr. Harsh Manjula, being a registered person executing works contract, shall keep separate accounts for works contract showing:-

- (a) The names and addresses of the persons on whose behalf the works contract is executed,
- (b) Description, value and quantity (wherever applicable) of goods or services received for the execution of works contract,
- (c) Description, value and quantity (wherever applicable) of goods or services utilized in the execution of works contract,
- (d) The details of payment received in respect of each works contract and
- (e) The names and addresses of suppliers from whom he received goods or services.

**Q.4:** Chill Chain Cold is operating cold storage warehouse and seeks your guidance on the GST accounts and records to be maintained by them in terms of Section 35. **[ICAI Study Material]**

**ANSWER:**

- Chill Chain Cold shall maintain records of the consigner, consignee and other relevant details of the goods in the prescribed manner.
- Chill Chain Cold shall also maintain books of accounts for the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt, and disposal of such goods.
- Chill Chain Cold shall store the goods in such manner that they can be identified item-wise and owner-wise and shall facilitate any physical verification or inspection by the proper officer on demand.

**Q.5:**

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

You are required to examine and advise Yash & Co., whether e-way bill is mandatorily required to be generated in respect of such movement of goods under GST laws?

[CA IPC Jan 21 Exam] [CA Inter MTP Apr 23]

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

[CA Inter Nov 22 Exam]

- (3) Dhananjay Associates registered in Gujarat deals in industrial grade iron and steel products. The proprietor of Dhananjay Associates sold TMT Iron bars (GST applicable @18%) to a retailer in Maharashtra at a value of ₹ 40,000 (excluding GST). As per the agreement of sale, goods are to be delivered at the premises of retailer. The transportation cost of ₹ 7,000 has been charged separately to deliver the same to the retailer in Maharashtra. In the above scenario, determine whether an e-way bill is required to be issued under GST?

[Study Mat]

**ANSWER:**

- As per Rule 138(1) of CGST Rules, a registered person is mandatorily required to generate e-way bill if he causes movement of goods of consignment value exceeding ₹ 50,000 in relation to a supply.
  - The consignment value shall be the value as per section 15 as declared in an invoice
    - ☞ including CGST, SGST, UTGST, IGST and cess charged, if any, in the document but
    - ☞ it excludes the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.
- (1) ➤ In given case, the consignment value of goods will be ₹ 50,740 [i.e., ₹ 43,000 + (₹ 43,000 × 18%)].
- Since the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, the e-way bill is mandatorily required to be generated for movement of goods from Maharashtra to Punjab.
- (2) ➤ In the given case, consignment value of goods (including GST and excluding value of exempt supply) is ₹ 50,350 (47,500 × 106%).
- Since there is a movement of goods of consignment value exceeding ₹ 50,000, M/s Sakura Enterprises is mandatorily required to issue e-way bill.
- (3) ➤ Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are to be added in the value of principal supply.
- Accordingly, the consignment value of goods will be ₹ 55,460 [(₹ 40,000 + ₹ 7000) × 118%]
- Since there is a movement of goods of consignment value exceeding ₹ 50,000, Dhananjay Associates is mandatorily required to issue e-way bill.

**Q.6:** When goods are transferred by principal to job worker, there is no need to issue e-way bill. Comment on the validity of the above statement with reference to GST Laws. **[CA Inter May 23 Exam]**

**ANSWER:**

- The said statement is not valid.
- When goods are transferred by principal to job worker, e-way bill is required to be mandatorily issued:
  - In case of intra-State transfer, if consignment value exceeds ₹ 50,000 &
  - In case of inter-State transfer, irrespective of the value of the consignment.

**Q.7:** It is mandatory to furnish the details of conveyance in Part-B of E-way Bill. Comment on the validity of the above statement with reference to provisions of E-Way Bill under CGST Rules, 2017. **[CA Inter Nov 20 Exam]**

**ANSWER:**

- The given statement is partially valid.
- Generally, e-way bill is valid for movement of goods by road only when the information is furnished in Part-B of the same which includes details of conveyance.
  - (a) However, the details of conveyance may not be furnished in Part-B of e-way bill, if the goods are transported for a distance upto 50 km within the State or Union territory:-
  - (b) from the place of business of the consignor to the place of business of transporter for further transportation or from the place of business of the transporter finally to the place of business of the consignee.

**Q.8:** Mr. Shah, a consignor, is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter. Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder. **[CA Inter Nov 19 Exam New]**

**ANSWER:**

- Before such transfer and further movement of goods, the following persons shall update the details of conveyance in Part-B of E-way Bill:
  - The consignor or the recipient, who has provided information in Part A, or
  - The transporter.
- Further, the consignor or the recipient, who has furnished the information in Part A, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment.
- But, Once the transporter updates details of conveyance in Part B, then consignor/recipient shall not be allowed to assign the e way bill number to another transporter.
- In given case, only one e-way bill is required to be issued.
- Part A of e-way bill can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorisation.
- Thus, on reaching Kheda, Mr. Shah or the recipient of the goods who has filled Part A of e-way bill, or Mehta Transporter can, before the transfer and further movement of goods, update the details of conveyance in Part B of e-way bill.
- Further, on reaching Kheda, Mr. Shah or recipient of goods, or Mehta Transporter can assign the said e-way bill to Parikh Transporter who will thereafter update details of conveyance in Part B.

- Once the details of conveyance are updated by Parikh transporter in Part B, Mr. Shah or recipient shall not be allowed to assign e-way bill number to another transporter.



# RETURNS

**Q.1:** 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. [CA Inter RTP May 19 New]

**ANSWER:**

- As per section 37 of CGST Act, GSTR-1 for a particular month is filed on or before the 10th day (now extended to 11th day) of immediately succeeding month i.e. on monthly basis.
- However, to ease the compliance requirement, GSTR-1 can be filed quarterly by small taxpayers with aggregate annual turnover upto ₹ 5 crore in preceding financial year under QRMP Scheme.
- Under QRMP Scheme, for the first and second months of a quarter, the details of outward supplies can be furnished up to a cumulative value of ₹ 50 Lakhs in each of the months using invoice furnishing facility (IFF) electronically on common portal from the 1<sup>st</sup> day of the month succeeding such month till the 13<sup>th</sup> day of the said month.
- In view of the same, M/s Cavenon Enterprises can file its GSTR-1 on quarterly basis if it has opted to furnish the outward supply related details on quarterly basis and filing IFF on monthly basis as its aggregate turnover does not exceed ₹ 5 crore in the preceding financial year.

**Q.2:** "All taxpayers are required to file GSTR-1 only after the end of the current tax period." Comment on the validity of the above statement with reference to GST law. [Study Material; CA Inter May 22]

OR

Whether a tax payer can file GSTR- I before the end of the current tax period?

[CA Inter Nov 18 Exam]

**ANSWER:**

- The statement is partially valid.
- A taxpayer cannot file Form GSTR-1 before the end of the current tax period.
- However, following are the exceptions to this rule:
  - ☞ Casual taxpayers, after the closure of their business
  - ☞ Cancellation of GSTIN of a normal taxpayer.
- A taxpayer who has applied for cancellation of registration will be allowed to file Form GSTR-1 after confirming receipt of the application

**Q.3:**

(1) What kind of invoice details of outward supplies are required to be furnished in GSTR-1 for outward supplies? [CA Inter Nov 18 Exam-Old]

(2) "In Form GSTR-1, submission of invoice-wise details of outward supplies is mandatory for all kind of invoices issued during the tax period." Comment on the validity of the above statement with reference to GST laws [CA Inter Nov 20 Exam]

**ANSWER:**

- (1) ➤ Some of the details of invoice for outward supplies required to be furnished in GSTR-1 are:- Name, address & GSTIN of recipient, invoice number, date, total value, taxable value, rate of tax, amount of tax, HSN code, etc.
- As per Rule 59 of CGST Rules, 2017, GSTR-1 shall include following:



- (a) Invoice-wise details of all:
  - (i) Inter-State and intra-State supplies made to registered persons and
  - (ii) Inter-State supplies made to unregistered persons with invoice value more than ₹ 2,50,000
- (b) Consolidated Details of all: -
  - (i) Intra-State supplies made to unregistered persons for each rate of tax and
  - (ii) Inter-State supplies made to unregistered person with invoice value upto ₹ 2,50,000 for each rate of tax separately for each State
- (c) Debit & Credit notes, if any, issued during the month for invoice issued previously.

**Authors Note (Not part of answer):**

Question can be-invoice details of outward supplies required to be furnished in GSTR-1 or invoice details of outward supplies required to be furnished invoice-wise in GSTR-1.

- (2) ➤ The said statement is not valid.
- For the following outward supplies, consolidated details are required to be uploaded in GSTR-1 and not invoice-wise details:
  - (a) Intra-State supplies made to unregistered persons for each rate of tax.
  - (b) Inter-State supplies made to unregistered persons with invoice value upto 2,50,000 for each rate of tax separately for each State.

**Q.4: Please answer the following independent cases with reference to section 37 of the CGST Act, 2017 and rule 59 of CGST Rules, 2017-**

- (i) **Mr. Kohli is registered supplier in the State of Gujarat. He is filing GSTR I every month. During the month of February, he was out of India and so did not do any transaction during the month. He believes that as there is no transaction there is no need to file GSTR-1 for the month of February. Is he correct?**  
**[ICAI Study Material]**
- (ii) **Mr. Kaji is a registered dealer in Kerala. He was registered as a normal tax payer for FY 20XX-XY. But on 15-01-20XY, he converted from normal tax payer to composition tax payer. Is he liable to file GSTR-1 for the month of February, 20XY?**
- (iii) **Mrs. Zeel, a registered dealer in Rajasthan, did not file GSTR 1 for the month of June, 20XY but she wants to file GSTR 1 for the month of July, 20XY. Is it possible?**  
**[CA Inter Exam May 19 Old]**

**ANSWER:**

- (i) **No, Mr. Kohli is not correct.**
  - Nil GSTR-1 needs to be filed, even if there is no business activity in the tax period.
  - Further, a NIL GSTR-1 can be filed by a registered person through an SMS using the registered mobile number of the taxpayer & is verified by registered mobile number-based OTP facility.
  - In given case, even though Mr. Kohli was out of India and thus had not done any transaction during February, he is still required to file GSTR-1 for the that month.
- (ii)
  - A person paying tax under composition scheme is not liable to furnish the details of outward supplies in GSTR-1.
  - If a taxpayer has been converted from a normal taxpayer to composition taxpayer, GSTR-1 is to be filed only for the period during which taxpayer was registered as normal taxpayer.
  - Therefore, in given case, Mr. Kaji is not liable to file GSTR-1 for February, 20XY, since he had already shifted to composition scheme on 15.01.20XY.

(iii)

- A registered person shall not be allowed to furnish the details of outward supplies of goods or services or both u/s 37 in FORM GSTR-1, if he has not furnished the return in FORM GSTR-3B for preceding One months.
- Therefore, in the given case, Mrs Zeel cannot file GSTR-1 for July, 20XY as she has not filed GSTR-1 for the preceding month, i.e., June, 20XY.

**Q.5:** List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF).

[Study Mat]

Also briefly list the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF. [CA Inter Nov 22 Exam; CA Inter MTP Nov 21]

**ANSWER:**

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

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

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

- (a) A registered person (under monthly scheme) has not furnished the return in Form GSTR-3B for the preceding 1 month.
- (b) A registered person, opting for QRMP (Quarterly Return Monthly Payment) has not furnished the return in Form GSTR-3B for preceding tax period.
- (c) A registered person, to whom an intimation has been under Rule 88C (Tax liability shown on GSTR 1 exceeds tax liability paid in GSTR 3B) unless he has deposited the specified amount or furnishing a reply.
- (d) A registered person has not furnished the details of the bank account under rule 10A.

**Q.6:** Answer the following questions independently: -

Explain the consequences, if the taxable person under GST law files the GST return under Section 39(1) of the CGST Act, 2017, but does not make of self-payment assessment tax. [CA Inter Nov 19 Exam-New]

**ANSWER:**

- If taxable person under GST law files the GST return u/s 39(1) of CGST Act, 2017, but does not pay the self-assessment tax, the return is not considered as a valid return.
- Such person will not be able to claim any input tax credit (ITC), since ITC can be availed only on the basis of a valid return.
- He shall pay interest, penalty, fees or any other amount payable under the CGST Act for filing return without payment of tax.

**Q.7:** Discuss the penal provisions, if any, for not filing the annual return before the due date.

[CA Inter Jan 21 Exam]

**ANSWER:**

As per section 47 of CGST Act read with relevant notification, the penal provisions for not filing the annual return (GSTR-9) under section 44 of CGST Act, 2017 before the due date are lower of the following:-

- If aggregate turnover of registered person in the relevant financial year is not exceeding ₹ 5 Crores:-
  - ₹ ` 50 per day (i.e. ` 25 per day each under CGST & SGST/UTGST) but

- ☞ maximum = maximum = 0.04% (i.e. 0.02 % under CGST/ SGST each) of turnover in State or Union territory
- If aggregate turnover of registered person in the relevant financial year exceeding ₹ 5 Crores:-
  - ☞ ` 100 per day (i.e.` 50 per day each under CGST & SGST/UTGST) but
  - ☞ maximum = 0.04% (i.e. 0.02 % under CGST/ SGST each) of turnover in State or Union territory

**Q.8: Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act?**

**[CA Inter July 21 Exam]**

**ANSWER:**

**Following persons can be registered as Goods and Service Tax Practitioners:**

**1. Any person who,**

- (i) Is a citizen of India
- (ii) Is a person of sound mind
- (iii) Is not adjudicated as insolvent
- (iv) Has not been convicted by a competent court

**2. In addition to above, the person has to satisfy any of the following conditions:**

- (i) He is a Retired officer of Commercial Tax Department of any State Govt./CBIC who, during service under Government had worked in a post not lower than the rank of a Group-B gazetted officer for a period not less than 2 years.
- (ii) He is enrolled as a Sales Tax Practitioner or Tax Return Preparer under the earlier indirect tax laws for a period of not less than 5 years.
- (iii) He Has acquired any of the prescribed qualifications
  - Has passed Graduate/postgraduate degree or its equivalent examination having a degree in specified disciplines, from nay Indian University or
  - A degree examination of any Foreign University recognised by any Indian University as equivalent to degree examination
  - Has passed any other notified examination
  - Has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India

# COMPUTATION OF GST

**Q.1:** Chill Ltd., Delhi, a registered supplier, manufacturing machineries has made a taxable supply of machinery during the month of March. It furnished the following details for each such machinery supplied:

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

**Additional information:-**

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

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

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

**Note:**

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

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

**[CA Inter Jan 21 Exam (Similar)]**

**ANSWER:**

- (1) Computation of total value of taxable supply made by Chill Ltd. during the month of March;

Particulars	Amount (₹)	Remark
List price of the machinery	10,00,000	

Subsidy received from the Central Government	Nil	As per section 15(2)(e) of the CGST Act, subsidy is received from State Government, the same is not includible in value of supply
Subsidy received from NGO	2,00,000	As per section 15(2)(e), subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply
Tax levied by the Municipal Authority	2,50,000	As per section 15(2)(a) of CGST Act, Tax other than GST are includible in value, if charged separately
Packing charges	1,25,000	As per section 15(2)(c) of the CGST Act, the value of supply shall include incidental expenses, including commission and packing charges, charged by supplier to recipient
<b>Total Value of taxable supplies</b>	<b>15,75,000</b>	

(2) Computation of ITC that can be availed by Chill Ltd. for the month of March:

Particulars	ITC (₹)	Remark
Raw Material	Nil	Since raw material is not received in March, ITC for the same cannot be availed in March u/s 16(2).
Membership of a club availed for employees working in the factory (not obligatory to be provided under any law)	Nil	ITC is blocked u/s 17(5)(b) of CGST Act as said service is not provided by employer to employee under any statutory obligation
Inputs to be received in 6 lots, out of which 1st lot was received during the month	Nil	As per 1st proviso to section 16(2) of CGST Act, In case of goods received in lots, ITC can be taken only upon receipt of the last lot.
Trucks used for transport of raw material	1,50,000	ITC is not blocked u/s 17(5)(a) of CGST Act on motor vehicles used for transportation of goods.
Capital goods	68,000	ITC can be availed only on basis of a valid document u/s 16(2). Thus, ITC for the item for which invoice is missing cannot be availed (i.e. for ₹ 2,82,000).
<b>Total ITC</b>	<b>2,18,000</b>	

(3) Computation of net GST payable in cash:

Particulars	Value (₹)	IGST@18%
Supply of machinery	15,75,000	2,83,500
<b>Less: ITC available</b>		<b>2,18,000</b>
<b>Net GST payable in cash</b>		<b>65,500</b>

**Q.2:** 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, 20XX: -

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: -

Sr. No.	Particulars	Amount (Excluding GST)
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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 <sup>th</sup> January, 20XX 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 <sup>th</sup> January, 20XX. X & Co. paid the consideration for the goods on 20 <sup>th</sup> February along with applicable interest.	5,00,000
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, 20XX and the last lot would be delivered in April, 20XX.	5,00,000
5	The company supplied 10,000 packets of tools to one of its customer at 10/- per packet in Gujarat in January, 20XX. Afterwards, the company re-values it at ₹ 9 per packet in February, 20XX 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, 20XX. [CA Inter Dec 21 Exam]

**ANSWER:**

Computation of net GST liability of ABC Ltd. to be paid in cash for February, 20XX: -

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Net output GST liability as given		3,00,000	3,00,000	2,50,000
<b>Add:</b> Trucks given on hire to goods transport agency (GTA) [Note-1]	3,75,000	-	-	-
<b>Add:</b> Interest on delayed payments of 15 days (6 <sup>th</sup> February, 20XX to 20 <sup>th</sup> February, 20XX) [Note 2]	5,900 [5,90,000 × 2% × 15/30]	900	-	-
<b>Total output tax liability</b>		<b>3,00,900</b>	<b>3,00,000</b>	<b>2,50,000</b>
<b>Less:</b> ITC in respect of legal services paid as reverse charge is available	1,50,000		(13,500) [1,50,000 × 9%]	(13,500) [1,50,000 × 9%]
<b>Net output tax liability (A)</b>		<b>3,00,000</b>	<b>2,86,500</b>	<b>2,36,500</b>
Legal consultancy services received (B) [Note 3]	1,50,000		(13,500) [1,50,000 × 9%]	(13,500) [1,50,000 × 9%]
<b>Total GST payable in cash [(A) + (B)]</b>		<b>3,00,900</b>	<b>3,00,000</b>	<b>2,50,000</b>

**Note: -**

- Services of giving a means of transportation of goods on hire to a GTA are exempt.
  - 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.
- it is includible in value as per section 15(2) (d) of the CGST Act, 2017,
- 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.



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, 20XX.
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.

**As Per ICAI:**

- It is assumed that the aggregate turnover of ABC Ltd. in the preceding FY was above the threshold limit for registration under GST law.
- It is also possible to assume the interest on delayed payment to be exclusive of GST and to compute the same by taking the values as exclusive of GST (i.e. ₹ 5,00,000).

**Q.3:** Jino Enterprises, a partnership firm is a regular taxable person registered in Guwahati, Assam and is engaged in supply of Air conditioners and its accessories as well as air conditioned repairing services. Details of their various activities for the month of October 2022 are follows:

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

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

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

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

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

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

- (a) All the figures mentioned above are exclusive of taxes.
- (b) In respect of few of the invoices relating to F.Y. 2021-2022, involving ITC of CGST ₹ 20,000/- - SGST of ₹ 20,000/- & IGST ₹ 80,000/- was not taken earlier. Jino Enterprises now want to avail credit in respect of such invoices in the current month.

- (c) The Rates of GST applicable on various supplies are as follows:

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

Calculate the amount of minimum CGST, SGST & IGST tax payable in cash by Jino Enterprises for the month of October 2022.

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

[CA Inter May 23 Exam; CA IPC July 21 Exam (Similar)]

**ANSWER:**

Computation of minimum CGST, SGST and IGST payable in cash by Jino Enterprises for the month of October, 20YY:

Particulars	Value	IGST (₹)	CGST (₹)	SGST (₹)
Intra-State supply of air-conditioners [Note 1]	5,00,000 (4,00,000+1,00,000)	--	30,000 (5,00,000*6%)	30,000 (5,00,000*6%)
Intra-State supply of repairing services [Note 2]	3,00,000	--	27,000 (3,00,000*9%)	27,000 (3,00,000*9%)
Intra-State supply of parts / spares [Note 2]	50,000	--	3,000 (50,000*6%)	3,000 (50,000*6%)
Inter-State supply of 10 combos of air-conditioners and stabilizers [Note 3]	2,00,000 (20,000*10)	36,000 (2,00,000*18%)	--	--
Total Output Tax		36,000	60,000	60,000
Less: ITC (Working Note)[Note 4]				
IGST: 80,000		(36,000)	(22,000)	(22,000)
CGST: 21,000		--	(21,000)	X
SGST: 21,000		--	X	(21,000)
Minimum net GST payable in cash		Nil	17,000	17,000

Working Note: -

Computation of ITC available:

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Purchase of business class air tickets for travel from Assam [Note 5]	--	1,000 (40,000*2.5%)	1,000 (40,000*2.5%)
Invoices relating to FY 20XX-YY [Note 6]	80,000	20,000	20,000
Total ITC available	80,000	21,000	21,000

**Notes:**

- (1) ➤ Since goods are agreed to be delivered at customer's doorsteps, supply of air-conditioners along with transportation thereof is a composite supply which is treated as the supply of the principal supply.
  - Accordingly, rate of principal supply, i.e. air-conditioners will be charged.
- (2) ➤ Since parts/ spares and repair services are not naturally bundled, they are taxable separately at the applicable rates.
- (3) ➤ Since supplies are not naturally bundled and a single price is being charged, it is a mixed supply.
  - It is treated as supply of that particular supply which attracts highest tax rate(i.e., stabilizers)
- (4) ➤ IGST credit is first utilized for payment of IGST liability. Remaining IGST credit has been utilised for payment of CGST and SGST in such proportion to keep the liability at its minimum.

- After exhausting IGST credit, CGST and SGST credits have been utilized. CGST credit is utilized for payment of CGST and SGST credit is utilised for the payment of SGST.
  - ITC of CGST cannot be utilized for payment of SGST and vice versa.
- (5) ➤ Not exempt, since air travel embarking from Assam is not being undertaken in economy class.
- Further, ITC is available since service is used in the course/furtherance of business
- (6) ITC in respect of any invoice can be taken upto 30th November following the end of FY to which such invoice relates or furnishing of the relevant annual return, whichever is earlier.

**Q.4:** Mr. Himanshu, a registered supplier of chemicals, pays GST under regular scheme. He is not eligible for any threshold exemption

1. He has made the following outward taxable supplies for the month of September 20XX:

Intra-State supply of goods ₹ 25,00,000

Inter-State supply of goods ₹ 5,00,000

2. He has also made the following inward supply:

Intra-State purchase of goods from registered dealer ₹ 14,00,000

Intra-State purchase of goods from unregistered dealer ₹ 2,00,000

Inter-State purchase of goods registered dealer ₹ 4,00,000

3. Balance of ITC at the beginning of September 20XX:

CGST ₹ 95,000

SGST ₹ 60,000

IGST ₹ 50,000

4. Additional Information:

- He purchased a car (Intra-State supply) used for business purpose at a price of ₹ 6,72,000/- (including CGST of ₹ 36,000 & SGST of ₹ 36,000) on September 15, 20XX. He capitalized the full value including GST in the books on the same date to claim depreciation.
- Out of Inter-State purchase from registered dealer, goods worth ₹ 1,00,000 were received on October 3, 20XX due to road traffic jams

Note:

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

Computation the net CGST, SGST and IGST payable in cash by Mr. Himanshu for the month of September, 20XX. [CA Inter Exam May 19 New]

**ANSWER:**

1. Computation of net GST payable in cash of Mr. Himanshu for the month of September, 20XX

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
<b>Total Output Tax liability</b>				
Intra-State outward supplies of goods	25,00,000	-	2,25,000	2,25,000
Inter-State outward supplies of goods	5,00,000	90,000	-	-
<b>Total output tax liability (A)</b>		<b>90,000</b>	<b>2,25,000</b>	<b>2,25,000</b>
<b>Input Tax liability</b>				

Brought forward ITC (Given)		50,000	95,000	60,000
Intra-State purchase of goods from registered dealer [Note-1]	14,00,000	-	1,26,000	1,26,000
Inter-State purchase of goods from registered dealer [Note-1 & Note 4]	3,00,000	54,000	-	-
Inter-State purchase of goods from unregistered dealer [Note-2]	2,00,000	-	-	-
Purchase of car used for business purpose [Note-3]		-	-	-
<b>Total ITC (B)</b>		<b>1,04,000</b>	<b>2,21,000</b>	<b>1,86,000</b>

## 2. Computation of Net GST Liability:

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Total output tax liability	90,000	2,25,000	2,25,000
Less: Input Tax Credit	-		
IGST: ₹ 1,04,000 [Note-5]	(90,000)	(4,000)	(10,000)
CGST: ₹ 2,21,000	-	(2,21,000)	-
SGST: ₹ 1,86,000	-	-	(1,86,000)
Net GST Payable in cash	Nil	Nil	29,000

### Notes:

- Every registered person is entitled to take credit of input tax charged on any inward supply of goods used/intended to be used in the course/furtherance of his business
- Intra-state supplies received by a registered person from any unregistered supplier in this case, are not falling under the supplies notified u/s 9(4) and thus no tax is required to be paid in RCM by recipient. Since no tax has been paid, no credit is available.
- As per sec 16(3), Input tax paid on capital goods cannot be availed as ITC if depreciation has been claimed on such tax component.  
Moreover, ITC on motor vehicle (car) is blocked under section 17(5) of CGST Act, 2017.
- As per Sec 16(2)(b), A registered person is entitled to avail input tax in respect of any supply of goods to him only if he has actually received the said goods.  
Since goods worth ₹ 1,00,000 have not been received by Mr. Himanshu in the month of September 20XX, credit in respect of same cannot be claimed in the said month.  
**Note:** It will be claimed in October 20XX when goods will be received.
- IGST credit is first utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion

**Q.5] Mr. Uttam Kumar a registered supplier of service in Kolkata, has provided following information for the month of October, 20XX**

Sr. No.	Particulars	Amount (₹)
(i)	Intra-State taxable supply of service	6,40,000
(ii)	Amount received from Kapola Pvt. Ltd., for service provided to company. (He is a director in Kapola P. Ltd.), being Intra-State transaction	5,00,000
(iii)	Paid legal fee to senior advocate for one legal matter within State, being Intra-State transaction.	50,000

(iv)	Amount received for services provided by him as a commentator to a local recognized sports body, being Intra-State transaction	1,20,000
(v)	Amount received for acting as a coach in recreational activities relating to sports, from one local charitable entity registered under section 12AA of the Income Tax Act, 1961, being Intra- State transaction	30,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Uttam Kumar for the month of October, 20XX.

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

All the amounts given are exclusive of CGST, SGST and IGST, wherever applicable. [CA Inter Exam May 19]

**ANSWER:**

Computation of net GST liability of Mr. Uttam Kumar for the month of October, 20XX: -

Particulars	Refer Note	Amount (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)
Intra-State taxable supply of services		6,40,000	57,600	57,600
Add: Amount received from Kapala Pvt. Ltd. for service provided to company being intra-state transaction	1	5,00,000	-	-
Add: Legal fee paid to senior advocate for one legal matter within the State, being intra State transaction	2	50,000	4,500	4,500
Add: Amount received for services provided as a commentator to a local recognized sports body, being intra State transaction	3	1,20,000	10,800	10,800
Add: Amount received for acting as a coach in recreational activities relating to sports from one local charitable entity registered under section 12AA or 12AB of the Income Tax Act, 1961, being intra-State transactions	4	30,000	-	-
<b>Total Tax Payable</b>			<b>72,900</b>	<b>72,900</b>
Less: Cash paid towards tax payable under reverse charge (A)	5		4,500	4,500
Output tax payable against which ITC can be set off			68,400	68,400
Less: ITC of tax paid on legal fees paid to senior advocate			4,500	4,500
Output tax payable after set off of ITC (B)			63,900	63,900
<b>Net GST Liability (A) + (B)</b>			<b>68,400</b>	<b>68,400</b>

**Notes:**

- Services supplied by a director of a company to the said company are taxable under reverse charge. Thus, the tax leviable thereon will be paid by the company.
- Services provided by a senior advocate by way of legal services are taxable under reverse charge. Thus, the tax leviable thereon will be paid by Mr. Uttam Kumar.
- Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body is exempt from GST. However, services provided as a commentator to a local recognized sports body is taxable.
- Services by way of coaching in recreational activities relating to sports by charitable entities registered under section 12AA or 12AB of the Income-tax Act are exempt from GST.

5. The amount available in the electronic credit ledger may be used for making payment towards output tax.
- However, tax payable under reverse charge is not an output tax.
  - Therefore, tax payable under reverse charge cannot be set off against the input tax credit and
  - Thus, will have to be paid in cash.

**As per ICAI:**

- It has been assumed that services provided to Kapola Pvt Ltd by Mr. Uttam Kumar are in the capacity of being a director in the company
- It has been assumed that the turnover of Mr. Uttam Kumar in the previous year 20XX-YY exceeded 20,00,000
- It has been assumed that the matter for which the legal fees is paid to the senior advocate is in the course or furtherance of business

**Q.6:** 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 20YY:

Sr. No.	Particulars	Amount (₹)			
(i)	Outward supply of goods made during the month to various non- related persons:	As given in particular problem			
		Sr. No.	Particulars	Market value	Market value
		(a)	In the State of Bihar (intra-State)	3,00,000	4,00,000
		(b)	to other State (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 GSTIN 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:**

- (a) All the amounts given above are exclusive of taxes.
- (b) During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 02.12.20XX was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January 20YY. This invoice was issued by Mr. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra -State transaction).
- (c) Rate of GST applicable on various supplies are as follows:

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

- (d) No opening balance of input tax credit exists in the beginning of the month.
- (e) 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 20YY, since the suppliers had filed their GSTR-1.



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

You are required to calculate the amount of net GST liability payable in cash by Ajay Limited for the month of January 20YY. Brief notes for treatment given for each item should form part of your answer.

[CA Inter Nov 22 Exam]

**ANSWER:**

**Computation of net GST payable in cash by Ajay Ltd. for the month of January 20XX:**

Particulars	IGST @ 18%	CGST @ 9%	SGST @ 9%
Outward intra-State supply of goods made in the State of Bihar [Note 1]	--	36,000 (4,00,000*9%)	36,000 (4,00,000*9%)
Outward supply of goods made to other States [Note 1]	18,000 (1,00,000*18%)	--	--
Inter-State services provided to State Government of Karnataka for conducting a computer training programme [Note 2]	90,000 (5,00,000*18%)	--	--
Intra-State stock transfer to Gaya Branch with separate registration [Note 3]		1,800 (20,000*9%)	1,800 (20,000*9%)
<b>Total output tax</b>	<b>1,08,000</b>	<b>37,800</b>	<b>37,800</b>
Less: ITC (Working Note) [Note 4]			
IGST: Nil			
CGST: 45,000	(7,200)	X	(37,800)
SGST: 45,000	(7,200)	(37,800)	X
<b>Net GST payable in cash</b>	<b>93,600</b>	<b>Nil</b>	<b>Nil</b>

**Working Note:**

**Computation of ITC available:**

Particulars	IGST @ 18%	CGST @ 9%	SGST @ 9%
Intra-State inward supply of services [Note 5] [₹ 6,50,000 – ₹ 1,50,000]	--	45,000 (5,00,000*9%)	45,000 (5,00,000*9%)
Cars taken on rental basis from Mr. Mukesh [Note 6]	--	--	--
<b>Total output tax</b>	<b>--</b>	<b>45,000</b>	<b>45,000</b>

**Notes: -**

- (1) Value of supply is the transaction value of the goods.
- (2) Not exempt since the State Government has borne less than 75% of total expenditure of the training programme.
- (3) Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.
- (4) CGST credit should be utilized for payment of CGST & IGST in that order. Similarly, SGST credit should be utilized for payment of SGST & IGST in that order.  
ITC of CGST cannot be utilized for payment of SGST & vice versa.
- (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.

- (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.

**Assumption:**

- It has been most logically assumed that Ajay Ltd. is not engaged renting of cars business.

**Q.7:** Neelkanth Pvt. Ltd., a registered supplier of goods and services at Kolkata has furnished the following information for the month of February:

Sr. 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)	1,75,000
(iv)	Membership of a club availed for employees working in the factory (It is an intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GST is payable @12% (It is an inter-State transaction)	2,00,000
(vi)	Inter-State services provided by way of training in recreational activities relating to sports	10,000
(vii)	Inter-State security services provided to ABC higher secondary school for their annual day function organised in Fintex Auditorium outside the School campus	15,000
(viii)	Inputs to be received in 4 lots, out of which 2nd lot was received during the month	40,000

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

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

**Note:**

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

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

[CA Inter RTP Nov 22]

**ANSWER:****1. Computation of GST Payable on outward supplies:**

Particulars	Value	IGST @ 18%	CGST @ 9%	SGST @ 9%
Intra-State supply of 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)	18,000	-	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 ABC higher secondary school for their annual day function held in Fintex Auditorium (Note-4)	15,000	2,700	-	-
<b>Total GST Payable</b>		<b>4,500</b>	<b>45,000</b>	<b>45,000</b>

**2. Computation of Total ITC**

Particulars	IGST @ 18%	CGST @ 9%	SGST @ 9%
Opening ITC (Given)	50,000	57,000	-
<b>Add:</b> Purchase of goods from a composition dealer (Note-5)	-	-	-
<b>Add:</b> Membership of a club (Note-6)	-	-	-
<b>Add:</b> Goods transport services received from GTA (Note-7)	24,000	-	-
<b>Add:</b> Inputs to be received in 4 lots, out of which 2 <sup>nd</sup> lot was received during the month (Note-8)	-	-	-
<b>Total ITC</b>	<b>74,000</b>	<b>57,000</b>	<b>-</b>

**3. Computation of minimum GST payable:**

Particulars	IGST @ 18%	CGST @ 9%	SGST @ 9%
Total Output tax liability	4,500	45,000	45,000
<b>Less:</b> Input tax Credit	-		-
<b>IGST:</b> 74,000 [Note-9]	(4,500)	(24,500)	(45,000)
<b>CGST:</b> 57,000	-	(20,500)	-
<b>SGST:</b> Nil	-	-	-
<b>Minimum GST Payable in cash</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

**Notes:**

- As per Sec 12(2), read with notification 66/2017, the time of supply of goods shall be earlier of the following dates:

- Date of issue of invoice or
- last date to issue the invoice u/s 31.

Further, As per notification 66/2017, the time of supply of goods is not on advance received & this is applicable to all registered persons except composition supplier.

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 but Labour contacts for repairing are thus, taxable.
3. Services by way of training or coaching in recreational activities relating to sports is exempt under only if provided by charitable entities registered under section 12AA of the Income-tax Act. Thus, in the given case, said service is taxable.
4. Security services provided to ABC higher secondary School for Annual Day function organised outside the school campus will be taxable as only security services performed within the premises of the higher secondary school are exempt
5. ITC is blocked u/s 17(5)(g) of CGST Act on goods on which tax is paid u/s 10.
6. ITC is blocked u/s 17(5)(b) of CGST Act as said service is not provided by employer under any statutory obligation
7. GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12%. Since in the given case, services have been received from a GTA where GST is payable @ 12% and recipient is one of the specified recipients, reverse charge provisions will not be applicable. In this case, input tax credit is available for the services received from GTA.]
8. As per 1st proviso to section 16(2) of CGST Act, In case of goods received in lots, ITC can be taken only upon receipt of the last lot
9. IGST credit is first utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion

**Q.8:** 'XY' of Kolkata is engaged in supply of various goods and services. It pays GST under regular scheme. The following information is provided by it for the month of July: -

Payments	Amount (₹)	Receipts	Amounts (₹)
Inter-State purchases of office stationery	1,40,000	Inter-State supply of office stationery	2,00,000
Repairing of lorry used to transport goods from warehouse to clients' location [Intra-State supply]	1,00,000	Inter-State supply of 500 combo packs containing one calculator and one diary	4,00,000
		Intra-State supply of services of business correspondent to Shubhvidhi Bank with respect to accounts in its urban area branch	4,00,000

The following additional information is provided by 'XY' in relation to the above receipts and payments:

- (i) 10% the inter-State supply of office stationery are made to unregistered persons.
- (ii) Each combo pack (containing a calculator and a diary) is priced at ₹ 800. The calculator and the diary are individually priced at ₹ 700 and ₹ 200 respectively.
- (iii) An invoice of ₹ 40,000 towards purchase of office stationery is missing and no other tax paying document is available in respect of such goods.
- (iv) All the figures mentioned above are exclusive of taxes, wherever applicable.
- (v) Rates of CGST, SGST and IGST for all services, office stationery and calculator are 9%, 9% and 18% respectively. Rates of CGST, SGST and IGST for diary are 14%, 14% and 28% respectively.
- (vi) Subject to the information given above, all the necessary conditions for availing input tax credit have been fulfilled. Details of opening balances of input tax credit as on 1<sup>st</sup> July is given here under:

Tax	Amounts (₹)
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CGST	5,000
SGST	5,000
IGST	80,000

Compute the minimum net GST [CGST, SGST or IGST, as the case may be] payable in cash by 'XY' for the month of July. **[CA Inter RTP Nov 2020]**

**ANSWER:**

Computation of minimum net GST payable in cash by 'XY' for the month of July:-

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
<b>(i) Calculation of Total tax liability: -</b>				
Inter-State supply of office stationery [Note 1]	2,00,000	36,000 (2,00,000 × 18%)	-	-
Intra-State supply of 500 combo pack of calculators and diaries [Note 2]	4,00,000 (500 × 800)	-	56,000 (4,00,000 × 14%)	56,000 (4,00,000 × 14%)
Intra-State supply of services of business correspondent to Shubhvidhi Bank with respect to accounts in its urban area branch (Note 3)	1,00,000	-	9,000 (1,00,000 × 9%)	9,000 (1,00,000 × 9%)
<b>Total tax liability</b>		<b>36,000</b>	<b>65,000</b>	<b>65,000</b>
<b>(ii) Calculation of total Input Tax Credit (ITC):</b>				
Brought forward ITC [Given]		80,000	5,000	5,000
Inter-State purchase of office stationery [Note 4]	1,00,000	18,000 (1,00,000 × 18%)		
Intra – State repairing of lorry used for transportation of goods [Note 5]	1,00,000		9,000 (1,00,000 × 9%)	9,000 (1,00,000 × 9%)
<b>Total ITC</b>		<b>98,000</b>	<b>14,000</b>	<b>14,000</b>
<b>(iii) Calculation of Minimum net GST payable in cash: -</b>				
Total tax liability [from (i)]		36,000	65,000	65,000
Less ITC [Note 6]				
IGST – 98,000		(36,000)	(11,000)	(51,000)
CGST – 14,000		-	(14,000)	X
SGST – 14,000		-	X	(14,000)
<b>Minimum net GST payable in cash</b>		<b>Nil</b>	<b>40,000</b>	<b>Nil</b>

**Note: -**

- Taxable supplies made by a registered person are liable to tax irrespective of whether they are made to a registered person or to an unregistered person.
- Supply of calculator and diary as a combo pack with a single price of ₹ 800 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply which attracts highest rate of tax.
- Services provided by a business facilitator/ business correspondent to a banking company only with respect to accounts in its rural area branch are exempt and not with respect to accounts in its urban area branch.

4. ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
5. ITC on motor vehicles used for transportation of goods is allowed & Further, ITC is allowed on repair and maintenance services relating to motor vehicles on which ITC is allowed.
6.
  - IGST Credit, offer being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion.
  - Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash as amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST & SGST is also the same.

