

SUPER 40



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Place of Supply

Section A - MCQs

- (a) New Delhi
- (b) Jaipur
- (c) None of the above
- (d) Both of the above

1. M/s. Dhoom Furniture Mart, located and registered under GST in the State of Chhattisgarh, sells furniture from its showroom to M/s. Lucky Dhaba (located and registered under GST in the State of Jharkhand). M/s. Lucky Dhaba requested to deliver the furniture to Mr. Pyare Lal (his landlord at his new rented home at Patna, Bihar). M/s. Dhoom Furniture Mart sends the furniture with a proper E-way bill to Patna through a transporter, who makes the delivery to Mr. Pyare Lal.

Determine the place of supply of furniture sold by M/s. Dhoom Furniture Mart to M/s. Lucky Dhaba in the above case.

- (a) Chhattisgarh
- (b) Jharkhand
- (c) Patna, Bihar
- (d) Either Jharkhand or Bihar, at the option of the recipient

2. Mr. Ram of Pune, Maharashtra sells 10 refrigerators to Mr. Shyam of Nasik, Maharashtra for delivery at Mr. Shyam's place of business in Nasik. The place of supply is

- (a) Pune, MH
- (b) Nasik, MH
- (c) None of the above
- (d) Both of the above

3. Mr. A (New Delhi) has leased his machine (cost Rs 8,00,000) to Mr. B (Noida, Uttar Pradesh) for production of goods on a monthly rent of Rs 40,000. After 14 months Mr. B requested Mr. A to sell the machine to him for Rs 4, 00,000, which is agreed to by Mr. A. In this case, there will be no movement of goods and the same will be sold on as is where is basis. Place of supply is

- (a) Noida
- (b) New Delhi
- (c) None of the above
- (d) Both of the above

4. Mr. X (New Delhi) boards the New Delhi-Kota train at New Delhi. He sells the goods taken on board by him at New Delhi, in Jaipur during the journey. POS is

5. Which of the following supplies involving movement of goods is an intra-State supply?

- (a) Location of supplier in Kerala and place of supply in Tamil Nadu
- (b) Location of supplier in Karnataka and place of supply in Karnataka
- (c) Location of supplier in Kerala and place of supply on Andhra Pradesh
- (d) None of the above

6. Place of supply in case of installation of elevator is

- (a) Where the movement of elevator commences from the supplier's place
- (b) Where the delivery of elevator is taken
- (c) Where the installation of elevator is made
- (d) Where address of the recipient is mentioned in the invoice

7. Indigo Airlines sells various products like watches, artificial jewellery, packaged foods etc. to its passengers on board during the flight. The flight originates from Jaipur, halts at Mumbai and finally lands in Chennai. What would be the place of supply of such products?

- (a) Jaipur
- (b) Chennai
- (c) Location where goods were taken on board
- (d) Location where passengers buying goods disembark

8. Aflatoon Spares (P) Ltd., located and registered in Haryana, supplied spare parts (FOB basis) to Mr. Laxmi Khurana, an unregistered person, located in Rajasthan. Mr. Laxmi Khurana booked the courier himself with Black Dart Courier (P) Ltd., registered in Delhi for delivery in Rajasthan. Black Dart Courier (P) Ltd. picked up the goods from Haryana and delivered the courier in Rajasthan while passing through the State of Uttar Pradesh. Determine the place of supply of

service provided by Black Dart Courier (P) Ltd. to Mr. Laxmi Khurana:

- (a) Haryana
- (b) Delhi
- (c) Rajasthan
- (d) Uttar Pradesh

9. Mr. R, a resident of Delhi, holds an account in ICICI Bank in Delhi. Mr. R goes to Jaipur for work. During his visit to Jaipur, he takes certain services relating to his account from ICICI bank in Jaipur in relation to some transaction to be carried out at Mumbai. What will be the place of supply in this case?

- (a) The place of supply shall be Delhi
- (b) The place of supply shall be Jaipur
- (c) The place of supply shall be Mumbai
- (d) None of the above

10. M/s. Buildwell Engineering Consultants, located and registered in Gurugram, Haryana provided consultancy services to M/s. Taj India Ltd., (located and registered in Mumbai, Maharashtra) for its hotel to be constructed on land situated in Dubai.

Determine the place of supply of consultancy services provided by M/s. Buildwell Engineering Consultants to M/s. Taj India Ltd.:

- (a) Gurugram, Haryana
- (b) Mumbai, Maharashtra
- (c) Dubai
- (d) Either Maharashtra or Dubai, at the option of the recipient

11. Mr. Javed, an unregistered person residing in Hisar, Haryana, went to Delhi for seeking admission of his child - Mr. Arjun - in CA Intermediate. Mr. Javed got the demand draft generated at ICIDI Bank Ltd., registered under GST in Sahibabad, Uttar Pradesh against cash, for depositing the registration fee to the ICAI.

Mr. Javed does not have a bank account in ICIDI Bank Ltd. and the bank doesn't have any policy of KYC requirements (name, address and other identity verification policy) for customers requiring demand draft and not having account with any of its branch in India.

Determine the place of supply of service provided by ICIDI Bank Ltd. to Mr. Javed.

- (a) Delhi
- (b) Uttar Pradesh

(c) Either Delhi or Uttar Pradesh, at the option of the recipient

(d) Haryana

12. Mr. Salman Khan, a resident of Mumbai, has booked a Videocon D2H connection at his other home in Delhi. His friend Shah Rukh Khan, a resident of Kerala, paid the charges for Salman's D2H connection in Delhi at the time of actual installation. Mr. Shah Rukh Khan went to Kolkata after making the payment. Both Salman Khan and Shah Rukh Khan are not registered in GST. Determine the place of supply of D2H service provided by Videocon to Mr. Salman Khan:

- (a) Mumbai
- (b) Kerala
- (c) Delhi
- (d) Kolkata

13. Mr. Sunil Shetty, a resident of Mumbai, went to Vaishno Devi by train. Mr. Sunil Shetty, after visiting Vaishno Devi temple, purchased a JIO prepaid SIM from Tantan Communications in Jammu by paying cash. Mr. Sunil Shetty took the JIO SIM and the same day boarded the train to Delhi. He went to Agra thereafter, to visit the Taj Mahal. Determine the place of supply of JIO SIM by Tantan Communications to Mr. Sunil Shetty:

- (a) Mumbai
- (b) Jammu
- (c) Delhi
- (d) Agra

14. A hotel chain X charges a consolidated sum of Rs.30,000/- for stay in its two establishments in Delhi and Agra, where the stay in Delhi is for 2 nights and the stay in Agra is for 1 night. The place of supply in this case is

- (a) Both in Delhi & Uttar Pradesh & the service shall be deemed to have been provided in Delhi & Uttar Pradesh in the ratio 2:1 respectively. The value of services provided will thus be apportioned as Rs. 20,000/- in Delhi and Rs.10,000/- in UP.
- (b) In Delhi
- (c) In UP
- (d) None of the above

15. A company C provides the service of 24 hours accommodation in a houseboat, which is situated both in Kerala and

- Karnataka in as much as the guests board the house boat in Kerala and stay there for 22 hours but it also moves into Karnataka for 2 hours (as declared by the service provider). The place of supply of this service is**
- (a) In Karnataka
 (b) In Kerala
 (c) In Karnataka and Kerala equally
 (d) In the States of Kerala and Karnataka. The service shall be deemed to have been provided in the ratio of 22:2 or 11:1 (simplified) in the states of Kerala and Karnataka, respectively.
- 16. There is a piece of land of area 20,000 square feet which is partly in State S1 say 12,000 square feet and partly in State S2, say 8000 square feet. Site preparation work has been entrusted to T. The ratio of land in the two states works out to 12:8 or 3:2 (simplified). The place of supply is**
- (a) In S1
 (b) In S2
 (c) in both S1 and S2. The service shall be deemed to have been provided in the ratio of 12:8 or 3:2 (simplified) in the States S1 and S2 respectively.
 (d) None of the above
- 17. A company T installs a leased circuit between the Delhi and Mumbai offices of a company C. The starting point of this circuit is in Delhi and the end point of the circuit is in Mumbai. Hence, one point of this circuit is in Delhi and another in Maharashtra. The place of supply of this service is**
- (a) Equally in both the states
 (b) Only in Delhi
 (c) Only in Mumbai
 (d) No place of supply
- 18. A company T installs a leased circuit between the Chennai, Bengaluru and Mysore offices of a company C. The starting point of this circuit is in Chennai and the end point of the circuit is in Mysuru. The circuit also connects Bengaluru. Hence, one point of this circuit is in Tamil Nadu and two points in Karnataka. The place of supply of this service is**
- (a) in the States of Tamil Nadu and Karnataka. The service shall be deemed to have been provided in the ratio of 1:2 in the States of Tamil Nadu and Karnataka, respectively.
 (b) In the state of Tamil Nadu only
 (c) In the state of Karnataka only
 (d) No place of supply
- 19. A company T installs a leased circuit between the Kolkata, Patna & Guwahati offices of a company C. There are 3 points in this circuit in Kolkata, Patna & Guwahati. One point each of this circuit is, therefore, in West Bengal, Bihar & Assam. The place of supply of this service is**
- (a) In the 3 states equally
 (b) in originating state Kolkata
 (c) in destination state Guwahati
 (d) None of the above
- 20. Mr. A (a Chartered Accountant registered in New Delhi) makes a supply of service to his client Mr. B of Noida, Uttar Pradesh (registered in Uttar Pradesh). In this case, the place of supply is**
- (a) Noida
 (b) New Delhi
 (c) None of the above
 (d) Both of the above
- 21. Mr. X, a consulting engineer based in Mumbai, Maharashtra renders professional services in respect of an immovable property of Mr. Y (Bangalore) located in Australia. the place of supply of service is**
- (a) Australia
 (b) Mumbai
 (c) Bangalore
 (d) None of the above
- 22. DEO Consultants (Kolkata) impart GST training to accounts and finance personnel of Sun Cements Ltd. (Registered in Guwahati, Assam) at the company's Kolkata office. the place of supply is**
- (a) Guwahati
 (b) Kolkata
 (c) None of the above
 (d) Both of the above
- 23. Place of supply of food taken onboard at Delhi for an aircraft departing from Delhi to Bangalore via Hyderabad is**
- (a) Address of the aircraft carrier mentioned on the invoice of the supplier
 (b) Delhi
 (c) Jaipur

(d) Hyderabad

24. Real estate agent in Delhi charges brokerage fee to Company A located in Chandigarh for assistance in getting a commercial property in Kolkata. Which is the place of supply in this case?

- (a) Delhi
- (b) Chandigarh
- (c) Kolkata
- (d) None of the above

25. Mr. X, a resident from Pune conducts training for employees of P Ltd. being a registered person under GST based out in Chennai at a resort in Darjeeling. The place of supply in this case is

- (a) Chennai
- (b) Darjeeling
- (c) None of the above
- (d) Both of the above

26. POS of service for DTH by ABC Pvt. Ltd. located in Mumbai to customer in Patna is

- (a) Mumbai
- (b) Patna
- (c) None of the above
- (d) Both of the above

27. Lucky Singh, a resident of Noida, U.P., went to Himachal Pradesh for a family

vacation via Delhi-Chandigarh-Himachal Pradesh in his own car. After entering Chandigarh, his car broke down due to some technical issue. He called 'ONROADS' - an emergency roadside car assistance company (registered under GST in Delhi) to repair the car. The car was repaired by the staff of 'ONROADS'. The value of supply amounted to Rs 50,000 (being labour charges Rs 40,000 and spares Rs 10,000). The bill was supposed to be generated online though the server, but due to some technical issue, it was not so generated. Determine the place of supply in the given case, if the address of the recipient doesn't exist in the books of supplier.

- (a) Delhi
- (b) Chandigarh
- (c) Noida, U.P
- (d) Himachal Pradesh

28. Mr. Y residing in Ahmedabad appoints an architect in Delhi to provide Indian traditional home design for his proposed construction at Los Angeles, the place of supply of service is

- (a) Los Angeles
- (b) Ahmedabad
- (c) Delhi
- (d) None of the above

Section B - Descriptive

1.

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

(3 Marks)

2.

Asha Enterprises, supplier of sewing machines, is located in Kota (Rajasthan) and registered for purpose of GST in the said State. It receives an order from Deep Traders, located in Jalandhar (Punjab) and registered for the purpose of GST in the said State. The order is for the supply of 100 sewing machines with an instruction to ship the sewing machines to Jyoti Sons, located in Patiala (Punjab) and registered in the said State for purpose of GST. Jyoti Sons is a customer of Deep Traders. Sewing machines are being shipped in a lorry by Asha Enterprises. Briefly explain the following:

- (a) the place of supply under IGST Act, 2017;
- (b) the nature of supply: - whether inter-State or intra-State and
- (c) whether CGST/SGST or IGST as would be applicable in this case

(4 Marks)

3.

The place of supply in relation to immovable property 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?

(3 Marks)

4.

A film star from Mumbai gets his cosmetic surgery done in a Hospital in Delhi. What should be the place of supply?

(2 Marks)

5.

What will be the place of supply of passenger transportation service, if a Person travels from Chennai to Mumbai & Back to Chennai. (3 Marks)

6.

Mr. Murthy, an unregistered person and a resident of Pune, hires the services of M/s Sun Ltd. an event management company registered in Delhi, for organizing of the new product launch in Bengaluru.

- (i) Determine the place of supply of services provided by M/s Sun Ltd.
- (ii) What would your answer be in case the product launch takes place in Bangkok?
- (iii) What would your answer be in case Mr. Murthy is a registered person and product launches take place in Bengaluru and Bangkok?

(ICAI study material) (CA Final-MAY 18) (CA Final MTP may 21-Similar)

(4 Marks)

7.

Determine the place of supply for the following independent cases under the IGST Act, 2017:

- (i) Grand Gala Events, an event management company at Kolkata, organises two award functions for Kalyan Jewellers of Chennai (Registered in Chennai, Tamil Nadu) at New Delhi and at Singapore.
- (ii) Perfect Planners (Bengaluru) is hired by Dr. Kelvin (unregistered person based in Kochi) to plan and organise his son's wedding at Mumbai, Maharashtra.
Will your answer be different if the wedding is to take place at Malaysia?

(ICAI study material) & (CA Final May 18-old) (CA Final Nov 22-Similar)

(4 Marks)

8.

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

(ICAI study material)-updated

(2 Marks)

9.

M/s Aerospace Airlines, having registered place of business in Mumbai under GST, issued a ticket from London to Delhi to Mr. Ajit Khanna, a resident of Agra, UP, who is not registered under the GST. Determine the 'place of supply' with supporting notes related to legal provisions.

(2 Marks)

10.

Mr. Yogesh is working in Infosys Company having office in Bengaluru. Infosys Company is registered under GST. Mr. Yogesh purchased the ticket from Hyderabad for transportation as passenger by Air from Hyderabad to Chennai. Mr. Yogesh discloses the name of the organization and its registration number and the place where the organization is registered. Supplier of service is located at Hyderabad. Find the following:

- (i) Place of supply of service and GST liability.
- (ii) Whether your answer is different if Mr. Yogesh has not disclosed the name of the organization and its registration number?

(CMA final June 19_Syllabus 16)

11.

Explain the provisions Transportation of Passengers (4 Marks)

(3 Marks)

Place of Supply - Answer Key

Section A - MCQs

Qs	Ans	Reason
1.	b	As per section 10(1)(b) , Where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, (i.e., a case of Bill to ship to) place of supply of such goods shall be the principal place of business of such person. Therefore POS = Principal Place of business of Lucky Dhaba i.e., Jharkhand.
2.	b	As per section 10(1)(a) , Where the supply involves movement of goods, whether by the supplier or by the recipient or by any other person, place of supply shall be Location of the goods at the time at which the movement of goods terminates for delivery to the recipient. In the given case , supply terminates in Nasik, hence Nasik is the place of supply.
3.	a	As per section 10(1)(c) , Where the supply does not involve movement of goods, whether by the supplier or the recipient, place of supply shall be Location of such goods at the time of the delivery to the recipient. In the given case , the location of the goods at the time of delivery is Noida, UP. Hence Noida, UP is the place of supply.
4.	a	As per section 10(1)(e) , Where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, place of supply shall be Location at which such goods are taken on board. In the given case , goods are taken on board at New Delhi, hence POS is New Delhi.
5.	b	As per section 8 of IGST act , Intrastate supply means where the location of supplier and place of supply is in the same state or union territory.
6.	c	As per section 10(1)(d) , Where the goods are assembled or installed at site, place of supply shall be place of such installation or assembly.
7.	c	As per section 10(1)(e) : POS is location where such goods are taken on board.
8.	a	As per section 12(8) : POS in case of transportation of goods including mail or courier shall to: RP(B2B) : Location of RP URP(B2C) : Location at which goods are handed over for their transportation. The given case is a B2C transaction and hence POS = Location at which goods are handed over for their transportation i.e., Haryana.
9.	a	As per section 12(12) , POS = Location of recipient in the records of supplier i.e., Delhi.
10.	b	As per section 12(3) , In case of POS of services in relation to an immovable property including services provided by architects, interior decorators, surveyors, engineers and any service provided by way of grant of rights to use immovable property shall be the location of such immovable property. Provided that if the location of the immovable property or boat or vessel is located or intended to be located outside India, the POS shall be the location of the recipient. In the given case , M/s. Taj India Ltd the recipient is located and registered in Mumbai, Maharashtra, hence POS is Mumbai, Maharashtra.

11.	b	<p>As per section 12(12), The POS of banking and other financial services, including stock broking services to any person shall be the location of the recipient of services on the records of the supplier of services.</p> <p>Provided that if the location of the recipient of services is not on the records of the supplier, the POS shall be the location of the supplier of services.</p> <p>In the given case since the address of recipient is not available in records of supplier, POS = Location of supplier i.e., Uttar Pradesh.</p>
12.	c	<p>As per section 12(11), The POS of telecommunication services including data transfer, broadcasting, cable and direct to home television services to any person shall, in case of services by way of fixed telecommunication line, leased circuits, internet leased circuit, cable or dish antenna, be the location where the telecommunication line, leased circuit or cable connection or dish antenna is installed for receipt of services.</p> <p>Hence, POS is Delhi, the place of installation of the D2H connection.</p>
13.	b	<p>As per section 12(11), in cases where mobile connection for telecommunication, internet service and DTH television services are provided on pre-payment basis through a voucher or any other means, through a selling agent, place of supply shall be the address of the selling agent.</p> <p>Hence POS is Jammu, the address of the selling agent.</p>
14.	a	<p>As per section 12(3), in case of services provided by way of lodging accommodation by a hotel, inn, guest house, club or campsite, by whatever name called and services ancillary to such services, the supply of services shall be treated as made in each of the respective States/UTs, in proportion to the number of nights stayed in such property.</p> <p>In the Given case, Nights stayed in Delhi is 2, whereas in Agra is 1, hence 30,000 shall be apportioned in the ratio of 2:1. The value of services provided will thus be apportioned as Rs. 20,000/- in Delhi and Rs.10,000/- in UP.</p>
15.	d	<p>As per section 12(3), in case of services provided by way of lodging accommodation by a houseboat or any other vessel and services ancillary to such services, the supply of services shall be treated as made in each of the respective States or UTs, in proportion to the time spent by the boat or vessel in each such State or UT.</p> <p>In the given case, the boat stayed 22 hours in Karnataka and 2 hours in Kerala, The service shall be deemed to have been provided in the ratio of 22:2 or 11:1 (simplified) in the states of Kerala and Karnataka, respectively.</p>
16.	c	<p>As per section 12(3), in case of services in relation to immovable property where such property is a single property located in two or more contiguous States or UTs or both, the supply of services shall be treated as made in each of the respective States or UTs, in proportion to the area of the immovable property lying in each State or UT.</p> <p>In the given case, the site preparation work is done on a piece of land which is 12000 sq. ft in S1 and 8000 sq. ft in S2, hence POS shall be in both S1 and S2. The service shall be deemed to have been provided in the ratio of 12:8 or 3:2 (simplified) in the States S1 and S2 respectively.</p>
17.	a	<p>As per section 12(11), In the case of supply of services relating to a leased circuit where the leased circuit is installed in more than one State or UT and a consolidated amount is charged for supply of such services, shall be taken as being in each of the respective states or UTs. Since state of Delhi and Maharashtra has one point each, the POS is equally in both states.</p>

Qs	Ans	Reason
18.	a	<p>As per section 12(11), In the case of supply of services relating to a leased circuit where the leased circuit is installed in more than one State or UT and a consolidated amount is charged for supply of such services, shall be taken as being in each of the respective states or UTs.</p> <p>Since two points of the leased circuit lie in Karnataka and one in Chennai, Tamil Nadu, POS of service shall be deemed to have been provided in the ratio of 1:2 in the States of Tamil Nadu and Karnataka, respectively.</p>
19.	a	<p>As per section 12(11), In the case of supply of services relating to a leased circuit where the leased circuit is installed in more than one State or UT and a consolidated amount is charged for supply of such services, shall be taken as being in each of the respective states or UTs, in proportion to the number of points lying in the state or UT. In the given case, 3 points in this circuit lie in Kolkata, Patna and Guwahati, hence POS in all 3 states equally.</p>
20.	a	<p>As per section 12(2), POS of services, except the services specified in sub-sections (3) to (14), made to a registered person shall be the location of such person.</p> <p>In the given case, B is registered in Noida, UP, hence POS is Noida UP.</p>
21.	c	<p>As per section 12(3), in case of POS of services in relation to an immovable property including services provided by architects, interior decorators, surveyors, engineers and any service provided by way of grant of rights to use immovable property shall be the location of such immovable property.</p> <p>Provided that if the location of the immovable property or boat or vessel is located or intended to be located outside India, the POS shall be the location of the recipient.</p> <p>Hence in the given case, since property is outside India, POS = Location of recipient i.e., Bangalore.</p>
22.	a	<p>As per section 12(5), POS of services in relation to training and performance appraisal to a RP, shall be the location of such person.</p> <p>Hence, the POS = location of RP i.e., Guwahati, Assam.</p>
23.	b	<p>As per section 12(10), Services on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, Location of the first scheduled point of departure of that conveyance for the journey.</p> <p>In the given case, the first schedule departure point is Delhi, hence POS = Delhi.</p>
24.	c	<p>As per section 12(3), in case of POS of services in relation to an immovable property including services provided by architects, interior decorators, surveyors, engineers and other related experts or estate agents, any service provided by way of grant of rights to use immovable property or for carrying out or co-ordination of construction work, shall be the location of such immovable property.</p> <p>In the given case, property is located in Kolkata, hence POS = Kolkata, West Bengal.</p>
25.	a	<p>As per section 12(5), POS of services in relation to training and performance appraisal to a RP, shall be the location of such person.</p> <p>In the given case, POS = Chennai, being the location of RP.</p>
26.	b	<p>As per section 12(11), The POS of telecommunication services including data transfer, broadcasting, cable and direct to home television services to any person shall, in case of services by way of fixed telecommunication line, leased circuits, internet leased circuit, cable or dish antenna, be the location where the telecommunication line, leased circuit or cable connection or dish antenna is installed for receipt of services.</p> <p>In the given case, POS = Patna, being the place where DTH is installed.</p>
27.	a	<p>As per section 12(2),</p>

Qs	Ans	Reason
		<p>POS (B2B supplies) = location of registered person, POS (B2C Supply) = location of the recipient (if address on record exists) & POS = location of the supplier (if address on record does not exist). In the given case, LOS = Delhi POS (B2C supply) = LOS = Delhi (if address on record does not exist).</p>
28.	b	<p>As per section 12(3), in case of POS of services in relation to an immovable property including services provided by architects, interior decorators, surveyors, engineers and any service provided by way of grant of rights to use immovable property shall be the location of such immovable property. Provided that if the location of the immovable property or boat or vessel is located or intended to be located outside India, the POS shall be the location of the recipient. In the given case, POS = location of recipient = Ahmedabad.</p>

Section B - Descriptive

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

Answer:

The supply between Parth (Pune) and Bakul (Bareilly) is a bill to ship to supply where the goods are delivered by the supplier [Parth] to a recipient [Shreyas (Shimoga)] or any other person on the direction of a third person [Bakul]. The place of supply in case of bill to ship to supply of goods is determined in terms of section 10(1)(b) of IGST Act, 2017.

As per section 10(1)(b) of IGST Act, 2017, where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person.

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

This situation involves another supply between Bakul (Bareilly) and Shreyas (Shimoga). The place of supply in this case will be determined in terms of section 10(1) (a) of IGST Act, 2017.

Section 10(1)(a) of IGST Act, 2017 stipulates that where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

Thus, the place of supply in second case is the location of the goods at the time when the movement of goods terminates for delivery to the recipient (Shreyas) i.e., Shimoga, Karnataka.

2.

Asha Enterprises, supplier of sewing machines, is located in Kota (Rajasthan) and registered for purpose of GST in the said State. It receives an order from Deep Traders, located in Jalandhar (Punjab) and registered for the purpose of GST in the said State. The order is for the supply of 100 sewing machines with an instruction to ship the sewing machines to Jyoti Sons, located in Patiala (Punjab) and registered in the said State for purpose of GST. Jyoti Sons is a customer of Deep Traders. Sewing machines are being shipped in a lorry by Asha Enterprises.

Briefly explain the following:

- (a) the place of supply under IGST Act, 2017;**
- (b) the nature of supply: - whether inter-State or intra-State and**
- (c) whether CGST/SGST or IGST as would be applicable in this case**

Answer:

The supply between Asha Enterprises (Kota, Rajasthan) and Deep Traders (Jalandhar, Punjab) is a bill to ship to supply where the goods are delivered by the supplier [Asha Enterprises] to a recipient [Jyoti Sons (Patiala, Punjab)] on the direction of a third person [Deep Traders].

In case of such supply, it is deemed that the said third person has received the goods and the place of supply of such goods is the principal place of business of such person [Section 10(1)(b) of the IGST Act, 2017]. Thus, the place of supply between Asha Enterprises (Rajasthan) and Deep Traders (Punjab) will be Jalandhar, Punjab.

Since the location of supplier and the place of supply are in two different States, the supply is an inter-State supply in terms of section 7 of the IGST Act, 2017, liable to IGST.

This situation involves another supply between Deep Traders (Jalandhar, Punjab) and Jyoti Sons (Patiala, Punjab). In this case, since the supply involves movement of goods, place of supply will be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, i.e., Patiala, Punjab [Section 10(1)(a) of the IGST Act, 2017].

Since the location of supplier and the place of supply are in the same State, the supply is an intra-State supply in terms of section 8 of the IGST Act, 2017, liable to CGST and SGST.

3.

The place of supply in relation to immovable property 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:

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

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

4. **A film star from Mumbai gets his cosmetic surgery done in a Hospital in Delhi. What should be the place of supply?**

(CBIC FAQ)

Answer:

The place of supply shall be based on the principle of place of performance and shall be in Delhi. (Section 12(4) of IGST Act). Other such similar services requiring physical presence of natural person (recipient) like restaurant and catering services, personal grooming, fitness, beauty treatment, health services including cosmetic and plastic surgery shall be the location where the services are actually performed.

6. **Mr. Murthy, an unregistered person and a resident of Pune, hires the services of M/s Sun Ltd. an event management company registered in Delhi, for organizing of the new product launch in Bengaluru.**

- (i) **Determine the place of supply of services provided by M/s Sun Ltd.**
(ii) **What would your answer be in case the product launch takes place in Bangkok?**
(iii) **What would your answer be in case Mr. Murthy is a registered person and product launches take place in Bengaluru and Bangkok?**

(ICAI study material) (CA Final-MAY 18) (CA Final MTP may 21-Similar)

Answer:

- (i) **As per section 12(7) (a) (ii) of IGST Act, 2017**, when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient. Since, in the given case, the service recipient [Mr. Murthy] is unregistered and event is held in India, place of supply is the location where the event is actually held i.e., Bengaluru. The location of the supplier and the location of the recipient is irrelevant in this case.
- (ii) However, if product launch takes place outside India [Bangkok], the place of supply will be the location of recipient i.e., Pune, Maharashtra.
- (iii) When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient vide section 12(7) (a) (i) of IGST Act, 2017. Therefore, if Mr. Murthy is a registered person, then in both the cases i.e., either when product launch takes place in Bengaluru or Bangkok, the place of supply will be the location of recipient i.e., Pune, Maharashtra.

- 7. Determine the place of supply for the following independent cases under the IGST Act, 2017:**
- (i) Grand Gala Events, an event management company at Kolkata, organises two award functions for Kalyan Jewellers of Chennai (Registered in Chennai, Tamil Nadu) at New Delhi and at Singapore.**
 - (ii) Perfect Planners (Bengaluru) is hired by Dr. Kelvin (unregistered person based in Kochi) to plan and organise his son's wedding at Mumbai, Maharashtra.**
Will your answer be different if the wedding is to take place at Malaysia?
(ICAI study material) & (CA Final May 18-old) (CA Final Nov 22-Similar)

Answer:

- (i) When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient in terms of section 12(7)(a)(i).
Since, in the given case, the award functions at New Delhi and Singapore are organized for Narayan Jewellers (registered in Chennai), place of supply in both the cases is the location of Narayan Jewellers, i.e., Chennai, Tamil Nadu.
- (ii) As per section 12(7)(a)(ii), when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient.
Since, in the given case, the service recipient [Dr. Kelvin] is unregistered and event is held in India, place of supply is the location where the event is actually held, i.e., Mumbai, Maharashtra.
However, if the wedding is to take place outside India [Malaysia], the place of supply is the location of recipient, i.e., Kochi, Kerala.

- 8. What is the place of supply of services by way of transportation of goods, including mail/courier when the both the supplier & the recipient of the services are located in India?**
(ICAI study material)-updated

Answer:

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

- 9. M/s Aerospace Airlines, having registered place of business in Mumbai under GST, issued a ticket from London to Delhi to Mr. Ajit Khanna, a resident of Agra, UP, who is not registered under the GST. Determine the 'place of supply' with supporting notes related to legal provisions.**

(CA Final May 22 – 1 marks)

Answer:

The place of supply of passenger transportation service to Mr. Ajit Khanna –an unregistered person – is London, i.e. the place where he embarked on the conveyance for a continuous journey.

10. Mr. Yogesh is working in Infosys Company having office in Bengaluru. Infosys Company is registered under GST. Mr. Yogesh purchased the ticket from Hyderabad for transportation as passenger by Air from Hyderabad to Chennai. Mr. Yogesh discloses the name of the organization and its registration number and the place where the organization is registered. Supplier of service is located at Hyderabad. Find the following:
- (i) Place of supply of service and GST liability.
 - (ii) Whether your answer is different if Mr. Yogesh has not disclosed the name of the organization and its registration number?

(CMA final June 19_Syllabus 16)

Answer:

- (i) POS = Bengaluru (i.e., location of recipient of service)
GST = IGST is liable to pay by Air Travel Operator
- (ii) POS = Hyderabad (i.e., Place where the passenger embarks on the continuous journey)
GST = CGST & SGST is liable to pay by Air Travel Operator.

TDS & TCS

TDS

1.

- (1) A CG Department located at Uttar Pradesh is registered with the Commercial Tax Department UP State for deducting GST. It enters into a contract with a Public Sector Undertaking (PSU), registered under GST in the State of Delhi, for supplying goods valued Rs. 3,50,000. The PSU argues that no tax is deductible on this supply by the Central Government Department as it is located outside the State of Uttar Pradesh and therefore not liable to tax under CGST and SGST as it is a local levy and IGST tax deduction is not applicable if it is located in another State, other than the State in which the Department is registered. You are required to comment on this. **NO T**
- (2) Would there be any difference, if instead of the PSU if it was an entity in the private sector? Applicable tax rate for deduction is 1% CGST, 1% SGST and 2% IGST. **7000** **TDS 2%**
- (3) If the private sector entity undertakes works contract, for the above Department in New Delhi. What would be the position of tax deduction when the contract value is Rs. 5 lakhs? **1%**
- (4) The disbursing officer has not paid the tax deducted in the month of February 2019, amounting to Rs. 2,00,000 under CGST and 2,00,000 under SGST to the Government's account on the relevant due date, but has paid it on 14th May, 2019. Further, return for that month is also filed on that date. What are the consequences, on such failures, to the disbursing officer under the GST law?

(CA Final Nov 20)

Answer:

- (i) Certain specified persons are required to deduct tax from the payment made to the supplier of taxable goods and/or services, where the total value of such supply [excluding GST] under a contract, exceeds Rs. 2,50,000.
However, the tax is not liable to be deducted at source when supply of goods and/or services has taken place between one specified person to another specified person. Since both Central Government Department and PSU are the specified persons, tax is not deductible in case of supply of goods between them.
- (ii) Central Government Department is mandatorily required to deduct IGST @ 2% since a private entity is not the specified person.
- (iii) Since, in the given case, the location of supplier and place of supply is in the same State, i.e., Delhi and location of recipient is in UP, Central Government Department is not required to deduct TDS although the total value of supply under the contract is more than Rs. 2,50,000.

(iv) Failure to deposit TDS with the Government and failure to furnish TDS return within the stipulated time period will result in following consequences:

- (A) Interest @ 18% p.a. on the amount of tax deducted shall be payable. $400000 \times \frac{6\%}{365} \times 18\% \Rightarrow 712822$
- (B) Late fee of Rs. 25 per day for the period of delay in furnishing return, or Rs. 1,000, whichever is lower, shall be payable. Equal amount of late fee will be payable under the respective State law. $251 \text{ day} \times 6\% \text{ or } 21000$ **1000**
- (C) Applicable penalty will also be levied.

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

2.

Manihar Enterprises, registered in Delhi, is engaged in supply of various goods and services exclusively to Government departments, agencies etc. and persons notified under section 51 of the CGST Act, 2017. It has provided the information relating to the supplies made, their contract values and the payment due against each of them in the month of October, 20XX as under:

Sl. No.	Particulars	Total contract value (inclusive of GST)	Payment due in October, 20XX
(i)	Supply of stationery to Fisheries Department, Kolkata	2,60,000	15,000

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

You are required to determine amount of tax, if any, to be deducted from each of the receivable given above assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively.

Will your answer be different, if Manihar Enterprises is registered under composition scheme?

(CA Final RTP May 19) & (ICAI study material)

Answer:

As per section 51 of the CGST Act, 2017 read with section 20 of the IGST Act, 2017 and Notification No. 50/ 2018 CT 13.09.2018, with effect from 01.10.2018, following persons are required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/UTGST)] or IGST @ 2% from the payment made/credited to the supplier (deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds Rs 2,50,000:

- (a) a department or establishment of the Central Government or State Government; or
- (b) local authority; or
- (c) Governmental agencies; or
- (d) an authority or a board or any other body, -
 - (i) set up by an Act of Parliament or a State Legislature; or
 - (ii) established by any Government, with 51% or more participation by way of equity or control, to carry out any function; or
- (e) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or
- (f) Public sector undertakings.

Further, for the purpose of deduction of tax, the value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess indicated in the invoice.

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

S. No.	Particulars	Total contract value (Rs)	Payment due (Rs)	Tax to be deducted		
				CGST (Rs)	SGST (Rs)	IGST (Rs)
(i)	Supply of stationery to Fisheries Department, Kolkata (Note-1)	2,60,000	15,000	--		
(ii)	Supply of car rental services to Municipal Corporation of Delhi (Note-2)	2,95,000	20,000	--		
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand (Note-3)	5,90,000	25,000			500
(iv)	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860 (Note-4)	6,49,000	50,000	500	500	
(v)	Interior decoration of Andhra Bhawan located in Delhi (Note-5)	12,39,000	12,39,000	--		
(vi)	Supply of printed books and printed post cards to a West Delhi Post Office (Note-6)	9,72,000		--		
(vii)	Maintenance of street lights in Municipal area of East Delhi (Note-7)	3,50,000	3,50,000	--		

Notes:

1. Being an inter-State supply of goods, supply of stationery to Fisheries Department, Kolkata is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:
 $= \text{Rs } 2,60,000 \times 100 / 118$
 $= \text{Rs } 2,20,339$ (rounded off)
Since the total value of supply under the contract does not exceed Rs 2,50,000, tax is not required to be deducted.
2. Being an intra-State supply of services, supply of car rental services to Municipal Corporation of Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:
 $= \text{Rs } 2,95,000 \times 100 / 118$
 $= \text{Rs } 2,50,000$
Since the total value of supply under the contract does not exceed Rs 2,50,000, tax is not required to be deducted.
3. Being an inter-State supply of goods, supply of heavy machinery to PSU in Uttarakhand is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:
 $= \text{Rs } 5,90,000 \times 100 / 118$
 $= \text{Rs } 5,00,000$
Since the total value of supply under the contract exceeds Rs 2,50,000, PSU in Uttarakhand is required to deduct tax @ 2% of Rs 25,000, i.e., Rs 500.
4. Being an intra-State supply of goods, supply of taxable goods to National Housing Bank, Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:
 $= \text{Rs } 6,49,000 \times 100 / 118$
 $= \text{Rs } 5,50,000$ (rounded off)
Since the total value of supply under the contract exceeds Rs 2,50,000, National Housing Bank, Delhi is required to deduct tax @ 2% (1% CGST + 1% SGST) of Rs 50,000, i.e., Rs 1,000.
5. Proviso to section 51(1) of the CGST Act, 2017 stipulates that no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.
Section 12(3) of the IGST Act, 2017, inter alia, stipulates that the place of supply of services, directly

in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi.

Since the location of the supplier (Manihar Enterprises) and the place of supply is Delhi and the State of registration of the recipient - Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.

6. If the contract is made for both taxable supply and exempted supply, tax shall be deducted if the total value of taxable supply in the contract exceeds Rs 2,50,000. Being an intra-State supply of goods, supply of printed post cards to a West Delhi Post Office is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

$$= \text{Rs } 2,72,000 \times 100 / 118$$

$$= \text{Rs } 2,30,509 \text{ (rounded off)}$$

Since the total value of taxable supply under the contract does not exceed Rs 2,50,000, tax is not required to be deducted.

7. Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply provided to, inter alia, local authority by way of any activity in relation to any function entrusted to a Municipality under article 243W of the Constitution is exempt from GST. Thus, maintenance of street lights (an activity in relation to a function entrusted to a Municipality) in Municipal area of East Delhi involving replacement of defunct lights and other spares where the value of supply of goods is not more than 25% of the value of composite supply is a service exempt from GST. Since tax is liable to be deducted from the payment made or credited to the supplier of taxable goods or services or both, no tax is required to be deducted in the given case as the supply is exempt.

The answer will remain unchanged even if Manihar Enterprises is registered under composition scheme. Tax will be deducted in all cases where it is required to be deducted under section 51 of the CGST Act, 2017 including the scenarios when the supplier is registered under composition scheme.

3.

Yash Shoppe, a registered supplier of Jaipur is engaged in supply of various goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017.

You are required to briefly explain the provisions relating to tax deduction at source under section 51 of the CGST Act, 2017 and also determine the amount of tax, if any, to be deducted from each of the receivables given below (independent cases) assuming that the payments as per the contract values are made on 31.10.2018. The rates of CGST, SGST and IGST may be assumed to be 6%, 6% and 12% respectively.

- (1) Supply of computer stationery to Public Sector Undertaking (PSU) located in Mumbai. Total contract value is Rs 2,72,000 (inclusive of GST)
- (2) Supply of air conditioner to GST department located in Delhi. Total contract value is Rs 2,55,000 (exclusive of GST) $0.2\% \text{ TDS} = 5100$
- (3) Supply of generator renting service to Municipal Corporation of Jaipur Total contract value is Rs 3,50,000 (inclusive of GST)

(CA final May 19 - Old) & (ICAI study material)

Answer:

As per section 51 of the CGST Act, 2017, Government departments, agencies, local authority and notified persons are required to deduct tax @ 2% (1% CGST + 1% SGST/UTGST) or IGST @ 2% from payment made to the supplier of taxable goods and/ or services where the total value of such supply [excluding tax and compensation cess indicated in the invoice], under a contract, exceeds Rs 2,50,000.

Since in the given case, Yash Shoppe is supplying goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017, applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

S. No.	Particulars	Total contract value due to be received [excluding GST]	Tax to be deducted		
			CGST @ 1%	SGST @ 1%	IGST @ 2%
(1)	Supply of computer stationery to PSU in Mumbai [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] does not exceed Rs 2,50,000, tax is not required to be deducted.]	2,42,857 [2,72,000 × 100/ 112]	--	--	
(2)	Supply of air conditioner to GST Department in Delhi [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] exceeds Rs 2,50,000, tax is required to be deducted.]	2,55,000	--		5,100
(3)	Supply of a generator renting service to Municipal Corporation of Jaipur [Since the total value of supply under the contract [excluding CGST and SGST (being intra-State supply)] exceeds Rs 2,50,000, tax is required to be deducted.]	3,12,500 [3,50,000 × 100/ 112]	3,125	3,125	
Total			3,125	3,125	5,100

4.

Mudit Enterprises, registered in the state of Maharashtra Mumbai is engaged in supply of various goods and services exclusively to persons notified under section 51 of the CGST Act, 2017.

Calculate the amount of TDS to be deducted by the recipient if any, from the details given below of three independent contracts for the month of November, 2018:

Particulars	Contracts NOTES		
	I	II	III
Place of supply	Mumbai	Mumbai	<u>Mumbai</u>
Registered place of recipient	Mumbai	Mumbai	Delhi
Total contract value (inclusive of GST) (Rs)	2,75,000	3,10,000	4,50,000
Payment due in November, 2018 (exclusive of GST) (Rs)	55,000 \times	60,000 \times 1% GST	1,20,000

Note: Take the rate of CGST, SGST and IGST as 6%, 6% and 12% respectively. 1% GST

(CS Prof New June 19 – 5 marks)

Answer:

The tax at source (TDS) would be deducted @1% under CGST Act and 1% under SGST/ UTGST Act or 2% under IGST Act as the case may be, of the payment made to the supplier where the total value of such supply, under a contract, exceeds Rs.2,50,000 (excluding the amount of GST indicated in the invoice). Thus, individual supplies may be less than Rs 2,50,000/- but if the value of supply under a contract is more than Rs 2,50,000/-, TDS will have to be deducted as per rates prescribed.

Case I: Given contract value is inclusive of GST, therefore to calculate contract value for TDS purpose the same is calculated exclusive of GST (CGST and SGST): $2,75,000 \times 100/112$
 $= 245535.71$ or Rs 245536 (rounded off)

Since the total value of supply under the contract does not exceed Rs.2,50,000, tax is not required to be deducted on amount of Rs 55,000.

Case II: The contract value exclusive of GST shall be: $3,10,000 \times 100/112$

$= 276785.71$ or Rs 2,76,786 (rounded off)

Since the total value of supply under the contract exceed Rs 2,50,000, tax is required to be deducted on Rs.60,000 @1% under CGST Act and 1% under SGST Act because this is an intra-state transaction (i.e., place of supply and location of supplier is in the same State).

Hence, TDS would be 1% of 60,000 = Rs 600 (CGST) and Rs.600 (SGST)

Case III: The proviso to section 51(1) of CGST Act, 2017 lays down that when the location of the supplier and the place of supply is in a State which is different from the State/ Union territory of registration of the recipient, there will be no TDS.

Since the location of the supplier and the place of supply is Mumbai and the State of registration of the recipient is Delhi, no tax is liable to be deducted in the given case on amount of Rs 1,20,000.

5.

INT
CONS & CONT

BSA Corporation is a Public Sector Undertaking registered in Karnataka. For entertainment events in Bengaluru and at Mumbai, BSA has given contract to Mr. A, a renowned artist, registered person in Maharashtra, to perform on contemporary Bollywood songs. BSA Corporation agreed to pay Rs. 12,39,000 and Rs. 18,29,000, inclusive of GST, for Mumbai and Bengaluru events respectively. BSA Corporation seeks your advice regarding amount of TDS to be deducted assuming GST rate @ 18% (CGST @ 9%, SGST @ 9%, IGST @ 18%).

1239000 = 1080000
118%
1829000 = 1560000
118%
IGST 2% = 21000
IGST 2% = 31000

(CA Final Nov 22)-New addition

Answer:

A Public Sector Undertaking is required to deduct tax @ 2% (on inter-State supplies) from payment made to the supplier of taxable services where the total value of such supply, excluding tax indicated in the invoice, under a contract, exceeds Rs. 2,50,000.

Value of supplies excluding tax are
Rs. 10,50,000 (Rs. 12,39,000 × 100/118) and
Rs. 15,50,000 (Rs. 18,29,000 × 100/118)

Further, in the given case, since the location of supplier is Maharashtra and place of supply of services provided by Mr. A to BSA Corporation is the location of recipient, viz. Karnataka, said services provided at both Mumbai and Bengaluru events are inter -State supplies.

Accordingly, in the given case, BSA Corporation is required to deduct tax as follows:

- (i) Rs. 10,50,000 × 2% = Rs. 21,000 (IGST)
- (ii) Rs. 15,50,000 × 2% = Rs. 31,000 (IGST).

6.

✓ Whether the rate of tax of 1% notified under section 52 is CGST or SGST or a combination of both CGST and SGST?

(ICAI study material)

Answer:

The rate of TCS as notified under CGST Act is payable under CGST and the equal rate of TCS is expected under the SGST Act also, in effect aggregating to 1%.

7.

✓ Mr. X is a supplier selling his own products through a web site hosted by him. Does he fall under the definition of an "electronic commerce operator"? Whether he is required to collect TCS on such supplies?

(ICAI Study Material)

Answer:

As per the definitions in Section 2(44) and 2(45) of the CGST Act, 2017, Mr. X will come under the definition of an "electronic commerce operator". However, according to Section 52 of the Act *ibid*, TCS is required to be collected on the net value of taxable supplies made through it by other suppliers where the consideration is to be collected by the ECO. In cases where someone is selling their own products through a website, there is no requirement to collect tax at source as per the provisions of this Section. These transactions will be liable to GST at the prevailing rates.

8.

✓ If Mr. A purchase goods from different vendors and in turn Mr. A, is selling them on his own website under his own billing, Is TCS required to be collected on such supplies?

(ICAI Study Material)

Answer:

No. According to Section 52 of the CGST Act, 2017, TCS is required to be collected on the net value of taxable supplies made through E-commerce operator by other suppliers where the consideration is to be collected by the ECO. In this case, there are two transactions - Mr. A purchase the goods from the vendors, and those goods are sold through his own website. For the first transaction, GST is leviable, and will need to be paid to vendor, on which credit is available to Mr. A. The second transaction is a supply on own account of Mr. A, and not by other suppliers and there is no requirement to collect tax at source. The transaction will attract GST at the prevailing rates.

9. **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.

10. **There is no onus of filing any monthly & annual statements by ECO. Examine the technical veracity of the statement by explaining relevant provisions.**

(ICAI study material)

Answer:

The given statement is invalid. An electronic statement has to be filed by the ECO containing details of the outward supplies of goods and/ or services effected through it, including the supplies returned through it and the amount collected by it as TCS during the month within 10 days after the end of the each month in which supplies are made.

Additionally, the ECO is also mandated to file an Annual Statement on or before 31st day of December following the end of the financial year.

The Commissioner has been empowered to extend the due date for furnishing of monthly and annual statement by the person collecting tax at source.

11. **State whether the provisions pertaining to tax collected at source under section 52 of CGST Act, will be applicable in below mentioned scenarios –**

(a) Fitan sells watch on its own through its own website TCS X

(b) ABC limited who is dealer of Fitan brand sells watches through Slipkart, an electronic commerce operator TCS ✓

(ICAI study material)

Answer:

Answers for both the scenarios is as follows:

As per Section 52, every electronic commerce operator not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of

(a) the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator.

Hence, if the person sells on his own, provisions pertaining to tax collected at source (TCS) won't be applicable.

(b) If ABC limited who is dealer of Fitan brand sells watches through Slipkart, then the provision of TCS will be applicable to Slipkart.

12. **A is an e-commerce operator supplying goods through its electronic portal in capacity of an agent. The goods belong to B and the consideration for such supplies is received by A and remitted to B as per the contractual arrangement. A requires your help in arriving at the rate at which tax shall be collected from the amount which is received by it against the supplies?**

(ICAI study material)

Answer:

As per Section 52(1) of the CGST Act, 2017, the TCS provisions are not applicable in cases where the ECO is an agent of the supplier. In the present case, A being an ECO is supplying goods through the

13. ✗
There are cases where the ECO does not provide invoicing solution to the seller. In such cases, invoice is generated by the seller and received by the buyer without the ECO getting to know about it. The payment flows through the ECO. In such cases, on what value is TCS to be collected? Can TCS be collected on the entire value of the transaction?

(CBIC FAQ)

Answer:

Section 52(1) of the CGST Act, 2017, mandates that TCS is to be collected on the net taxable value of such supplies in respect of which the ECO collects consideration. The amount collected should be duly reported in the GSTR-8 and remitted to the government. Any such amount collected will be available to the concerned supplier as credit in his electronic cash ledger.

14.

From the following information of independent cases, your expert advice, with appropriate reasoning, is sought on the applicability of TDS/TCS provisions of the CGST Act, 2017. You shall also quantify the amount of TDS/TCS, as the case be, if the same is applicable.

- (i) **Top Fashions, a designer cloth dealer and registered in the State of West Bengal, effected supply through 'QUICK DEAL', an electronic commerce operator. Net value of taxable intra-State supplies effected for the month of October 2019 was Rs. 1,50,000.** (CGST + SGST) (0.5%) (0.5%)
- (ii) **M/s Super Builders, a registered supplier in Tamil Nadu, was awarded a works contract by Government of Tamil Nadu amounting to Rs. 4,30,000. Of this, value of exempt supply was Rs. 1,00,000.**
 $- 1,00,000 \rightarrow 3,30,000$ TDS [1% + 1%] $\rightarrow 3,300$ CGST SGST
- (iii) **Tasty Caterers, a registered supplier of Kerala, provided catering services in Kochi, Kerala to Government of Andhra Pradesh for its annual training camp held for its staff. Value of said services was Rs. 4,50,000.**

(CA Final Jan 21)

Answer:

- (i) An electronic commerce operator (ECO) is required to collect **TCS** an amount @ 1% (CGST 0.5% and SGST @ 0.5%) of the net value of taxable supplies made through it by other suppliers.
 = Rs. $1,50,000 \times 0.5\%$
 = Rs. 750 (CGST)
 & Rs. 750 (SGST)
- (ii) A State Government is required to deduct tax from the payment made to the supplier of taxable goods and/or services, where the total value of such supply [excluding GST] under a contract, exceeds Rs. 2,50,000. **TDS** to be deducted in the given intra-State supply (since place of supply and location of supplier is in Tamil Nadu) is as follows:
 = Rs. $(4,30,000 - 1,00,000) \times 1\%$
 = Rs. 3,300 (CGST)
 = Rs. 3,300 (SGST)
- (iii) Since, in the given case, the location of supplier and place of supply are in the same State, i.e., Kerala and location of recipient is in Andhra Pradesh, Andhra Pradesh Government is **not required to deduct TDS** although the total value of supply under the contract is more than Rs. 2,50,000.

Note: In above question, it has been assumed that the value given is exclusive of GST, wherever applicable, since the rate of tax is not given in the question.

Accounts & Records

1.

GoToDress is a chain of stores dealing in readymade garments through five showrooms in Delhi. It has a single GSTIN for all its showrooms in Delhi and has a principal place of business at Karol Bagh, Delhi. One of the consultants has suggested GoToDress to maintain books of accounts of all of its five showrooms at principal place of business at Karol Bagh, Delhi for better administration and control. Give your comment on the above advice according to the provisions of GST law.

(CA Final May 22 – 2 marks)

Answer: *Sec 35(1)*

The suggestion of the consultant is not correct.

Every registered person is required to keep and maintain, his books of accounts at his principal place of business.

Where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.

2.

Essel Groups has started making taxable supplies. You are required to advise it about the accounts and records required to be maintained by it as required under section 35(1) of the CGST Act, 2017. Or

Mr. Bala, a registered person at Chennai wants to maintain proper accounts and records relating to GST. Advise him about the accounts and other records to be maintained under section 35(1) of the CGST Act, 2017.

(ICAI study material) & (CA Final-May 18 – old)

Answer:

Mr. Bala, is required to maintain a true and correct account of following under section 35(1) of the CGST Act, 2017:

- (a) production or manufacture of goods;
- (b) inward and outward supply of goods or services or both;
- (c) stock of goods;
- (d) input tax credit availed;
- (e) output tax payable and paid; and
- (f) Such other particulars as may be prescribed.

The records may be maintained electronically. Where 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.

3.

ABC Manufacturers Ltd. engages Raghav & Sons as an agent to sell goods on its behalf. For the purpose, ABC Manufacturers Ltd. has supplied the goods to Raghav & Sons located in Haryana. Enumerate the accounts required to be maintained by Raghav & Sons as per rule 56(11) of the CGST Rules, 2017. or

List any four records required to be maintained by an agent under the CGST Rules, 2017.

(ICAI study material) & (CA Final Dec 21)

Answer:

Every agent shall maintain accounts depicting the-

- (a) particulars of **authorisation** received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- (b) particulars including **description**, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
- (c) particulars including **description**, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
- (d) details of **accounts** furnished to every principal; and
- (e) **tax paid on receipts or** on supply of goods or services effected on behalf of every principal.

4.

Swad Restaurant has opted for composition scheme in the current financial year. Discuss the records which are not to be maintained by a supplier opting for composition levy as enumerated in rule 56 of the CGST Rules, 2017. or

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) & (CA final May 19)

Answer:

Following records are not required to be maintained by a supplier who has opted for composition scheme:

- (i) **Stock of goods:** Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
- (ii) **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.

5.

Whether the transporters, who are not registered under the GST, are required to maintain any records under the provisions of CGST Act, 2017? Also explain, if any other unregistered persons who are required to maintain records under GST.

(CA Final Jan 21)

Answer:

The transporters, who are not registered under GST, shall obtain a unique enrollment number on GST common portal and maintain records of goods transported, delivered and goods stored in transit by them along with GSTIN of the registered consignor and consignee for each of his branches.

Every owner or operator of warehouse/godown/any other place used for storage of goods, even if unregistered, is also required to maintain records under GST.

Accounts & Records

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- (e) output tax payable and paid; and
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Every owner or operator of warehouse/godown/any other place used for storage of goods, even if unregistered, is also required to maintain records under GST.

Exemptions

1. Examine the taxability of the following along with reasons

a) Rent from vacant land used for agriculture purpose	₹	50,000
b) Rent from vacant land used for Appu Circus	₹	70,000
c) House let to Registered person under gst	₹	40,000
d) Building Let to M S Elegent Hotel	₹	50,000
e) Premises let to a temple trust Registered under 12AA	₹	80,000
f) Building let to coaching centre	₹	90,000

(6 Marks)

2. Examining the taxability of the following in the Hands of a Trust

a) Renting of room where charges are ₹500 per day	₹	50,000
b) Renting of community hall where charges are ₹25000/day	₹	1,80,000
c) Renting of Kalyan Mandap charges ₹5000/day	₹	2,00,000
d) Renting of Shop charges ₹15,000/month	₹	5,00,000

(4 Marks)

3. Examine the taxability of following related to agricultural activities :

a) Seed Testing charges	₹	50,000
b) Charges for Warehousing of Rice	₹	80,000
c) Renting from vacant land to stud farm (horses)	₹	70,000
d) Leasing of vacant land to a cattle farm	₹	90,000
e) Charges from warehousing of cotton fabrics	₹	80,000
f) Charges of Retail packaging & labelling of fruit juice	₹	50,000
g) Commission received on sale of wheat	₹	80,000
h) Charges for training of farmers on use of new pesticides & fertilisers developed through scientific research	₹	90,000

(8 Marks)

4. Services provided by Ms. Ahana an artist in a classical dance Performance. Comment on the taxability if she charged

a) 2,50,000

T

b) 1,50,000

E

c) 1,25,000

E

(3 Marks)

5. Comment on the taxability of following along with reasons

a) Donation made to charitable institute in the form of furniture with an instruction to show the name of Donor T

b) Services provided by way of conducting religious ceremony Amount charged was ₹ 12,000 E

c) Renting of shop in a religious place for commercial purpose ₹8,000 per month E

d) In case of (c) , what would be your answer if the shop rent was ₹250/day E (4 Marks)

6. Comment on the taxability of Education & skill development prog.

For - a) Prisoners E

b) Senior Citizen Aged 80 Years residing in delhi T

c) Senior citizen aged 82 Years Residing in rural india E (3 Marks)

7. Fee charged by Charitable institute by way of conducting yoga camp

a) Amount charged for meditation camp E 15,000

b) Amount charged primarily for providing food & drinks T 9,000

(2 Marks)

8. Comment on the taxability of the following:

a) Converting paddy to rice T

b) Testing & threshing of Sugarcane for making it marketable for retail market T

c) Labelling of Tea T

(3 Marks)

9. Determine whether GST is payable in each of the following independent transactions:

- (i) Dhruv Developers sold a plot of land in Greater Noida after levelling, laying down of drainage lines, water lines and electricity lines.
- (ii) Deccan Shipping Pvt. Ltd., registered under GST in Andaman and Nicobar islands, provided the passenger transportation services to the local residents in the ferries owned by it from Neil Island to Havelock Island.

(4 Marks)

10.

Determine the GST payable @ 18% with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (₹)
Fees charged for 'Swasthya Yoga Camp' conducted by Chandra Prakash Charitable Trust, registered under section 12AB of the Income-tax Act, 1961	98,000
Amount charged by business correspondent from Wealthy Banking Company for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by selectors to a recognized sports body	5,20,000

(4 Marks)

11.

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

(2 Marks)

12.

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

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

(2 Marks)

Input Tax Credit

1. State with reason whether ITC will be available or not in following cases :

- a) Motor car purchased by a car dealer for official use of its employees (20 Marks)
- b) Motor car purchased by a car dealer for further sale
- c) General Insurance taken on cars by a Manufacturing company
- d) ITC on goods to be received in lots. 2 lots yet to be received
- e) Goods purchased by NRTP from another state
- f) Tax paid in accordance with provisions of Sec 74 & 129
- g) ITC on Catering Services availed from a local caterer by a Catering Company
- h) Mini Bus purchased having seating capacity of 13, excluding driver. Used for Transportation of employees (not a statutory obligation)
- i) Works contract services availed for Plant & Machinery, value is capitalised.
- j) Works contract services availed for Building, Value is not capitalised.
- k) construction of civil structure shown separately as Asset.
- l) Pipeline laid inside the factory premises
- m) Telecommunication tower laid inside the factory premises
- n) GST paid on Bike purchased for personal purpose
- o) Goods supplied as free samples
- p) tax paid on Goods written off
- q) ITC on works contract services availed, not capitalised in the books
- r) Cement, Paint & services of an architect by a Construction company for construction of commercial building for one of its clients.
- s) ITC on goods used in construction of foundation for Plant & Machinery
Such foundation is mounted permanently
- t) ITC paid on Goods to be used in Plant & Machinery by a Composition Scheme Dealer

2. State the conditions for claiming ITC (4 Marks)

3. ABC Ltd. Is a manufacturer of goods. It purchased a machinery worth ₹ 22,00,000 exclusive of GST on 1st Jan 2024 & made advance Payment of ₹ 8,00,000

Due to some dispute over quality the payment got delayed & final Payment was made on 10th of September

Examine the availability of ITC with ABC Ltd along with detailed Procedure & Explanation in different months.

(4 Marks)

4. M/s. Flow Pro, a registered supplier, is engaged in manufacturing heavy steel fabrication machine. The details pertaining to pricing of each such machine is as follows:

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	25,00,000
(ii)	Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flo Pro.]	5,00,000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,00,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,00,000
(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

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

M/s. Flow Pro has supplied one such machine in the month of October. It also provided the following details pertaining to the purchases made/services availed during said month:

S. No.	Inward supplies	IGST (₹)	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which IGST payable was ₹ 10,000, is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two lots. First lot has been received in October
(iii)	Capital goods	1,20,000	M/s. Flow Pro has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice dated 20 th January of preceding financial year on which GST payable was ₹ 50,000 was missing and has been found in October

Compute the net GST payable in cash by M/s. Flow Pro for October assuming that all the inward supplies are inter-State supplies and all outward supplies are intra-State supplies. Assume the rates of taxes to be as under:

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

Make suitable assumptions, wherever necessary. All the conditions necessary for availing the ITC have been fulfilled. Opening balance of the input tax credit for the relevant period is Nil. The annual return for the previous financial year was filed on 15th September of the current year. **(8 Marks)**

5. State the provisions regarding ITC entitlement of a newly registered Firm. **(4 Marks)**

6. What is the Tax implication in case of supply of capital goods by a Registered person who had taken itc on such capital goods. (4 Marks)

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

Particulars	Amount (₹)
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

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

Particulars	Amount (₹)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

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

Particulars	Amount (₹)
CGST	57,000
SGST	60,000
IGST	1,40,000

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 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. (8 Marks)

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

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

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

(4 Marks)

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

S. No.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods	4,00,000
(ii)	Purchase of goods destroyed due to fire before being put into the production process (It is an intra-State transaction)	5,50,000
(iii)	Services provided to a foreign diplomatic mission located in India (It is an intra-State transaction)	1,00,000
(iv)	Intra-State purchase of food items for being served to the customers, free of cost. (It is an intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GST is payable @ 5% (It is an inter-State transaction)	2,00,000
(vi)	Inter-State services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi	10,000
(vii)	Inter-State security services provided to Torrent Higher Secondary School (unregistered under GST) for their annual day function organised in Katyani Auditorium outside the School campus	15,000
(viii)	Inputs to be received in 3 lots, out of which 2 nd lot was received during the month	40,000

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

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

Note:

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

Compute the minimum GST, payable in cash, by Sreshth Pvt. Ltd. for the month of February. Make suitable assumptions as required. **(8 Marks)**

10. Explain clause a & f of Sec 17(5)

(6 Marks)

GST - Return

RETURN - EXAM QUESTIONS

(15)

LWX2

- (b) (i) Mr. Sumit is a registered dealer in the state of Punjab. In the month 3 of May he decides to apply for QRMP scheme. As he wants to switch to QRMP scheme he had not filed his returns for the months of May and June.

Please guide to Mr. Sumit regarding the following:

- (A) Conditions and restrictions of QRMP scheme.
(B) Manner of exercising option of QRMP scheme.

↓
time limit

may 23 -7b

(c) “All taxpayers are required to file GSTR-1 only after the end of the current tax period.” 3

Comment on the validity of the above statement with reference to GST law.

may 22 -7c

ETM2

Payment of Tax

(b) M/s PQR Ltd., have filed their GSTR3B return for the month of August, 2020 within the due date i.e. 20.09.2020. It was noticed in October 2020 that tax dues for the month of August, 2020 have been short paid for by ₹ 10,000. The shortfall of ₹ 10,000 was paid through cash ledger and credit ledger amounting to ₹ 7,500 and ₹ 2,500 respectively while filing GSTR3B of October 2020 which was filed on 20.11.2020.

10,000
2,500

7,500

- (i) Examine and compute the Interest payable if any under the CGST Act, 2017. **अंश**
- (ii) What would be your answer if, GSTR-3B for the month of August 2020 had been filed belatedly on 20.11.2020 and the tax of ₹ 10,000/- has been paid on 20.11.2020 as above. **Aakshih**

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

Dec 21 -7b

a)
$$\text{Interest} = 10,000 \times 18\% \times \frac{61 \text{ Days}}{365 \text{ Days}} = ₹ 301$$

b)
$$\text{Interest} = 7,500 \times 18\% \times \frac{61}{365} = ₹ 226$$

the contract between them.

- (c) A tax payer can file GSTR-1 under CGST Act, 2017, only after the
end of the current tax period. State exceptions to this.

2

nov18-11c

(c) Who is required to furnish Final Return under CGST Act, 2017 and what is the time limit for the same ? Discuss.

5

may 18-12c

8. (a) Explain who is required to furnish final return, time limit for filing of
final return and late fee for delay in filing final return.

5

July 21

(c) The aggregate Turnover of Mr. Prithvi, a registered person for the FY 2017-18 and 2018-19 were 140 lakhs and 170 lakhs respectively. He has not filed the annual return (GSTR-9) under section 44(1) of CGST Act, 2017 before the due date.

3

Discuss the penal provisions, if any, for not filing the returns before the due date.

QAZ2

P.T.O.

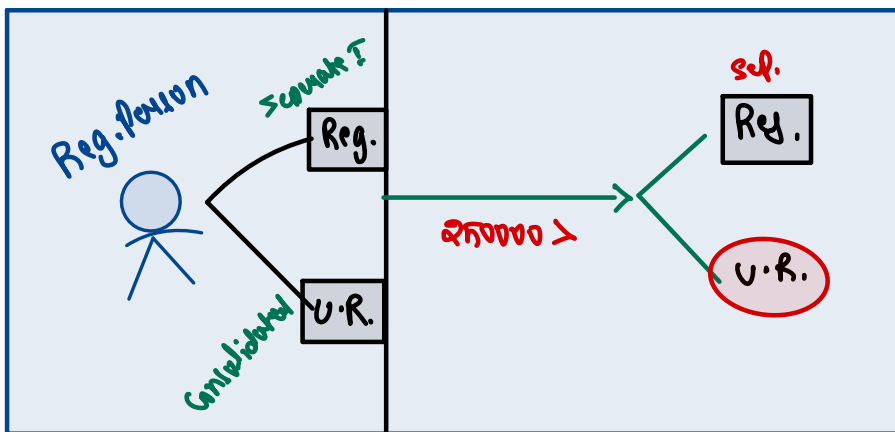
Amendment

(c) "In form GSTR-1, submission of Invoice-wise details of outward supplies is mandatory for all kind of invoices issued during the tax period."

3

Comment on the validity of the above statement with reference to GST laws.

nov 20-7c



(b) Discuss the provisions of Section 39(9) of the CGST Act, 2017,
relating to rectification of errors / omissions in GST returns already
filed and also state its exceptions. State the time limit for making such
rectification.

5

OR

nov19-8c

(c) (i) 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 payment of self-assessment tax.

2

List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF). Also briefly list the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1 / IFF.

nov 22-7b

SUGGESTED ANSWERS

Nov 18 - 11c

May 22

- (c) A taxpayer can file GSTR-1 under CGST Act, 2017, only after the end of the current tax period. However, following are the exceptions to this rule:
- (i) Casual taxpayers, after the closure of their business
 - (ii) Cancellation of GSTIN of a normal taxpayer.

May 18 - 12c

- (c) Every registered person who is required to furnish a return u/s 39(1) of the CGST Act, 2017 and whose registration has been surrendered or cancelled shall file a Final Return electronically in the prescribed form through the common portal.

Final Return has to be filed within 3 months of the:

- (i) date of cancellation
or
- (ii) date of order of cancellation

whichever is later.

July 21 - 8a

- (a) Every registered person who is required to furnish a return and whose registration has been surrendered or cancelled is required to file a final return.

The final return has to be filed within 3 months of the:

- (i) date of cancellation
or
- (ii) date of order of cancellation

whichever is later.

Quantum of late fee for not filing the final return is as follows:

- (i) ₹ 100 for every day during which such failure continues
or
- (ii) ₹ 5,000
whichever is lower.

An equal amount of late fee is payable under the respective SGST/UTGST Act as well.

Jan 21 - 7c

(c) The penal provisions for not filing the annual return (GSTR-9) under section 44(1) of the CGST Act, 2017 before the due date are as under:-

(a) ₹ 100 for every day during which such failure continues,

or

(b) 0.25% of the turnover of the registered person in the State/Union Territory whichever is lower¹.

Note:- It may be noted that filing of GSTR-9 has been made voluntary in respect of financial years 2017-18 and 2018-19 for the registered persons whose turnover is less than ₹ 2 crores and who have not furnished the said annual return before due date. Here, the annual return is deemed to be furnished on the due date if it has not been furnished before the due date.

Nov 20 - 7c

(c) The said statement is not valid.

In respect of following outward supplies, consolidated details and not invoice-wise details are required to be uploaded in the GSTR-1:

(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.

- (b) Omission or incorrect particulars discovered in the returns filed under section 39 can be rectified in the return to be filed for the month/quarter during which such omission or incorrect particulars are noticed.

Any tax payable as a result of such error or omission will be required to be paid along with interest.

Exception

Section 39(9) of the CGST Act does not permit rectification of error/omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities.

The time limit for making such rectification is earlier of the following dates:

- (i) Due date for filing return for September month of next financial year
 - or
 - (ii) Actual date of filing annual return
- (c) (i) If the taxable person under GST law files the GST return under section 39(1) of the CGST Act, 2017, but does not pay the self-assessment tax, the return is not considered as a valid return¹.
- Since the input tax credit can be availed only on the basis of a valid return, the taxable person, in the given case, will not be able to claim any input tax credit.
- He shall pay interest, penalty, fees or any other amount payable under the CGST Act for filing return without payment of tax.
- (ii) The items to be debited to electronic liability register of the taxable person are as under:-
- (a) all amounts payable towards tax, interest, late fee and any other amount as per return filed;
 - (b) all amounts payable towards tax, interest, penalty and any other amount determined in a proceeding by an Assessing authority or as ascertained by the taxable person;
 - (c) the amount of tax and interest as a result of mismatch.
 - (d) any interest amount that may accrue from time to time.

Note: Any three points may be mentioned out of the above mentioned four points.

Nov - 22 7b

Alternative answer (b)

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

- ⁺ (i) A registered person is not allowed to furnish Form GSTR-1, if he has not furnished the return in Form GSTR-3B for the preceding [REDACTED] 1 month³.
- (ii) A registered person, opting for QRMP (Quarterly Return Monthly Payment) scheme is not allowed to furnish Form GSTR-1/using IFF, if he has not furnished the return in Form GSTR-3B for preceding tax period.

(iii) if value of supply exceeds ₹50 Lakhs during a month

May 23 - 7b

(b) (i) (A) Conditions and restrictions of QRMP scheme

Mr. Sumit has to fulfil the following conditions and restrictions for opting for QRMP scheme:

- His aggregate annual turnover (PAN based) is up to ₹ 5 crore in the preceding financial year.
- He has furnished the return for the preceding month, as due on the date of exercising such option.
- He is not required to exercise the option every quarter.

(B) Manner of exercising option of QRMP scheme

Registered person – Mr. Sumit - intending to opt for QRMP scheme for any quarter should indicate his preference for furnishing of return on a quarterly basis from 1st day of the 2nd month of the preceding quarter till the last day of the 1st month of the quarter for which the option is being exercised.

Dec 21 7b

1:18

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42%

25 of 27

PAPER – 4 : TAXATION

25

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

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

- (i) In the given case, PQR Ltd. has furnished the return for August 2020 by the due date. Hence, interest is payable on the entire amount of short payment of ₹ 10,000, as under:

$$= ₹ 10,000 \times 18\% \times 61/365 = ₹ 300.82 \text{ or } 301 \text{ (rounded off)}$$

- (ii) If PQR Ltd. has furnished the return for August 2020 after the due date, interest is payable only on the short payment which is paid through electronic cash ledger, i.e. ₹ 7,500, as under:

$$= ₹ 7,500 \times 18\% \times 61/365 = ₹ 225.62 \text{ or } 226 \text{ (rounded off)}$$

Question 8

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

GST - Invoice

1. In case of taxable supply of services, invoice shall be issued within a period of _____ from the date of supply of service.
 - (a) 30 days
 - (b) 45 days
 - (c) 60 days
 - (d) 90 days

2. In case of taxable supply of services by an insurer, invoice shall be issued within a period of _____ from the date of supply of service.
 - (a) 30 days
 - (b) 45 days
 - (c) 60 days
 - (d) 90 days

3. In case of continuous supply of services, where due date of payment is ascertainable from the contract, invoice shall be issued:
 - (a) before or at the time when the supplier of service receives the payment
 - (b) **on or before the due date of payment**
 - (c) Either (a) or (b)
 - (d) None of the above

4. In case of continuous supply of services, where due date of payment is not ascertainable from the contract, invoice shall be issued:
 - (a) **before or at the time when the supplier of service receives the payment**
 - (b) on or before the due date of payment
 - (c) Either (a) or (b)
 - (d) None of the above

5. Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued:
 - (a) before/at the time of supply
 - (b) 6 months from the date of removal
 - (c) **Earlier of (a) or (b)**
 - (d) None of the above

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

Answer:

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

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

Continuous Supply of Services

Answer:

Continuous supply of service means, inter alia, supply of any service which is provided, or agreed to be provided **continuously or on recurrent basis, under a contract, for a period exceeding 3 months** with the periodic payment obligations.

Therefore, the given situation is a **case of continuous supply of service** as repair and maintenance services have been provided by MBM Caretakers on a quarterly basis, under a contract, for a **period of one year** with the obligation for quarterly payment.

In terms of section 31, in case of continuous supply of service, **where due date of payment is ascertainable from the contract (as in the given case), invoice shall be issued on or before the due date of payment.**

Therefore, in the given case, MBM Caretakers should issue quarterly invoices **on or before April 1, July 1, October 1, and January 1.**

8. The aggregate turnover of Sangri Services Ltd. 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.

Answer:



As per section 25 read with CGST Rules, 2017, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration.

Since, Sangri Services Ltd.'s turnover exceeded ₹ 20 lakh on 12th August, it became liable to registration on same day. Further, it applied for registration within 30 days of so becoming liable to registration, **the effective date of registration is the date on which he becomes liable to registration, i.e. 12th August.**

As per section 31 read with CGST Rules, 2017, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, **may issue Revised Tax Invoices.**

Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.

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

9. Shyam Fabrics has opted for composition levy scheme in the current financial year. It has approached you for advice whether it is mandatory for it to issue a tax invoice. You are required to advise him regarding same.

*** Bill of supply**

Answer:

A registered person paying tax under the provisions of section 10 [composition levy] shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed [Section 31(3)(c) read with CGST Rules, 2017].

Therefore, in the given case, Shyam Fabrics **cannot issue tax invoice. Instead, it shall issue a Bill of Supply.**

10. Luv & Kush Pvt. Ltd. of Meghalaya engaged in the supply of gifts items and repair services, provides you the following details:-

S. No.	Particulars	Date
1.	Commencement of the business of supplying goods and services	01 st August
2.	Turnover exceeds ₹ 10,00,000 on	15 th August
3.	Turnover exceeds ₹ 20,00,000 on	05 th September
4.	Application for registration made on	28 th September
5.	Registration certificate granted on	06 th October

The company seeks your advice as to how it should raise revised tax invoices for supplies made. Is there any specific provision for issuance of revised tax invoices to unregistered customers? Explain.

Answer:

A supplier of **both goods and services** whose aggregate turnover in a financial year exceeds ₹ 20 lakh in a State/UT [₹ 10 lakh in specified Special Category States] is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of ₹ 20 lakh/ ₹ 10 lakh) in terms of section 22. Since Meghalaya is not a specified Special Category State, applicable threshold limit is ₹ 20 lakh.

Further, where the application is submitted within said period, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.

Every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices within 1 month from the date of issuance of registration certificate in respect of taxable supplies effected during this period i.e. from the effective date of registration till the date of issuance of registration.

Since Luv & Kush Pvt. Ltd. has made the application for registration within 30 days of becoming liable for registration, the effective date of registration becomes the date on which the company becomes liable to registration i.e. 5th September.

Thus, Luv & Kush Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (5th September) and the date of issuance of registration certificate (6th October), within 1 month from 6th October.

Further, Luv & Kush Pvt. Ltd may issue a consolidated revised tax invoice in respect of all taxable supplies made to unregistered dealers during such period. **However, in case of inter-State supplies made to unregistered dealers, a consolidated revised tax invoice cannot be issued in respect of all the recipients located in a State, if the value of a supply exceeds ₹ 2,50,000.**

11. Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March:

- Value of supply charged in invoice no. 1 was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000. **Credit Note**
- Tax charged in invoice no. 4 was ₹ 32,000 against the actual tax liability of ₹ 68,000 due to wrong HSN code being chosen while issuing invoice. **DEBIT NOTE**
- Value charged in invoice no. 8 was ₹ 3,20,000 as against the actual value of ₹ 4,20,000 due to wrong quantity considered while billing. **DEBIT NOTE**

Kartik & Co. asks you to answer the following:

- Who shall issue a debit/credit note under CGST Act? **supplier i.e. kartik & Co.**
- Whether debit note or credit note has to be issued in each of the above circumstances? **✓**
- What is the maximum time-limit available for declaring the credit note in the GST Return?

Sept month OR Annual Return

Answer:

- (1) The debit/credit note shall be issued by the registered person who has supplied the goods and/or services, i.e. Kartik & Co.
- (2) Yes, debit/credit note need to be issued in each of the circumstances as under:
 - (i) A credit note is required to be issued as the taxable value in invoice no. 1 exceeds the actual taxable value.
 - (ii) A debit note is required to be issued as the tax charged in the invoice no. 4 is less than the actual tax payable.
 - (iii) A debit note is required to be issued as the value of supply charged in the invoice no. 8 is less than the actual value.
- (3) The details of the credit note cannot be declared later than the return for the month of September following the end of the financial year in which such supply was made or the date of furnishing of the relevant annual return, whichever is earlier.

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

Answer the following questions:

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

Answer:

- (i) As per section 31 read with the CGST Rules, in case of taxable supply of services, invoices should be issued before or after the provision of service, but within a period of 30 days [45 days in case of insurer/banking company or financial institutions including NBFCs] from the date of supply of service.

In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e. upto 3rd February. However, the invoice has been issued on 10th February.

- (ii) **Section 31 read with the CGST Rules**, inter alia, provides that tax invoice in addition to other mandatory details shall also contain the amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess).

Further as per Section 33, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

The objection raised by the tax consultant of Royal Fashions suggesting that the amount of tax charged in respect of the taxable supply of makeover services should be shown separately in the invoice raised by Aura Beauty Services Ltd., is valid in law.

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

However, the said toys were returned by Nancy General Store on 30th September. Discuss which document Kidzee Toys Ltd. is required to issue in such a case? **Credit Note**

Answer:

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

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

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

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

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

Answer:

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

- (a) the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or
(b) where the goods supplied are returned by the recipient, or
(c) where goods and/or services supplied are found to be deficient,
the registered person, who has supplied such goods and/or services, **may issue to the recipient one or more credit notes** for supplies made in a financial year containing prescribed particulars.

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

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

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

Answer:

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

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

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

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

Answer:

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

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

Answer:

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

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

Answer:

A registered person supplying taxable goods shall issue a tax invoice, before or at the time of removal of goods for supply to the recipient, where the supply involves movement of goods.

Therefore, in the given case, invoice has to be issued on or before, 11th October (the time of removal of goods).

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

Answer:

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

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

20. Udai Singh, a registered supplier, has received advance payment with respect to services to be supplied to Sujamal. His accountant asked him to issue the receipt voucher with respect to such services to be supplied. However, he is apprehensive as to what would happen in case a receipt voucher is issued, but subsequently no services are supplied. You are required to advise Udai Singh regarding the same.

Answer:

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

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

Therefore, in case subsequently no services are supplied by Udai Singh, and no tax invoice is issued in pursuance thereof, Udai Singh may issue a refund voucher against such payment to Sujamal.

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

Answer:

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

- 22. Sitaram Textiles has to send cloth for dyeing to its job-worker. It wishes to know whether it needs to issue a tax invoice at the time of sending the goods to job-worker. Please advise him with reference to the provisions of the CGST Act.**

Answer:

Sitaram Textiles has to issue a delivery challan and not the tax invoice at the time of sending the goods to job-worker.

Rule 55, inter alia, stipulates that for the purposes of transportation of goods for job work, the consignor may issue a delivery challan, serially numbered, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following details, namely:-

- (i) date and number of the delivery challan;
- (ii) name, address and Goods and Services Tax Identification Number of the consigner, if registered;
- (iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
- (iv) Harmonised System of Nomenclature code and description of goods;
- (v) quantity (provisional, where the exact quantity being supplied is not known);
- (vi) taxable value;
- (vii) tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
- (viii) place of supply, in case of inter-State movement; and
- (ix) signature.

The delivery challan shall be prepared in triplicate, in case of supply of goods, in the following manner, namely:-

- (a) the original copy being marked as ORIGINAL FOR CONSIGNEE;
- (b) the duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and
- (c) the triplicate copy being marked as TRIPLICATE FOR CONSIGNER.

Supply - Questions

Q: Examine whether the following activities would amount to supply under section 7 of the CGST Act.

✓ (a) Damodar Charitable Trust, a trust who gets the eye treatment of needy people done free of cost, donates clothes and toys to children living in slum area.

✓ (b) Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.

Answer:

(a) Section 7 of the CGST Act, inter alia, provides that supply must be made for a consideration except the activities specified in Schedule I and in course or furtherance of business. Since, both these elements are

missing, donation of clothes and toys to children living in slum area would not amount to supply under section 7 of the CGST Act.

(b) Schedule I of CGST Act, inter alia, stipulates that supply of goods or services or both between related persons or between distinct persons, is supply even without consideration provided it is made in the course or furtherance of business. Further, where a person who has obtained or is required to obtain registration in a State in respect of an establishment, has an establishment in another State, then such establishments shall be treated as establishments of distinct persons. In view of the same, factory and depot of Sulekha Manufacturers are establishments of two distinct persons. Therefore, supply of goods from Delhi factory of Sulekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under section 7 of the CGST Act.

✓ **Question 2 (RTP MAY 20)**

ABC Ltd. is a registered pharmaceutical company. The company invented one drug for instant cure of cancer. They supplied free samples of this medicine to various doctors. What will be the tax treatment of these free samples under GST?

Answer: in this case the company has two options

- (a) ABC Ltd. is liable to pay tax on supply of free samples and is eligible to claim input tax credit. or
- (b) ABC Ltd. is neither liable to pay tax on supply of free samples nor eligible to claim input tax credit.

Question 3: Explain taxability if GST in case of Import of Services

Answer: As per section 7 (1) (b), Import of services for a consideration for business purpose or for personal purpose shall be considered to be supply, however as per notification no. 9/2017 IT(R), Services imported by an individual for personal purpose shall be exempt from GST but no such exemption shall be allowed in case of OIDAR services i.e. online information and data base access and retrieval services. If individual is not registered, GST shall be collected by OIDAR and tax shall be paid by OIDAR and if individual is registered, GST shall be paid by individual under reverse charge.

As per schedule I, Import of services without consideration by a person from a related person or from any of his establishment outside India in the course or furtherance of business shall be taxable i.e. no GST in any other case without consideration.

(vi) ABC limited has taken services from outside India for business without consideration, it is exempt but if services are taken from a related person or from its establishment outside India, it will be taxable and GST is to be paid by ABC limited under reverse charge.

(vii) Sumedha, a proprietor registered in Delhi, has sought architect services from his brother without consideration, located in US, with respect to his newly constructed house in Delhi. In this case it will not be considered to be supply as per schedule I but if there is a consideration it will be supply as per section 7(1)(b) however it will be exempt as per notification no. 9/2017.

(viii) ABC Associates received legal consultancy services from its head office located in Malaysia. The head office has rendered such services free of cost to its branch office. Since ABC Associates and the branch office are related persons, services received by ABC Associates will qualify as supply even though the head office has not charged anything from it.

Conclusion:

1. Import of services without consideration is always exempt except when imported by a person from a related person in the course of business.
2. Import of service for consideration is always taxable except when taken by Individual for personal purpose other than OIDAR services.

RTP NOV 2021

✓ Question 5.

Determine which of the following independent cases will be deemed as supply even if made without consideration in terms of Schedule I of the CGST Act, 2017?

- (i) AB & Associates transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot.
 - (ii) Mr. Raghuveer, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle is blocked.
 - (iii) Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth ₹ 21,000.
- (a) (i)
 - (b) (ii)
 - (c) (iii)
 - (d) Both (i) and (ii)

NOV 2020 (NEW COURSE)

✓ Question 8 (c).

5 Marks

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

Answer: As per section 7 (1) (b), Import of services for a consideration for business purpose or for personal purpose shall be considered to be supply, however as per notification no. 9/2017 IT(R), Services imported by an individual for personal purpose shall be exempt from GST but no such exemption shall be allowed in case of OIDAR services i.e. online information and data base access and retrieval services. If individual is not registered, GST shall be collected by OIDAR and tax shall be paid by OIDAR and if individual is registered, GST shall be paid by individual under reverse charge. Further as per schedule I Import of services without consideration by a person from a related person or from any of his establishment outside India in the course or furtherance of business shall be taxable i.e. no GST in any other case without consideration.

Question 4: Write a note on Composite and Mixed supplies.

Answer: Tax liability on composite and mixed supplies. Section 8.

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely:—

- (a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be

RTP MAY 2020

Question 5

Mr. Avishkar is a painter registered under GST in Delhi. He sends his artwork for exhibition in Mumbai. At what point of time, supply is considered to have been made under GST?

- (a) When painting is completed.
- (b) When painting is sent for exhibition in Mumbai.
- (c) When painting is displayed at the exhibition in Mumbai.
- (d) When painting is purchased by one of the visitors in the exhibition.

Answer: (d)

✓ **Example :** A Resident Welfare Association provides the service of depositing the electricity bills of the residents in lieu of some nominal charges. Provision of service by a club or association or society to its members is treated as business as this is included in the definition of 'business'.

(f) admission, for a consideration, of persons to any premises;

✓ **Example :** Services by way of admission to circus, cinema halls, amusement parks including theme parks, water parks, etc. are considered as business as these are services by way of admission of persons to any premises for a consideration.

(g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;

(h) activities of a race club including by way of totalisator or a license to book maker or activities of a licensed book maker in such club; and

✓ **Example :** Royal Turf Race Club is engaged in facilitating the wagering (betting) transactions on horses placed through totalisator. For providing the service of facilitating wagering transactions, Royal Turf Race Club gets commission which is deducted and retained by the club from the total bet value. Said services amount to supply as the activities of a race club are included in business.

RTP MAY 2020

Question 6

Which of the following is not covered under Schedule III of CGST Act, 2017? Supply ✓

- (a) Director's monthly salary under employment agreement ✗
- (b) Sitting fees to independent directors for attending AGMs ✓
- (c) Payment to employee for providing broking services to the employer for purchase of commercial property. Such services do not form part of the employment contract entered into by the employer with the employee. ✓

(d) Both (b) and (c)

Answer:

Examples of supply from ICAI Module

- ✓ **Example 1:** A shopkeeper sells a pen for ₹ 100 to the buyer. After the sale, the pen belongs to the buyer and shopkeeper does not have any right on the pen. This is a transaction of sale and is supply u/s 7(1)(a).
- ✓ **Example 2:** A company transfers goods from its factory to the depot for sale purposes. This is 'transfer' of goods where the sale has not taken place and is a supply.
- ✓ **Example 3:** When a new car worth ₹ 5,00,000 is purchased in exchange of an old car alongwith the monetary consideration of ₹ 4,00,000 paid for the said purchase. There is a supply for the seller of car.
- ✓ **Example 4:** A doctor got his hair cut from a barber and provides him medical consultancy in return. In this transaction, the doctor provided the medical consultancy services to the barber for which consideration was in the form of hair cutting services provided by the barber. Similarly, the barber provided hair cutting services to the doctor for which consideration was in the form of medical consultancy services provided by the doctor. There is a supply by each one of them.
- ✓ **Example 5:** Rishabh buys a car for his personal use and after a year sells it to a car dealer. Sale of car by Rishabh to car dealer is not a supply under CGST Act because said supply is not made by Rishabh in the course or furtherance of business.
- ✓ **Example 6:** Manikarnika sold her old gold bangles and earrings to 'Aabhushan Jewellers'. Sale of old gold jewellery by an individual to a jeweller will not constitute supply as the same cannot be said to be in the course or furtherance of business of the individual.
- ✓ **Example 7:** Sundaram Acharya, a famous actor paints some paintings and sells them. The consideration from such sale is to be donated to a Charitable Trust – 'Kind Human'. The sale of paintings by the actor qualifies as supply.
- Example 8:** Ramaiyaa, a proprietor, has received the architect services for his house from an architect located in New York at an agreed consideration of \$ 5,000. The import of services by Ramaiyaa is supply under section 7(1)(b) though it is not in course or furtherance of business, however it is exempt as per notification no. 9/2017
- ✓ **Example 9:** Dhruv gives old laptops being used in his business to his friend free of cost. This will qualify as supply provided input tax credit has been availed by Dhruv on such laptops.
- ✓ **Example 10:** A dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle is blocked. The transaction will not constitute a supply as the condition of availment of ITC on the business asset transferred is not fulfilled.
- ✓ **Example 11:** Ms. Priya holds 30% shares of ABC Ltd. and 35% shares of XYZ Ltd., in this case ABC Ltd. and XYZ Ltd. are related.
- ✓ **Example 12:** Q Ltd. has a deciding role in corporate policy, operations management and quality control of R Ltd. It can be said that Q Ltd. Controls R Ltd. Thus, Q Ltd. and R Ltd. are related.
- ✓ **Example 13:** Mohan, a Chartered Accountant, has a registered head office in Delhi. He has also obtained registration in the State of West Bengal in respect of his newly opened branch office. Mohan shall be treated as distinct persons in respect of registrations in West Bengal and Delhi.
- ✓ **Example 14:** Rishabh Enterprises, a registered supplier, owns an airconditioned restaurant in Virar, Maharashtra. It has opened a liquor shop in Raipur, Uttarakhand for trading of alcoholic liquor for human consumption. Since supply of alcoholic liquor for human consumption in Uttarakhand is a non-taxable supply, Rishabh Enterprises is not required to obtain registration with respect to the same in Uttarakhand. In this case, airconditioned restaurant in Maharashtra and liquor shop [though unregistered] in Uttarakhand shall be treated as establishments of distinct persons. Supply by Maharashtra restaurant to Uttarakhand shop, in course or furtherance of business, even without consideration will qualify as supply.

Example 15: Raghubir Fabrics transfers 1000 shirts from his factory located in Lucknow to his retail showroom in Delhi so that the same can be sold from there. The factory and retail showroom of Raghubir Fabrics are registered in the States where they are located. Although no consideration is charged, supply of goods from factory to retail showroom constitutes supply.

Example 16: Raghubir Fabrics transfers 1000 shirts from his factory located in Lucknow to his retail showroom in Kanpur so that the same can be sold from there. It has taken one registration in the State of Uttar Pradesh declaring Lucknow factory as its principal place of business and Kanpur showroom as its additional place of business. Since no consideration is charged, supply of goods from factory to retail showroom in same State under single registration does not constitute supply.

Example 17: Anmol appoints Bholu to procure certain goods from the market. Bholu identifies various suppliers who can provide the goods as desired by Anmol and asks the supplier (Golu) to send the goods and to issue the invoice directly to Anmol.

In this scenario, Bholu is only acting as the procurement agent and has in no way involved himself in the supply or receipt of the goods. Hence, in accordance with the provisions of this Act, Bholu is not an agent of Anmol for supply of goods in terms of Para 3. of Schedule I.

Example 18: M/s Tintin, a banking company, appoints Mandaar (auctioneer) to auction certain goods. The auctioneer arranges for the auction and identifies the potential bidders.

The highest bid is accepted and the goods are sold to the highest bidder by M/s Tintin. The invoice for the supply of the goods is issued by M/s Tintin to the successful bidder.

In this scenario, the auctioneer is merely providing the auctioneering services with no role played in the supply of the goods. Even in this scenario, Mandaar is not an agent of M/s Tintin for the supply of goods in terms of Para 3. of Schedule I.

Example 19: Gautam, an artist, appoints Gambhir (auctioneer) to auction his painting. Gambhir arranges for the auction and identifies the potential bidders. The highest bid is accepted and the painting is sold to the highest bidder.

The invoice for the supply of the painting is issued by Gambhir on the behalf of Gautam but in his own name and the painting is delivered to the successful bidder.

In this scenario, Gambhir is not merely providing auctioneering services, but is also supplying the painting on behalf of Gautam to the bidder, and has the authority to transfer the title of the painting on behalf of Gautam. This scenario is covered under Para 3. of Schedule I.

Example 20: A C&F agent or commission agent takes possession of the goods from the principal and issues the invoice in his own name. In such cases, the C&F commission agent is an agent of the principal for the supply of goods in terms of Para 3. of Schedule I. The disclosure or non-disclosure of the name of the principal is immaterial in such situations.

Example 21: Ravi sells agricultural produce by utilizing the services of Kavi who is a commission agent as per the Agricultural Produce Marketing Committee Act (APMC Act) of the State. Kavi identifies the buyers and sells the agricultural produce on behalf of Ravi for which he charges a commission from Ravi.

As per the APMC Act, the commission agent is a person who buys or sells the agricultural produce on behalf of his principal, or facilitates buying and selling of agricultural produce on behalf of his principal and receives, by way of remuneration, a commission or percentage upon the amount involved in such transaction.

In cases where the invoice is issued by Kavi to the buyer, the former is an agent covered under Para 3. of Schedule I. However, in cases where the invoice is issued directly by Ravi to the buyer, the commission agent (Kavi) doesn't fall under the category of agent under schedule I.

Example 22: Jhumroo Associates received legal consultancy services from its head office located in Malaysia. The head office has rendered such services free of cost to its branch office. Since Jhumroo Associates and the head office are related persons, services received by Jhumroo Associates will qualify as supply even though the head office has not charged anything from it.

Para 4 of Sch-I

Example 23: Chakmak, a proprietor registered in Delhi, has sought architect services from his son located in US, with respect to his newly constructed house in Delhi. Although services have been received by Chakmak without consideration from his son - a related person, yet it will not qualify as supply since the same has not been received in course or furtherance of business.

Example 24: Under earlier tax regime, the restaurants used to charge both service tax and VAT on the value of food served. This so because both sale of goods and provision of service were involved and therefore taxable event under both the Statutes i.e. respective VAT law and service tax law got triggered. Under GST, the supply by a restaurant is treated as composite supply since food and service is naturally bundled in ordinary course of business. Further, Entry 6(b) of Schedule II specifically provides that such composite supply shall be treated as supply of service. Hence, the entire value of invoice shall be treated as value of service and leviable to GST accordingly.

As per schedule II, in the following cases it will be supply of goods / services

Example 1: Shivaji sells readymade garments to its customers: shall be considered to be **supply of goods.**

Example 2: Genius Equipments Ltd. gives a machinery on rent to Suhaasi Manufacturers: shall be considered to be **supply of services.**

Example 3: Dhruva Capitals supplied goods on hire purchase basis to customers: shall be considered to be **supply of goods.**

Example 4: Optima Manufacturers supplies toys to retailers on 'sale or return basis': shall be considered to be **supply of goods.**

Example 5: Lease agreement for land: shall be considered to be **supply of services.**

Example 6: A shop let out in a busy market area: shall be considered to be **supply of services.**

Example 7: Damani Dying House dyes the clothes given by Shubham Textiles Ltd. on job work basis: shall be considered to be **supply of services.**

Example 8: Arun, a trader, is winding up his business. Any goods left in stock shall be deemed to be supplied by him: shall be considered to be **supply of goods.**

Exceptions:

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

Example 9: Renting of a commercial complex: shall be considered to be **supply of services.**

Example 10: Renting of precincts of a religious place: shall be considered to be **supply of services.**

Example 11: Renting of property to an educational institution: shall be considered to be **supply of services.**

Example 12: Permitting use of immovable property for placing vending/dispensing machines: shall be considered to be **supply of services.**

Example 13: Rathi Builders has constructed individual residential units for agreed consideration of ₹ 1.2 crore per unit. ₹ 90 lakh per unit were received before issuance of completion certificate by the competent authority and balance after completion: shall be considered to be **supply of services.**

Example 14: Temporary transfer of patent: shall be considered to be **supply of services.**

Example 15: Suvidha Solutions develops an accounting software for a business: shall be considered to be **supply of services.**

Example 16: Cable operator - Sakharam has entered into an agreement with Cable operator - Aatmaram that Sakharam will not provide cable connections in the specified areas where Aatmaram is providing the connections. Non-compete agreements constitute supply of service: shall be considered to be **supply of services.**

Example 17: Late delivery charges recovered from supplier for non-fulfilment of contract within stipulated time: shall be considered to be supply of services.

Example 18: Notice pay recovered from employee for leaving the job before agreed period of notice for leaving a job: shall be considered to be supply of services.

Example 19: Machinery given on hire: shall be considered to be supply of services.

Example 20: Resident Welfare Association (RWA) of Sanskriti Society supplies air-conditioners to its members at a concessional price: shall be considered to be supply of goods.

As per schedule III, the following shall neither be supply of goods nor supply of services.

- ✓ **Example 1:** Amounts received by an employee from the employer on premature termination of contract of employment are treatable as amounts paid in relation to services provided by the employee to the employer in the course of employment.
- ✓ **Example 2:** Services provided by casual worker to employer who gives wages on daily basis to the worker are services provided by the worker in the course of employment.
- ✓ **Example 3:** Casual workers employed by a construction contractor for execution of a building contract for him are services in the course of employment. Similarly, casual workers employed by a security services agency for provision of security services to a client are also services in the course of employment.
- ✓ **Example 4:** Services provided on contract basis by a person to another i.e. principal-to-principal basis are not services provided in the course of employment.
- ✓ **Example 5:** Any amount paid by employer to employee for not joining a competing business is paid for providing the service of forbearance to act and cannot be considered for providing services in the course of employment.
- ✓ **Example 6:** Duties performed by President of India, Vice President of India, Prime Minister of India, Chief Justice of India, Speaker of the Lok Sabha, Chief Election Commissioner, Comptroller and Auditor General of India, Chairman of Union Public Service Commission, Attorney General of India, in that capacity.

Actionable claims, other than lottery, betting and gambling.

'Actionable claims' are specifically included in the definition of goods under section 2(52) of the CGST Act

However, Schedule III specifically excludes actionable claims, other than lottery, betting and gambling from the ambit of definition of supply. Co-joint reading of said provisions implies that **only lottery, betting and gambling are treated as supply. All other actionable claims are outside the ambit of definition of supply.**

Some of the other examples of actionable claims are: Right to recover insurance money, claim for arrears of rent, unsecured loans, unsecured debentures, bills of exchange, promissory notes, bank guarantee, Fixed Deposit Receipt, right to the benefit of a contract, etc.

Examples of Composite supply

Example 1: Works contract and restaurant services are classic examples of composite supplies.

Example 2: Mobile phone is always sold with battery.

Example 3: Bundle of catering on board and transport by air is a bundle offered by a majority of airlines.

Example 4: Service of stay in a hotel is often combined with provision of breakfast and dinner provided free of cost during the stay. Such service is an ancillary service to the provision of hotel accommodation and the resultant package would be treated as services naturally bundled in the ordinary course of business.

Example 5: Poshakk Manufacturers entered into a contract with Cheeku Ltd. for supply of readymade shirts packed in designer boxes at Cheeku Ltd.'s outlet. Further, Poshakk Manufacturers would also get them

insured during transit. In this case, supply of goods, packing materials, transport & insurance is a composite supply wherein supply of goods is principal supply.

Example 6: When a consumer buys a television set and he also gets mandatory warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance services are ancillary.

Example 7: A travel ticket from Mumbai to Delhi may include service of food being served on board, free insurance, and the use of airport lounge. In this case, the transportation of passenger, constitutes the predominant element of the composite supply, and is treated as the principal supply and all other supplies are ancillary.

Example 8: Rati Computers supplies laptop (worth ₹ 52,000) alongwith laptop bag (worth ₹ 3,000) to a customer for ₹ 55,000. Being naturally bundled, supply of laptop bag along with the laptop is composite supply which is treated as the supply of the principal supply [viz. laptop]. Assuming that the rate of tax applicable on laptop is 18% and on laptop bag is 28%, in the given case, rate of principal supply, i.e. laptop @ 18% will be charged on the entire value of ₹ 55,000.

Examples of Mixed Supply

Example 1: A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

Example 2: A shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold independently and are not naturally bundled. So, such supplies are mixed supplies.

Example 3: A house is given on rent through a single rent deed - one floor of which is to be used as residence and the other for housing a printing press, at a lump sum rent amount. Such renting for two different purposes is not naturally bundled in the ordinary course of business. Said supplies are mixed supply.

Example 4: Sringer Enterprises supplies 10,000 kits (at ₹ 50 each) amounting to ₹ 5,00,000 to Raghav General Store. Each kit consists of 1 shampoo, 1 face wash and 1 kajal pencil. It is a mixed supply and is treated as supply of that particular supply which attracts highest tax rate. Assuming that the rate of tax applicable on shampoo is 18%, on face wash is 28% and on kajal pencil is 12%, in the given case, highest tax rate [viz. face wash] @ 28% will be charged on the entire value of ₹ 5,00,000.

More than one supply made together and taxed at the individual rates

There can be a case where an activity/transaction involves more than one supply of goods or services or both, but neither they are composite supplies nor can be categorised as mixed supplies, that is, all supplies carry independent significance. In such a case, if separate consideration is indicated against each supply, each such supply shall be charged at the respective rate applicable to that particular supply.

In case of servicing of cars involving supply of both goods (spare parts) and services (labour) where the value of goods and services are shown separately, the goods and services would be liable to tax at the rates as applicable to such goods and services separately [Circular No. 47/21/2018 GST dated 08.06.2018].

JULY 2021 (NEW COURSE)

Question 6(b)

(4 Marks)

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

Answer:

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

Mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

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

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

Note: The question specifies that the various items are supplied at a 'single rate'. The "single rate" expression is construed as single rate of tax in the above answer. Further, the "single rate" may also be construed as single price as given in the below mentioned answer.

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

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

MAY 2019 (OLD COURSE)

Question 10 (a)

(4 Marks)

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

Answer:

As per schedule II, agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act shall be treated as supply of services

As per section 2(102) "services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Services provided by way of tolerating non-performance of a contract shall be treated as supply of services because agreeing to obligation to refrain from an act, or to tolerate an act or situation shall be treated as supply of service. (section 7(1A), schedule II)

Example: A Ltd given a contract to B Ltd. to complete a work in 4 years and B Ltd. did not completed the work within 4 years, in this case it a non - performance of a contract and shall be treated as supply of

services and any consideration received for non-performance shall be treated as supply of service and GST shall be chargeable.

NOV 2018 (NEW COURSE)

Question 9 (b)

(5 Marks)

Explain the meaning of supply as per provisions of Section 7(1) of Central Goods and Service Tax Act, 2017.

Answer: Refer answer given in the book

NOV 2018 (OLD COURSE)

Question 12

(5 Marks)

(c) State whether the following supplies would be treated as supply of goods or supply of services as per Schedule-II of CGST Act:

- (i) Renting of Immovable Property
- (ii) Transfer of right in goods without transfer of title in goods.
- (iii) Works Contract Services
- (iv) Temporary transfer of permitting use or enjoyment of any intellectual property right.
- (v) Sale of personal car to dealer.

Answer:

As per Schedule -II of CGST Act:

- (i) Renting of Immovable property shall be treated as Supply of services.
- (ii) Transfer of right in goods without transfer of title in goods shall be treated as Supply of services.
- (iii) Works contract services shall be treated as Supply of services.
- (iv) Temporary transfer of permitting use or enjoyment of any intellectual property right shall be treated as Supply of services.
- (v) As per section 7(1)(a), it cannot be considered to be a supply.

MAY 2018 (OLD COURSE)

Question 8 (b)

(5 Marks)

List the activities to be treated as supply under CGST Act, 2017 even if made without consideration.

Answer: Refer answer given in the book

MAY 2018 (OLD COURSE)

Question 12 (b)

(5 Marks)

Mrs. Pragati received legal advice for her personal problems & paid 1,000 pound as a legal fees to Mrs. Unnati of U.K. (London).

Explain whether the above activity of import of service would amount to supply u/s. 7 of the CGST Act, 2017?

If in above case both of them are real sisters, & no consideration is paid then will it change your answer?

Further in the above case both of them are real sisters & Mrs. Pragati receives legal advice for her business & she didn't paid any consideration then what will be your answer?

Answer: As per section 7, import of services for a consideration whether or not in the course or furtherance of business shall be treated as supply.

In the given case, import of service is for consideration hence it is treated as supply however it is exempt as per exemption notification.

In the second case, if import of service without consideration for personal purpose shall not be treated as supply.

IPC NOV 2017 (MODIFIED)

Question 5

(Marks 3)

Discuss with reference to the provisions of GST, whether the under mentioned transactions constitute consideration for service.

- (i) Fines and penalties imposed against violation of law.
- (ii) X provides services to Y. However, Y's debtor makes payment to X on the instructions of Y.
- (iii) Grant given to a researcher to carry out research of his/her choice.

Answer:

As per section 2 (31), "**consideration**" in relation to the supply of goods / services includes-

(a) any payment made whether in money or otherwise in respect of the supply of goods / services, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

(b) the monetary value of any act or forbearance in respect of the supply of goods / services whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

Provided that a deposit given in respect of the supply of goods / services shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply.

(i) Fines and penalties imposed against violation of law shall not be considered as consideration of service as there is no supply of service in case of violation of law.

(ii) As per the above definition payment made by any other person on behalf of other shall constitute consideration for service.

(iii) Grant given to a researcher to carry out research of his/her choice shall not be treated as consideration for service.

TOS & VOS

1. Mr Ram from Delhi Supplied goods to Rohan and Sohan who are situated in Gujarat & Delhi respectively. Following are the details:

	Sohan	Rohan
List Price of the Goods Supplied	3,00,000	10,00,000
Packaging charges	10,000	2,00,000
Labelling charges	5,000	3,00,000
Discount @2% shown in invoice		
Inspection charges	25,000	1,00,000
Testing charges	17,000	2,00,000
Subsidy received from Govt.	21,000	75,000
Subsidy received from NGO	25,000	25,000

Assuming all the charges and subsidy are not adjusted in list price
 Compute a) VALUE OF SUPPLY b) GST LIABILITY. (5 Marks)

2. Mr Rahim sold goods to Pintu (Intra State Supply) at a list price of 2000000. Following are the details related to the supply
 Subsidy Received from State govt of ₹ 500000.
 Subsidy received from NGO ₹ 800000
 Testing & other charges amounted to ₹ 600000
 Discount @ 10% was given for prompt payment. The amount was Not shown separately in invoice
 Compute Invoice Price.
 Case a) All the amounts were already adjusted in List Price (Except
 Case b) All the amounts were not adjusted in List Price - Discount)
 (8 Marks)

3. Assume in Question 1 that all amounts were already adjusted in list price
 Compute. a) VALUE OF SUPPLY. b) GST LIABILITY. (5 Marks)

4. M/s. Flow Pro sold a machine to BP Ltd. It provides the following particulars in this regard:-

S. No.	Particulars	₹
(i)	Price of the machine (excluding taxes and incidental charges)	30,000
(ii)	Machine was subject to third party inspection. The inspection charges have been directly paid by BP Ltd. to the inspection agency.	5,000
(ii)	Freight charges for delivery of the machine (M/s Flow Pro has agreed to deliver the goods at BP Ltd's premises)	2,000
(iv)	Subsidy received from State Government on sale of machine under skill Development Programme. [The subsidy is directly linked to the price].	5,000

- (v) Discount @ 5 % was provided for for prompt payment

Compute Value of Supply a) Discount was shown separately in Invoice
 b) Discount was not Shown separately in Invoice
 (5 Marks)

5. Following details are provided in relation to amounts charged:

Sr No	Particulars	Amount
1	Price of machinery excluding taxes (before cash discount)	600000
2	Transit insurance	11000
3	Packing charges	9000
4	Extra charges for designing the machine	20000
5	Freight	12000

Charges mentioned in (ii) to (v) are not included in (i) above. Other information furnished is -

- Cash discount @ 2% on price of machinery has been allowed to the customer at the time of supply and also recorded in invoice.
- GST rate - 18%.

Calculate value of supply of the special machine.

(5 Marks)

6. MNO is manufacturer of tobacco products, during the manufacturing process certain incidental expenses have been incurred by MNO Ltd which amounts to a total of Rs 75,000, purchase value of tobacco is Rs 1,75,000 also is subject to levy of excise duty charged of Rs 37,500 and GST is to be levied @ 28%. Compute the transaction value.

(2 Marks)

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

S. No	Particulars	Amount (₹)
(i)	Price of the goods	1,00,000
(ii)	Municipal tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the goods supplied]	50,000
(v)	Late fees for delayed payment inclusive of GST	1,000
(vi)	Weighment charges [Such charges were paid by Shri Balram Pvt. Ltd. to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd.]	2,000

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

Assuming Itme Mentioned in (ii) (iv) & (vi) are a) already adjusted
b) not adjusted

(10 Marks)

1. Mr Ram from Delhi Supplied goods to Rohan and Sohan who are situated in Gujarat & Delhi respectively. Following are the details:

	Rohan	Sohan
List Price of the Goods Supplied	5,00,000	12,00,000
Packaging charges	1,00,000	2,00,000
Labelling charges	50,000	80,000
Discount @2% shown in invoice	—	—
Inspection charges	10,000	12,000
Testing charges	12,000	15,000
Subsidy received from Govt.	1,50,000	2,00,000
Subsidy received from NGO	2,50,000	3,00,000

Assuming all the charges and subsidy are not adjusted in list price
 Compute a) VALUE OF SUPPLY b) GST LIABILITY. c) INVOICE
 (6 Marks)

2. Mr Rahim sold goods to Pintu (Intra State Supply) at a list price of 2000000. Following are the details related to the supply
 Subsidy Received from State govt of ₹ 500000.
 Subsidy received from NGO ₹ 800000
 Testing & other charges amounted to ₹ 600000
 Discount @ 10% was given for prompt payment. The amount was Not shown separately in invoice
 Compute Invoice Price.
 Case a) All the amounts were already adjusted in List Price
 Case b) All the amounts were not adjusted in List Price

(6 Marks)

3.

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

	Particulars	Amount (₹)
(i)	Packing charges	5,000
(ii)	Freight & Cartage	2,000
(iii)	Transit insurance	1,500
(iv)	Extra designing charges	6,000
(v)	Taxes by Municipal Authority	500

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

Compute the GST liability of Kamal Book Depot for the month of November, 20XX assuming the rates of GST on the goods supplied as under:

CGST 9%

SGST 9%

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

Note:-

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

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

(6 Marks)

4.

(b) Know & Grow Publishers, a registered dealer in India, paid an advance ₹ 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 5-9-2018. It made the balance payment ₹ 1,50,000 on 12-12-2018. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on :

- (i) 6-10-2018, or
- (ii) 17-12-2018

(4 Marks)

5.

Examine the following independent cases of supply of goods and services and determine the time of issue of invoice under each of the cases as per the provisions of CGST Act, 2017 :

- (i) Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods on 3rd October, 2018. The goods were removed from the factory at Kolkata on 11th October, 2018. As per the agreement, the goods were to be delivered by 31st October, 2018. Suraj Enterprises has received the goods on 14th October, 2018.
- (ii) Trust and Fun Ltd, an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5th June, 2018. Payment for the event was made on 19th June, 2018.

State the time of issue of invoice.

(4 Marks)

6. Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

S. No.	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services
(i)	August 10	25 June
(ii)	August 10	30 June
(iii)	Part payment made on June 30 and balance amount paid on September 1	15 June
(iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	29 June
(v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	1 July

(6 Marks)

7. A of Chennai supplies goods to B of Bengaluru. A has to send the goods for delivery from Chennai to Bengaluru. A sends the goods to B on 30th Oct. Turnover of A in the P.Y. was ₹ 2 crore. Find the time of supply in the following different scenarios:

Removal of Goods	Date of Issue of Invoice		Date on which payment is entered in the books of account	Date on which payment is credited in the Bank Account
30th Oct	30th Oct		31st Oct	1st Nov
30th Oct	2nd Nov		31st Oct	1st Nov
30th Oct	28th Oct		27th Oct	26th Oct

(4 Marks)

8. Compute the Time of Supply of Service under Section 15(3)

Date of Issue Invoice	Payment in Bank	Payment in Books
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5.7.23

5.8.23

10.8.23

10.10.23

10.9.23

15.9.23

1.2.23

25.4.23

27.4.23

(4 Marks)

GST - Question Bank

Composition Scheme

1.

Mr. X started trading in goods in Delhi w.e.f 01.04.2021 and has submitted particulars as given below:

- Sold goods upto 30.06.2021 and charged ₹40,00,000.
- His turnover crossed ₹40 lakhs on 01-07-2021 and he has taken registration and opted for composition scheme and turnover from 01-07-2021 to 31-01-2022 was ₹1,10,00,000. His turnover from 01-02-2022 to 31-03-2022 was ₹25,00,000. He has given loan and has earned interest of ₹3,00,000 from 01/10/2021 to 31/12/2021. $₹21 \Rightarrow 3L$ $@ 1\% = 110000$
- GST rates on the goods is CGST @ 6% and SGST 6%. $\Rightarrow 410000$

Discuss tax treatment and compute his tax liability for the financial year 2021-22.

Solution:

In this case no GST is payable upto 30th June 2021 because he is unregistered. After 31st Jan, 2022 he has to shift to the normal scheme because turnover has exceeded ₹150 lakhs (₹40,00,000 shall also be added to determine aggregate turnover but no tax payable on ₹40 lakhs.) After 31st Jan 2022 he has to pay normal tax (however ITC shall be allowed)

Under Composition scheme

CGST @ .5%
SGST @ .5%

110,00,000
55,000
55,000

Under Normal Scheme

He has to pay normal tax on turnover of ₹25,00,000

CGST @ 6%
SGST @ 6%

25,00,000
1,50,000
1,50,000

Question 2(b).**(4 Marks)**

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

Solution:

A registered person with an aggregate turnover in a preceding financial year up to ₹ 1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Since the aggregate turnover of Subramanian Enterprises does not exceed ₹ 1.5 crore, it is eligible for composition levy in the current year. However, all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme. Thus, Subramanian Enterprises either have to opt for composition levy for both the places of business or under normal levy for both the places of business.

RTP NOV- 2020

C & Co., a registered supplier in Delhi, opted for composition levy under sub-sections (1) and (2) of section 10 of the CGST Act, 2017. It sold goods in the fourth quarter of a financial year for ₹ 15,00,000 (exclusive of GST). The applicable GST rate on these goods is 12%. C & Co. purchased goods from Ramesh & Co., registered in Delhi, for ₹ 9,55,000 on which Ramesh & Co. had charged CGST of ₹ 57,300 and SGST of ₹ 57,300. C & Co. had also purchased goods from E & Co., registered in Haryana, for ₹ 2,46,000 on which E & Co. had charged IGST of ₹ 29,520. GST liability of C & Co. for the fourth quarter of the financial year is-

- (a) CGST ₹ 7,500 & SGST ₹ 7,500
- (b) CGST ₹ 3,180 & SGST ₹ 32,700
- (c) CGST ₹ 32,700 & SGST ₹ 3,180
- (d) Nil

उत्तर ✗

Answer: (a)

Hint: $CGST = 15,00,000 \times 0.5\% = 7,500$, $SGST = 15,00,000 \times 0.5\% = 7,500$

RTP NOV- 2020

The due date for payment of tax by a person paying tax under section 10 of the CGST Act, 2017, i.e. a composition supplier is aligned with the due date of return to be filed by the said person. Discuss the correctness or otherwise of the statement. **NO**

Answer: The statement is not correct. Every registered person paying tax under section 10, i.e. a composition supplier, is required to file a return annually in Form GSTR-4. Form GSTR-4 for a financial year should be furnished by 30th April of the succeeding financial year. However, a composition supplier is required to pay his tax on a quarterly basis. A quarterly statement for payment of self-assessed tax in GST CMP-08 is required to be furnished by 18th day of the month succeeding such quarter. Therefore, while the return is to be furnished annually, payment of tax needs to be made on a quarterly basis, by a composition supplier.

Question 2(b).**(4 Marks)**

A person availing composition scheme, under sub-sections (1) & (2) of section 10, in Haryana during a financial year crosses the turnover of ₹ 1.5 crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March? Please advise. **NO**

Solution:

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

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

PRACTICE PROBLEMS

Q1. Determine whether the supplier in the following cases are eligible for composition levy provided their turnover in preceding year does not exceed ₹150 lakh:

- Sugam Manufacturers has registered offices in Punjab and Haryana and supplies goods in neighbouring States.

Answer: Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy. *Inter- State*

Q2. Mohan Enterprises has two registered business in Delhi. Its aggregate turnover for the preceding year for both the business was ₹70 lakh. It wishes to pay tax under composition levy for one of the business in the current year while under normal levy for other business. You are required to advice Mohan Enterprises whether he can do so? *Ny*

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

S.M. **Q3.** Taxpayer 'Tolaram' is a manufacturer who has opted for composition levy for goods, having one unit – A1 in UP and another unit – A2 in MP. Total turnover of two units in last FY was ₹ 115 lakh (₹ 85 lakh + ₹30 lakh). Turnover of units A1 and A2 in the first quarter of current financial year is ₹ 5 lakh and ₹ 10 lakh respectively. Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Tolaram'.

Answer:

Unit	Location	Turnover in Previous FY	Turnover in 1st quarter of this FY	Total tax (@1%)
A1	U.P.	₹ 85 lakh	₹ 5 lakh	₹ 5,000
A2	M.P.	₹ 30 lakh	₹ 10 lakh	₹ 10,000
Total		₹ 115 lakh	₹ 15 lakh	₹ 15,000

S.M. **Q4.** Taxpayer 'Bholaram' is a trader, who has opted for composition levy for goods, of both taxable and exempted goods. It has one retail showroom – A1 in Punjab and another retail showroom – A2 in Rajasthan, both selling taxable as well as exempted goods. Total turnover (including taxable and exempted goods) of the two showrooms in last FY was ₹ 115 lakh (₹ 85 lakh + ₹ 30 lakh). Turnover of showrooms A1 and A2 in the first quarter of current financial year is ₹ 35 lakh [A1 – ₹ 15 lakh (₹ 5 lakh from sale of taxable goods and ₹ 10 lakh from sale of exempted goods) and A2 – ₹ 20 lakh (₹ 10 lakh from sale of taxable goods and ₹10 lakh from sale of exempted goods)].

Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Bholaram'.

Answer:

Retail Showroom	Location	Turnover in Previous FY	Taxable Turnover in 1st quarter of this FY	Total tax (@1%)
A1	Punjab	₹ 85 lakh	₹ 5 lakh	₹ 5,000
A2	Rajsthan	₹ 30 lakh	₹ 10 lakh	₹ 10,000
Total		₹ 115 lakh	₹ 15 lakh	₹ 15,000

Note: A supplier, other than manufacturer and restaurant service provider, eligible for composition levy under section 10(1) & 10(2) has to pay tax @ 1% (CGST+ SGST) of the turnover of only taxable supplies of goods and services in the State.

SM **Q5.** Taxpayer 'Padmavati' is a salon stylist, who has opted for composition levy for services, having one branch–B1 in Vasant Kunj, Delhi and another branch – B2 in Gurgaon, Haryana. Total turnover of two branches in last FY was ₹ 45 lakh (₹ 25 lakh + ₹ 20 lakh). Turnover of branches B1 and B2 in the first quarter of current financial year is ₹ 5 lakh and ₹ 10 lakh respectively. Compute the amount payable under composition levy under section 10(2A) of the CGST Act, 2017 by 'Padmavati'.

Answer:

Branch	Location	Turnover in Previous FY	Turnover in 1st quarter of this FY	Total tax (@6%)
B1	Delhi	₹ 25 lakh	₹ 5 lakh	₹ 30,000
B2	Haryana	₹ 20 lakh	₹ 10 lakh	₹ 60,000
Total		₹ 45 lakh	₹ 15 lakh	₹ 90,000

Q6. A photographer 'Champak' has commenced providing photography services in Delhi from April this year. His turnover for various quarters till December is as follows:

April-June	₹ 20 lakh
July-Sept	₹ 30 lakh
Oct-Dec	₹ 20 lakh

In the given case, since Champak has started the supply of services in the current financial year, his aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, he can supply services only for ₹ 5 lakh hence he is eligible for composition scheme for services. He becomes eligible for the registration when his aggregate turnover exceeds ₹ 20 lakh.

While registering under GST, he opts for composition scheme for services.

For determining his turnover of the State for payment of tax under composition scheme for services, turnover of April-June quarter [₹ 20 lakh] shall be excluded as the value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act are to be excluded for this purpose.

On next ₹ 30 lakh [turnover of July-Sept quarter], he shall pay tax @ 6% [3% CGST and 3% SGST], i.e. CGST ₹ 90,000 and SGST ₹ 90,000.

By the end of July-Sept quarter, his aggregate turnover reaches ₹ 50 lakh.

Consequently, his option to avail composition scheme for services shall lapse by the end of July-Sept quarter and thereafter, he is required to pay tax at the normal rate of 18%. Thus, the tax payable for Oct-Dec quarter is ₹ 20 lakh × 18%, i.e. ₹ 3,60,000.

Note: while computing aggregate turnover for determining Champak's eligibility to pay tax under composition scheme, value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act (i.e. turnover of April-June quarter), are included.

Q7. Ramsewak is engaged in supply of goods. His turnover in preceding FY is ₹ 60 lakh. Since his aggregate turnover in the preceding FY does not exceed ₹ 1.5 crore, he is eligible for composition scheme for goods in current FY. Further, in current FY, he can supply services [other than restaurant services] upto a value of not exceeding:

(a) 10% of ₹ 60 lakh, i.e. ₹ 6 lakh or ✓

(b) ₹ 5 lakh, ✓

whichever is higher.

Thus, he can supply services upto a value of ₹ 6 lakh in current FY. If the value of services supplied exceeds ₹ 6 lakh, he becomes ineligible for the composition scheme for goods and has to opt out of the same.

Q8. A person availing composition scheme during a financial year crosses the turnover of ₹ 1.5 crore on 9th of December. The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds ₹ 1.5 crore, i.e. on 9th December, in this case.

Q9. Sultan & Sons, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification, in the State of Maharashtra. Its aggregate turnover in the preceding financial year is ₹ 130 lakh. The firm wishes to opt for composition scheme under subsections (1) & (2) of section 10 of the CGST Act. However, its accountant is of the view that a person engaged in making supply of exempt goods is not eligible for the said scheme. Discuss.

Answer: The view taken by the accountant of Sultan & Sons is not valid in law. A registered person with an aggregate turnover in a preceding financial year up to ₹ 1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Further, such person must not be engaged in making any supply of goods

which are not leviable to tax under this Act and must not be engaged in making any inter-State outward supplies of goods, for being eligible to pay tax under said scheme.

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

Q10 A person availing composition scheme, under sub-sections (1) & (2) of section 10 of the CGST Act, in Haryana during a financial year crosses the turnover of ₹ 1.5 crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March? Please advise.

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

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

Q11. Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, provided their turnover in preceding year does not exceed ₹ 1.5 crore:

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

Answer:

(i) A supplier engaged in the manufacture of goods as notified is not eligible for composition scheme under section 10(1) and 10(2). Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes and aerated waters are notified under this category. However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed ₹ 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.

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

Q12. Subramanian Enterprises has two registered places of business in Delhi. Its aggregate turnover for the preceding year for both the places of business was ₹ 120 lakh. It wishes to pay tax under composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, for one of the places of business in the current year while under normal levy for other. You are required to advise Subramanian Enterprises whether he can do so?

Answer: A registered person with an aggregate turnover in a preceding financial year up to ₹ 1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Since the aggregate turnover of Subramanian Enterprises does not exceed ₹ 1.5 crore, it is eligible for composition levy in the current year. However, all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme. Thus, Subramanian Enterprises either have to opt for composition levy for both the places of business or under normal levy for both the places of business.

Q13. 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) of the CGST Act, 2017 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?

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

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

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

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

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

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

Q14. M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Their aggregate turnover in the preceding financial year by way of supply of appliances was ₹120 Lakh.

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

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

(i) Whether the firm can opt for the composition scheme, under section 10(1) and 10(2) of the CGST Act, 2017, for the current financial year, as the turnover may include supply of both goods and services?

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

Answer:

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

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

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

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

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

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

EXAMINATION QUESTION

NOV 2019 (NEW COURSE)

Question.6. (a)

ICAF

(6 Marks)

Mr. Zafar of Assam, provides the following information for the preceding financial year 2020-21. 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. 2021-22.

Particulars	Amount (₹ in lakhs)
Value of taxable outward supplies (out of this ₹10 lakhs was in course of inter-state transactions).	50.00
Value of exempt supplies (which include ₹ 30 lakhs was received as a interest on loans & advances).	40L - 70.00
Value of inward supplies on which he is liable to pay tax under reverse charge	X 5.00
Value of exports	5.00
All the amounts are exclusive of GST.	A-110 95L

Solution:

As per section 2(6), "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and 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.

As per the above definition aggregate turnover shall be:

Particulars	Amount (₹ in lakhs)
Value of taxable outward supplies	50.00
Value of exempt supplies (70-30)	40.00
Value of inward supplies on which he is liable to pay tax under reverse charge	Nil
Value of exports	5.00
Aggregate turnover	95.00

Since Assessee is staying in Assam hence limit of ₹1.5 crore shall be applicable and his aggregate turnover is below ₹1.5 crore hence he is eligible for composition scheme but in the given case assessee is supplying inter-state hence he is not eligible for composition scheme.

Question.8. (a)

(5 Marks)

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, with effect from 1st April, 2021.

Answer: Refer answer given in the book

Question.9. (a)**(5 Marks)**

M/s United Electronics, a registered dealer, is supplying all types of Electronic Appliances in the state of Karnataka. Their aggregate Turnover in the Financial Year 2020-21 by way of supply of appliances was ₹ 120 Lakhs.

The firm also expects to provide repair and maintenance service of such Appliances from the financial year 2021-22.

With reference to the latest amendments made in CGST Act, 2017, examine:

- (i) Whether the firm can opt for the composition scheme for the financial year 2021-22, as the turnover may include supply of both goods and services?
- (ii) If yes, up to what amount, the supply of service can be provided?

Answer:

As per section 10(1) & (2), a registered dealer whose aggregate turnover in the preceding year is upto ₹1.5 crore may opt for composition scheme provided he is not engaged in providing taxable supply of services except restaurant services. However person opting for composition scheme may supply services other than restaurant services of value not exceeding 10% of turnover in the state in the preceding year or ₹5,00,000 whichever is higher may opt for composition scheme.

(i) Yes, Firm can opt for the composition scheme for the financial year 2021-22 as the turnover is not exceeding ₹1.5 crores even if the firm is supplying services along with goods.

(ii) Supply of services can be provided up to higher of the followings:

(a) 10% of ₹1.2 crore = ₹12,00,000

(b) ₹5,00,000

Higher = ₹12,00,000

MAY 2019 (NEW COURSE)**Question 8 (a)****Marks 5**

Enumerate the persons who are not eligible to opt for Composition Scheme under section 10 of the CGST Act, 2017.

Answer: Refer answer given in the book

MAY 2019 (OLD COURSE)**Question 9 (a)****Marks 1+2+2**

Examine in relation to composition levy scheme under the CGST Act, 2017 and the rules made thereunder in the following individual cases:

(1) Ketu is a manufacturer of Ice-cream and pan masala in State of Maharashtra. His turnover for the year does not exceed ₹1.5 Crore. He wants to register for composition levy scheme. Is he eligible for it? **NO**

(2) Jadhu of Gujarat opts for composition scheme during a financial year 2021-22. But on 10-02-2022 his turnover crosses ₹ 1.5 Crore, can he continue under composition levy scheme. **NO**

(3) X Ltd. has 2 branches K & L in Delhi, having same PAN. Branch K opts for normal scheme. X Ltd. want to continue composition levy in case of its branch L. Can X Ltd. continue Composition levy only for Branch L?

NO

Answer:

(1) **As per section 10**, if a manufacturer is manufacturing Pan Masala and Ice-cream then he is not eligible for composition scheme. In the given case, Ketu is manufacturer of Ice-cream and pan masala hence he is not eligible for composition scheme

(2) **As per rule 6**, if a person crosses the threshold limit then he will be shifted to normal scheme with immediate effect. Hence Jadhu cannot continue under composition scheme.

(3) If any person has opted for composition scheme for any place of business in any state or union territory, shall be automatically covered in composition scheme for all other places of business in any other State / UT i.e. same scheme will be applicable for all registration with same PAN. Hence X Ltd. cannot opt for composition scheme for its one branch.

NOV 2018 (OLD COURSE)

Question 10 (b) (i)

Marks 2

Mr. X is running a consulting firm and also a readymade garment showroom in Kolkata registered in same PAN. Turnover of the showroom is ₹70 lakhs and receipt of consultancy firm is ₹15 lakhs 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?

Answer: As per section 10, In the given case, total turnover is ₹70 lakhs + ₹15 lakhs = ₹85 lakhs and 10% is ₹8.5 lakhs, hence he is not eligible for composition scheme

No it is not possible for firm to opt for composition scheme only for showroom if firm is providing services also.

MAY 2018 (NEW COURSE)

Question 10 (c)

Marks 3

M/s Sai Trading Company, an eligible registered dealer in goods making intra-state supplies within the state of Andhra Pradesh, has reported an aggregate turnover of ₹78 Lakhs in the preceding financial year.

(i) Determine whether Sai Trading Company will be eligible for composition levy, as on 31-10-2021.

Answer: A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹1.5 crore is eligible to opt for composition scheme and in the given case turnover is less than ₹1.5 crore so M/s Sai Trading Company is eligible for composition scheme.

(ii) Will your answer be different, if in the above scenario, M/s Sai Trading Company is making intra state supply within the state of Jammu and Kashmir?

Answer: No answer will remain same as limit for Jammu & Kashmir is also ₹1.5 crore.

MAY 2018 (OLD COURSE)

Question 12 (a)

Marks 5

M/s. Ginny and John Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was ₹80 lakh and Receipts of the interior decorators service was ₹22 Lakh in the preceding financial year. With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?

Will your answer change, if the turnover of the showroom was ₹70 lakh and Receipts of the interior decorators service was ₹22 Lakh in the preceding financial year?

Also discuss whether it is possible for M/s. Ginny and John Company to opt for composition scheme only for Showroom?

Answer: As per section 10, a registered dealer whose aggregate turnover in the preceding year is upto ₹1.5 crore may opt for composition scheme.

However person opting under composition scheme may supply services other than restaurant services of value not exceeding 10% of turnover in the state or union territory in the preceding financial year or ₹5,00,000 whichever is higher.

In the given case, total turnover is ₹80 lakhs + ₹22 lakhs = ₹102 lakhs and 10% is ₹10.2 lakhs, hence he is not eligible for composition scheme

No Answer will remain same even if turnover of the showroom was ₹70 lakhs.

No it is not possible for firm to opt for composition scheme only for showroom if firm is providing services also.

RTP MAY 2020

Question 9

Chanchal started providing beauty and grooming services and inaugurated "Care & Care Beauty Centre" in Janak Puri, Delhi on 01st April, 2021. She opted to pay tax under section 10(2A) in the said financial year. The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 2021 was ₹ 20 lakh. Further, for the half year ending 30th September, 2021, the turnover reached ₹ 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹ 70 lakh by the end of October, 2021. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 2021. $30\% + 20\% + 18\%$

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

$$\Rightarrow 1.8L + 1.6L \Rightarrow \underline{5,40,000}$$

Answer:

A registered person has the option to pay CGST @ 3% and SGST @ 3% on first supplies upto an aggregate turnover of ₹ 50 lakh made on/after 1st April in any financial year, subject to specified conditions. It is clarified in the section that first supplies shall, for the purposes of determining eligibility of a person to pay tax under this scheme, include the supplies from 1st April of a Financial Year to the date from which he becomes liable for registration under the said Act, but for the purpose of determination of tax payable under this scheme, shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

Thus, Care & Care Beauty Centre is eligible to pay tax under section 10(2A) upto the turnover of ₹ 50 lakh.

The total tax payable by it is as under:-

Period	Tax Rate	Turnover (₹)	Tax liability (₹)
I Quarter	Since turnover did not exceed ₹ 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	20 Lakh	Nil
II Quarter	Effective rate is 6% (CGST+ SGST/ UTGST) under section 10(2A)	30 Lakh [(50-20) lakh]	1,80,000
For the month of October, 2021	Normal rate of GST of 18% is to be applied	20 lakh [(70-50) lakh]	3,60,000
Total tax payable			5,40,000

1. Enumerate the persons who are not eligible to opt for Composition Scheme under section 10(2) of the CGST Act, 2017.

Answer: A registered person shall not be eligible to opt for composition scheme if:-

- (i) he is engaged in supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II.
- (ii) he is engaged in supply of goods not leviable to tax
- (iii) he is engaged in inter-State outward supplies of goods/services
- (iv) he is engaged in supply of goods/services through an electronic commerce operator
- (v) he is a manufacturer of notified goods, namely, manufacturer of ice cream, pan masala and tobacco.


2. Mr. Zafar of Assam, provides the following information for the preceding financial year 2018-19. 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. 2019-20.

Particulars	Amount (₹ in lakh)
Value of taxable outward supplies (out of above, ₹ 10 lakh was in course of inter-state transactions).	50.00
Value of exempt supplies (which 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 the amounts are exclusive of GST.	

Answer: Computation of aggregate turnover of Mr. Zafar for FY 2018-19 for the purpose of eligibility of composition levy scheme

Particulars	Amount in lakh (₹)
Value of taxable outward supplies [Value of all taxable supplies including inter-State supplies are includible in aggregate turnover]	50
Value of exempt supplies [Value of exempt supplies is includible in aggregate turnover. However, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, though exempt, is not includible in aggregate turnover for determining eligibility for composition scheme]	40
Value of inward supplies on which Mr. Zafar is liable to pay tax under reverse charge [Excludible from aggregate turnover]	Nil
Value of exports [Includible in aggregate turnover]	5
Aggregate turnover for determining eligibility for composition scheme	95

A registered person of Assam is eligible to opt for composition levy if his aggregate turnover does not exceed ₹ 1.5 crore in the preceding financial year provided he is not engaged in inter-State outward supplies of goods. Therefore, in the given case, assuming that he is not engaged in making any inter-State outward supply of goods in FY 2019-20, Mr. Zafar is eligible to opt for composition levy for FY 2019-20 since his aggregate turnover does not exceed ₹ 1.5 crore in FY 2018-19.

 **3. 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 section 10 (2A).**

Answer: The registered person desirous of availing the option to pay concessional tax @ 3% (effective rate 6%) under Notification No. 2/2019 CT (R) dated 7-3-2019 should -

- (i) not be engaged in making any supply which is not leviable to tax.
- (ii) not be engaged in making any inter-State outward supply of goods and/or services.

- (iii) neither be a casual taxable person nor a non-resident taxable person.
- (iv) not be engaged in making any supply through an electronic commerce operator who is required to collect tax at source.
- (v) not be engaged in making supplies of notified goods. *etc..*
- ✓ (vi) neither collect any tax from the recipient nor be entitled to any input tax credit.]
- ✓ (vii) issue a bill of supply instead of tax invoice.
- ✓ (viii) not have the aggregate turnover in the preceding financial year exceeding ₹ 50 lakh
- ✓ (ix) not be eligible for composition scheme u/s 10 (1), (2) @ Goods focused.

Note: Any five conditions may be mentioned out of the above mentioned nine conditions.

4.



- (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 section 10(2A) in the said financial year. The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 20XX was ₹ 20 lakh. Further, for the half year ending 30th September, 20XX, the turnover reached ₹ 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹ 70 lakh by the end of October, 20XX. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 20XX.
- (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%.

Answer:

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

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

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

Period	Tax Rate	Turnover (₹)	Tax liability (₹)
I Quarter	Since turnover did not exceed ₹ 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	20 Lakh	Nil
II Quarter	Effective rate is 6% (CGST+ SGST/UTGST)]	30 Lakh [(50-20) lakh]	1,80,000
For the month of October, 20XX	Normal rate of GST of 18% is to be applied	20 lakh [(70-50) lakh]	3,60,000
Total tax payable			5,40,000

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

5. “Wedding Bells”, a wedding photographer, has commenced providing pre-wedding shoot services in Jaipur from the beginning of current financial year 2020-2021. It has provided the following details of turnover for the various quarters till December, 2020 :-

S. No.	Quarter	Amount (₹ in lakh)
1	<u>April,2020-June,2020</u>	<u>20</u>
2	<u>July,2020-September,2020</u>	<u>30</u>
3	<u>October,2020-December,2020</u>	<u>40</u>

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

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

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

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

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

Thus, for determining the turnover of the State for payment of tax under composition scheme for services, turnover of April,2020 – June,2020 quarter [₹ 20 lakh] shall be excluded. On next ₹ 30 lakh [turnover of July,2020 – September, 2020 quarter], it shall pay tax @ 6% [3% CGST and 3% SGST].

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

Thus, while computing aggregate turnover for determining Wedding Bells's eligibility to pay tax under composition scheme, value of supplies from the first day of April of a financial year up to the date when it becomes liable for registration under this Act (i.e. turnover of April,2020 – June,2020 quarter), are included.

By the end of July, 2020 – September, 2020 quarter, the aggregate turnover reaches ₹ 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 2020 – September, 2020 quarter and thereafter, it is required to pay tax at the normal rate of 18%.

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

S. No.	Quarter	GST rate [CGST + SGST]	Turnover (₹ in lakh)	GST payable (₹ in lakh)
1	April, 2020 - June, 2020	-	20	-
2	July, 2020 - September, 2020	6%	30	1.8
3	October, 2020 - December, 2020	18%	40	7.2
				<u>9L</u>

6. **Shubhlaxmi Foods is engaged in supplying restaurant service in Maharashtra. In the preceding financial year, it has a turnover of ₹ 140 lakh from the restaurant service. You are required to advise Shubhlaxmi Foods whether it is eligible for composition scheme in the current year assuming that in the current financial year, his turnover is expected to be ₹ 130 lakh from supply of restaurant services and ₹ 10 lakh from the supply of farm labour in said State. Further, it also expects to earn bank interest of ₹ 20 lakh from the fixed deposits.**

Also compute the estimated tax payable by Shubhlaxmi Foods in the current FY.

Answer: As per section 10(1) of the CGST Act, 2017 read with Notification No. 14/2019 CT dated 7.03.2019, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, *inter alia*, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.

It is important to note that the exempt services are included in the definition of aggregate turnover [Section 2(6) of the CGST Act, 2017]. However, Order No. 01/2019 CT dated 01.02.2019 has been issued to clarify that the value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account—

- (i) for determining the eligibility for composition scheme under second proviso to section 10(1) i.e. supplying services of value not exceeding 10% of the turnover in the preceding financial

year in a State or ₹ 5 lakh, whichever is higher;

(ii) in computing aggregate turnover in order to determine eligibility for composition scheme.

Thus, exempt services shall also be considered for determining the eligibility for composition scheme under second proviso to section 10(1) and in computing aggregate turnover in order to determine eligibility for composition scheme. The only exception is interest received from deposits, loans etc.

In the given case, the aggregate turnover of Shubhlaxmi Foods from restaurant services in the preceding FY is ₹ 140 lakh. Therefore, it is eligible to opt for composition scheme in the current FY.

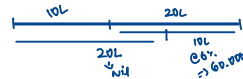
Further, apart from restaurant services, it can provide services upto ₹ 14 lakh [i.e. 10% of ₹ 140 lakh or ₹ 5 lakh, whichever is higher], in the current FY. As already seen, bank interest of ₹ 20 lakh from fixed deposits will not be considered while determining this limit.

Further, Shubhlaxmi Foods is expected to provide the exempt services of supply of farm labour worth ₹ 10 lakh in current financial year. Thus, turnover of supply of farm labour [₹ 10 lakh] alongwith the turnover of restaurant services [₹ 130 lakh] will be eligible for composition scheme, in the current financial year.

Tax rate applicable for restaurant services under composition scheme is 5% [2.5% CGST and 2.5% SGST]. Estimated tax payable by Shubhlaxmi Foods is as under:

$$= ₹ 140 \text{ lakh } [₹ 130 \text{ lakh } + ₹ 10 \text{ lakh}] \times 5\%$$

$$= ₹ 7 \text{ lakh } [CGST = ₹ 3.5 \text{ lakh and SGST} = ₹ 3.5 \text{ lakh}]$$



7. **Bansal and Chand** started a partnership firm of Chartered Accountants in Jaipur (Rajasthan) on 1.04.20XX. The firm specializes in providing audit services to banks, in Rajasthan. It provided the following details of its turnover:

Quarter	Amount (in ₹)
Apr-Jun	10 lakh
Jul-Sep	20 lakh

It crossed the threshold limit of ₹ 20 lakh on 1.08.20XX. Bansal and Chandiwok wishes to opt to pay tax at concessional rate under Notification No. 2/2019 CT (R) dated 07.03.2019. Examine whether the firm is eligible for this scheme? If yes, then determine the tax payable by it in quarters (i) Apr-Jun & (ii) Jul-Sep?

Answer: Section 10(2A) provides an option to a registered person whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition

10/2020

scheme, to pay tax @ 6% [CGST @ 3% and SGST @ 3%] on first supplies of goods and/or services upto an aggregate turnover of ₹ 50 lakh made on or after 1st April in any financial year, subject to specified conditions.

Further, for the purposes of this notification, the expression “first supplies of goods or services or both” shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the said Act but for the purpose of determination of tax payable under this notification shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

In the given case, Bansal and Chandiook Firm is eligible to opt for the scheme to pay tax at concessional rate since his turnover in the preceding financial year was nil and he is not eligible to opt for composition scheme since he is dealing exclusively in services other than restaurant services.

Tax payable by the firm is as follows:

- (i) **Apr-Jun quarter:** Tax payable by the firm in first quarter is nil since the firm’s turnover [₹ 10 lakh] has not yet exceeded the threshold limit of ₹ 50 lakh.
- (ii) **July-Sep quarter:** While computing the tax payable by the firm in second quarter, the turnover from 01.04.20XX to the date from which he becomes liable for registration under the Act is to be excluded. Tax payable will be computed as under-

Total Turnover	₹ 30,00,000/-
Less: Threshold Limit for registration	₹ 20,00,000/-
Taxable Turnover	₹ 10,00,000/-
Tax @ 6%	₹ 60,000/-*

*CGST = ₹ 30,000 and SGST = ₹ 30,000

8. **Mr. Prem is running a restaurant in New Delhi. In the preceding financial year, it has turnover of ₹ 120 lakh from the restaurant services. In the current financial year, apart from restaurant service, he also wants to provide food delivery services to other restaurants. He estimated the turnover of such services upto ₹ 5 lakh.** [120L] ⇒ 12L OR 5L higher

Mr. Prem wishes to opt for composition scheme in the current financial year. You are required to advise him for same. Further, also advise the documents to be issued by him for billing the restaurant services as well as food delivery services in case he opts for composition scheme.

Answer: As per section 10(1) of the CGST Act, 2017 read with *Notification No.14/2019 CT dated 07.03.2019*, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.

In the present case, since the turnover of Mr. Prem is ₹ 120 lakh in preceding financial year, he is eligible for composition scheme in the current financial year. Further, in the current financial year, he can also supply services other than restaurant services for a value upto ₹ 12 lakh (10% of ₹ 120 lakh) or ₹ 5 lakh, whichever is higher. Thus, till the time his turnover from food delivery services does not exceed ₹ 12 lakh, he is eligible for the scheme.

In terms of section 31(3)(c) of the CGST Act, 2017, Mr. Prem is required to issue Bill of Supply in both the cases i.e. while providing restaurant services and food delivery services. He shall also mention the words "composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him.

9. M/s Heeralal and Sons registered in Karnataka has opted to avail the benefit of composition scheme. It has furnished the following details for the tax period ended on 30-06-20XX.

S. No.	Items	₹
(i)	<u>Taxable turnover of goods within the State</u> <i>Turnover @ 1%</i>	<u>15,00,000</u> <i>15000</i>
(ii)	<u>Exempted turnover of goods within the State</u>	<u>17,00,000</u>
	Total Turnover	<u>32,00,000</u>

Using the above information, calculate tax to be paid by the firm for the tax period ended on 30.06.20XX in following independent situations:

(i) M/s Heeralal and Sons is a manufacturer

(ii) M/s Heeralal and Sons is a trader

amt = 32000 @ 1%

Answer: Computation of amount payable under composition scheme

(i) If M/s Heeralal and Sons is a manufacturer:

Tax is to be paid @ 1% (CGST+ SGST) of the turnover in the State as under:

1% of ₹ 32,00,000 [₹ 15,00,000 + 17,00,000]

= ₹ 32,000 [CGST = ₹ 16,000 and SGST = ₹ 16,000]

(ii) If M/s Heeralal and Sons is a trader:

Tax is to be paid @ 1% (CGST+ SGST) of the turnover of taxable supplies of goods and services in the State as under:

= 1% of ₹ 15,00,000

= ₹ 15,000 [CGST = ₹ 7,500 and SGST = ₹ 7,500]

10. MN Ltd. has two registered places of business in the State of Haryana. Its aggregate turnover during the previous financial year for both the places of business was ₹ 62 lakh. It wishes to opt for composition levy for one of the place of business in the current year and wants to continue with registration and pay taxes at the normal rate for the other place of business. Can MN Ltd. do so? Explain with reason. X

Answer: As per proviso to section 10(2) of the CGST Act, 2017, where more than one registered persons are having the same PAN issued under the Income-tax Act, 1961, the registered person shall not be eligible to opt for the composition scheme unless all such registered persons opt to pay tax under composition scheme.

In the given case, since MN Ltd. has two places of business (they are not separate entities under Income-tax Act, 1961), they would be registered under the same PAN. Therefore, MN Ltd. cannot opt for composition levy for only one of the places of business and pay tax under regular scheme for other place of business.

11. Mr. X, a manufacturer (eligible for composition scheme), submit the following details for CFY 19-20. Determine the GST liability for current Financial Year. ⇒ 55000

1. Value of intra state supply under NCM chargeable to GST @ 18%	18%	55,00,000	✓
2. Intra state nil rated supply	0%	13,00,000	✓
3. Intra state supply covered under 100% E/N	0%	32,00,000	✓
4. Value of inward supplies covered under RCM chargeable to GST @ 18%	18%	2,50,000 ⇒ 45000	X
5. value of inward supplies covered under NCM chargeable to GST @ 5%	5%	3,00,000	

12

Supplier

16

Answer: Computation of GST

Particulars	Turnover	Tax rate	Amount of GST under composition scheme
1. Value of intra state supply under NCM chargeable to GST @ 18%	55,00,000	Composite rate 1%	55,000
2. Intra state nil rated supply	13,00,000	Composite rate 1%	13,000
3. Intra state supply covered under 100% E/N	32,00,000	Composite rate 1%	32,000
4. Value of inward supplies covered under RCM chargeable to GST @ 18%	<u>2,50,000</u>	Normal rate 18%	<u>45,000</u>
5. value of inward supplies covered under NCM chargeable to GST @ 5%	3,00,000	-	To be paid by supplier

12. Prem is running a consulting firm and also a fancy store, registered under the same PAN number. Turnover of the fancy store is ₹ 115,00,000 and receipt of consultancy firm is ₹10,00,000 in the preceding financial year.

You are required to provide answers with supporting explanatory note for each answer to the following questions:

- Is Prem eligible for composition scheme under CGST Act? ✓
- Whether it is possible for Prem to opt for composition scheme only for fancy store? ✗
- If Pram is running a restaurant with turnover of ₹65,00,000 instead of consultancy firm as well as a fancy store, would he be eligible for composition scheme?

Answer:

- No, Prem is not eligible for composition scheme as he is providing services as a consulting firm. Section 10(2)(a) of the CGST Act, 2017 provides that a registered person cannot opt for composition scheme if he is engaged in the supply of services other than restaurant services and specified small value services.
- No, it is not possible for Prem to opt for composition scheme only for fancy store. All the registrations under the same PAN have to opt for composition scheme in terms of proviso

to section 10(2) of the CGST Act, 2017. Since the supply of consultancy service is ineligible for composition scheme, supply of goods in fancy store too becomes ineligible for composition scheme.

- (iii) No, Prem is not eligible for composition scheme if he is running a restaurant with turnover of ₹ 115,00,000 instead of consultancy firm as well as fancy store. Section 10(1) of the CGST Act, 2017 provides that an eligible registered person whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore may opt to pay tax under composition levy.

Therefore, even though Prem provides restaurant service, which is an eligible service for composition levy, since his aggregate turnover [₹ 115 lakh for fancy store + ₹ 65 lakh for restaurant service] in the preceding financial year exceeds ₹ 1.5 crore, Prem is not eligible for composition levy.

13. Trend Footwear, a registered supplier in Jaipur dealing in local supply of loafers and wedges, wants to opt for composition scheme with effect from 01 April, 20XX. Its aggregate turnover in the preceding financial year is ₹ 78 lakh. Besides dealing in supply of loafers and wedges, he also has a rental income of ₹ 1,35,000 per month from the basement of a commercial building located in Jaipur. You are required to discuss, whether Trend Footwear can opt for composition scheme?

Answer: No, Trend Footwear cannot opt for composition scheme Section 10 of CGST Act, 2017 inter alia provides that registered person, whose aggregate turnover in the preceding financial year does not exceed one crore and fifty lakh rupees, can opt to pay tax under composition scheme in the current year.

However, section 10(2) inter alia provides that registered person is eligible to opt for composition scheme if he is not engaged in the supply of services other than restaurant services. In the present case, Trend Footwear is engaged in the supply of services other than restaurant services, as Trend Footwear has rental income from the basement of a commercial building, so it cannot opt for composition scheme irrespective of its aggregate turnover in the preceding financial year.

14. Examine whether the suppliers are eligible for composition scheme in the following independent cases. Is there any other option available for concessional tax payment with any of these suppliers, wherever composition scheme cannot be availed?

(a) M/s Devlok, a registered dealer, is dealing in intra-State trading of electronic appliances in Jaipur (Rajasthan). It has turnover of ₹ 130 lakh in the preceding financial year. In the current financial year, it has also started providing repairing services of electronic appliances.

10(1)(2)

→ 10(2A)

(b) M/s Narayan & Sons, a registered dealer, is running a "Khana Khazana" Restaurant near City Palace in Jaipur. It has turnover of ₹ 140 lakh in the preceding financial year. In the current financial year, it has also started dealing in intra-State trading of beverages in Jaipur (Rajasthan).

Aviated water

(c) M/s Indra & bro, a registered dealer, is providing restaurant services in Uttarakhand. It has turnover of ₹ 70 lakh in the preceding financial year. It has started providing intra-State interior designing services in the current financial year and discontinued rendering restaurant services.

(d) M/s Him Naresh, a registered dealer, is exclusively providing intra-state architect services in Uttarakhand. It has turnover of ₹ 40 lakh in the preceding financial year. ✓ 10(2A)

Answer: As per section 10 of the CGST Act, 2017, the following registered persons, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay tax under composition levy.

(a) Manufacturer,

(b) Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and

(c) Any other supplier eligible for composition levy.

Thus, essentially, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.

Further, the registered person should not be engaged in making any inter-State outward supplies of goods.

Furthermore, an option of availing benefit of concessional payment of tax has been provided to a registered person whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme. Said person can pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] on first supplies of goods and/or services up to an aggregate turnover of ₹ 50 lakh made on/after 1st April in any financial year (FY), subject to specified conditions vide **section 10(2A)**. One of such condition is that the registered person should not be engaged in making any inter-state outward taxable supplies.

In view of the above-mentioned provisions, the answer to the given independent cases is as under:-

- (a) The turnover limit for composition scheme in case of Jaipur (Rajasthan) is ₹1.5 crore. Thus, M/s Devlok can opt for composition scheme as its aggregate turnover is less than ₹1.5 crore. Further, since the registered person opting for composition scheme can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher, in the current financial year, M/s Devlok can supply repair services up to a value of ₹13 lakh [10% of ₹130 lakh or ₹5 lakh, whichever is higher] in the current financial year.
- (b) In the given case: –
- (i) the turnover in the preceding year is less than the eligible turnover limit, i.e. ₹ 1.5 crore.
 - (ii) the supplier is engaged in providing restaurant service which is an eligible supply under composition scheme.
 - (iii) the supplier wants to engage in trading of goods which is also an eligible supply under composition scheme.

Thus, M/s Narayan & Sons is eligible for composition scheme.

- (c) The turnover limit for composition scheme in case of Uttarakhand is ₹ 75 lakh. Further, a registered person who is exclusively engaged in supplying services other than restaurant services are not eligible for composition scheme. Thus, M/s Indra & bro cannot opt for composition scheme. 10(1)(2)

Further, the benefit of concessional tax payment under section 10(2A) is available in case of a registered person whose aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.

Thus, in view of the above- mentioned provisions, M/s Indra & bro cannot avail the benefit of concessional tax payment as its aggregate turnover in the preceding financial year is more than ₹ 50 lakh.

- (d) An exclusive service provider can opt for the composition scheme only if he is engaged in supply of restaurant services. The composition scheme permits supply of marginal services for a specified value, but only when the same are supplied along with goods and/or restaurant service.

Since M/s Him Naresh is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme even though its turnover in the preceding year is less than ₹ 75 lakh, the eligible turnover limit for Uttarakhand.

However, since M/s Him Naresh is not eligible to opt for composition scheme, its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh and it is exclusively engaged in supply of services other than restaurant services, M/s Him Naresh is entitled to avail benefit of concessional payment of tax under *section 10(2A.)*

15.

(i) Examine whether the suppliers are eligible for composition levy under section 10 of the CGST Act, 2017 in the following independent cases in the beginning of the current financial year.

(a) Technology Enterprises, registered in Jalandhar, Punjab, is engaged in manufacturing computer systems. Its aggregate turnover in the preceding financial year is ₹ 125 lakh. Technology Enterprises supplies the computer systems manufactured by it within the State of Punjab only. With a view to expand its business operations, it will also start providing the repairing services of computer systems in the current financial year. 12.5L

(b) M/s. Siddharth & Sons, registered in Delhi, owns a restaurant 'Tasty Foods' with a turnover of ₹ 112 lakh in the preceding financial year. In view of the growing customer demand, it will also start intra-State trading of beverages in Delhi.

(c) Sitaram Associates, registered in Sikkim, is engaged in running a food chain 'Veg Kitchen' in the State. It has a turnover of ₹ 73 lakh in the preceding financial year. In the current financial year, it decides to shut down the food chain owing to huge losses being incurred in the said business. Instead, it will start providing intra-State architect services. A 710 752 > 50L Not eligible

(d) Deepti Services Ltd., registered in Uttarakhand, is exclusively providing hair styling services. It has turnover of ₹ 34 lakh in the preceding financial year. 10(2A)

Will your answer be different, if Deepti Services Ltd. also start supplying beauty products alongwith providing hair styling services in the current financial year?

(ii) Varun & Arun Associates started a partnership firm of architects in Bhopal (Madhya Pradesh) on 01.04.2020. The firm provides architecture services, in Madhya Pradesh. It provided the following details of its turnover:

April - June	₹ 20 lakh
July - Sept	₹ 30 lakh
Oct - Dec	₹ 20 lakh

The firm has obtained the registration under section 22 of the CGST Act, 2017 and pays tax under composition scheme. Determine the tax liability of Varun & Arun Associates for the quarters: Apr-Jun, Jul-Sept and Oct-Dec.

Note: The rates of tax on architectural services are CGST- 9% and SGST-9%.

Answer:

(i) As per section 10(1) of the CGST Act, 2017, the following registered persons, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay tax under composition levy:

(i) Manufacturer,

(ii) Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and

(iii) Any other supplier eligible for composition levy.

The composition scheme under sub-sections (1) and (2) of section 10 can essentially be availed in respect of goods and only one service namely, restaurant service. However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher. Further, the registered person should not be engaged in making any inter-State outward supplies of goods.

Furthermore, newly inserted section 10(2A) of the CGST Act, 2017 provides an option to a registered person, who is not eligible to pay tax under section 10(1) and 10(2), of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto ₹ 50 lakh. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of ₹ 50 lakh, subject to specified conditions. One of such condition is that the registered person should not be engaged in making any inter-State outward supplies of goods or services.

In view of the above-mentioned provisions, the answer to the given independent cases is as under:-

(a) The turnover limit for being eligible for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 for Jalandhar (Punjab) is ₹ 1.5 crore in the preceding financial year. Thus, Technology Enterprises can opt for said composition scheme as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is making intra-State supplies. Further, since the registered person opting for

Reverse Charge - Questions

RTP NOV- 2020

XX, registered in Delhi, purchased books from PC Traders, registered in Uttar Pradesh. Books are exempt from GST. XX arranged the transport of these books from a goods transport agency (GTA) which charged a freight of ₹9,000 for the same. GST is payable @ 5% on such GTA services. Which of the following statement is correct in the given context:

- (a) GST of ₹450 is payable by XX on reverse charge basis.
- (b) Supply of goods and supply of GTA service is a composite supply wherein supply of goods is the principal supply and since principal supply is an exempt supply, no tax is payable on freight.
- (c) Since exempt goods are being transported, service provided by GTA for transporting the same is also exempt.
- (d) GST of ₹450 is payable by the GTA.

Answer: (a)

NOV 2020 (NEW COURSE)

Question 6 (b).

4 Marks

In the following independent cases, decide, which person 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.

'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.

Answer:

In case of goods transport agency they have the option to pay tax @ 12% by taking full ITC or @ 5% but ITC shall not be allowed. Further if any person is covered in 5% category, Reverse charge shall be applicable.

In the given case, GTA paying tax @ 12% hence reverse charge shall not be applicable and GTA shall be liable to pay tax.

NOV 2018 (NEW COURSE)

Question 10 (c)

Marks 3

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. RCM
- (ii) 'Safe Trans', a Goods Transport Agency, transported goods of Kapil & Co., a partnership firm which is not registered under GST. RCM

Answer:

(i) As per section 9(3) of CGST Act, reverse charge shall be applicable if sponsorship services is provided to body corporate or partnership firm but if such services is given to other person then reverse shall not be applicable, in the given case service is provided to LLP which is also similar to partnership firm and reverse charge shall be applicable and WE-WIN Cricket Academy shall be liable to pay GST under reverse charge.

(ii) As per section 9(3) of CGST Act, reverse charge shall be applicable in case a Goods Transport Agency services provided to any partnership firm whether registered or not, in the given case GTA services is provided to partnership hence Kapil & Co. is liable to pay GST under reverse charge.

2. LEGAL SERVICES:

Services provided by an individual advocate including a senior advocate or firm of advocates by way of legal services, directly or indirectly. "Legal service" means any service provided in relation to advice,

X ①

2: Mr. A sponsored a dance competition organized by 'Taal Academy', a dance school run by an individual. The dance competition was named as 'Mr. A's Dance Show' by 'Taal Academy'. Who is liable to pay GST in this case? Will your answer be different if 'Taal Academy' is run by a partnership firm?
Solution: In case of service provided by way of sponsorship to any body corporate or partnership firm, person liable to pay GST is the person receiving such service i.e. reverse charge is applicable, but if services are given to any other person, reverse charge is not applicable.

In the given case sponsorship service is provided to an individual, the person liable to pay GST will be service provider i.e., 'Taal Academy'. Further, since the status of service receiver is relevant for determining as to who would pay GST, status of service provider is immaterial. Therefore, as long as sponsorship service is rendered to an individual, GST will be payable by service provider i.e., 'Taal Academy' irrespective of whether the same is run by an individual or a partnership firm.

✓ ② : Vakil & Vakil, a firm of lawyers rendered legal advice to Mr. B, an architect, and MNO Ltd., an advertising agency during December, 2021. Who is liable to pay GST in this case? Will your answer be different if Mr. B and MNO Ltd. sought legal advice from Mr. A, a lawyer?

Aggregate Turnover of Mr. B and MNO Ltd. are exceeding prescribed limit in the preceding year.

Solution: In case of taxable services provided to any business entity by an individual advocate or a firm of advocates by way of legal services, person liable to pay GST is the person receiving such service.

Further, services provided by an individual advocate or a partnership firm of advocates by way of legal services to a business entity with a turnover up to prescribed limit in the preceding financial year are exempt from GST.

In the given case, turnover of services of both Mr. B and MNO Ltd. is more than prescribed limit in the preceding financial year and hence, legal services provided by Vakil and Vakil (firm of advocates) or Mr. A (individual lawyer) during December, 2021 will be taxable.

Therefore, GST will be payable by service receivers, Mr. B and MNO Ltd. irrespective of whether the legal advice is sought from a firm of lawyers or from Mr. A, an individual lawyer.

✓ ③

Gupta Associates, a firm of lawyers rendered legal Advice to Mr. Das, an Architect and Surya Ltd. an Advertising agency during December, 2021.

Who is Liable to pay GST in this Case? Will your answer be different if Mr. Das and Surya Ltd. sought Legal Advice from Mr. Dev a Lawyer.

Aggregate Turnover of Mr. Das and Surya Ltd. are exceeding prescribed limit in the preceding year.

Solution:

In case of taxable services provided to any business entity by an individual advocate or a firm of advocates by way of legal services, GST is payable under reverse charge, however services provided by an individual advocate or a partnership firm of advocates by way of legal services to a business entity with a turnover up to prescribed limit in the preceding financial year are exempt from GST.

In the given case, turnover of both Mr. Das and Surya Ltd. is more than prescribed limit in the preceding financial year and also they are business entity hence legal services provided by Gupta Associates (firm of advocates) during December, 2021 shall be taxable and service recipient will be required to pay tax under reverse charge.

It will not make any difference if services have been taken from Mr. Dev an individual lawyer.



JAN 2021 (NEW COURSE)

Question 8(a)

(5 Marks)

✓ Mr. Anurag, a famous Author is engaged in supply of services by the way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary works to a publisher.

Explain in brief the conditions under which an Author can choose to pay tax under forward charge.

Answer

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

✓ (i) He has taken registration under the GST law.

✓ (ii) He has filed a declaration, in the prescribed form,

that he exercises the option to pay tax on the said service under forward charge and, to comply with all the provisions of the GST law as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option.

✓ (iii) He makes a declaration on the invoice issued by him in prescribed form to the publisher.

You may assume that recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

✓ **Mr. Kamal Jain, an unregistered famous author, received ₹20 lakhs 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.**

Answer:

Reverse charge shall be applicable in respect of any services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like and recipient shall be liable to pay tax under reverse charge.

The author has the option to pay GST under normal charge but he shall not withdraw the said option within a period of 1 year from the date of exercising such option and he makes a declaration in the prescribed form in annexure -I and also on the invoice issued by him in form GST Inv-I to the publisher.

In the given case since in the question it is not mentioned whether author shall give declaration and author is an unregistered person hence PQR publications shall pay GST under reverse charge.

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

- (a) Services provided by an arbitral tribunal to any business entity. RCM
(b) Sponsorship services provided by a company to an individual. RCM
(c) Renting of immovable property service provided by the Central Government to a registered business entity.

Answer:

(a) Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory is payable under reverse charge, in the given case, GST is payable by the recipient - business entity.

(b) GST on sponsorship services provided by any person to any body corporate or partnership firm located in the taxable territory is payable under reverse charge. Since in the given case, services have been provided to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier – company.

(c) GST on services supplied by Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under CGST Act, 2017 is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered business entity.

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

Answer:

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

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

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

Answer:

In case of services provided by any person by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory. Further, for the reverse charge purposes, Limited Liability Partnership formed and registered under the provisions of the Limited Liability Partnership Act, 2008 is also be considered as a partnership firm. Therefore, in the given case, WE-WIN Cricket Academy is liable to pay GST under reverse charge.

7 'Safe Trans', a Goods Transport Agency, transported goods of Kapil & Co., a partnership firm, which is not registered under GST. Determine the person liable to pay tax in this case.

Answer:

In case of services provided by Goods Transport Agency (GTA) in respect of transportation of goods by road to, inter alia, any partnership firm whether registered or not under any law; GST is liable to be paid by such partnership firm. Therefore, in the given case, Kapil & Co. is liable to pay GST under reverse charge.

8 Legal Fees is received by Sushrut an advocate, from M/s. Tatva Trading Company having turnover of ₹ 50 lakh in preceding F. Y. Who is the person liable to pay tax in this case? RCM

Answer:

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

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

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

(a) Services supplied by an insurance agent to an Insurance Company.

(b) Services supplied by a recovery agent to a car dealer.

(c) Security services (services provided by way of supply of security personnel) provided to a registered person.

Answer:

(a) GST on services supplied by an insurance agent to any person carrying on insurance business located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – Insurance Company.

(b) GST on services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company located in the taxable territory is payable under reverse charge. However, since, in the given case, services are being supplied by a recovery agent to a car dealer, GST is payable under forward charge by the service provider - recovery agent.

(c) GST on security services (services provided by way of supply of security personnel) provided to a registered person, located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered person receiving the services.

MAY 2018 (OLD COURSE)

Question 9 (b)

Marks 3

State with reason, 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.)

Answer: Reverse charge shall be applicable in case of supply of renting of immovable property by Governments or Local Authority provided service recipient is registered under GST. In the given case service recipient is registered under GST as Turnover in the preceding year is exceeding 20 Lakh and shall be liable to pay GST under reverse charge.

(ii) Legal Fees received by Mr. Sushrut a senior advocate, from M/s. Tatva Trading Company having turnover of ₹50 lakhs in preceding F.Y.

Answer: Legal services received by senior advocate shall be exempt if it is given to business entity having turnover upto ₹20 lakhs in preceding year but if turnover is exceeding ₹20 lakhs then service recipient is liable to pay GST under reverse charge. In the given case turnover of the company is exceeding ₹20 lakhs hence company is liable to pay GST under reverse charge.

T.O.C.
NOV 2019 (OLD COURSE)

Question 7. (b)

(4 Marks)

M/s Parna Associates, a Partnership Firm, provided recovery agent service to Newtron Credits Ltd., an NBFC and a registered supplier, on 15th January 2022. Invoice for the same was issued on 7th February, 2022 and the payment was made on 18th April, 2022 by Newtron Credits Ltd, Bank account of company was debited on 20th April, 2022.

Determine the following:

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

Answer:

(i) In respect of services provided by a recovery agent to a banking company or a financial institution or a non-banking financial company, reverse charge shall be applicable i.e. the NBFC etc. shall pay tax.

In the given case Newtron Credits Ltd. an NBFC shall be liable to pay GST under reverse charge.

(ii) As per section 13(3), Time of supply of services in case of reverse charge shall be earlier of the following:

1. The date of payment or
2. The date immediately following 60 days from the date of issue of invoice.

In the given reverse charge shall be applicable and earlier of the following shall be the time of supply:

1. 18th April, 2022
2. 9th April, 2022 (i.e. Feb – 21, March – 31 April- 8)

MAY 2018 (OLD COURSE)

Question 9 (a)

Marks 3

On 4th September, 2021, V.R. Mehman a famous music composer, received, ₹3 crore of consideration from Zilmil Music Co. Ltd. for sale of copyright of his original music album. He finished his work & made available the CD to the music company on 20th July, 2021 & raised the invoice on 24th July, 2021. What will be the time of supply as per CGST Act, 2017?

Note: Above Service is taxable under reverse charge basis.

Answer: As per section 13(3), Time of supply of services in case of reverse charge shall be earlier of the following:

1. The date of payment or
2. The date immediately following 60 days from the date of issue of invoice.

In the given case TOS shall be earlier of the following:

1. 4th September 2021
2. 24th September 2021 (July -7, August – 31, September – 23)

Hence, TOS shall be 4th September 2021.

PRACTICE PROBLEMS

✓ **Q1.** A firm of lawyers issues invoice for services to ABC Ltd. on 17th Feb. The payment is contested by ABC Ltd. on the ground that on account of negligence of the firm, the company's case was dismissed by the Court for non-appearance, which necessitated further appearance for which the firm is billing the company. The dispute drags on and finally payment is made on 3rd November.

Identify the time of supply of the legal services.

Note: Legal services are taxable on reverse charge basis.

Answer: Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13:

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

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

✓ **Q2.** Kabira Industries Ltd engaged the services of a transporter for road transport of a consignment on 17th June and made advance payment for the transport on the same date, i.e., 17th June. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July. Invoice was received from the transporter on 22nd July. What is the time of supply of the transporter's service?

Note: Transporter's service is taxed on reverse charge basis.

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

- Date of payment
- 61st day from the date of issue of invoice

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

PRACTICE PROBLEMS

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✓ **Q2.** Kabira Industries Ltd engaged the services of a transporter for road transport of a consignment on 17th June and made advance payment for the transport on the same date, i.e., 17th June. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July. Invoice was received from the transporter on 22nd July. What is the time of supply of the transporter's service?

Note: Transporter's service is taxed on reverse charge basis.

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

- Date of payment
- 61st day from the date of issue of invoice

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

PRACTICE PROBLEMS

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Identify the time of supply of the legal services.

Note: Legal services are taxable on reverse charge basis.

Answer: Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13:

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

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

✓ **Q2.** Kabira Industries Ltd engaged the services of a transporter for road transport of a consignment on 17th June and made advance payment for the transport on the same date, i.e., 17th June. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July. Invoice was received from the transporter on 22nd July. What is the time of supply of the transporter's service?

Note: Transporter's service is taxed on reverse charge basis.

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

- Date of payment
- 61st day from the date of issue of invoice

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

PRACTICE PROBLEMS

✓ **Q1.** A firm of lawyers issues invoice for services to ABC Ltd. on 17th Feb. The payment is contested by ABC Ltd. on the ground that on account of negligence of the firm, the company's case was dismissed by the Court for non-appearance, which necessitated further appearance for which the firm is billing the company. The dispute drags on and finally payment is made on 3rd November.

Identify the time of supply of the legal services.

Note: Legal services are taxable on reverse charge basis.

Answer: Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13:

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

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