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CA INTER

Indirect Tax

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PREFACE

Dear students,

Now is not the end, its not even the beginning of the end, but perhaps the end of the beginning.

Beginning of an initiative where a student is striving to learn and teacher is striving to teach in his best possible manner.

An initiative where the teacher is not just trying to teach the subject but even assist the students to understand the rationale behind enacting the provision and its application in a sum thereby aiding the student to solve the problems in exam with ease.

I have firmly believed that I TEACH AS I LEARN and I LEARN AS I TEACH and which is why I still consider myself as a student of this subject.

Students, with this book I extend to you an opportunity to read INDIRECT TAX like you have never read before it as it consists the latest amendments, ciruclars and clarification issues by CBIC.

Friends this book has come into being after a lot of sleepless nights, hours of hardwork several missed dates and underutilizing my Netflix subscription.

The only compensation I expect from you as student is to now “binge read” it to your way in securing an exemption.

So Let us both CATCH THE “BULL BY ITS HORNS” and make indirect tax a subject that has the onus to take the burden of helping u pass the ENTIRE GROUP 1.

Heralding you to a bright and brilliant future.

In the spirit of GREAT LEARNING, here is some GREAT READING.

I wish you a very happy study time.

Best of Luck



Prof. J. K. Shah
Chartered Accountant

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1

GST IN INDIA – AN INTRODUCTION

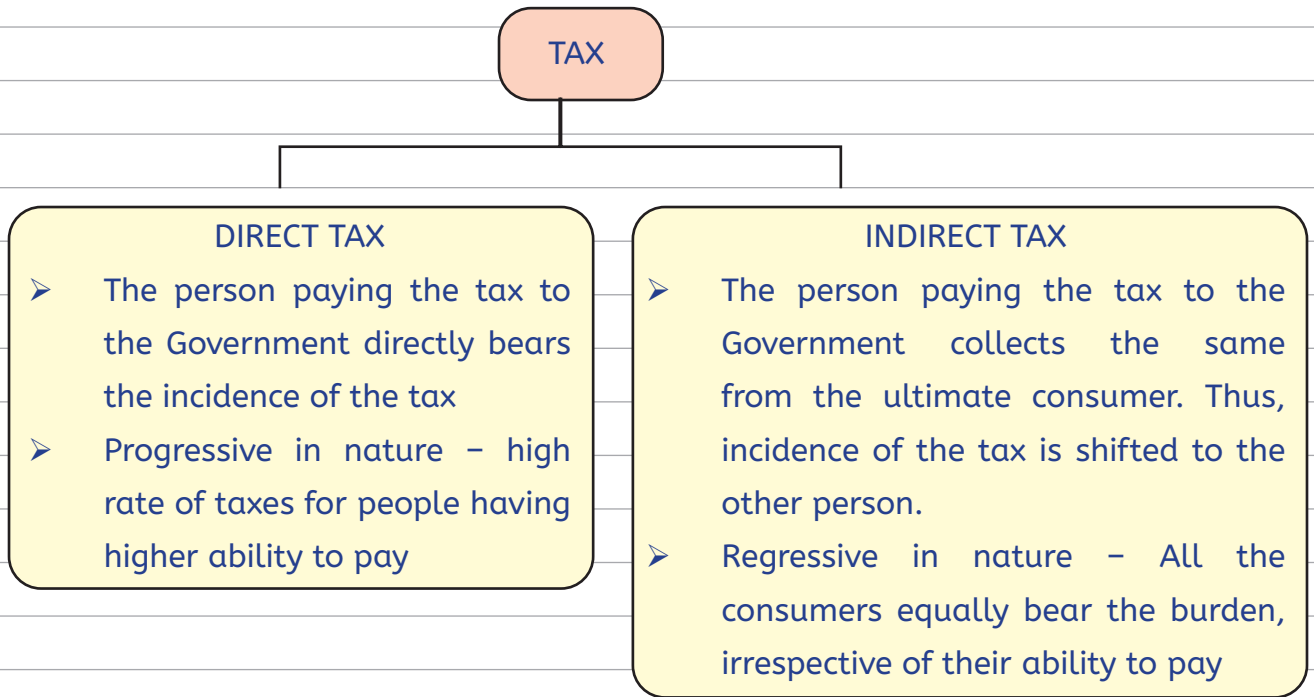
➤ Chapter Overview

1. What is TAX
2. Difference Between Direct & Indirect Tax
3. Features of Indirect tax
4. What is GST
5. GST in India
6. Concept of GST
7. Taxes To be Subsumed
8. Framework of GST in India
9. Constitutional Provision
10. Point to ponder
11. Homework

1. What is TAX?

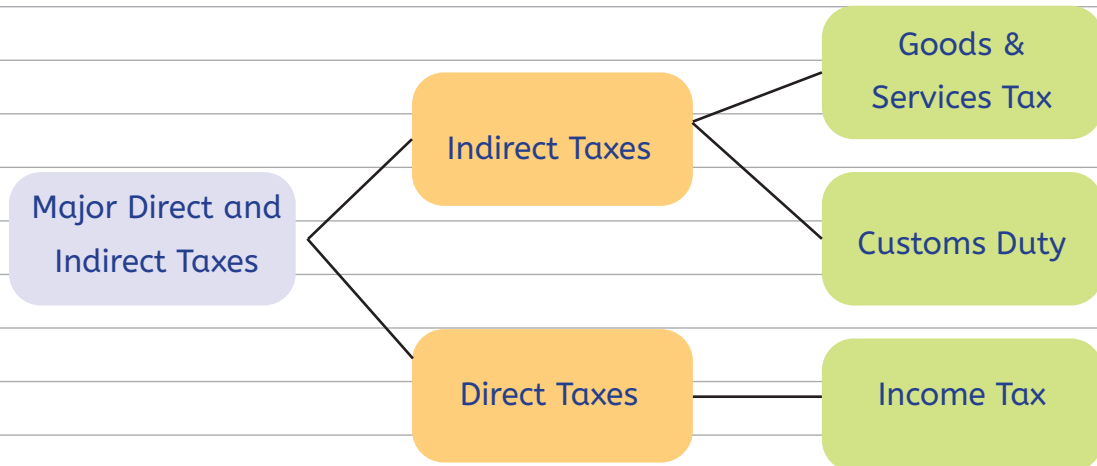
In simple words, tax is nothing but money that people have to pay to the Government, which is used to provide public services.

2. DIFFERENCE BETWEEN DIRECT AND INDIRECT TAX



Burden of tax borne by the person himself

Burden of tax shifted to another person



3. FEATURES OF INDIRECT TAXES

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

4. WHAT IS GST?

Simply put, Goods and Service Tax is a tax levied on goods and services imposed at each point of sale or rendering of service. Such GST could be on entire goods and services or there could be some exempted class of goods or services or a negative list of goods and services on which GST is not levied. GST is an indirect tax in lieu of tax on goods (excise) and tax on service (service tax). The GST is just like State level VAT which is levied as tax on sale of goods.

5. GST IN INDIA

GST is a comprehensive Indirect Tax on manufacture, sale and consumption of goods and services throughout India to replace taxes levied by the Central and State Governments. It is introduced as Constitution (101st Amendment) Act, 2016. The GST is governed by GST Council and its Chairman is Union Finance Minister of India.

France was the first country to implement GST in the year 1954. Presently about 160 countries across the world have adopted GST with Canada has a dual GST model just like India.

6. CONCEPT OF GST

1. GST is a value added tax

GST is a tax levied at multiple stages of production & distribution of goods & services in which tax paid on inputs are allowed as set-off against tax payable on output. In short, we can say that GST is charged on “Value Addition.”

2. Chain of tax credits

GST offers comprehensive and continuous chain of tax credits from the producer’s point/service up to the retailer’s level/consumer’s level.

3. Burden on final consumer

The final burden of GST is borne by the consumer as it is charged by the last supplier with set off benefits at all previous stages.

4. No cascading effect of taxes

The past tax structure of India has number of indirect taxes collected both by Central and State Government. Due to such multiple taxes, there had been cascading effect of taxes (tax on tax) and double taxation.

GST will subsume all these indirect taxes and will thus, facilitate seamless flow of credit resolving the problem of double taxation and cascading effect of taxes.

Example :

Manufacturer purchased raw material and GST paid Rs.80

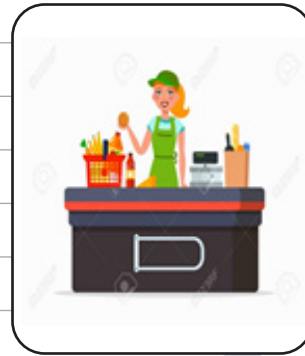
Rate of GST = 12%



MANUFACTURERS



WHOLESALER



RETAILER



CONSUMER

INVOICE -> M	
Supply Price	Rs.1000
GST @12	Rs.120
Total	Rs.1120

INVOICE -> W	
Cost	Rs. 1000
PROFIT	Rs. 500
SP	Rs. 1500
GST	Rs. 180
Total	Rs. 1680

INVOICE -> R	
Cost	Rs.1500
PROFIT	Rs. 500
SP	Rs.2,000
GST	Rs. 240
Total	Rs.2,240

Tax Payable -> M	
Payable	Rs.120
-ITC	Rs.80
Net Tax	Rs.40

Tax Payable -> W	
Payable	Rs.180
-ITC	Rs.120
Net Tax	Rs.60

Tax Payable -> R	
Payable	Rs.240
-ITC	Rs.180
Net Tax	Rs.60

INVOICE -> C	
Cost	Rs. 2,000
GST	RS. 240
Total	Rs. 2,240

7. TAXES TO BE SUBSUMED

TAXES TO BE SUBSUMED IN GST

AT CENTRAL LEVEL:

1. Excise Duty
2. Service tax
3. Countervailing duty
4. Special Additional custom duty
5. Central Sales Tax
6. CESSSES AND SURCHAREGES

AT STATE LEVEL:

1. VAT / SALES TAX
2. ENTERTAINMENT TAX (except levied by local body)
3. LUXURY TAX
4. TAX ON LOTTERY, BETTING & GAMLING
5. ENTRY TAX
6. CESSSES AND SURGCHARGES

SINGLE UNIFORM TAX

→ **GST**

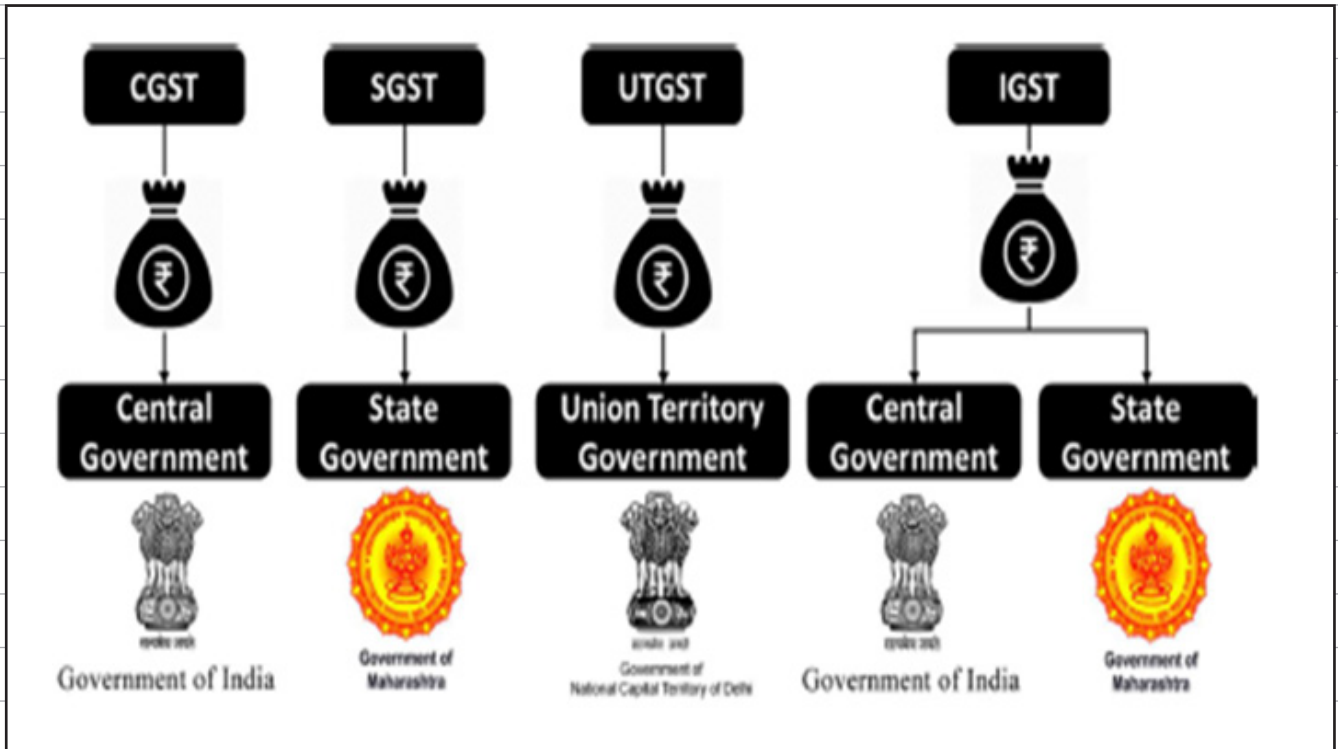
Exclude

- Electricity Duty
- Property tax & Stamp Duty
- Basic Custom Duty
- Excise duty/VAT/CST on
 - Alcoholic liquor for human consumption
 - Petroleum Crude
 - High Speed Diesel
 - Motor Sprit (Commonly known as Petrol)
 - Natural Gas
 - Aviation Turbine Fuel

8. FRAMEWORK OF GST IN INDIA

DUAL GST MODEL

A dual GST will be in keeping with the constitutional requirement of fiscal federalism. GST in India will be dual model based i.e., state and central government will both levy GST termed as SGST/UTGST and CGST respectively. However, chargeability, definition of taxable event and taxable person, measure of levy including valuation provisions, basis of classification etc. would be uniform under both CGST and SGST laws.



9. CONSTITUTIONAL PROVISION

Article 246 : Subject - matter of laws made by parliament and by the Legislatures of States

Article 246A : was added to the constitution to provide for concurrent powers to Central Government and State Government to levy GST on intra state supplies of goods and services.

Article 269A : provides that Central Government has exclusive powers to make a law for Inter State supplies and it will be apportioned as provided by Parliament.

Article 279A : provides for GST Council which is empowered to make recommendations to the Central Government and State Government with regard to GST. It is headed by the Union Finance Minister.

10. Points to Ponder

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

2. **GSP:** GSTN has selected certain Information Technology, Information Technology enabled Services and financial technology companies, to be called GST Suvidha Providers (GSPs). GSPs have access to GST System and have the capability to develop applications to be used by taxpayers for interacting with the GSTN.

3. **Within GST or out of GST:**



Alcohol for human consumption.

Power to tax remains with the State.



Five petroleum products – crude oil, diesel, petrol, natural gas and ATF.

GST Council to decide the date from which GST will be applicable.



Entertainment tax levied by local bodies.

Power to tax remains with the local bodies.



Tobacco

Within the purview of GST. Power to levy excise duties, also retained.

4. **Compensation Cess:** Initially, GST compensation cess was levied for a period of 5 years upto 30th June, 2022. However, its levy and collection has been extended till 31st March, 2026.



1. GST stands for _____
- (a) Good and Simple Tax (b) Geographical Sales Tax
(c) Geographical Service Tax (d) Goods and Services Tax

Ans (d)

2. In India GST became effective from _____ .
- (a) 30th June 2017 (b) 8th August 2017
(c) 1st July 2017 (d) 1st October 2017

Ans (c)

3. GST is a _____ based tax on consumption of goods and services.
- (a) Origin (b) Destination
(c) Supply (d) Both (b) and (c) are correct

Ans (b)

4. Which of the following tax is not subsumed in GST?
- (a) Value Added Tax
(b) Basic Customs Duty (BCD)
(c) Additional Customs Duty, commonly known as Countervailing Duty (CVD)
(d) Special Additional Duty of Customs – 4% (SAD)

Ans (b)

5. Article _____ in Constitution of India makes provision for constitution of GST Council?
- (a) 279A (b) 366
(c) 269A (d) 246A

Ans (a)

6. GST Council is the _____ Constitutional Authority to decide policies of GST.
- (a) Complex (b) Apex
(c) Secondary (d) Base

Ans (b)

7. Who shall be the Chairman of the GST Council?
- (a) Union Finance Minister (b) State Finance Minister
(c) Prime Minister (d) Lieutenant Governor

Ans (a)

8. How shall the Vice chairperson of the GST Council be elected?
- (a) GST Council shall elect from its Members
(b) President shall nominate
(c) Prime Minister shall nominate
(d) States shall with majority elect the Vice chairperson

Ans (a)

9. Which Article of the Indian Constitution defines the GST?[®]
- (a) Article 279A (b) Article 366(12A)
(c) Article 265 (d) Article 270

Ans (b)

10. Goods and Services tax means a tax on _____ of goods or services or both.
- (a) Sale (b) Transfer
(c) Supply (d) All of the above

Ans (c)

11. _____ shall be levied on inter – State branch transfers.
- (a) IGST (b) CGST
(c) UTGST (d) SGST

Ans (a)

12. Which Article of the Indian Constitution empowers the Government of India to levy IGST in case of inter – State supply?
- (a) Article 246A (b) Article 279
(c) Article 269A(1) (d) Article 366(26A)

Ans (c)

13. Tobacco products shall be subject to which of the following taxes?

- (a) Excise duty (b) GST
(c) Excise Duty plus GST (d) VAT

Ans (c)

14. Can tax be imposed on entertainment & amusement by the Municipality, panchayat, Regional Council & District Council after implementation of GST?

- (a) Yes (b) No
(c) Yes, with prior permission of President (d) May be

Ans (a) [Tax by local bodies is not subsumed under GST]

15. What can be the maximum rate of IGST that can be levied?

- (a) 28% (b) 40%
(c) 20% (d) 50%

Ans (b)

16. Which website is used for filing GST returns?

- (a) www.cbic.gov.in (b) www.gst.gov.in
(c) www.gstcouncil.gov.in (d) www.cbdt.gov.in

Ans (b)

17. What is the meaning of the cascading effect?

- (a) Charging tax on tax (b) Dual taxation
(c) Non – eligible of ITC (d) None of the above

Ans (a)

18. Which of the following tax is not subsumed in GST?

- (a) Stamp duty (b) Central Excise
(c) Octroi (d) VAT

Ans (a)

19. The definition of goods under section 2(52) of the CGST Act does not include

- (a) Grass (b) Money and securities
(c) Actionable claims (d) Growing crops

Ans (b)

20. Who are the members of the GST Council? Enumerate any two recommendations that can be made by the GST Council.

Ans: The GST Council shall consist of the following members, namely: —

- (a) the Union Finance Minister is the Chairperson;
- (b) the Union Minister of State in charge of Revenue or Finance is the Member;
- (c) the Minister in charge of Finance or Taxation or any other Minister nominated by each State Government are the Members.

The recommendations that can be made by GST Council are as under: -

- (i) the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in GST;
- (ii) the goods and services that may be subjected to, or exempted from GST;
- (iii) model GST Laws, principles of levy, apportionment of GST levied on supplies in the course of inter-State trade or commerce and the principles governing the place of supply;
- (iv) the threshold limit of turnover below which goods and services may be exempted from GST;
- (v) the rates including floor rates with bands of GST;
- (vi) any special rate(s) for a specified period, to raise additional resources during any natural calamity/disaster;
- (vii) special provision with respect to Special Category States;
- (viii) the date on which the GST be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel;
- (ix) any other matter relating to the GST, as the Council may decide.

21. Briefly discuss Article 246A of the Constitution of India.

Ans. Article 246A grants power to the Parliament and Legislature of every State to make laws with respect to GST imposed by Centre/such State.

Parliament has the exclusive power to make laws with respect to GST in case of inter-State supply of goods and/or services.

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

22. Why was there a need for making a constitutional amendment for introduction of GST? Discuss significant provisions of Constitution (101st Amendment) Act, 2016.

Ans: There was a need for making constitutional amendment for introduction of GST so as to enable integration of the central excise duty, additional duties of customs, State VAT and certain State specific taxes and service tax into a comprehensive Goods and Services Tax and to empower both Centre and the States to simultaneously levy and collect it.

The significant provisions of Constitution (101st Amendment) Act, 2016 are as under: -

- (i) Concurrent powers on Parliament and State Legislatures to make laws governing taxes on goods and services.
- (ii) Levy of IGST on inter-State transactions of goods and/or services to be levied and collected by the Central Government and apportioned between the Union and States in the manner provided by Parliament by law as per the recommendation of the GST Council.
- (iii) Principles for determining the place of supply and when a supply takes place in the course of inter-State trade/commerce shall be formulated by the Parliament, by law.
- (iv) GST will be levied on all supply of goods and services except alcoholic liquor for human consumption.
- (v) On the following products, GST shall not be levied till a date to be notified on the recommendations of the GST Council:
 - Petroleum Crude
 - High Speed Diesel
 - Motor Spirit (commonly known as Petrol)
 - Natural Gas
 - Aviation Turbine Fuel
- (vi) The Union Government shall retain the power to levy duties of excise on the aforesaid products besides tobacco and tobacco products manufactured or produced in India.
- (vii) President is empowered to constitute a joint forum of the Centre and States namely, Goods & Services Tax Council (GST Council).
- (viii) The Union Finance Minister is the Chairman of GST Council and Ministers in charge of Finance/Taxation or any other Minister nominated by each of the States & UTs with Legislatures are its members. Besides, the Union Minister of State in charge of Revenue or Finance is also its member.

- (ix) The function of the GST Council is to make recommendations to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution etc.
- (x) The provisions relating to GST Council came into force on 12th September, 2016. President constituted the GST Council on 15th September, 2016.

23. Various taxes have been subsumed in GST to make one nation one tax one market for consumers. Out of the following, determine which taxes have been subsumed in GST.

- (i) Basic customs duty levied under Customs Act, 1962
 - (ii) Taxes on lotteries
 - (iii) Environment tax
- (a) (ii)
 - (b) (ii) and (iii)
 - (c) (iii)
 - (d) (i), (ii) and (iii)

Ans: (a)

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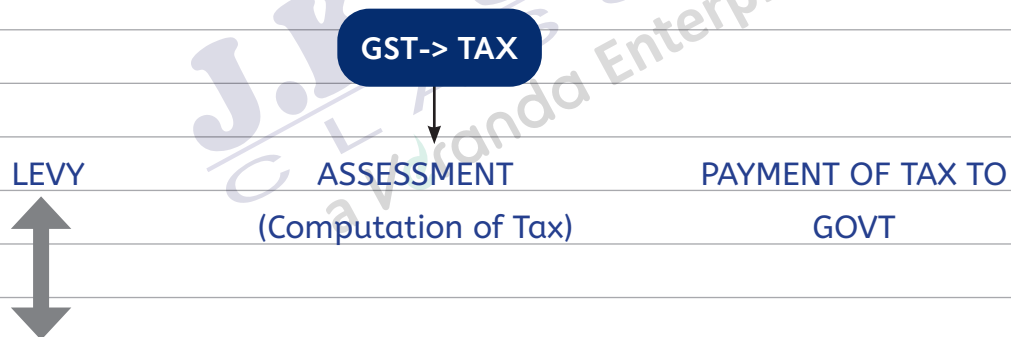
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TAXABLE EVENT SUPPLY

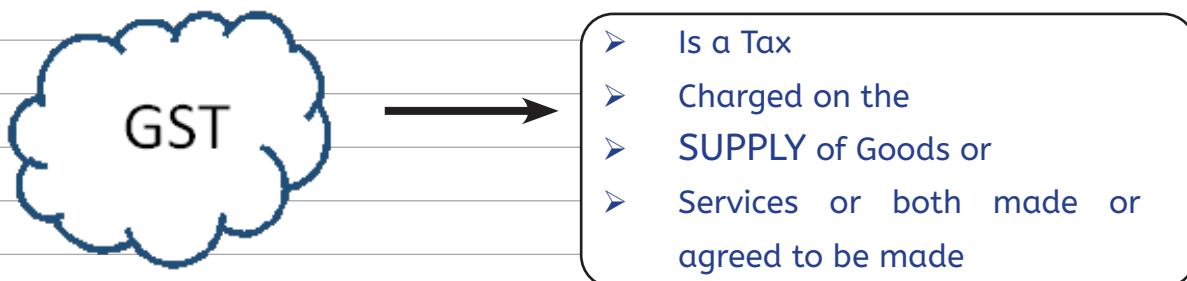
➤ **Chapter Overview**

1. Scope of Supply (Sec 7)
2. Definition of Goods & Services
3. Supply for Consideration in the course or furtherance of Business
4. Importation of Services
5. Schedule I: Supply Without Consideration
6. Schedule II: Activities to be treated as Supply of Goods or Supply of Services
7. Schedule III: Negative List Under GST
8. Composite & Mixed Supply
9. Classwork and Homework
10. MCQs

1. **Section 7 'Meaning & Scope of Supply'**



GST is a TAX applicable to whole of INDIA including the state of Jammu & Kashmir



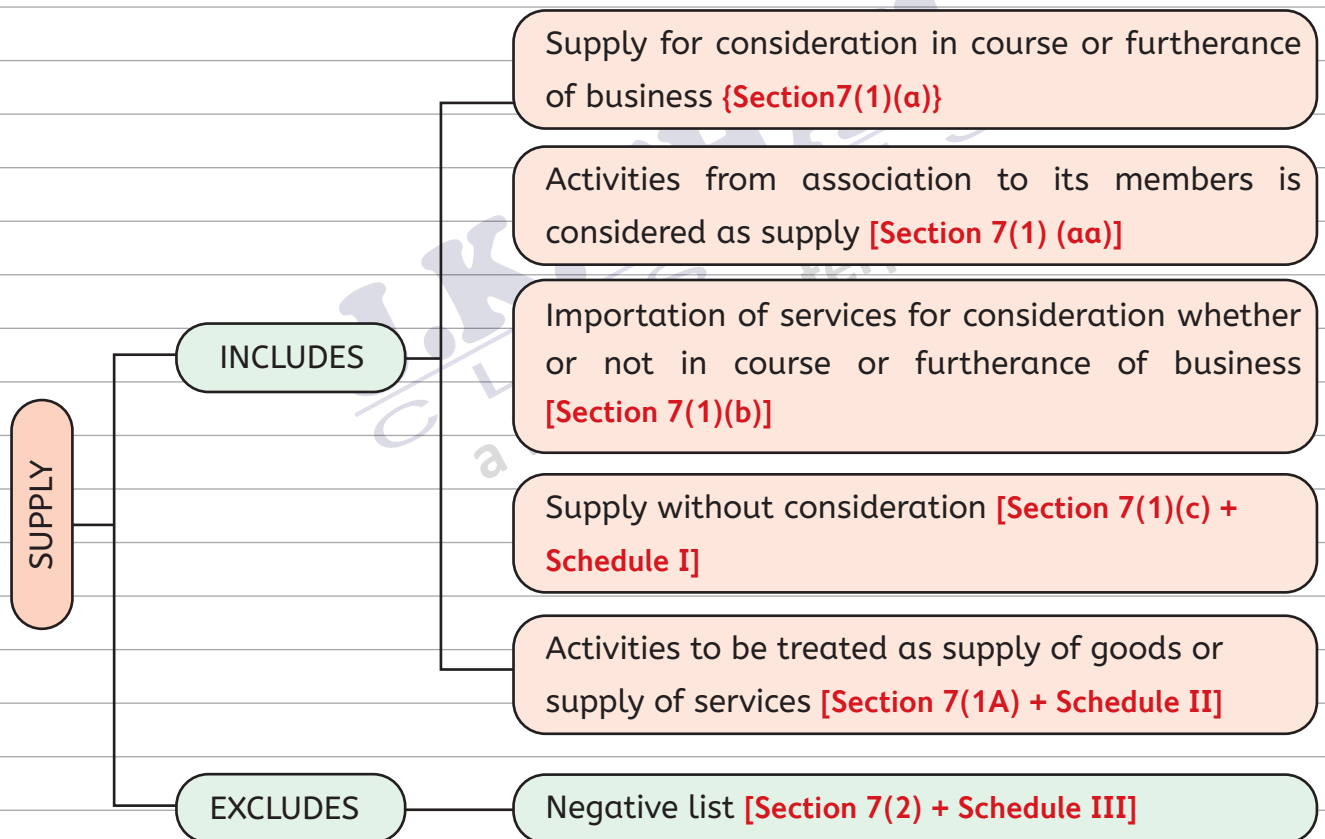
❖ **GOODS: Sec 2(52) of CGST Act, 2017** states that Goods means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

- ❖ **SERVICES:** Sec 2(102) of CGST Act, 2017 states that service 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 separate consideration is charged.

NOTE -> "Services" includes facilitating or arranging transactions in securities.

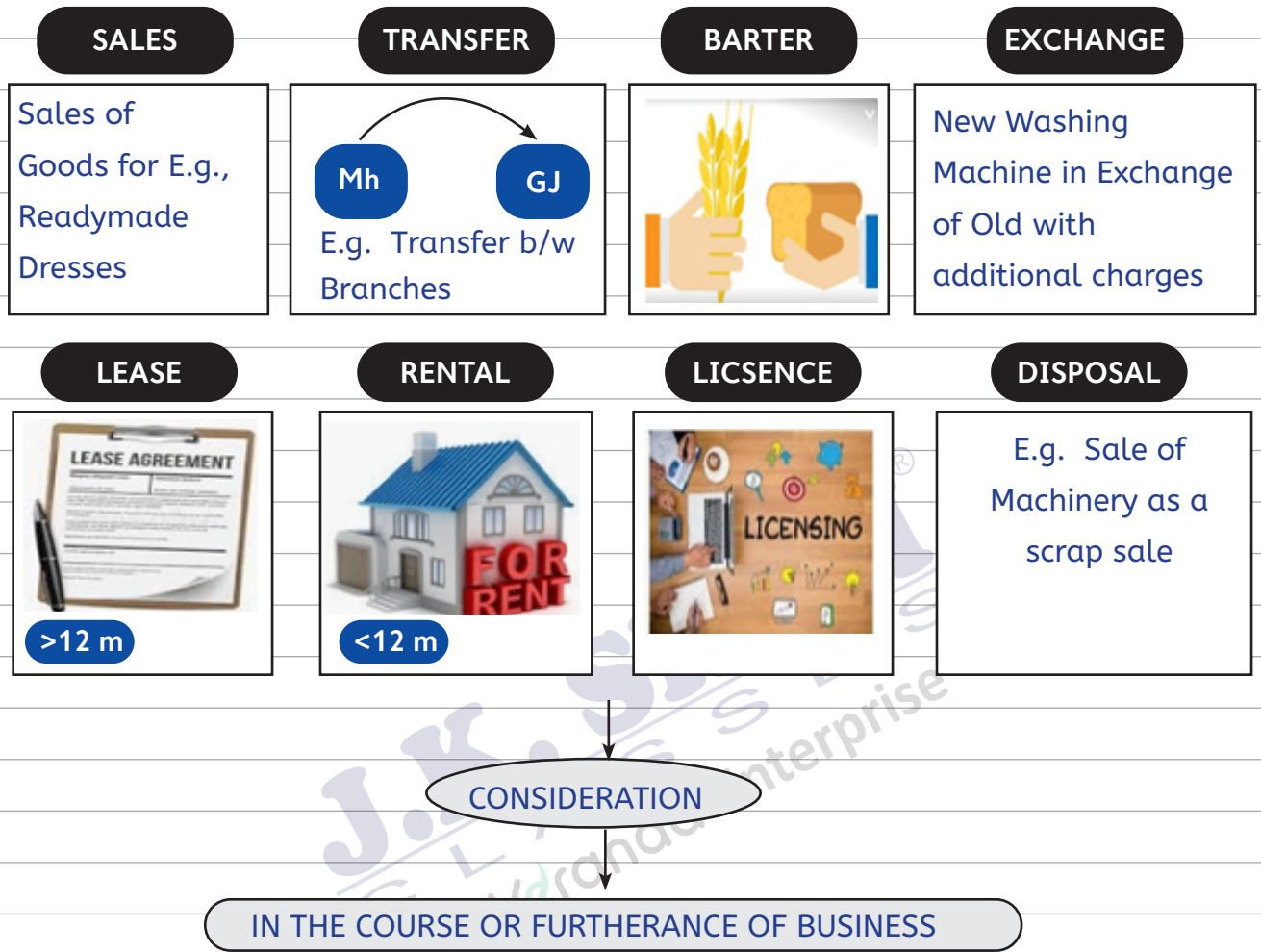
EXAMPLE :

If some service charges or service fees or documentation fees or broking charges or such like fees or charges are charged in relation to transactions in securities, the same would be a consideration for provision of service and chargeable to GST.

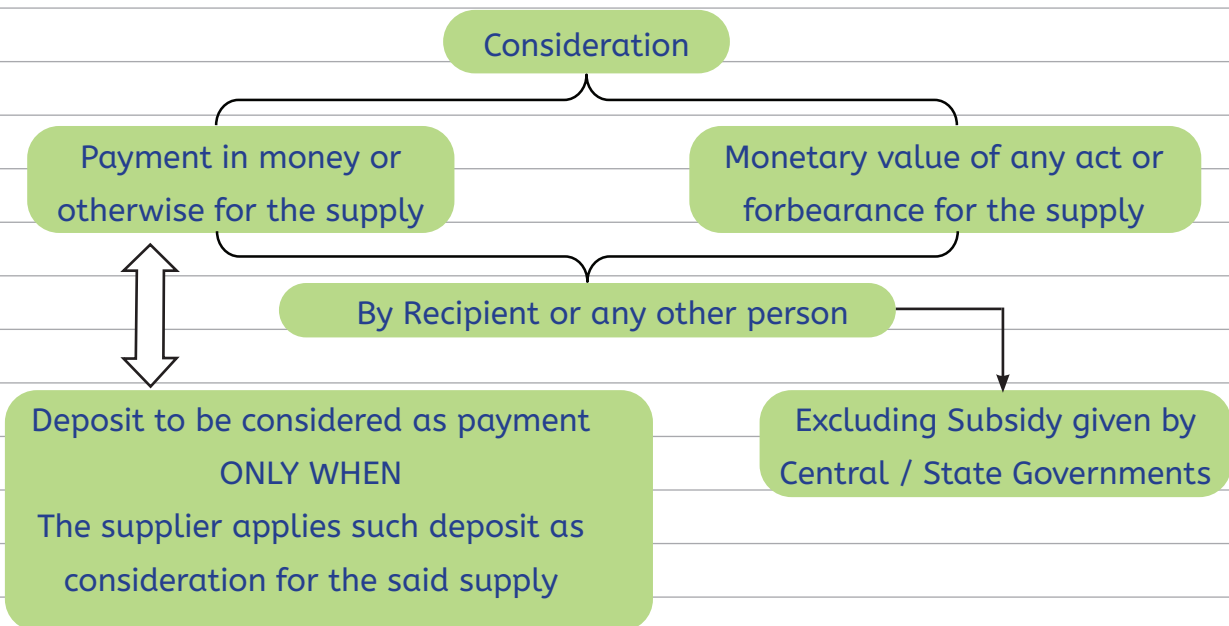


[Section 7(1)(a)] SUPPLY FOR CONSIDERATION IN COURSE OR FURTHERANCE OF BUSINESS

SUPPLY INCLUDES



1. CONSIDERATION:



EXAMPLE 1 :

ABC Ltd. Owns a training center in Ahmedabad, the institute charges Rs.25,000/- per student for giving training. The training program is subsidized by:

Central Government Rs.3,000/-per student.

Care for smile charitable trust Rs.2,000/- per student.

Government of USA Rs.2,000/-

ABC Ltd. charge Rs.18,000/- excluding GST per student

Compute the total amount (tax inclusive) collectible from student.

ANS: In this case, subsidies given by different institutions are directly linked to the price charged by ABC Ltd. Central Government subsidy can be excluded but subsidy paid by other will be included in taxable value. Consequently, value of taxable supply will be calculated as follows Rs.

	Rs.
Transaction Value	18,000
Subsidy paid by Care for smile charitable trust	2,000
Subsidy paid by USA Government	2,000
Value of Taxable Supply	22,000

Amount to be collected from students will be as follows:

Rs.18,000 (Transaction value) + CGST: Rs.1980 + SGST: Rs.1980 (22000*18%*1/2)

EXAMPLE 2 :

Ramesh buys a car for his personal use and after a year sells it to a car dealer. Sale of car by Ramesh to car dealer is not a supply under CGST Act because supply is not made by Ramesh in the course or furtherance of business.

Note :

(I) Donations received by charitable institutions from individual donors, without quid pro quo (something for something) :

No supply as there is no quid pro quo. Donations received by the charitable organisations are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything (Supply of Service)

Example 1 :

Bhushan donated a blackboard to Yoganisht Sansthan - a charitable yoga institution. Yoganisht Sansthan printed underneath the blackboard so donated - “Good wishes from Mr. Bhushan”.

Example 2 :



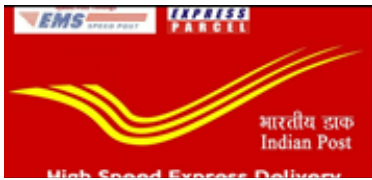
Smt. Durga Devi donated some money to a temple in the memory of her late father. The Temple Trust constructed a room in the temple complex from such donation and wrote “Donated by Smt. Durga Devi in the memory of her father” on the door floor of the room






(II) Art works sent by artists to galleries for exhibition is not a supply as no consideration flows from the gallery to the Artists (Except Schedule 1)

2. BUSINESS [Sec 2(17)] a)

- a) -> Any trade, commerce, manufacture
- > Profession, vocation
- > Adventure
- > Wager (a place of bet) or
- > Any other similar activity

Whether or not it is for a pecuniary benefit (It means intention to earn the profit is not a criterion in determining the states of business).

Any activity or Transaction	b) In connection with or incidental or ancillary to sub-clause (a) E.g. Sale of Old Assets or Scrap or Capital Goods by a trader.	 sale of scrap
	c) Whether or not there is volume, frequency, continuity of such transaction. E.g. Trader of Mobile providing consultancy for “How to set up Mobile Shop” to any person for consideration.	
	d) Undertaken by CG, SG, LA for Public interest E.g., Speed Post, Express Parcel by Post Office	

<p>e) Supply or acquisition of goods including capital Goods E.g., Sale and Purchase of Goods / Machineries</p>	
<p>f) Related to admission for consideration to any premises. E.g., Entry Tickets for amusement park, cinema theatres etc.</p>	
<p>g) Provided by Club / association to its members. E.g., Sports facilities like swimming pool, table tennis, Cricket etc</p>	
<p>h) Provided by race club by way of totalisator or a license to book maker in such club</p>	
<p>i) 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. E.g., CA in practice provides CFO or independent director services, he would be covered.</p>	

EXAMPLES

1. Aditya buys a car for his personal use and after a year sells it to a car dealer. Sale of car by Aditya to car dealer is not a supply under CGST Act because said supply is not made by Aditya in the course or furtherance of business.
2. Services by way of admission to circus, cinema halls, amusement parks including theme parks, water parks, etc. are considered as supply as these are services by way of admission of persons to any premises for a consideration.

Section 7(1) (aa) The Activities or transactions, by a person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration.

[Section 7(1) (b)] IMPORTATION OF SERVICES

- ❖ Import of services for a consideration whether or not in the course or furtherance of business.

[(Sec 7(1)(c)] r.w SCHEDULE I – SUPPLY WITHOUT CONSIDERATION

1. PERMANENT TRANSFER/DISPOSAL OF BUSINESS ASSETS WHERE ITC WAS TAKE

- Any kind of disposal or transfer of business assets made by an entity on permanent basis even though without consideration.
- This clause is wide enough to cover transfer of business assets from holding to subsidiary company for nil consideration. However, it is important to note that this provision would apply if input tax credit has been availed on such assets.

Example : Dealer of laptops or dealers of cloth gives laptops or clothes free of cost to their friend.

2. SUPPLY BETWEEN RELATED PERSON OR DISTINCT PERSONS

- Related person is defined as per explanation to Section 15 of CGST Act which means the following:
 - a. Such persons are officers or directors of one another's businesses;
 - b. Such persons are legally recognised partners in business;
 - c. Such persons are employer and employee;
 - d. Any person directly or indirectly owns, controls or holds twenty-five per cent or more of the outstanding voting stock or shares of both of them;
 - e. One of them directly or indirectly controls the other;
 - f. Both of them are directly or indirectly controlled by a third person;
 - g. Person who are associated as sole agent or sole distributor or sole concessionaire.
 - h. Together they directly or indirectly control a third person; or they are members of the same family;

FAMILY MEANS

- i. the spouse and children of the person, and
- ii. the parents, grand-parents, brother and sisters of the person if they are wholly or mainly dependent on the said person. [sec 2(49) of CGST Act]

EXAMPLES :

1. Mr. A and Mr. B are partners in the partnership firm A&B Co. Mr. A & Mr. B are related persons. Thus, a transaction of supply between Mr. A & Mr. B in the course or furtherance of business is treated as supply even if made without consideration.
 2. Ms. Priya holds 30% shares of ABC Ltd. and 35% shares of XYZ Ltd. ABC Ltd. and XYZ Ltd. are related.
 3. 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.
 4. Alpha Ltd. controls the composition of Board of directors of Beta Ltd. and Gama Ltd. It is said to control both Beta Ltd. and Gama Ltd. Beta Ltd. and Gama Ltd. are related persons.
 5. Brita Ltd. and Grita Ltd. together control Margarita Ltd. Brita Ltd. and Grita Ltd. are related.
- **Supply of goods or services or both between an employer and employee:** By virtue of aforesaid definition of related person, employer and employee are related persons. However, services provided by an employee to the employer in the course of or in relation to his employment shall not be treated as supply of services [Schedule III (Negative List)]

Further, Schedule I provides that gifts not exceeding ₹ 50,000 in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

EXAMPLE :



Value exceeding 50,000

SHAH Pvt Ltd

GIFTS

TOP EXECUTIVE

Tax Payable Under GST

- **Distinct persons:** As per section 25 of CGST Act, A person who has obtained/is required to obtain more than one registration, whether in one State/Union territory or more than one State/Union territory shall, in respect of each such registration, be treated as distinct persons.

Stock transfers or branch transfers : In view of the aforesaid discussion, transactions between different locations (with separate GST registrations) of same legal entity (eg., stock transfers or branch transfers) will qualify as ‘supply’ under GST.

3. IMPORTATION OF SERVICE

Import of services by a person from a related person or from his establishments located outside India, in the course or furtherance of business shall be treated as “supply”

EXAMPLE:

1. Unilever PLC, London is supplying business consultancy service to its subsidiary company UL Ltd. without consideration.

Ans: It is deemed supply as per section 7(1)(c) as it is import of service without consideration from a related person in the course of furtherance of business.

2. Mr. Hritik, Sydney is supplying interior decoration service to Miss Kangana, Mumbai his wife without any consideration in relation to Kangana’s house.

Ans: It is neither deemed supply as per section 7(1)(c) as it is not in the course or furtherance of business, nor a supply as per section 7(1)(b) as it is without consideration.

4. PRINCIPAL - AGENT

- Supply of goods by a principal to his agent, without consideration, where the agent undertakes to supply such goods on behalf of the principal is considered as supply. Similarly, supply of goods by an agent to his principal, without consideration, where the agent undertakes to receive such goods on behalf of the principal is considered as supply.

Scope of Principal Agent relationship - Circular 57/31/2018 dated 4th September 2018 The key ingredient for determining relationship under GST would be whether the invoice for the further supply of goods on behalf of the principal is being issued by the agent or not. Where the invoice for further supply is being issued by the agent in his name then, any

provision of goods from the principal to the agent would fall within the fold of the said entry. However, it may be noted that in cases where the invoice is issued by the agent to the customer **in the name of the principal**, such agent shall not fall within the ambit of para 3 of Schedule I of the CGST Act.

Scenario 1

Mr. A appoints Mr. B to procure certain goods from the market. Mr. B identifies various suppliers who can provide the goods as desired by Mr. A, and asks the supplier (Mr. C) to send the goods and issue the invoice directly to Mr. A. In this scenario, Mr. B is only acting as the **procurement agent, and has in no way involved himself in the supply or receipt of the goods**. Hence, Mr. B is not an agent of Mr. A for supply of goods in terms of para 3 of Schedule I.

Scenario 2

M/s XYZ, a banking company, appoints Mr. B (auctioneer) to auction certain goods. The auctioneer arranges for auction and identifies potential bidders. The highest bid is accepted and the goods are sold by M/s XYZ and invoice for supply of goods is issued by M/s XYZ to successful bidder. In this scenario, auctioneer is merely providing auctioneering services with no role in supply of goods. Even in this scenario, Mr. B is not an agent of M/s XYZ for supply of goods in terms of para 3 of Schedule I.

Scenario 3

Mr. A, an artist, appoints M/s B (auctioneer) to auction his painting. M/s B 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 M/s B on the behalf of Mr. A but in his own name and the painting is delivered to the successful bidder. In this scenario, M/s B is not merely providing auctioneering services, but is also supplying the painting on behalf of Mr. A to the bidder, and has the authority to transfer the title of the painting on behalf of Mr. A. This scenario is covered under Schedule I.

A similar situation can exist in case of supply of goods as well where the C&F 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 name of principal is immaterial in such situations.

Scenario 4

Mr. A sells agricultural produce by utilizing the services of Mr. B, a commission agent as per Agricultural Produce Marketing Committee Act (APMC Act). Mr. B identifies the buyers and sells the agricultural produce on behalf of Mr. A for which he charges a commission from Mr. A. As per the APMC Act, 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 commission in such transaction.

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

❖ CLARIFICATION ON VARIOUS DOUBTS RELATED TO TREATMENT OF SALES PROMOTION SCHEMES UNDER GST

It has been noticed that there are several promotional schemes which are offered by taxable persons to increase sales volume and to attract new customers for their products. Taxability of two such schemes has been clarified as under.

A. FREE SAMPLES AND GIFTS:

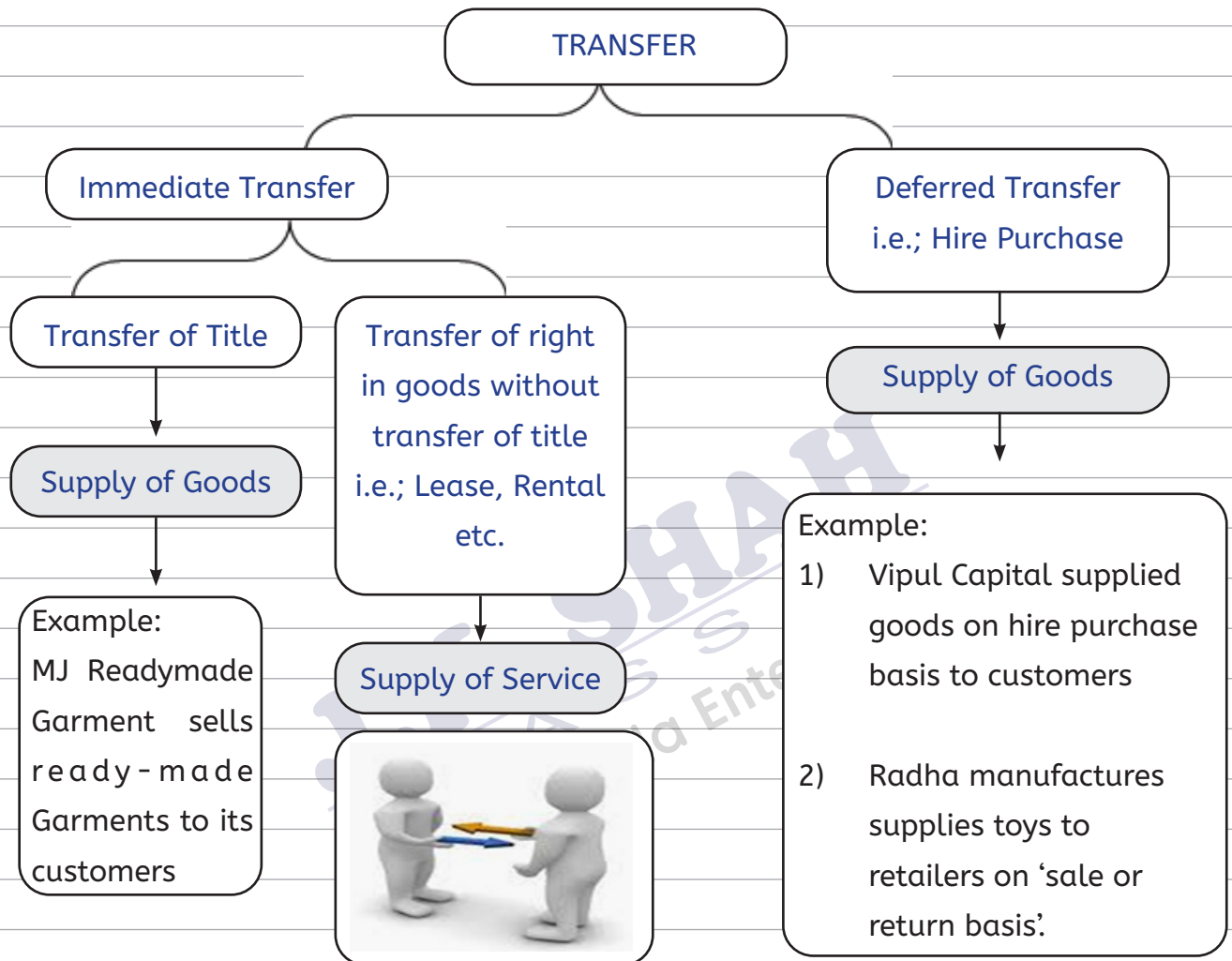
- It is a common practice among certain sections of trade and industry, such as, pharmaceutical companies which often provide drug samples to their stockists, dealers, medical practitioners, etc. without charging any consideration.
- Therefore, the goods or services or both which are supplied free of cost (without any consideration) shall not be treated as “supply” under GST (except in case of activities mentioned in Schedule I of the CGST Act).

B. BUY ONE GET ONE FREE OFFER:

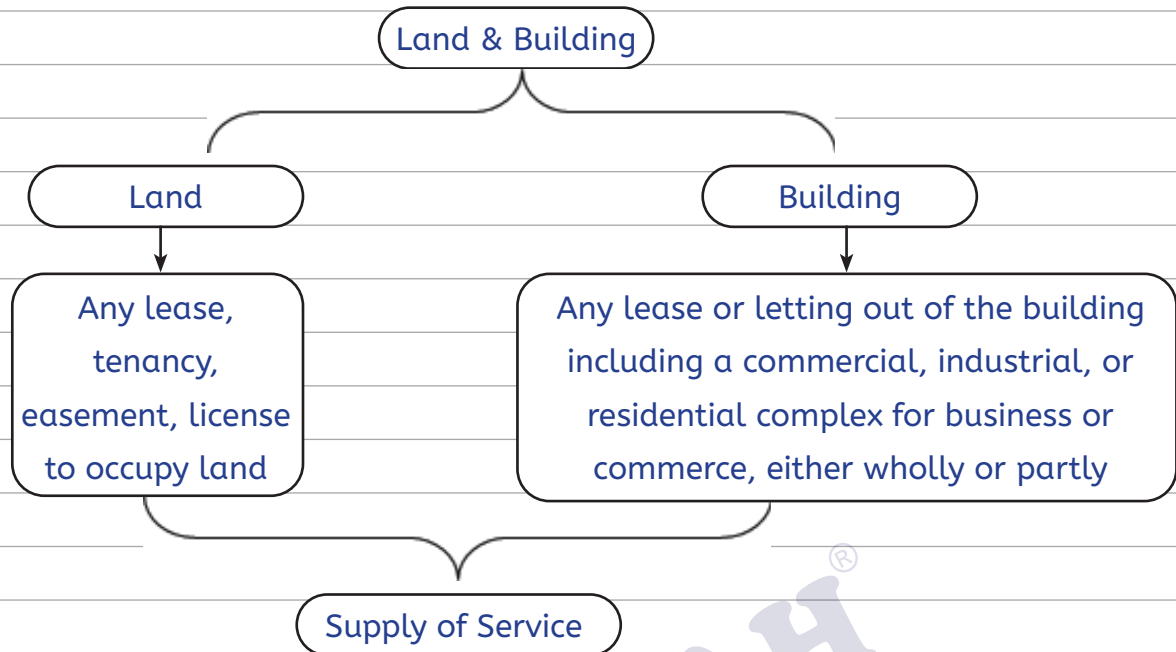
- Sometimes, companies announce offers like ‘Buy One, Get One free’
EXAMPLE : “Buy one soap and get one soap free” or “Get one tooth brush free along with the purchase of tooth paste”.
- Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined as per the provisions of section 8 of the CGST Act

**SCHEDULE II - ACTIVITIES TO BE TREATED AS SUPPLY OF
GOODS OR SUPPLY OF SERVICE [Sec 7(1A)]**

1. TRANSFER



2. Land and Building



E.g., A shop let out in a market area



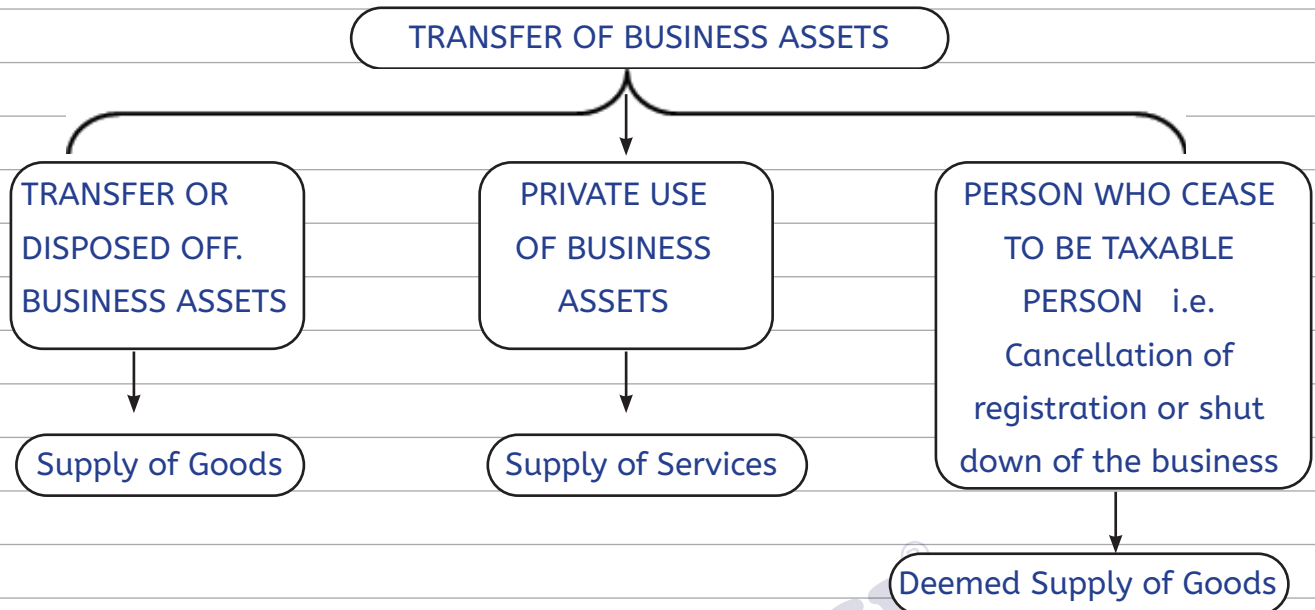
3. Treatment or Process (e.g.; Job Work)

→ Any treatment or process which is applied to another person's goods : Supply of Service



E.g., Bombay Dying House dyes the clothes given by Jigar Textiles Ltd. on job work basis.

4. TRANSFER OF BUSINESS ASSETS



EXAMPLE:


1. Raju, a trader, is winding up his business. Any goods left in stock shall be deemed to be supplied by him and GST shall be payable.
2. Mr. Shyam, a sole proprietor, owns a laptop used for making office presentation. He transfers said laptop to his son for making school project.

EXCEPTION:

No GST will be leviable in the following cases.

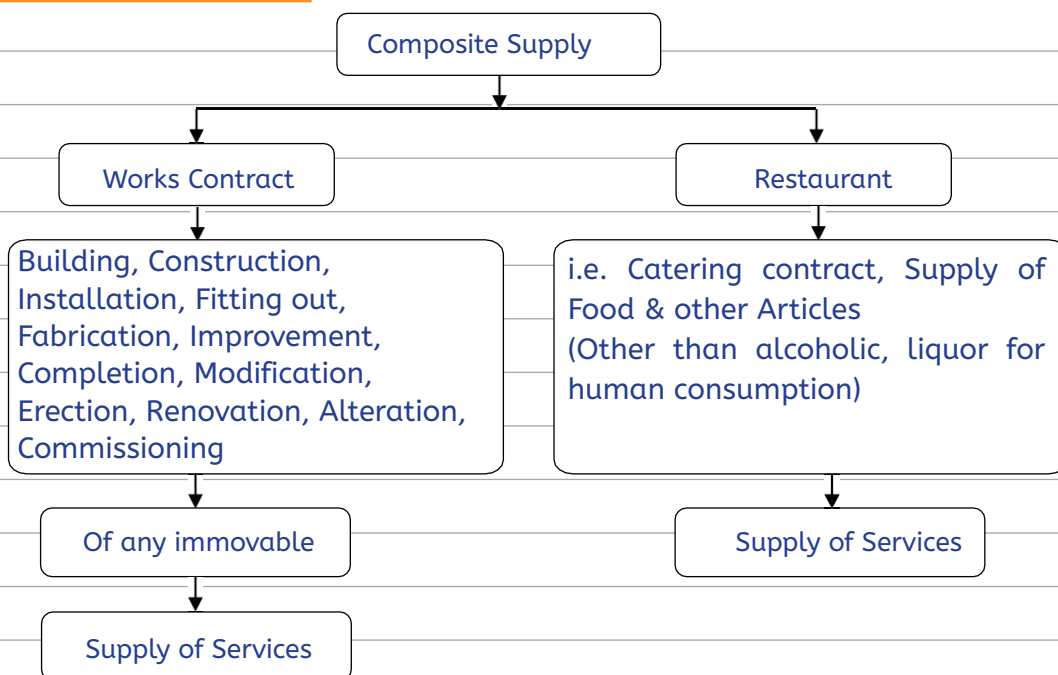
1. Transferred as a going concern.
2. Business is carried on by a personal representative who is deemed to be a taxable person.

5. Supply of Services

<p>(a) Renting of immovable property</p> 	<ol style="list-style-type: none"> i) Renting of a commercial complex. ii) Renting of precincts of religious place. iii) Renting of property to an education institution. vi) Permitting use of immovable property for placing vending/dispensing machines.
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(b)	Construction of complex civil structure, building etc. NOTE: - Where the entire consideration has been received after issuance of completion Certificate, or after its first occupation, whichever is earlier → Covered under Negative List → No Supply	i) Adani Builders has constructed individual residential units For agreed consideration of Rs.2.4 crore per unit. Rs.1.8 crore per unit were received before issuance of completion certificate by the competent authority and balance after completion.
(c)	Temporary transfer or permitting the use of intellectual property right.	Temporary transfer of patent.
(d)	Agree to obligation to refrain from an Act, or to tolerate an act or situation, or to do an act. Note: - If early termination is paid to employee → Negative list	i) Non-compete fee ii) Compensation for early termination of contract iii) Mr. A has entered into an agreement with Mr. B, that A will not sale in the specified areas where B is having business. Non-compete agreements constitute supply of service.
(e)	Development, design, programming, Customization, adaption, upgradation, enhancement of IT software.	i) XYZ Solutions develops an accounting software for a business.
(f)	Transfer of right to use any goods for any purpose.	Machinery given on hire.

6. Composite Supply



❖ **IMPORTANT CLARIFICATIONS ISSUED BY CBIC**

1. Tenancy Rights/ Pagadi

ISSUE:	CLARIFICATION:
-> Whether transfer of tenancy rights to an incoming tenant or outgoing tenant, consideration for which is in form of tenancy premium, shall attract GST, even if stamp duty and registration charges are levied on the said premium?	-> Supply of Service and liable to GST (subject to exemption notification)

2. Supply of printed book, pamphlets, brochures, envelopes etc.

ISSUE:	CLARIFICATION:
-> Supply of printed books, pamphlets, brochures, envelopes, annual reports, leaflets, cartons, boxes, etc. printed with design, logo, name, address or other contents supplied by the recipient of such printed goods.	<p>-> In the case of printing of books, pamphlets, brochures, printed books, annual reports, and the like, where only content is supplied by the publisher or the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by, the recipient of supply] is the principal supply and therefore such supplies would constitute SUPPLY OF SERVICE</p> <p>In case of supply of printed envelopes, letter cards, printed boxes, tissues, napkins, wall paper etc. by the printer using its physical inputs including paper to print the design, logo etc. supplied by the recipient of goods, predominant supply is supply of goods and the supply of printing of the content [supplied by the recipient of supply] is ancillary to the principal supply of goods and therefore such supplies would constitute SUPPLY OF GOODS.</p>

3. Retreading of tyres

ISSUE:	CLARIFICATION:
-> Retreading of tyres	-> Pre-dominant element is process of retreading which is a SUPPLY OF SERVICE . -> If old tyre belongs to supplier = SUPPLY OF GOODS . -> If old tyre belongs to customer = SUPPLY OF SERVICE .

4. Agreeing to an obligation or tolerating an act (Circular number 178/10/2022)

Examples which are liable to GST – Non Compete agreements, Builder refraining from constructing more than a certain number of floors even though he has permission against a compensation paid by neighbouring housing project which wants to protect its sunlight, shopkeeper allowing a hawker to operate from the common pavement in front of his shop, compensation for not collecting toll charges, late payment charges agreed by the bank and customer or cancellation charges which is a common industry practice [In all these cases there is positive agreement for performance of such activities – There is sufficient nexus between supply and consideration and one of the parties is under a contractual obligation to tolerate an act or to do any act].

Examples which are not liable to GST – Liquidated damages for breach of contract, Compensation given to previous allottees coal blocks for cancellation of their licenses pursuant to Supreme Court Order, compensation for piracy, cheque dishonour penalty, penalty imposed for violation of any law, forfeiture of salary in the event of employee not serving notice period, forfeiture of earnest money by a seller in case of breach of an agreement to sell an immovable property. [In such contracts, performance is the essence of the contract. These are payments for not tolerating an act. These are not desired outcome of the contract]

NEGATIVE LIST UNDER GST – SCHEDULE III of CGST ACT

1. Services by an Employee to the Employer in the course of or in relation to his employment

EXAMPLE

- a. Services provided otherwise than in course of employment → Supply
- b. Services provided on contract basis – Principal – to Principal → Supply
- c. Amounts received by an employee from employer on premature termination of contract of Employment → No supply, as it arises in course of employment
- d. Any amount paid for not joining a competing business would be liable to be taxed being paid for providing the service of forbearance to act → Supply
- e. 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 → No Supply

2. Services by any court or Tribunal established under any law for the time being in force.

3.
 - a. The functions performed by the Member of Parliament, Member of State Legislature, Members of Panchayat, Members of Municipalities and Members of other local authorities.
 - b. The duties performed by any person who holds any post in pursuance of the provisions of the Constitution. E.g., Governors of State, C&AG etc.
 - c. The duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before commencement of this clause. E.g., Chairperson of IRDA, MIDC etc.

DO YOU KNOW

Amounts/fees charged by Consumer Disputes Redressal Commission: Consumer Disputes Redressal Commissions (National/ State/ District) may not be tribunals literally as they may not have been set up directly under Article 323B of the Constitution. However, they are clothed with the characteristics of a Tribunal. Consequently, fee paid by litigants while registering complaints to said Commissions are not leviable to GST. Any penalty in cash imposed by or amount paid to these Commissions will not attract GST

4. Services of Funeral, Burial, Crematorium or Mortuary including transportation of the deceased.

5. Sale of Land and, subject to clause (b) of Paragraph 5 of Schedule II, sale of Building.

6. Actionable Claims, other than lottery, betting and gambling.
7. Services by way of any activity in relation to a function entrusted to a Panchayat under article 243G of the Constitution by CG, SG or local authority
8. Alcoholic Liquor License fee charged by State Government

SOME CLARIFICATION

1. INTER-STATE MOVEMENT VARIOUS MODES OF CONVEYANCE

Sr. No.	ISSUE:	CLARIFICATION:
1.	➤ Inter-State Movement Of Various Modes Of Conveyance And Rigs, Tools And Spares, And All Goods On Wheels [Like Cranes]	➤ neither supply of goods nor supply of service
2.	➤ For repairs and Maintance	➤ Supply of Service, liable to IGST
3.	➤ GST implications on Perquisites: Whether various perquisites provided by the employer to its employees in terms of contractual agreement entered into between the employer and the employee are liable for GST.	➤ Schedule III to the CGST Act provides that “services by employee to the employer in the course of or in relation to his employment” will not be considered as supply of goods or services and hence GST is not applicable on services rendered by employee to employer provided, they are in the course of or in relation to employment. Any perquisites provided by the employer to its employees in terms of contractual agreement entered into between the employer and the employee are in lieu of the services provided by employee to the employer in relation to his employment. Therefore, such perquisites will not be subjected to GST . (Circular No. 172/04/2022 GST dated 06.07.2022)

4.	<p>➤ Whether sale of land after levelling, laying down of drainage lines etc., is taxable under GST?</p>	<p>➤ It has been clarified that sale of a land after some development such as levelling, laying down of drainage lines, water lines, electricity lines, etc., is also a sale of land and is covered by Schedule III [Negative List] and thus, does not attract GST. However, it may be noted that any service provided for development of land, like levelling, laying of drainage lines (as may be received by developers) shall attract GST at applicable rate for such services.</p> <p>(Circular No. 177/09/2022 GST dated 03.08.2022)</p>
5.	<p>➤ Applicability of GST on payment of honorarium to the Guest Anchor</p>	<p>➤ It has been clarified that services provided by the guest anchors invited by the TV channels for participating in their shows in lieu of honorarium, attracts GST liability. However, guest anchors whose aggregate turnover in a financial year does not exceed Rs 20 lakhs (Rs 10 lakhs in case of special category states) shall not be liable to take registration and pay GST.</p>

RELEVANT DEFINITIONS

- PERSON:** An individual, HUF, Company, Firm, LLP, AOP or BOI, whether incorporated or not, in India or outside India; a co-operative society, local authority, CG, SG, society, trust, artificial juridical person and any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in clause (45) of section 2 of the Companies Act, 2013.

SECTION 8 COMPOSITE AND MIXED SUPPLY

1) COMPOSITE SUPPLY [Sec 2(30) of CGST Act, 2017]

- comprises two or more taxable supplies of goods or services or both, or any combination thereof.
- are naturally bundled and supplied in conjunction with each other, in the ordinary course of business
- one of which is a principal supply [Section 2(30) of the CGST Act]

Principal Supply [Sec 2(90)] means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary. [Section 2(90) of CGST Act]

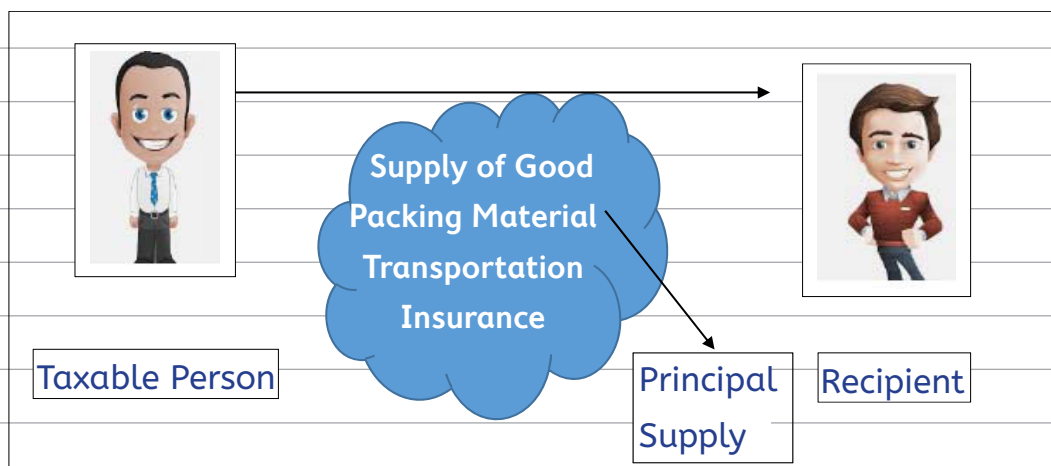
EXAMPLE

1. Hotel Accommodation with Breakfast, Laundry, etc.
2. Laptop with Warranty
3. Mobile with Charger

TAX Rate → Rate of Principal Supply

EXAMPLE 1 :

Taxable person supplies goods to recipient for Rs.6 Lakhs (including transportation charges, packing material and Insurance).



TAX Rate → Rate of Principal Supply will be applicable on Rs. 6 lakhs.

EXAMPLE 2 :

When a consumer buys a television set and he also gets 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.

MIXED SUPPLY, [Sec 2(74) of CGST Act, 2017]

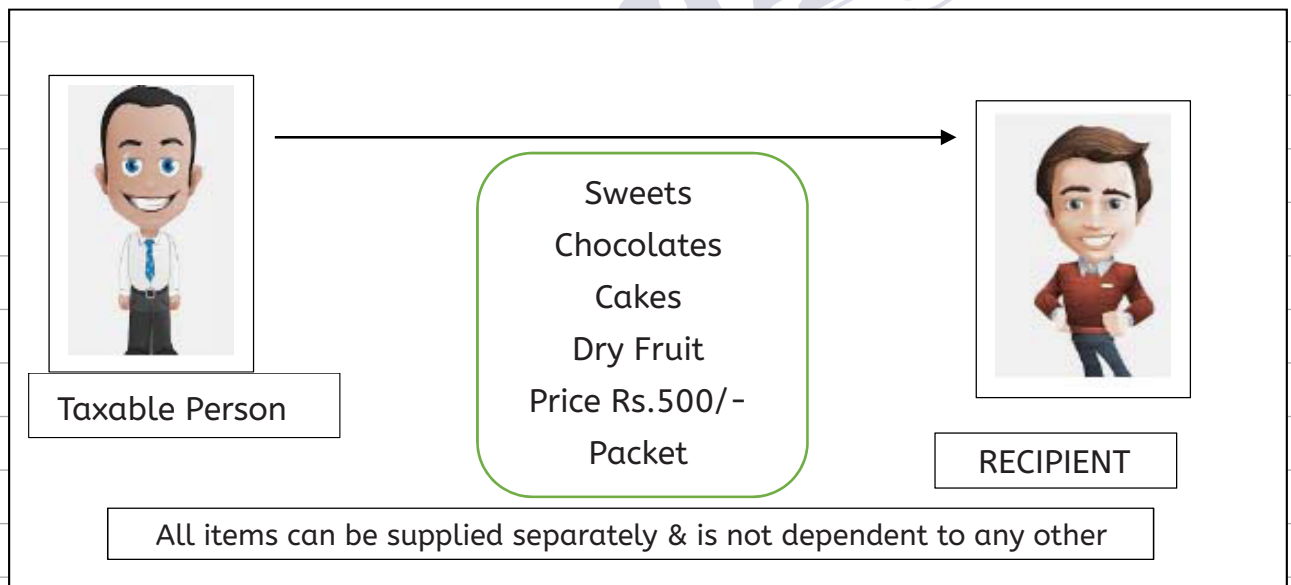
- two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person
- for a single price where such supply does not constitute a composite supply [Section 2(74) of the CGST Act].

The individual supplies are independent of each other and are not naturally bundled.

TAX Rate → Supply that attracts Highest Rate of Tax.

EXAMPLE 1 :

Taxable person supplies packet consisting of Sweets, Chocolates, Cakes & Dry Fruits to recipient for Rs.500 (All items can be supplied separately & is not dependent to any other).



TAX RATE → Highest rate of tax will be applied on Rs. 500

EXAMPLE 2 :

A taxable person selling 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 :

Hotel in Goa provides 3 days 2 Nights package with breakfast & one-day Goa Darshan. (Because Goa Darshan in this package is not a natural requisite to accommodation in the hotel).

J.K. SHAH[®]
CLASSES
a Veranda Enterprise



Question 1: An electronics dealer sells a desktop for Rs. 50,000 to earn a profit. Does it qualify as a supply?

Answer: Yes, it qualifies as a supply.

Question 2: Mr. A (an unregistered person) plans to pursue his higher education in Australia. He receives career consultancy services from an Australian based consultant for Rs. 5,00,000. Does it qualify as a supply?

Answer: Yes, it qualifies as a supply

Question 3: ABC & Co. a manufacturer of goods donated old Laptops to Charitable Schools on account of relocation of office. The company has taken input tax credit on the Laptops so donated. Does it qualify as a supply?

Answer: Yes, it qualifies as a supply

Question 4: From the following information determine the nature of supply and tax liability. Zakme Ltd. is manufacturer of cosmetic products supplied a package consisting of hair oil (GST Rate – 18%), Sun screen cream (GST Rate – 28%), Shampoo (GST rate – 28%) and hair comb (GST Rate – 12%). The Price per package is 500 (exclusive of taxes). 5,000 packages were supplied by the company to its dealers. Determine the nature of supply and its tax liability.

Answer: This supply would be regarded as mixed supply, since in this case of the goods in the package have individual identity and can be supplied separately, but are deliberately supplied conjointly for a single consolidated price. As per Section 8, the tax rate applicable in case of mixed supply is the highest amongst the supplies. Therefore, the package will be chargeable to 28% GST.

Question 5: Explain the composite supply and mixed supply. If a trader launches a package sales for marriage containing double bed, refrigerator, washing machine, wooden wardrobe at a single rate. He is issuing invoice showing value of each goods separately. Whether this is case of mixed supply or composite supply. Explain.

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.

(Suggested July 21)

Question 6

Examine whether the following activities would amount to "supply" under GST law?

- (i) Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of ₹ 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd.
- (ii) Mr. Swamy of Chennai is working as a manager with ABC Bank. He consulted M/s. Jacobs and Company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import of service.

Answer:

- (i) An activity qualifies as supply under GST only if it is for a consideration and is in course/furtherance of business. Donations received by the charitable organizations are treated as consideration only when there's an obligation on part of the recipient of the donation to do anything.
- Since in the given case, the display of products sold by the donor – Glory Ltd. - in charitable organization's premises aims at advertising/promotion of its business, it is supply for consideration in course/furtherance of business and thus, qualifies as supply under GST law.
- (ii) Supply includes importation of services, for a consideration whether or not in the course/furtherance of business. Thus, in the given case, the import of services by Mr. Swamy amounts to supply although it is not in course/furtherance of business.

(Suggested May'22)



Homework

Q. 1: Sun Ltd. provides management consultancy services without charge to Moon Ltd in which Sun Ltd. has controlling rights. The said consultancy has been provided for benefit of entire group. Does it qualify as a supply?

Ans: Yes, it qualifies as a supply

Q. 2: PQR Ltd. gives gifts to employee worth Rs. 6,00,000. Does it qualify as a supply?

Ans: Yes, it qualifies as a supply

Q. 3: JKL Ltd. engages True Ltd. as an agent to sell laptops on its behalf. For the purpose, JKL Ltd. Has supplied 200 laptops to the showroom of True Ltd. located in Rajasthan. Does it qualify as supply?

Ans: Yes, it qualifies as a supply

Q. 4: Class Associates received management consultancy services from its head office located in Malaysia. The head office has rendered such services free of cost to its branch office. Does it qualify as supply?

Ans: Yes, it qualifies as a supply

Q. 5: Mulla Construction Ltd. (a registered taxable person) receives architectural design supplied by a foreign architect to design a residential house to be built in Mumbai for a consideration of Rs.50,00,000. Does it qualify as supply?

Ans: Yes, it qualifies as a supply

Q. 6: Sun Ltd. was amalgamated with Moon Ltd. On account of amalgamation Mr. Star, a shareholder received 10,000 shares of Sun Ltd. in exchange of 5000 shares of Moon Ltd. Does it qualify as supply?

Ans: No, it does not qualify as a supply

Q. 7: Rain Ltd., an NBFC transfer bad loans (unsecured) to Munna Ltd. Does it qualify as supply?

Ans: No, it does not qualify as a supply

Q. 8: Chand Ltd. having head office in Punji (Goa) supplied goods worth Rs. 10,00,000 to its branch office in Jodhpur (Rajasthan). Does it qualify as supply?

Ans: Yes, it qualifies as a supply

Q. 9: 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. Raghuvver, 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)

Ans: (a)

(RTP NOV '21)

Q. 10: Mr. Priyam, director of Sun Moon Company Private Limited, provided service to the company for remuneration of ₹ 1,25,000. Briefly answer whether GST is applicable in the below mentioned independent cases? If yes, who is liable to pay GST?

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

Ans:

- (i) As per Para I of Schedule III of the CGST Act, services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. Services provided by the independent directors who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope

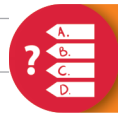
of Schedule III of the CGST Act and are therefore taxable. Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis. Thus, GST is applicable in this case and Sun Moon Company Private Limited is liable to pay GST.

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

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

In lieu of the above provisions, ₹ 60,000 declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under **section 192** of the Income-Tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III. Further, ₹ 65,000 declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under **section 194J** of the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

(RTP MAY '21)



**MULTIPLE CHOICE
QUESTIONS**

Q1. What is the taxable event under GST?

- a. Manufacturing of goods
- b. Sales of goods
- c. Provision of Services
- d. Supply

Q2. Supplier within the meaning of supply includes

- a. Person supplying goods
- b. Person providing services
- c. Both
- d. None of the above

Q3. Flow of consideration is not a mandatory field under supply, in case of:

- a. Imports
- b. Activities specified under schedule I
- c. Both
- d. None of the above

Q4. Can an activity be considered supply even when not made in course or furtherance of business?

- a. Yes
- b. No
- c. Prior permission by the Government
- d. Not applicable

Q5. A Holding entity made certain transfer of fixed asset on permanent basis to its subsidiary entity without any consideration. Does the same classify as a supply under GST?

- a. Yes
- b. No
- c. On prior Permission of Government
- d. Not any

Q6. What are the transactions to be classified as supply even if made without consideration?

- a. Permanent transfer or disposal of business asset
- b. Supply between related or distinct person when made in the course or furtherance of business
- c. Import of services from related persons or from any of his other establishment outside India
- d. All of the above

- Q7.** Supply of goods or other similar articles for human consumption as a part of service, shall be classified as:
- a. Supply of goods
 - b. Supply of services
 - c. Both
 - d. None of the above
- Q8.** What type of supply shall transfer of title in goods under works contract constitute?
- a. Supply of Goods
 - b. Supply of services
 - c. Either of the two at the option of authority
 - d. None of the above
- Q9.** A job worker performed certain dyeing operations on fabrics. Does the given operation qualify as supply?
- a. Yes
 - b. No
 - c. On the prior approval of Government
 - d. None of the above
- Q10.** Mr. A, being a Director of ABC Pvt. Ltd. Is provided a car which he uses for his personal purpose. Does the same classify as supply? If yes under which group?
- a. Yes, supply of goods
 - b. Yes, supply of services
 - c. Does not qualify as supply
 - d. None of the above
- Q11.** What shall be the proper classification of Renting of immovable property under supply?
- a. Supply of Goods
 - b. Supply of Services
 - c. Does not qualify as supply
 - d. None of the above
- Q12.** ABC Ltd. develops a software to businesses for smooth processing of returns and accounts. Such software shall be considered as:
- a. Supply of Goods
 - b. Supply of Services
 - c. Does qualify as supply
 - d. None of the above
- Q13.** A local club supplies lunch to its members during its quarterly meetings at subsidized rates. The same for the purpose of the Act, is classified as:
- a. Supply
 - b. Sale
 - c. Does not qualify as supply
 - d. None of the above

Q14. Transaction falling outside the ambit of supply are provided in:

- a. Schedule I
- b. Schedule II
- c. Schedule III
- d. None of the above

Q15. Schedule III of the CGST Act includes which of the following?

- a. Funeral, Burial, Crematorium
- b. Functions performed by MP's, MLA's
- c. Services by any court or tribunal
- d. All of the above

Q16. The Government of Haryana took initiative to develop Khadi, Village and Rural Industries in various Panchayats and municipalities as public authorities under article 243G of the constitution. The same provision is covered under:

- a. Supply of Goods
- b. Supply of services
- c. Neither of the two
- d. At the option of Appropriate Authority

Q17. Which of the following is the feature of mixed supply?

- a. Supply made at a single price
- b. Non taxable Goods supplied
- c. Naturally Bundled
- d. Persons in same industry follow same practices

Q18. Which of the following is not a composite supply?

- a. Goods are packed and transported with insurance
- b. Supplier of machinery providing erection and commissioning services
- c. Goods transport agency arranging for loading and unloading facility
- d. None of the above

Q19. What does mixed supply means under GST?

- a. Combination of two or more goods or services made together for a single price.
- b. Each of supply made together are not naturally bundled.
- c. Both (a) and (b)
- d. None of the above

Q20. What shall constitute the main item under composite supply?

- a. Principal Item of the supplies naturally bundled
- b. Item with Highest tax rate
- c. As per the option of the taxpayer
- d. None of the above

Q21. What shall be the tax rate under mixed supply?

- a. Tax rates as applicable on principal supply
- b. Highest tax rate of all items bundled in supply
- c. Either (a) or (b), at the option of taxpayer
- d. None of the above

Q22. A person purchases laptop from a vendor along with laptop bag. What types of supply it shall constitute?

- a. Composite supply
- b. Mixed supply
- c. Neither of the two
- d. As per recommendation of Government

Q23. “Principal supply”, the term used in Composite supply means the supply of goods or services which constitutes the _____ of a composite supply and to which any other supply forming part of that composite supply is _____

- a. Ancillary element, predominant
- b. Usual element, ancillary
- c. Predominant element, ancillary
- d. Predominant element, important

Q24. Mr. B had a capital asset on which he did not avail ITC instead claimed depreciation on it. Now he has permanently transferred the same to Mr. D without consideration. Is this a supply?

- a. Yes
- b. No
- c. Maybe
- d. None of the above

Q25. Mr. A of Kolkata is transferring stock to its branch in UP. Is this transaction taxable?

- a. Yes
- b. No
- c. Maybe
- d. None of the above

Q26. What kind of supply is this transaction: Food supplied to the in – patients as advised by the doctor in the hospital.”

- a. Composite Supply
- b. Mixed Supply
- c. Works Contract Service
- d. None of the above

Q27. Comment on the tax rate applicable in case of composite supply?

- a. Tax rate as applicable on principal supply
- b. Tax rate as applicable on ancillary supply
- c. Tax rate as applicable on respective supply
- d. None of the above

Q28. Mr. A, a director of ABC Pvt. Ltd sends some goods to Mr. B for his personal use. Will this constitute a supply?

- a. Yes, transaction between related parties
- b. No
- c. Maybe
- d. None of the above

Q29. Free food is supplied in the religious institutions. Is the same taxable?

- a. Yes
- b. No
- c. Maybe
- d. None of the above

Q30. As per section 2(102) of the CGST Act 2017, “services” means anything other than goods. Does this means that immovable property is also included in services?

- a. Yes
- b. No
- c. Maybe
- d. None of the above

Q31. Mr. A gave Rs. 2000 note to Mr. C, who in return gave 4 notes of Rs.500 back to Mr.

A. Does this qualify “service” definition as per GST Law?

- a. Yes
- b. No
- c. Maybe
- d. None of the above

Q32. Recipient of supply of goods or services means

- a. Where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
- b. Where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
- c. Where no consideration is payable for the supply of a service, the person to whom the service is rendered.
- d. All of the above

Q33. ABC Ltd. donates old computers on which they had availed ITC, to a charitable institution after they purchased new computer systems. Such donation of computers on permanent basis is:

- a. Supply under GST
- b. Shall not be a supply
- c. On prior approval of Government
- d. Not any

Q34. ABC Ltd. provides certain services to Mr. Joy who holds 35% of the voting right in the company. The transfer made was without any consideration. Does the same qualify as supply?

- a. Yes, if made in the course or furtherance of business
- b. No, since made without any consideration
- c. Not a supply
- d. Yes

Q35. Any gift made by an employer to an employee shall be considered as supply. What is the limit prescribed for the same?

- a. Less than or equal to 50,000
- b. More than 50,000
- c. Exactly 50,000
- d. 50,000 and above

Q36. Transfer of rights in goods has been considered as supply under Schedule II. What type of supply is it?

- a. Supply of goods
- b. Supply of services
- c. Either of two at the option of authority
- d. None of the above

Q37. Any transfer made of title in goods shall be considered as:

- | | |
|-------------------------------|------------------------------|
| a. Supply of services | b. Supply of goods |
| c. Does not qualify as supply | d. At the option of taxpayer |

Q38. Mr. C a taxable person initiates action of winding up his business due to any non-compliance clause under legal verdict of court. As a result of such incidence, he shall cease to be taxable person under GST. All the stocks standing as on date of winding up of business shall hence be classified as:

- | | |
|-------------------------------|-----------------------|
| a. Supply of Goods | b. Supply of Services |
| c. Does not qualify as supply | d. None of the above |

Q39. Temporary transfer or permitting use of intellectual right or property is classified as:

- | |
|---|
| a. Supply of goods |
| b. Supply of services |
| c. Does not qualify as supply |
| d. Supply on the prior permission of Government |

Q40. Mr. A agreed with B Pvt. Ltd. to withdraw the suit filed against the company, if principle amount of loan paid by him to company is returned to him. Does the withdrawal of the suit qualify as supply?

- | | |
|----------------------------------|----------------------|
| a. Yes | b. No |
| c. At the approval of Government | d. None of the above |

Q41. Items provided under the ambit of Schedule III are not considered as:

- | | |
|--------------------|-----------------------|
| a. Supply of Goods | b. Supply of Services |
| c. Both | d. None of the above |

Q 42. What is the classification of sale of land and building under GST?

- | | |
|-------------------------------|-----------------------|
| a. Supply of Goods | b. Supply of Services |
| c. Does not qualify as supply | d. None of the above |

Q43. Mr. A, a whole time director in ABC Pvt. Ltd. provides certain services in the course of employment to the company. The consideration received in respect of such services has been taxed under reverse charge mechanism. Is the classification justified?

- | |
|---|
| a. Yes, Services of Director has been considered under Reverse charge Mechanism |
|---|

- b. No, since he is an employee and the same fall under the ambit of Schedule III
- c. At the option of the Company
- d. None of the above

Q44. XYZ Pvt. Ltd. manufactures the jeans on order of ABC Pvt. Ltd. Further, after manufacturing, it also gets it delivered to ABC Ltd. & gets the in transit insurance done. What kind of supply is this?

- a. Mixed supply
- b. Composite supply
- c. None of the above
- d. Don't know

Q45. Mr. A went into ABC outlet and purchased a gift wrap containing canned foods, sweet, chocolates, cakes, dry fruits, aerated drink and fruit juices. What type of supply it shall constitute?

- a. Composite supply
- b. Mixed supply
- c. Non taxable supply
- d. Not a supply under GST

Q46. A person purchase a bundle of toothpaste along with Tooth brush. Toothpaste under this case is liable to GST at 12% and tooth brush for instance is liable to GST at 18% and is sold as a single unit for a single price. What shall be the tax rate applicable in case of such supply?

- a. 18%
- b. 12%
- c. Nil
- d. None of the above

Q47. All the activities covered under actionable claims are not liable to tax as are entirely covered under Schedule III. Do you agree?

- a. Yes, as provided under schedule III.
- b. No, Lottery, Betting and gambling is covered under GST
- c. As per the opinion of appropriate authority
- d. None of the above

Q48. Consideration within the meaning of supply consists of:

- a. Money
- b. Any payment made in kind
- c. Forbearance of any act
- d. All of the above

Q49. ABC Pvt. Ltd. makes certain supplies to Mr. X and Mr. Z. Both of them hold 51% of the voting rights in the company and exercise major stake in the decision making. Does the same supply stands as related party transaction?

- a. Yes
- b. No
- c. As per the opinion of the appropriate authority
- d. None of the above

Q50. Mr. A purchased a car for personal consumption which after two years of use was sold to a car dealer, ABC Motors for certain consideration. Does the same qualify as supply?

- a. No, since the supply is not made in course or furtherance of business
- b. Yes, since it is made for consideration
- c. Neither of the two
- d. As per the opinion of appropriate Authority

Q51. ABC enterprises made gifts to its employees worth 51,000 each, in consideration of execution of a particular project of the company. Does the same qualify as supply?

- a. Yes, since the value exceed 50,000 per employee
- b. No, since such gift is made against a consideration
- c. As per the opinion of the appropriate authority
- d. None of the above

Q52. Any agreement entered into as of hire purchase or instalment purchase of any goods shall be classified as:

- a. Supply of Goods
- b. Supply of Services
- c. Neither of the two
- d. At the option of taxpayer

Q53. Mr. P has been paid Rs.50,000 by Mr. D for not selling the goods in his vicinity for a month. Does this constitute a supply?

- a. Yes
- b. No
- c. At the option of Government
- d. None of the above

Answer:

1.	(d)	15.	(d)	29.	(b)	43.	(b)
2.	(c)	16.	(c)	30.	(a)	44.	(b)
3.	(b)	17.	(a)	31.	(b)	45.	(b)
4.	(a)	18.	(d)	32.	(d)	46.	(a)
5.	(a)	19.	(c)	33.	(a)	47.	(b)
6.	(d)	20.	(a)	34.	(a)	48.	(d)
7.	(b)	21.	(b)	35.	(b)	49.	(a)
8.	(b)	22.	(a)	36.	(b)	50.	(a)
9.	(a)	23.	(c)	37.	(b)	51.	(a)
10.	(b)	24.	(b)	38.	(a)	52.	(a)
11.	(b)	25.	(a)	39.	(b)	53.	(a)
12.	(b)	26.	(a)	40.	(a)		
13.	(a)	27.	(a)	41.	(c)		
14.	(c)	28.	(b)	42.	(c)		

J.K. SHAH[®]
 CLASSES
 a Veranda Enterprise

3

CHARGES TO GST

➤ **Chapter Overview**

1. Inter & Intra State Supply
2. Levy & Collection of GST
3. List of services covered under RCM
4. Composition Scheme
5. Classwork / Homework
6. MCQs

INTER & INTRA STATE TRANSFER

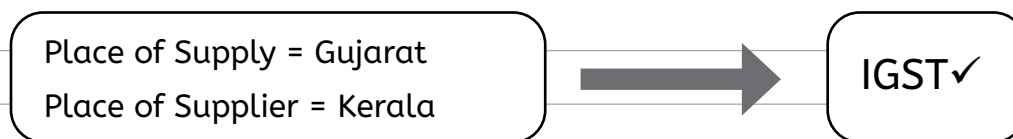
❖ **INTER STATE SUPPLY**

SUPPLY OF GOODS/SERVICES SHALL BE TREATED AS INTER-STATE SUPPLY: Where the location of the supplier and the place of supply are in –

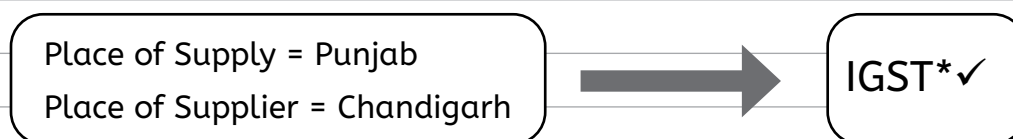
- Two different states
- Two different Union Territories or
- A State and A Union Territory

Integrated Goods & Service Tax i.e. IGST shall be charged on an Inter State Transfer

EXAMPLE 1:



EXAMPLE 2:



*NOTE: Although Chandigarh is located within the state of Punjab, such supply will not be considered as Intra State supply because Punjab is a state and Chandigarh is an Union Territory. Therefore, such transfer is an Inter State supply as per **section 7** of IGST Act, 2017.

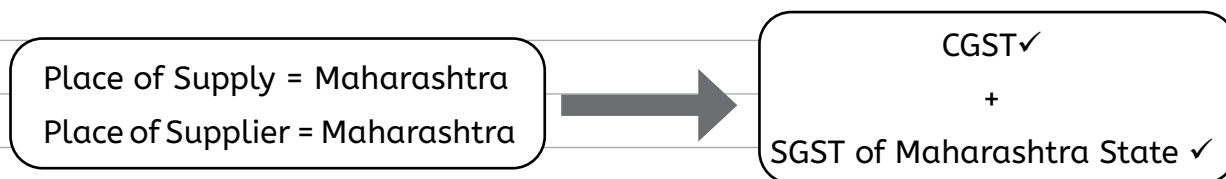
❖ **INTRA STATE TRANSFER**

SUPPLY OF GOODS/SERVICES SHALL BE TREATED AS INTRA-STATE SUPPLY: Where the location of the supplier and the place of supply are in –

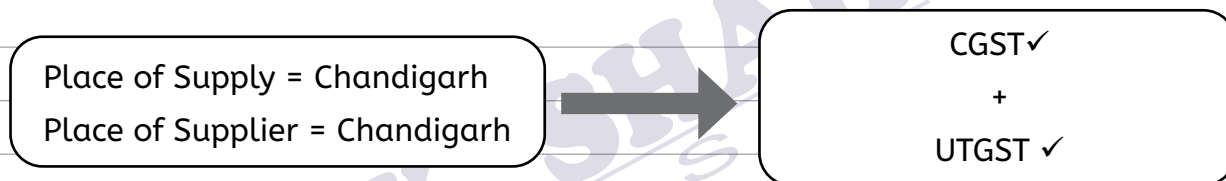
- Same State
- Same Union Territory

Central Goods & Service Tax i.e., CGST and State Goods & Service Tax i.e. SGST / Union Territory Goods & Service Tax i.e. UTGST shall be charged on an Intra State Transfer

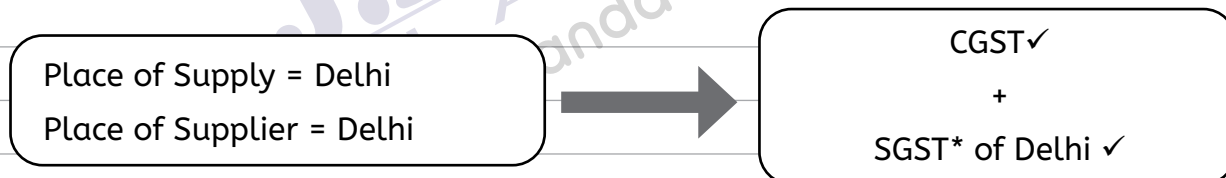
EXAMPLE 1:



EXAMPLE 2:



EXAMPLE 3:



*NOTE: State includes a Union Territory with Individual Legislature. Delhi, Puducherry & Jammu & Kashmir have their own individual legislature and hence covered under State GST Law.

CENTRAL GOODS AND SERVICES TAX ACT, 2017

Central Goods and Services Tax Act, 2017 extends to whole of India including Jammu & Kashmir.

STATE GST LAW

State GST law of the respective State/Union Territory with State Legislature [Delhi, Puducherry, Jammu & Kashmir] ** extends to whole of that State/Union Territory.

**NOTE: State: includes a Union territory with Legislature [Section 2(103) of the CGST Act].

EXAMPLE: Maharashtra GST Act, 2017 extends to whole of the State of the Maharashtra.

UNION TERRITORIES GOODS AND SERVICE TAX ACT, 2017

Union Territory Goods and Services Tax Act, 2017 extends to the Union territories**

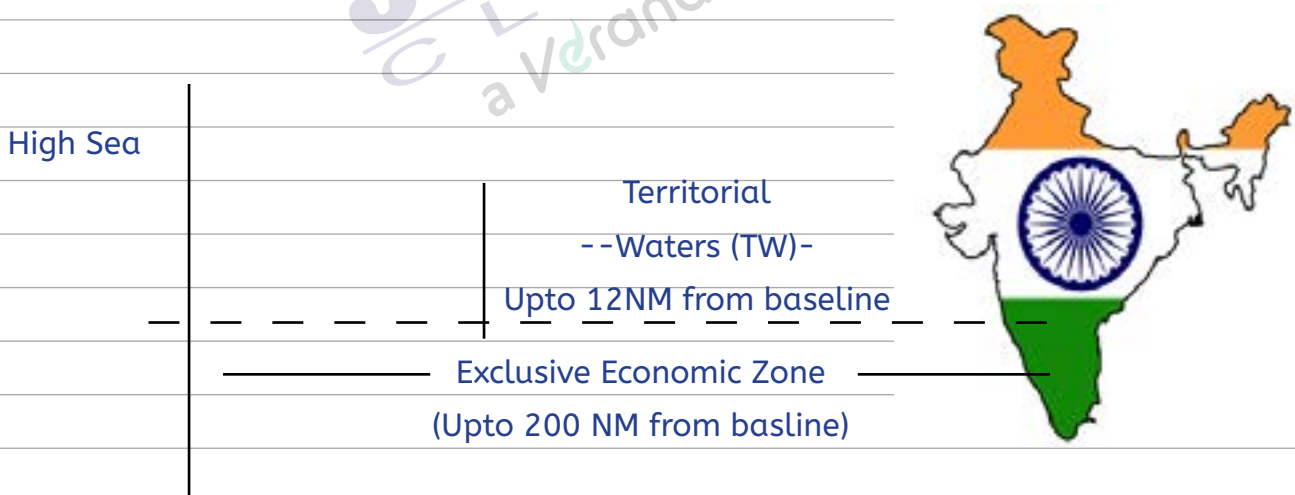
**NOTE: Union Territory means the territory of –

- a) the Andaman and Nicobar Islands;
- b) Lakshadweep;
- c) Dadra and Nagar Haveli & Daman & Diu;
- d) Chandigarh; and
- f) Ladakh

DEFINITION OF INDIA

“India” means –

- Territory of India as referred to in article 1 of the Constitution.
- its territorial waters, seabed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976
- the air space above its territory and territorial waters



**CHARGING SECTION [SECTION 9 OF THE CGST ACT]
[SECTION 5 OF THE IGST ACT]**

Section 9(1):

- A tax called the Central Goods and Services Tax (CGST) shall be levied on all intra-State supplies of goods or services or both.
- Except for alcoholic liquor for human consumption
- Where a rate not exceeding 20% shall be levied
- On the value determined **u/s 15**
Shall be payable by a taxable person.

Section 5 (1)

- A tax called Integrated Goods and Service Tax (IGST) is levied on all Inter state supplied of goods or services or both.
- Except for alcoholic liquor for human consumption
- Where a rate not exceeding 40% shall be levied
- On the value determined **u/s 15**
Shall be payable by taxable person.

Section 9(2) of CGST Act/Section 5(2) of IGST Act

CGST/IGST on supply of the following items has not been levied immediately. It shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council:

- petroleum crude
- high speed diesel
- motor spirit (commonly known as petrol)
- natural gas and
- aviation turbine fuel

Section 9(3) LIST OF SERVICES TAXABLE UNDER REVERSE CHARGE, I.E THE SERVICES WHERE TAX (CGST) IS PAYABLE BY THE RECIPIENT;

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
1.	Supply of services by a Goods Transport Agency (GTA) in respect of transportation of goods by road to- (a) any factory registered under or governed by the Factories Act, 1948; or (b) any society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or (c) any co-operative society established by or under any law; or (d) any person registered under the CGST Act or the IGST Act or the SGST Act or the UTGST Act; or (e) any body corporate established, by or under any law; or (f) any partnership firm whether registered or not under any law including association of persons; or (g) any casual taxable person.	Goods Transport Agency (GTA),	(a) Any factory registered under or governed by the Factories Act, 1948; or (b) any society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or (c) any co-operative society established by or under any law; or (d) any person registered under the CGST Act or the IGST Act or the SGST Act or the UTGST Act; or (e) any body corporate established, by or under any law; or (f) any partnership firm whether registered or not under any law including association of persons; or (g) any casual taxable person; located in the taxable territory. [Hereinafter referred as Specified recipients]

NOTE:

Reverse charge mechanism (RCM) shall not apply to services provided by a GTA, by way of transport of goods in a goods carriage by road to-

- (a) a Department / establishment of the Central Government / State Government / Union territory; or
- (b) local authority; or
- (c) Governmental agencies,

which has taken registration under the CGST Act only for the purpose of deducting tax under section 51 and not for making a taxable supply of goods or services.

Above service is exempt under GST

Further, nothing contained in this entry shall apply where, -

- i. the supplier has taken registration under the CGST Act, 2017 and exercised the option to pay tax on the services of GTA in relation to transport of goods supplied by him under forward charge; and
- ii. the supplier has issued a tax invoice to the recipient charging CGST at the applicable rates and has made the prescribed declaration on such invoice issued by him.*



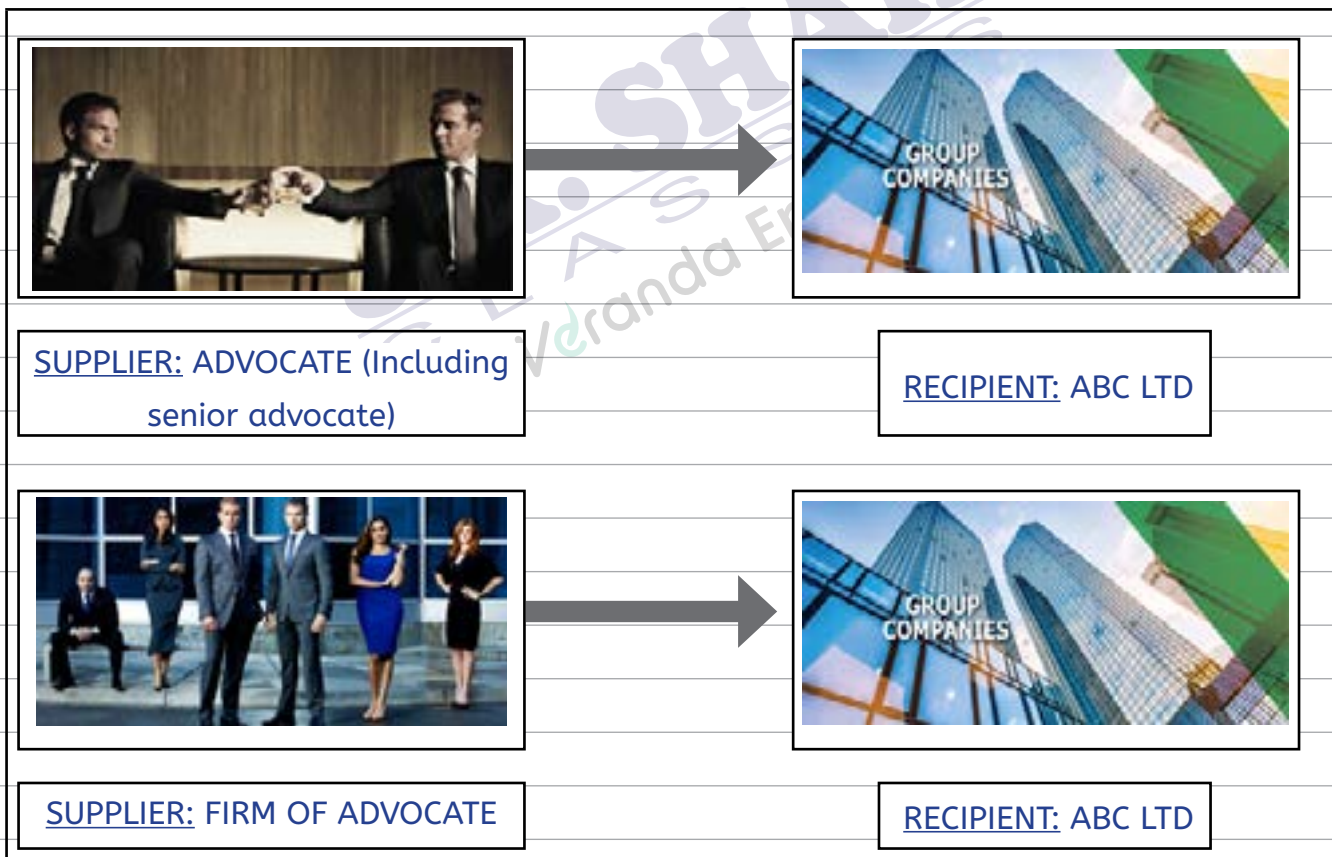
**GOODS TRANSPORT
 AGENCY (GTA)**

PROVIDES SERVICE
 BY WAY OF
 TRANSPORTATION OF
 GOODS BY ROAD

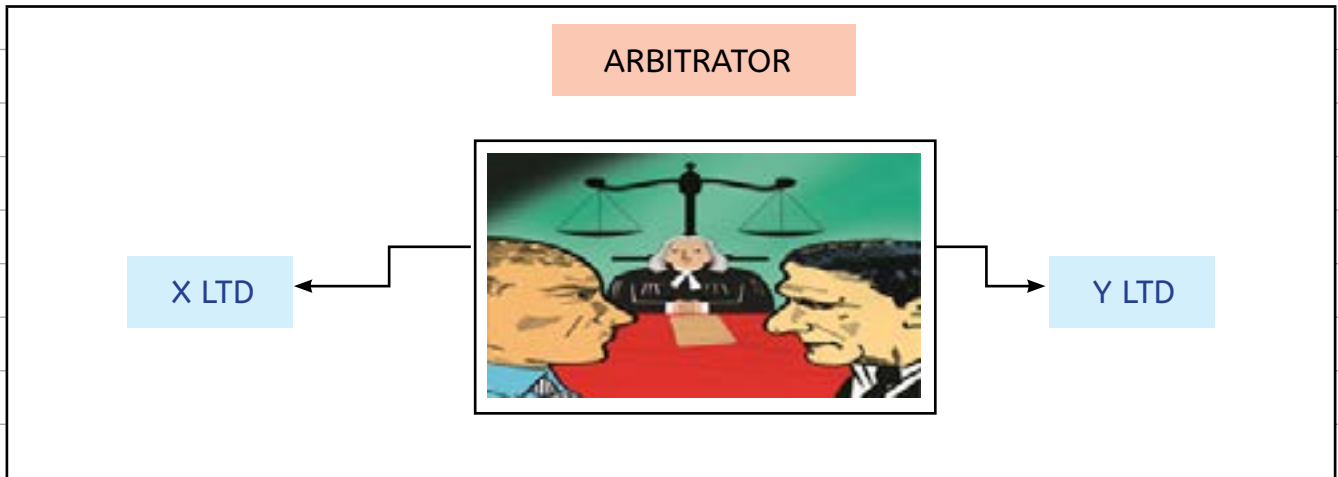


**REGISTERED FACTORY/
 SOCIETY/BODY CORPORATE
 / PARTNERSHIP/ PERSON**

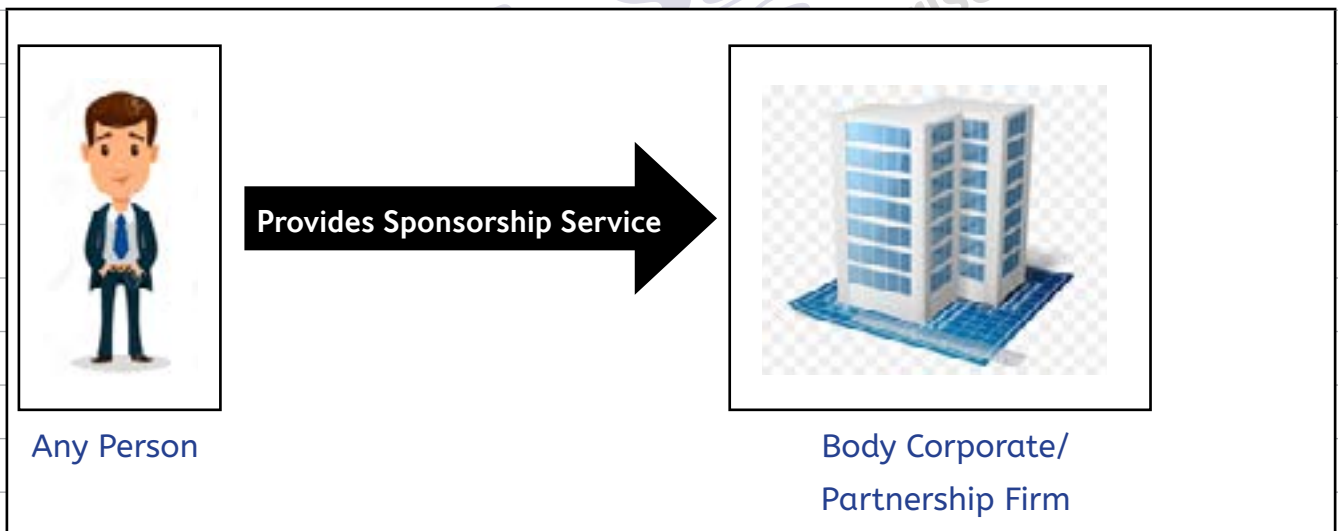
Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
2.	Services provided by an individual advocate including a senior advocate or firm of advocates by way of legal services, directly or indirectly. “Legal service” means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner and includes representational services before any court, tribunal or authority.	An individual advocate including a senior advocate or firm of advocates	Any business entity located in the taxable territory.



Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
3	Services supplied by an Arbitral tribunal to a business entity	An arbitral tribunal.	Any business entity located in the taxable territory



Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
4	Services provided by way of Sponsorship to anybody corporate or partnership firm.	Any Person	Any body corporate or partnership firm located in the taxable territory.

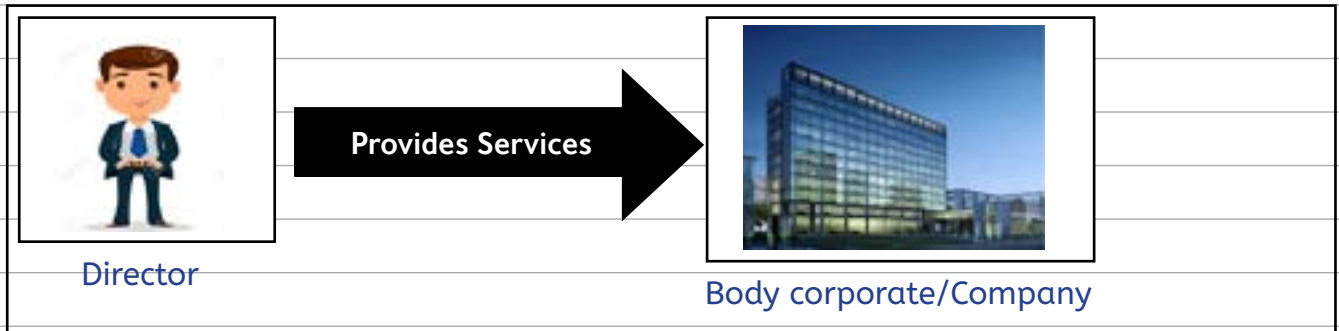


Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
5	Services supplied by the Central Government , State Government, Union territory or local authority, Parliament , State Legislature , Courts and Tribunals to a business entity excluding, - Services specified below- (i) services by the Department of Posts (ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; (iii) transport of goods or passengers.	Central Government, State Government, State Government, Union territory or local authority, Parliament , State Legislature , Courts and Tribunals	Any business entity located in the taxable territory.



Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
5A	Services supplied by Central Government, State Government, Union territory or local authority, Parliament, State Legislature, Courts and Tribunals by way of renting of immovable property to a person registered under CGST Act, 2017	Central Government, State Government, Union territory or local authority, Parliament, State Legislature, Courts and Tribunals	Any person registered under the CGST Act, 2017
5AA	Service by way of renting of residential dwelling to a registered person	Any person	Any registered person
5B	Services supplied by any person by way of transfer of development rights (TDR) or Floor Space Index (FSI) (including additional FSI) for construction of a project by a promoter.	Any person	Promoter
5C	Long term lease of land (30 years or more) by any person against consideration in the form of upfront amount (called as premium, salami, cost, price, development charges or by any other name) and/or periodic rent for construction of a project by a promoter	Any person	Promoter

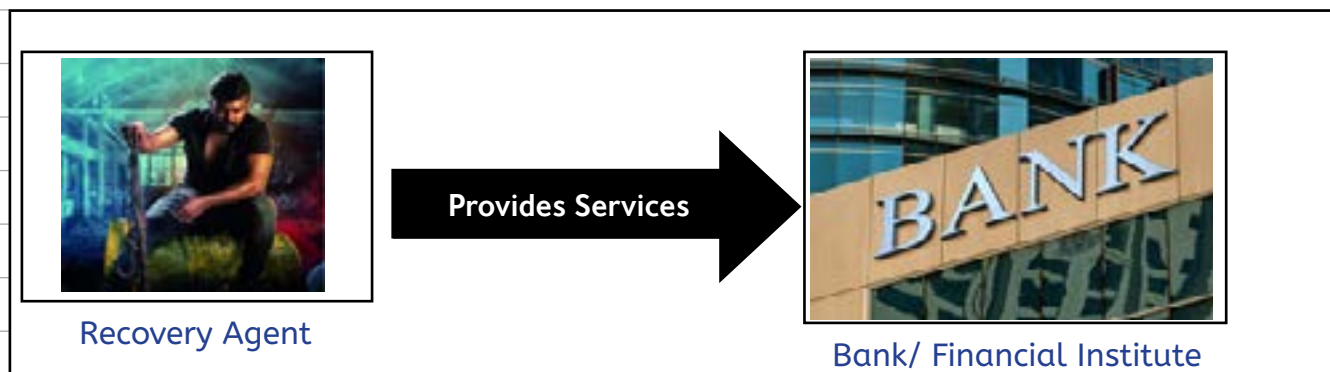
Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
6	Services supplied by a Director of a company / body corporate to the said company/body corporate.	A director of a company or a body corporate	The company or a body corporate located in the taxable territory as per Sec 2(11) of Companies Act, 2013.



Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
7	Services supplied by an Insurance Agent to any person carrying on insurance business.	An insurance agent	Any person carrying on insurance business, located in the taxable territory.



Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
8	Services supplied by a Recovery agent to a banking company or a financial institution or a non banking financial company.	A recovery agent	A banking company or a financial institution or a nonbanking financial company, located in the taxable territory.



Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
9	Supply of services by a Music composer , photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like.	Music composer, photographer, artist, or the like	Music company, producer or the Like located in taxable territory.
9A	Supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher.	Author	Publisher located in the taxable territory.

However, **an author can choose to pay tax under forward charge** if-

- (i) he has taken registration under the CGST Act and filed a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) and to comply with all the provisions 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;
- (ii) he makes a declaration on the invoice issued by him in prescribed form to the publisher.



Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
10	Supply of services by the members of Overseeing Committee to Reserve Bank of India (RBI)	Members of Overseeing Committee constituted by the Reserve Bank of India (RBI)	Reserve Bank of India (RBI)

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
11	Services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership (LLP) firm to bank or non-banking financial company (NBFCs).	Individual Direct Selling Agents (DSAs) other than a body corporate, partnership or LLP firm	A banking company or a NBFC, located in the taxable territory

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
12	Services provided by business facilitator to a banking company.	Business facilitator	A Banking company, located in the taxable territory

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
13	Services provided by an agent of business correspondent to business correspondent.	An agent of business correspondent	A business correspondent, located in the taxable territory.

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
14	<p>Security service (services provided by way of supply of security personnel) provided to a registered person.</p> <p>However, nothing contained in this entry shall apply to:</p> <p>(i) (a) a Department or Establishment of the Central Government or State Government or Union territory; or</p> <p>(b) local authority; or</p> <p>(c) Governmental agencies; which has taken registration under the CGST Act, 2017 only for the purpose of deducting tax under section 51 of the said Act and not for making a taxable supply of goods or services; or</p> <p>(ii) a registered person paying tax under composition scheme.</p>	Any person other than a body corporate	A registered person, located in the taxable territory.

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
15	Service provided by renting of any motor vehicle designed to carry passenger where the cost of fuel is included in the consideration charged from the service recipient provided to a body corporate.	Any person other than body corporate, who supplies the service to a body corporate and does not issue an invoice charging CGST @6% to the service recipient.	Any body corporate located in the taxable territory.

Circular No. 177/09/2022 GST dated 03.08.2022 – Certain Clarifications

When services are provided by a non-body corporate to a body corporate by way of renting of any motor vehicle for transport of passengers, whether RCM is applicable on

service of transportation of passengers (Heading 9964) or on renting of motor vehicle designed to carry passengers (Heading 9966)?

Clarification: It has been clarified that where the body corporate hires the motor vehicle (for transport of employees etc.) for a period of time, during which the motor vehicle shall be at the disposal of the body corporate, the service would fall under Heading 9966 [Renting], and the body corporate shall be liable to pay GST on the same under RCM. It may be seen that reverse charge thus would apply on act of renting of vehicles by body corporate and in such a case, it is for the body corporate to use in the manner as it likes subject to agreement with the person providing vehicle on rent.

However, where the body corporate avails the passenger transport service for specific journeys and does not take vehicle on rent for any particular period of time, the service would fall under Heading 9964[Transportation of passengers] and the body corporate shall not be liable to pay GST on the same under RCM.

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
16	Service of lending of securities under securities lending scheme, 1997 (“scheme”) of SEBI	Lender, i.e., a person who deposits securities registered in his name/in the name of any other person duly authorized on his behalf with an approved intermediary for the purpose of lending under scheme of SEBI	Borrower i.e., a person who borrows a security under a scheme through an approved intermediary of SEBI.

Note : All the above services have also been notified for reverse charge under IGST Act vide Notification No. 10/2017 IT (R) dated 28.06.2017 as amended. In addition to them, following service is also notified by said notification under reverse charge for IGST purposes:

Any service supplied by any person who is located in a non-taxable territory to any person located in the taxable territory other than non-taxable online recipient⁷ located in taxable territory. Thus, in case of import of service, tax is payable by the person importing such service.

[SEC 9(5)] TAX PAYABLE BY E-COMMERCE OPERATOR ON NOTIFIED SERVICES

The Government may, on the recommendations of the Council, by notification, specify categories of services the tax on intra- State supplies of which shall be paid by the electronic commerce operator if such services are supplied⁸ through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services.

Provided that where an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax: Provided further that where an electronic commerce operator does not have a physical presence in the taxable territory and also he does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.

Notification No. 17/2017 CT (R) dated 28.06.2017/ Notification No. 14/2017 IT (R) dated 28.06.2017 as amended has notified the following categories of services supplied through ECO for this purpose – (a) services by way of transportation of passengers by a radio-taxi, motorcab, maxicab, motor cycle, omnibus or any other motor vehicle; (b) services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under section 22(1) of the CGST Act. (c) services by way of house-keeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under sub-section 22(1) of the CGST Act. (d) supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises.

Meaning of various terms

- (i) Radio taxi: means a taxi including a radio cab, by whatever name called, which is in two- way radio communication with a central control office and is enabled for tracking using Global Positioning System (GPS) or General Packet Radio Service (GPRS).
- (ii) Maxi cab: means any motor vehicle constructed or adapted to carry more than 6 passengers, but not more than 12 passengers, excluding the driver, for hire or reward. Motor cab: means any motor vehicle constructed or adapted to carry not more than 6 passengers excluding the driver for hire or reward. Motor car: means any motor vehicle other than a transport vehicle, omnibus, road-roller, tractor, motor cycle or invalid carriage. Omnibus means any motor vehicle constructed or adapted to carry more than 6 persons excluding the driver.
- (iii) 'Specified premises' would mean premises providing hotel accommodation service having declared tariff of any unit of accommodation above ` 7,500 per unit per day or equivalent.

[SEC 10] Composition Scheme

Basis	Composition scheme (Section 10)	Composition Scheme for Services (Section 10(2A))
1.Optional Scheme	It is an optional Scheme	It is an optional Scheme
2. Eligible Person	<ul style="list-style-type: none"> ➤ Manufacturer [other than notified Goods] <div style="border: 1px solid black; padding: 5px;"> <p>Notified Goods:</p> <ul style="list-style-type: none"> (i) Ice cream and other edible ice, whether or not containing cocoa. (ii) Pan Masala (iii) Tobacco and manufactured tobacco substitutes (iv) Aerated Water (v) Fly ash bricks or fly ash aggregate with 90% or more fly ash content; Fly ash blocks (vi) Bricks of fossil meals or similar siliceous earths (vii) Building bricks (viii) Earthen or roofing tiles </div> <ul style="list-style-type: none"> ➤ Trader ➤ Service Provider [only supplier making supplies under Schedule II -> para 6 -> Clause (b) [Restaurant service] 	<ul style="list-style-type: none"> ➤ Exclusively engaged in supplying services other than restaurant services. ➤ Any person who is not eligible for composition scheme. (Except Manufacturer of Notified Goods)

3. Aggregate Turnover (ATO) for Eligibility	<p>Applicable to registered person, whose aggregate turnover in preceding year is not exceeding 1.5 crore or 75 Lacs [in special category states]</p> <table border="1" data-bbox="389 353 1062 488"> <tr> <td colspan="4">Special Category States:</td> </tr> <tr> <td>Meghalaya</td> <td>Manipur</td> <td>Mizoram</td> <td>Arunachal Pradesh</td> </tr> <tr> <td>Nagaland</td> <td>Sikkim</td> <td>Uttarakhand</td> <td>Tripura</td> </tr> </table>	Special Category States:				Meghalaya	Manipur	Mizoram	Arunachal Pradesh	Nagaland	Sikkim	Uttarakhand	Tripura	A registered person whose aggregate turnover in the preceding financial year does not exceed Rs. 50 Lakh.
Special Category States:														
Meghalaya	Manipur	Mizoram	Arunachal Pradesh											
Nagaland	Sikkim	Uttarakhand	Tripura											
4. Tax Rate	<table border="1" data-bbox="389 510 1062 896"> <thead> <tr> <th>Registered person is a</th> <th>CGST</th> <th>SGST</th> </tr> </thead> <tbody> <tr> <td>Manufacturer</td> <td>0.5% of Turnover in a State/UT</td> <td>0.5% of Turnover in a State/UT</td> </tr> <tr> <td>Trader</td> <td>0.5% of Taxable Turnover in a state/UT</td> <td>0.5% of Taxable Turnover in a state/UT</td> </tr> <tr> <td>Restaurant</td> <td>2.5% of Turnover in a state/UT</td> <td>2.5% of Turnover in a state/UT</td> </tr> </tbody> </table>	Registered person is a	CGST	SGST	Manufacturer	0.5% of Turnover in a State/UT	0.5% of Turnover in a State/UT	Trader	0.5% of Taxable Turnover in a state/UT	0.5% of Taxable Turnover in a state/UT	Restaurant	2.5% of Turnover in a state/UT	2.5% of Turnover in a state/UT	<ol style="list-style-type: none"> CGST → 3% of Turnover in a state/UT SGST → 3% of Turnover in a state/UT
Registered person is a	CGST	SGST												
Manufacturer	0.5% of Turnover in a State/UT	0.5% of Turnover in a State/UT												
Trader	0.5% of Taxable Turnover in a state/UT	0.5% of Taxable Turnover in a state/UT												
Restaurant	2.5% of Turnover in a state/UT	2.5% of Turnover in a state/UT												
5. Is composition scheme holder eligible for making supply of service [other than restaurant service]	<p>Composition scheme taxpayers permitted to render services other than restaurant services upto a specified limit:</p> <p>This specified value is value not exceeding:</p> <ol style="list-style-type: none"> 10% of the turnover (Excluding Interest on loan, advance & deposit) in a State/Union territory in the preceding financial year; Rs. 5 lakh, Whichever is Higher 													
6. Aggregate Turnover (ATO)	<table border="1" data-bbox="389 1395 1474 1816"> <thead> <tr> <th colspan="2">Aggregate Turnover</th> </tr> <tr> <th>Inclusions</th> <th>Exclusions</th> </tr> </thead> <tbody> <tr> <td> Value of all outward supplies i.e. – <ul style="list-style-type: none"> Taxable supplies Exempt supplies Exports Inter-State supplies of persons having same PAN to be computed on all India basis </td> <td> <ul style="list-style-type: none"> CGST SGST UTGST IGST Cess Value of inward supplies on which tax is payable under reverse charge. </td> </tr> </tbody> </table> <p>Note:</p> <ol style="list-style-type: none"> Interest income on deposit, advance and loan to be excluded while computing aggregate turnover for determining eligibility for composition scheme. 		Aggregate Turnover		Inclusions	Exclusions	Value of all outward supplies i.e. – <ul style="list-style-type: none"> Taxable supplies Exempt supplies Exports Inter-State supplies of persons having same PAN to be computed on all India basis 	<ul style="list-style-type: none"> CGST SGST UTGST IGST Cess Value of inward supplies on which tax is payable under reverse charge. 						
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<p>7. Who cannot opt for Composition Scheme/ Composition Scheme for Services</p>	<p>a) A service provider (except Restaurant Services and a Registered person whose Value of Service < 10% of the Turnover in a state/UT in preceding F.Y. OR Rs. 5 Lakh, whichever is Higher [This point is only applicable for composition Scheme]</p> <p>b) Person making non-taxable supplies.</p> <p>c) Person making inter-state supply of good/ services.</p> <p>d) A person engaged in making supplies of goods or services through electronic commerce operator responsible for collecting tax at source.</p> <p>e) Manufacturer of notified goods.</p> <p>f) Non-resident Taxable Person or Casual Taxable Person.</p>
<p>8. Something To Know</p>	<p>1) The option availed by a registered person u/s 10 shall lapse with effect from the day on which aggregate T/O during Financial year exceeds limits specified. [Same u/s 10(2A)]</p> <p>2) Composition scheme to be adopted uniformly by all the registered persons having the same PAN.</p> <p>3) A taxable person who is covered u/s 10/u/s 10(2A) shall neither collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.</p> <p>4) There is no restriction on Composition Supplier to procure goods from Inter-State Supplier.</p> <p>5) A taxable person u/s 10/u/s 10(2A) shall mention the words “Composition Taxable Person”. On sign board displayed at prominent place at his Principal place of Business and Additional place of Business.</p> <p>6) A taxable person shall pay Tax under RCM on inward supply of goods or services U/S 9(3)/ 9(4).</p>
<p>9. Composition Rule</p>	<ul style="list-style-type: none"> ❖ Rule 3(2): At the time of registration, any person can opt composition scheme in part B of Form GST REG-01 ❖ Rule 3(3): Filing of intimation before the beginning of financial year: Any person who is registered under regular scheme but now opting for composition Scheme shall electronically file an intimation. Prior to the commencement of the financial year for which the option to pay tax under composition Scheme is exercised. ❖ Rule 3(5): One intimation applicable for all place in case of same PAN ❖ Rule 4: EFFECTIVE DATE FOR COMPOSITION LEVY The beginning of the financial year, where intimation is filled u/r 3(3) ❖ Rule 6: Provision regarding validity of composition scheme <ul style="list-style-type: none"> ❖ Rule 6(1): The option exercise shall remain valid so long as he satisfied all the conditions.

- ❖ **Rule 6(2):** Mandatory Cessation of Composition Levy On Violation Of Conditions: The person shall be liable to pay tax under regulation scheme from the day he cease to satisfy any of the condition and shall issue tax invoice for every taxable supply and he shall also file intimation for withdrawal from the scheme in FORM GST CMP -04 within 7 days of occurrence of such event.
- ❖ **Rule 6(3):** Application for withdrawal from scheme: The register person who intends to withdraw from the composition scheme shall file an Application in FORM GST CMP- 04.
- ❖ **Rule 6(4):** where the proper officer has reason to believe that the registered person was not eligible for composition scheme or has contravened the provision of the act. Proper officer (PO) may issue a SCN (show cause notice) as why option to pay tax **u/s 10** shall not be denied.
- ❖ **Rule 6(5):** registered person as per (u/s 10) shall reply to proper officer upon receipt of reply, The PO shall issue an order within 30 days of the receipt of the reply or denying the Option to pay tax **u/s 10** as the case may be.

EXAMPLE 1:

A Ltd. is a manufacturing concern in Pune. In Financial Year 2022-23 total value of supplies including inward supplies taxed under reverse charge basis are ₹ 1,52,60,000. The breakup of supplies are as follows:

Particulars	₹
(1) Intra State Supplies made under forward charge	5,000,000
(2) Intra State Supplies made which are chargeable to GST at Nil rate	4,000,000
(3) Intra State Supplies which are wholly exempt under section 11 of GST Act, 2017	6,000,000
(4) Value of inward supplies on which tax payable under RCM	260,000

Briefly explain whether A Ltd.is eligible to opt for Composition Scheme in Financial Year 2023-24.

Solution:

Computation of Aggregate Turnover

Particulars	₹
(1) Supplies made under forward charge	5,000,000
(2) Supplies made which are chargeable to GST at Nil rate (covered under Exempt supply)	4,000,000
(3) Supplies which are wholly exempt under section 11 of CGST Act, 2017	6,000,000
(4) Value of inward supplies on which tax payable u/d RCM (specifically excluded)	Nil
Total	15,000,000

Since, aggregate turnover does not exceed ₹ 15,000,000 during the Financial Year 2022-23. So, A Ltd. is entitled for Composition Scheme for Financial Year 2023-24.

EXAMPLE 2:

Z Ltd. a manufacturing unit in Rajasthan has opted for composition scheme furnishes you with the following information for Financial Year 2022-23 It requires you to determine its composition tax liability and total tax liability. In Financial Year 2022-23 total value of supplies including inward supplies taxed under reverse charge basis are ₹ 87,40,000. The break up of supplies are as follows:

Particulars	₹
(1) Intra State Supplies of Goods X chargeable @ 5% GST	3,000,000
(2) Intra State Supplies made which are chargeable to GST at Nil rate	1,800,000
(3) Intra State Supplies which are wholly exempt under Sec 11 of CGST Act, 2017	240,000
(4) Value of inward supplies on which tax payable under RCM (GST Rate 5%)	700,000
(5) Intra State Supplies of Goods Y chargeable @ 18% GST	3,000,000

Solution:

(1) The composite tax liability of A Ltd. shall be as under:

Particular	₹
(1) Supplies made under forward charge	3,000,000
(2) Supplies made which are chargeable to GST at Nil rate	1,800,000
(3) Supplies which are wholly exempt under section 11 of GST Act, 2017	240,000
(4) Value of inward supplies on which tax payable under RCM (GST Rate 5%) (not to be included)	Nil
(5) Intra State Supplies of Goods Y chargeable @ 18% GST	3,000,000
Aggregate turnover	8,040,000
Rate of Companies Tax (Effective Rate)	1%
Total Companies Tax	80,400

(2) Tax payable under reverse charge basis

Particulars	₹
Value of inward supplies on which tax payable under RCM	700,000
Rate of GST	5%
Tax payable under RCM	35,000
Total tax liability	115,400

EXAMPLE 3:

M & P Co. a trading concern, has opted for composition scheme in FY 2022-23. It furnishes you with the following details of supplies made for the quarter ending 30th September, 2022. You are required to determine composition tax liability.

Particulars	₹
(1) Intra – State Taxable Supply	300,000
(2) Intra – State Exempt Supply	200,000

Solution:

M & P Co. will be liable to pay tax @ 1% of the turnover of taxable supplies of goods in the State. Thus, the composite tax liability will be:

CGST = 0.5% of Rs. 3L = Rs. 1,500

SGST = 0.5% of Rs. 3L = Rs. 1,500

The value of exempt supply shall not be included for computation of GST liability of a trader

Real Estate Sector [From 01.04.2019]

1. Rate of GST	<ol style="list-style-type: none"> 1) 1% without ITC on construction of affordable houses (area 60 sqm in metros/ 90 sqm in non-metros and value up to Rs. 45 lakh). 2) 5% without ITC shall be applicable on construction of: <ol style="list-style-type: none"> a) all houses other than affordable houses, and b) Commercial apartments such as shops, offices etc. in a residential real estate project (RREP) in which the carpet area of commercial apartments is not more than 15% of total carpet area of all apartments.
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<p>2. Conditions</p>	<ol style="list-style-type: none"> 1. Input tax credit shall not be available. 2. 80% of inputs and input services [other than development rights, long term lease of land or FSI (including additional FSI), electricity, high speed diesel, motor spirit, natural gas], shall be purchased from registered persons <p>Note 1:- If value of inputs and input services purchased from registered supplier is less than 80%, promoter has to pay GST on reverse charge basis, under section 9(4) of the CGST Act, at the rate of 18% on all such inward supplies (to the extent short of 80% of the inward supplies from registered supplier).</p> <p>Note 2:- If cement is received from an unregistered person, the promoter shall pay tax on supply of such cement on reverse charge basis, under section 9(4) of the CGST Act, at the applicable rate which is 28% (CGST 14% + SGST 14%) at present. Moreover, GST on capital goods shall be paid by the promoter on reverse charge basis, under section 9(4) of the CGST Act at the applicable rates</p>
<p>3. Supply of TDR, FSI, long term lease (premium) of land by a land-owner to a developer exempt from GST.</p>	<p>If the constructed flats are sold by the developer before issuance of completion certificate.</p>
<p>4. Exemption Withdraw</p>	<p>Exemption of TDR, FSI, long term lease (premium) shall be withdrawn in case of flats sold after issue of completion certificate, but such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses.</p> <p>Note:- The liability to pay tax on TDR, FSI, long term lease (premium) has been shifted from land owner to builder under the reverse charge mechanism (RCM)</p>



Question 1

In the following independent cases, decide, who is liable to pay GST, if any.

You may assume that recipient is located in the taxable territory. Ignore the aggregate turnover and exemption available.

- (i) 'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law. (2 Marks)
- (ii) Mr. Kamal Jain, an unregistered famous author, received ₹ 20 lakh of consideration from PQR Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under **section 13(1)(a)** of the Copyright Act, 1957 relating to original literary works of his new book.

Answer:

- (i) In case of a GTA service, where GST is payable @ 5% and recipient is one of the specified recipients, tax is payable by the recipient of service under reverse charge. However, where GST is payable @ 12%, tax is payable under forward charge by the supplier of service. Therefore, in the given case, tax is payable under forward charge by "Veer Transport", a registered GTA.

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

- (ii) Supply of services by an author by way of transfer of a copyright covered under **section 13(1)(a)** of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory is taxable under reverse charge mechanism. Thus, in the given case, the recipient of service, i.e. PQR Publications Ltd. is liable to pay GST. The tax can be paid by the author under forward charge if the author is a registered person. Since in the given case, the author is an unregistered person, the said option is not available to him.

(Suggested Nov 20)

Question 2

P Ltd, a registered person provided following information for the month of October, 2020:

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

GST is payable on Reverse Charge for GTA services.

Explain the meaning of aggregate turnover u/s 2(6) of the CGST Act and compute the aggregate turnover of P Ltd. for the month of October, 2020. All amounts are exclusive of GST.

Answer:

The term aggregate turnover means the aggregate value of:

- (i) all taxable supplies
- (ii) exempt supplies,
- (iii) exports of goods or services or both and
- (iv) inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excluding
 - (i) central tax, State tax, Union territory tax, integrated tax and cess.
 - (ii) the value of inward supplies on which tax is payable by a person on reverse charge basis

Computation of aggregate turnover of P Ltd. for the month of October, 2020

Particulars	Amount (₹)
In terms of the definition of the aggregate turnover given above, the aggregate turnover of P Ltd. has been computed as follows:	
Intra-State outward supply	8,00,000
Inter-State exempt outward supply	4,00,000
Turnover of exported goods	20,00,000
Payment of IGST	Nil
Payment of CGST and SGST	Nil
Payment of customs duty on export	40,000
Payment made under reverse charge for availing GTA services	Nil
Aggregate turnover	32,40,000

(Suggested July 21)

Question 3

Example on section 10 (2A) composition supplier for services

Answer:

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 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.

*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.

Question 4

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

Answer:

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

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

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

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

J.K. SHAH[®]
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- 1) A taxable person has made following supplies in January, 2018 – Sales within the State – Rs. 2,00,000. Exports out of India– Rs. 60,000. Supplies to SEZ located within the State – Rs. 40,000. He does not intend to clear goods under Letter of Undertaking (LUT) or bond. The input tax credit available to him during January, 2018 – IGST – Nil. CGST – Rs. 10,000. SGST – Rs. 20,000. There is no opening balance in his electronic cash ledger or electronic credit ledger. Tax rates are – SGST – 9%, CGST – 9%, IGST – 18%. How much amount is payable by him in cash?
- a) CGST – Rs. 8,000 SGST – Nil
b) CGST – Rs. 11,600 SGST – Rs. 1,600
c) CGST – Rs. 8,000, SGST – Nil, IGST – Rs. 5,200
d) **CGST – Rs. 8,000 SGST – Nil, IGST – Rs. 16,000**
- 2) Which of the following persons can opt for the composition scheme?
1. Registered person whose aggregate turnover in the preceding financial year did not exceed Rs. 75 lakh.
 2. Registered person whose aggregate turnover in the preceding financial year did not exceed Rs. 1 crore.
 3. A person engaged in manufacture of Pan Masala, Tobacco and manufactured tobacco substitutes
 4. A person engaged in the manufacture of Ice Cream, other edible ice, whether or not containing Cocoa.
 5. A person engaged exclusively in the providing restaurant service.
 - 6) A person engaged exclusively in supply of medicines.
- Which of the above are correct:-
- (a) 1,2,3,5 (b) **1,2,5,6** (c) 2,3,4,5 (d) 3,4,5,6
- 3) Which of the following statements is not correct for a tax payer who has opted for composition scheme?
- a) A registered person supplying goods under the composition scheme shall issue a bill of supply.
b) **Last date for payment of liability towards tax, interest, penalty, fee or any other sum is 20th day of each month.**

- c) A composition dealer shall mention the words “Composition taxable person, not eligible to collect tax on supplies” at the top of the bill of supply issued by him.
- d) Last date for payment of liability towards tax, interest, penalty, fee or any other sum is 18th day of the month following each quarter.

4) Mr. Fardeen Khan, is the owner of a proprietorship firm (located in the State of Jammu and Kashmir), which is engaged in trading of ice-cream (not containing cocoa) and supplies the same locally within the same State itself. The turnover details of his firm are as under:

- For the period April, 2016 to March, 2017: Rs. 80,00,000/-
- For the period April, 2017 to June, 2017: Rs. 25,00,000/-
- For the period July, 2017 to March, 2018: Rs.75,00,000/-

He wants to opt for Composition Scheme. State the composition turnover limit for the State of Jammu and Kashmir and whether he is eligible to opt for Composition Scheme or not.

- (a) Rs. 75,00,000/-: Yes
- (b) Rs. 75,00,000/-: No
- (c) **Rs. 1,50,00,000/-: Yes**
- (d) Rs. 80,00,000/-: Yes

5) Which of the following legal services does not fall under RCM provisions as contained under **section 9(3)** of the CGST Act-

- (a) Representation services provided by an individual advocate
- (b) Representation services provided by a senior advocate
- (c) Representation services provided by a firm of advocates
- (d) **Legal services provided by an advocate to an unregistered individual**

6) “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	April,2020-June,2020	20
2	July,2020-September,2020	30
3	October,2020-December,2020	40

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

Ans: 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

(RTP MAY '21)



**MULTIPLE CHOICE
QUESTIONS**

1. What are the supplies to which the reverse charge mechanism could be applied?
 - a. Inward supplies of Goods or Services or both
 - b. Outward supplies of Goods or Services or both
 - c. Both the above
 - d. None of the above

2. Input tax credit in case of reverse charge mechanism can be availed by:
 - a. Supplier of the Goods / Services
 - b. Recipient of Goods / Services
 - c. Both
 - d. None

3. Is the below statement correct: “A person is not required to obtain registration if he is required to pay tax under reverse charge but he has not exceeded his threshold limit”
 - a. Incorrect, the person is required to take registration & pay tax under reverse charge irrespective the fact that threshold is crossed or not.
 - b. Incorrect, if the person is required to pay tax under reverse charge he shall obtain registration only if the value of supply under reverse charge exceeds the threshold limit.
 - c. Above statement is correct
 - d. Correct, a person is required to obtain registration if he is required to pay tax under reverse charge and, he is making taxable supplies irrespective of the threshold limit.

4. Is ITC available to the supplier, supplying goods / services under Reverse Charge Mechanism
 - a. Yes
 - b. No
 - c. Not applicable
 - d. Yes, if permitted by the authority

5. What is the amount of Input tax credit available to a composition dealer falling under Reverse charge mechanism?
- a. 100% of tax paid b. 50% of tax paid
c. Nil d. Some portion of tax paid
6. Mr. A has supplied services to Mr. B which are covered under RCM. Both of them are located in Maharashtra. Which tax shall be paid?
- a. CGST & SGST b. IGST
c. CGST & UTGST d. CGST & IGST
7. Goods transportation agency (GTA) is registered and does not avail the ITC. He provides GTA services to another registered person. Will this transaction fall under RCM? What shall be the GST Rate?
- a. RCM applicable, Rate – 5%
b. RCM applicable, Rate – 12%
c. RCM not applicable, Rate – 18% under forward charge
d. Not taxable
8. ABC Pvt. Ltd. has taken consultancy services from an engineer in USA. Who shall be liable to pay tax and under what head?
- a. ABC Pvt. Ltd. will pay the tax, IGST
b. ABC Pvt. Ltd. will pay the tax, CGST and SGST
c. Engineer will pay the tax, IGST
d. Engineer will pay the tax, CGST & SGST
9. Mr. A, a lawyer provides representational services to ABC Pvt. Ltd. having a turnover of Rs.15 lakhs. Is RCM applicable?
- a. Yes b. No
c. Maybe d. Mr. A needs to pay tax
10. Central Government gave a piece of land on rent to M/s ABC Pvt. Ltd., registered in Delhi who shall pay tax? Is RCM applicable?
- a. Central Government, RCM Applicable
b. Central Government, RCM not Applicable
c. M/s ABC Pvt. Ltd., RCM Applicable
d. M/s ABC Pvt. Ltd., RCM not Applicable

24. Can the option to pay tax under composition levy be exercised at any time of the year?
- Yes
 - No
 - Any one of the above (depending on situation)
 - Yes, subject to prior approval of the Central Government
25. Can a person paying tax under composition levy, withdraw voluntarily from the scheme?
- Yes
 - No
 - Maybe
 - Yes, subject to prior approval of the Central Government
26. Calculate the tax to be paid by Mr. A, a composition dealer who is involved in trading of garments. Details of his business is as below:
Purchases = Rs. 30,000 (including GST of 4,500)
Cost of products sold = Rs. 7,00,000
Invoice value = Rs. 9,00,000
- | | |
|--------------|--------------|
| a. Rs. 3,000 | b. Rs. 7,000 |
| c. Rs. 9,000 | d. Rs. 2,542 |
27. ABC Ltd., a trader has got itself registered in Delhi on 1.2.20XX in composition scheme. In the month of Aug 20XX, it makes supply of taxable goods worth Rs. 3 lacs and exempted goods worth Rs. 1 lac. On what value it shall pay the GST to the Government?
- | | |
|--------------|--------------|
| a. Rs. 1 lac | b. Rs.3 lacs |
| c. Rs.4 lacs | d. Rs.2 lacs |
28. Who is not eligible to opt for composition scheme?
- | | |
|--------------------------------|---------------------------|
| a. Cotton Manufacturer | b. Ice cream Manufacturer |
| c. Restaurant service provider | d. Ice cream trader |
29. ABC Pvt. Ltd., has started his business in Delhi and has got himself registered in Composition Scheme. He has purchased capital goods worth Rs. 1,28,000 (tax amount Rs. 28,000) and inputs worth Rs. 50,000 (tax amount Rs. 7,000). What is

the eligible amount of ITC that it can claim?

- a. Rs. 28,000
- b. Rs. 7,000
- c. Rs. 35,000
- d. Zero

30. Whether a restaurant serving alcohol along with other foods etc. to its customers can opt for composition scheme under **Section 10**?

- a. Yes
- b. No
- c. None of the above
- d. Maybe

31. What are the other conditions and restrictions subject to which a person is allowed to avail composition scheme?

- a. He must not be engaged in manufacture of notified goods.
- b. He must mention the words 'composition taxable person, not eligible to collect tax on supplies' at the top of bill of supply issued by him
- c. Mention 'composition taxable person' on every notice or signboard displayed at every prominent place of business
- d. All of the above

32. ABC Pvt. Ltd., a Mumbai based manufacturer of the pan masala, has started manufacturing biscuits within same PAN. His threshold of Rs. 20 lacs is crossed but is expected to be below Rs. 80 lacs in the current financial year. Can he opt for composition scheme?

- a. Yes
- b. No
- c. Maybe
- d. Yes, with prior approval

33. Will composition supplier make the payment of CGST & SGST in separate heads or shall make one combined payment?

- a. Yes, pay under separate heads
- b. No, pay a consolidate amount
- c. Maybe
- d. Make payment under IGST

34. Mr. A, a retailer who keeps no inventories, presents the following expected information for the year

1. Purchases of Goods : ₹50 lakhs (GST @ 5%)
2. Sales (at fixed selling price inclusive of all taxes) : ₹60 lakhs (GST on sales @ 5%)

Discuss whether he should opt for composition scheme.

Expenses of keeping detailed statutory records required under the GST Laws will be ₹1,20,000 p.a., which shall get reduced to ₹50,000 if composition scheme is opted for. Other expenses are ₹3,00,000 p.a.

Solution : The cost to the ultimate customer under two schemes is as under –

Particulars	Normal GST Scheme	Composition Scheme
Cost of goods sold (*No credit under composition scheme, hence, cost of goods sold will be higher)	50,00,000	52,50,000
Add: Costs of maintaining records	1,20,000	50,000
Add: Normal Expenses	3,00,000	3,00,000
Total Costs	54,20,000	56,00,000
Sales (inclusive of all taxes)	60,00,000	60,00,000
Less: Tax (GST=₹60 lakh * 5 / 105); (C Tax=₹60 lakh*1%)	2,85,714	60,000
Sales (net of taxes)	57,14,286	59,40,000
Profit of the dealer (Sales, net of taxes – Total Costs)	2,94,286	3,40,000

Conclusion: It is apparent that while cost to ultimate consumer, in both the cases remains same, the profit of the dealer is higher if the dealer opts for composition scheme. Hence, composition scheme should be opted.

35. Mr. Rajbeer, a registered person at Delhi, is in the business of selling goods relating to interior decoration under the firm name M/s. Rajbeer & Sons. He has opted for composition scheme for the Financial Year (FY) 2023-24.

His turnover for FY 2023-24 is ₹ 80 lakh and is expected to achieve ₹ 130 lakh in FY 2024-25. Discuss whether M/s Rajbeer & Sons can still enjoy the benefits of composition scheme in FY 2024-25.

His son Karan wants to start business of providing services relating to interior decoration, after completing post-graduation course in interior decoration under same firm name M/s Rajbeer & Sons with effect from 01.04.2024 and wants to enjoy the benefits of composition scheme under GST.

Advise Mr. Rajbeer and his son Karan.

Solution:

As per **section 10** of the CGST Act, 2017, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore in a State/UT may opt for composition scheme, provided he is, inter alia, engaged in supply of goods and/or restaurant service. However, a person who opts for composition scheme is permitted to supply services other than restaurant service of value not exceeding 10% of turnover in a State/UT in the preceding financial year or ₹ 5 lakh, whichever is higher.

In the given case, M/s. Rajbeer & Sons (It is assumed that it is a sole proprietor) engaged in business of selling goods relating to interior decoration, is eligible for composition scheme in FY 2024-25 since its aggregate turnover in preceding FY (viz. ₹ 80 lakh) does not exceed ₹ 1.5 crore. If Karan wishes to start the business of providing services relating to interior decoration under the same firm name M/s Rajbeer & Sons, the sole proprietorship needs to be first converted into a partnership firm. Further, new GST registration under the new PAN is required to be obtained.

In such a case, the firm can provide services relating to interior decoration up to a value of ₹ 5 lakh (10% of zero turnover of last year or ₹ 5 lakh, whichever is higher) to continue enjoying the benefit of composition scheme in FY 2024-25.

36. 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.

- (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).
- (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.

Solution:

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 Notification No. 2/2019 CT (R)

dated 07.03.2019 as amended. One of such condition is that the registered person should not be engaged in making any inter-state outward taxable supplies. (Now this provision is part of **Section 10(2A)** of CGST Act, 2017.

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.

Further, the benefit of concessional tax payment under Notification No. 2/2019 CT (R) dated 07.03.2019 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 Notification No. 2/2019 CT (R) dated 07.03.2019.

Answer:

1.	(a)	12.	(a)	23.	(d)
2.	(b)	13.	(a)	24.	(b)
3.	(a)	14.	(b)	25.	(a)
4.	(b)	15.	(b)	26.	(c)
5.	(c)	16.	(d)	27.	(b)
6.	(a)	17.	(c)	28.	(b)
7.	(a)	18.	(a)	29.	(d)
8.	(a)	19.	(c)	30.	(b)
9.	(b)	20.	(a)	31.	(d)
10.	(c)	21.	(a)	32.	(b)
11.	(a)	22.	(a)	33.	(a)

4

PLACE OF SUPPLY

1. Relevant Provisions of IGST Act, 2017

Section	Applicability
Section 7	Inter-state supply
Section 8	Intra-state supply
Section 9	Supplies in territorial waters
Section 10	POS for Goods – Other than Import and Export
Section 12	POS for Services – WHEN SUPPLIER & RECIPIENT ARE IN INDIA

2. Section 7, 8 and 9 of IGST Act

❖ **Section 8**

Where the **location of the supplier** and the **place of supply** of goods or services are in the **same** State/Union territory, it is treated as **intra-State supply** of goods or services respectively.

Explanation 1.

For the purposes of this Act, where a person has, - (ii) an establishment in a State or Union territory and any other establishment outside that State or Union territory; or (iii) an establishment in a State or Union territory and any other establishment registered within that State or Union territory, then such establishments shall be treated as establishments of distinct persons.

Explanation 2.

A person carrying on a business through a branch or an agency or a representational office in any territory shall be treated as having an establishment in that territory.

❖ **Section 7**

Where the **location of the supplier** and the **place of supply** of goods or services are in

- (i) two different States or
- (ii) two **different** Union Territories or
- (iii) a State and a Union territory, it is treated as **inter-State supply** of goods or services respectively.

The following supply of goods or services or both will be treated as inter-state supply:

- (a) When the supplier is located in India and the place of supply is outside India;
- (b) To or by a Special Economic Zone developer or a Special Economic Zone unit; or
- (c) In the taxable territory, not being an intra-State supply

❖ **Section 9 – Supplies in Territorial Waters**

Not with standing anything contained in this Act, --

(a)	Where the location of the supplier is in the territorial waters, the location of such supplier “or”	be deemed to be in the coastal State or Union territory, where the nearest point of the appropriate baseline is located
(b)	Where the place of supply is in the territorial waters , the place of supply, shall, for the purposes of this Act	

EXAMPLE:

If repair services are provided by a company in **Delhi** on a ship anchored off the coast of Kochi for a shipping company from **United Kingdom**, the place of supply being the **location of the ship** will create doubt about the applicability of GST. Now, by the provisions in section 9, it is clear that the place of supply of the repair services will not be the waters but Kochi. With this doubt having been resolved, it would be an inter-State supply albeit to the UK Company.

3. Relevant Definitions

- Continuous journey means a journey for which a single or more than one ticket or invoice is issued at the same time, either by a single supplier of service or through an agent acting on behalf of more than one supplier of service, and which involves no stopover between any of the legs of the journey for which one or more separate tickets or invoices are issued. Explanation--For the purposes of this clause, the term “stopover” means a place where a passenger can disembark either to transfer to another conveyance or break his journey for a certain period in order to resume it at a later point of time [Section 2(3)]. The term conveyance has been defined in section 2(34) of the CGST Act to include a vessel, an aircraft and a vehicle.
- Fixed establishment means a place other than the place of business which is characterised by a sufficient degree of permanence and suitable structure in terms of human and technical resources to supply services, or to receive and use services for its own needs [Section 2(7)].

- **Location of the recipient of services means:** (a) where a supply is received at a place of business for which registration has been obtained, the location of such place of business; (b) where a supply is received at a place other than the place of business for which registration has been obtained, that is to say, a fixed establishment elsewhere, the location of such fixed establishment; (c) where a supply is received at more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the receipt of the supply; and (d) in absence of such places, the location of the usual place of residence of the recipient [Section 2(14)].
- **Location of the supplier of services means:** (a) where a supply is made from a place of business for which registration has been obtained, the location of such place of business; (b) where a supply is made from a place other than the place of business for which registration has been obtained, that is to say, a fixed establishment elsewhere, the location of such fixed establishment; (c) where a supply is made from more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the provision of the supply; and (d) in absence of such places, the location of the usual place of residence of the supplier [Section 2(15)].

5. Section 10 – POS of goods OTHER THAN Import or Export

5.1. Where the Supply Involves Movement of Goods – Section 10(1)(a)

- 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**.

Particulars	Suppliers factory from where goods are removed	Termination of movement	Place of Supply	Tax Payable
Movement of goods by Supplier	Orissa	Assam		
	Orissa	Orissa		
Movement of goods by recipient	Kerela	Goa		
	Kerela	Kerela		

5.2. Where the Supply does not Involve Movement of Goods – Section 10(1)(c)

- Where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply shall be the location of such goods at the time of the delivery to the recipient;

Section 10(1)(c): Supply does not involve movement of goods

Particulars	Location of supplier	Location of recipient	Location of goods	Place of supply	Tax Payable
Sale of pre-installed DG Set	Delhi	Bhopal	Bhopal	Bhopal	IGST payable at Delhi
Manufacture of moulds by job-worker (supplier), sold to the Principal, but retained in job worker's premises	Tamil Naau	Kerala	Tamil Nadu	Tamil Nadu	CGST + TN GST payable at Tamil Nadu

5.3. Where goods are Assembled or Installed – Section 10(1)(d)

- Where the goods are assembled, or installed at site, the place of supply shall be the place of such installation or assembly.

Section 10(1)(d): Supply of goods assembles / installed at site

Particulars	Location of supplier	Registered office of recipient	Installation Assembly Site	Place of supply	Tax Payable
Installation of weigh bridge	Delhi	Bhopal	Bhopal	Bhopal	IGST payable at Delhi
Service supplied and installation at the office of a marketing firm	Karnataka	Goa	Karnataka	Karnataka	CGST + Kar GST payable at Karnataka
Supply of work-stations	Gujarat	Gujarat	Kerala	Kerala	IGST payable at Gujarat

5.4. Where goods are Supplied On Board of a Conveyance – Section 10(1)(e)

- Where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply shall be the location at which such goods are taken on board

Particulars	Location of supplier	Registered office of recipient	Installation Assembly Site	Place of supply	Tax Payable
Supply of canned aerated drinks	Punjab	Punjab	Delhi		
Sale of haldiram mixtures for sale during the journey	Pune	Goa	Hyderabad		
Sale of sun glasses on a ship	Bangalore	Chennai	Cochin		

5.5. Where the goods are Delivered on the DIRECTION of Third Party – 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, **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.**

6. Section 12 – POS for services – When location of supplier AND recipient is IN India

5.1. Section 12(2)- Place of Supply Generally

- The place of supply of a services except section 12(3) to 12(14) shall be -

Supplied to	Place of Supply
Registered Person	Location of such registered person
Unregistered Person	Address on record of recipient or location of supplier is address is not available

The default presumption for place of supply in respect of registered recipients (B2B supply of services) is the location of such person. Since the recipient is registered, address of recipient is always there and the same can be taken as proxy for place of supply.

The default presumption for place of supply in respect of unregistered recipients (B2C supply of services) is also the location of recipient. However, in many cases, the address of recipient is not available; in such cases, location of the supplier of services is taken as proxy for place of supply. For instance, there are various B2C services where the address of the recipient is not recorded by the supplier of services. For instance, a person may visit a bank branch where he is not a regular customer

and may get a demand draft against cash or request for conversion of foreign currency into local currency. The bank branch charges commission towards its consideration for the services supplied by it. The place of supply in such cases would be determined based on the location of the branch of the bank as the bank branch doesn't have the address of the said service recipient as a normal business practice.

EXAMPLE 1:

Mr. A (a Chartered Accountant registered in New Delhi) makes a supply of service to his client C Pvt. Ltd. of Noida, Uttar Pradesh (registered in Uttar Pradesh). In this case, since the supply is made to a registered person, the place of supply is the location of the registered recipient, i.e. Noida.

EXAMPLE 2:

Mr. H, a Chartered Accountant in Gurugram, Haryana, (registered in Haryana) provides consultancy services to his client Mr. P who is a resident of New Delhi but is not registered under GST. If the address of Mr. P is available in the records of Mr. H, location of Mr. P, i.e. New Delhi will be the place of supply, else the location of Mr. H, which is Gurugram, will be the place of supply

5.2. Section 12(3) – POS for Immovable Property

- The place of supply of services, –

Service	Place of Supply
(a) Directly in relation to an immovable property, including services provided by architects, interior decorators, 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; or	shall be the location at which the immovable property or boat or vessel, as the case may be, is located or intended to be located
(b) By way of lodging accommodation by a hotel, inn, guest house, home stay, club or campsite, by whatever name called, and including a house boat or any other vessel; or	
(c) By way of accommodation in any immovable property for organizing any marriage or reception or matters related thereto, official, social, cultural, religious or business function including services provided in relation to such function at such property; or	
(d) Any services ancillary to the services referred to in clauses (a), (b) and (c).	

“Provided that if the location of the immovable property or boat or vessel is located or intended to be located outside India, the place of supply shall be the location of the recipient.”

Explanation.

Where the immovable property or boat or vessel is located in more than one State or Union territory, the supply of services shall be treated as made in each of the respective States or Union territories, 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 basis as may be prescribed.

EXAMPLES:

Sun Builders (Mumbai) is constructing a factory building for Sky Pvt. Ltd. (Kolkata), in New Delhi. The place of supply is the location of immovable property, i.e. New Delhi.

J K Shah, an architectural firm at Kolkata, has been hired by Madhav Builders of Mumbai to draw up a plan for a high rise building to be constructed by them in Ahmedabad, Gujarat. The place of supply is the place where the immovable property is intended to be located, i.e. Ahmedabad.

K, a Chartered Accountant, (New Delhi) travels to Mumbai for business and stays in a hotel there. The place of supply of accommodation service is the place where the hotel is located, i.e. Mumbai.

G, a consulting engineer based in Mumbai, Maharashtra renders professional services in respect of an immovable property of B of Bangalore located in Australia. Since the immovable property is located outside India, the place of supply of service is the location of recipient, i.e. Bangalore and not the place where the immovable property is located (Australia)

5.3. Section 12(4) – POS in case of Performance Based Service

- The place of supply of restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery shall be the **location** where the services are **actually performed**.

EXAMPLES:

Mr. D, a businessman from Hyderabad dines in a restaurant at Mumbai while on a business trip. The place of supply of restaurant service is the location where such service is performed, i.e. Mumbai.

T, a makeup artist at Kolkata, goes to Jaipur, Rajasthan for doing the makeup of Ms. K, a Bollywood actress based in Mumbai. The place of supply is the location where such service is performed, i.e. Jaipur.

5.4. Section 12(5) – POS in case of Training and Performance Appraisal

- The place of supply of services in relation to training and performance appraisal to, –

Supplied to	Place of Supply
Registered Person	Location of such registered person
Unregistered Person	Actually performed

EXAMPLE:

Mr. S (unregistered person based in Noida) signs up with E (New Delhi) for receiving training on English speaking at their New Delhi Centre. Since the recipient is unregistered, the place of supply is the location where services are provided, i.e. New Delhi.

5.5. Section 12(6) – POS in case of Admission to Events

- The place of supply of services provided by way of admission to a cultural, artistic, sporting, scientific, educational, entertainment event or amusement park or any other place and services ancillary thereto, shall be the place where the **event is actually held** or where the park or such other place is located.

EXAMPLES:

V, a resident of Ghaziabad, Uttar Pradesh, buys a ticket for a circus organized at Gurugram, Haryana by a circus company based in New Delhi. The place of supply is the location where the circus is held, i.e. Gurugram.

M of New Delhi buys a ticket for an amusement park located in Noida, Uttar Pradesh. The place of the supply is the location where the park is located, i.e. Noida.

5.6. Section 12(7) – POS in case of Organizing of Events

- The place of supply of services provided by way of, –
 - (a) organization of cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to a conference, fair, exhibition, celebration or similar events; or
 - (b) Services ancillary to organization of any of the events or services referred to in clause (a), or assigning of sponsorship to such events, --

Supplied to	Place of Supply
Registered Person	Location of such registered person
Unregistered Person	Place where the <u>event is actually held</u> but if the event is outside India, then location of recipient.

Explanation.

In case of service for more than 1 state/ UT, then the value has to be proportionate as may be **prescribed**.

EXAMPLES:

Mayur Events, an event management company at New Delhi, organizes an award function for Shah Diamond Merchants of Ahmedabad (registered in Gujarat), at Mumbai. Since the recipient is a registered person, the place of supply is the location of the recipient, i.e. Ahmedabad.

Mayur Events, an event management company at New Delhi, organizes an award function for Shah Diamond Merchants of Ahmedabad (registered in Gujarat), in Mauritius. Since the recipient is a registered person, the place of supply is the location of the recipient, i.e. Ahmedabad

5.7. Section 12(8) – POS in Transportation of Goods

- The place of supply of services by way of transportation of goods, **including** by mail or courier to –

Supplied to	Place of Supply
Registered Person	Location of such registered person
Unregistered Person	Where goods are handed over for their transportation

Provided that where the transportation of goods is to a place outside India, the place of supply shall be the place of destination of such goods.

EXAMPLES:

M/s S Pvt. Ltd. is a registered company in New Delhi. It sends its courier to Pune through M/s B Courier Service. The recipient being registered person, the place of supply is the location of recipient, i.e. New Delhi.

Mr. B, an unregistered person, of New Delhi sends a courier to his brother in Amritsar, Punjab. The recipient being unregistered person, the place of supply is the location where goods are handed over for their transportation, i.e. New Delhi.

P Pvt. Ltd., a Goods Transportation Agency based in Kanpur, Uttar Pradesh, is hired by H (registered supplier in Kanpur) to transport its consignment of goods to a buyer in New Delhi. The recipient being registered, the place of supply is the location of recipient, i.e. Kanpur.

S Transports Pvt. Ltd., a Goods Transportation Agency based in Noida, Uttar Pradesh, is hired by C (registered supplier in New Delhi) to transport its consignment of goods to a buyer in Kanpur, Uttar Pradesh. The recipient being registered, the place of supply is the location of recipient, i.e. New Delhi.

Mr. S, a manager in a Bank, is transferred from Bareilly, Uttar Pradesh to Bhopal, Madhya Pradesh. Mr. S's family is stationed in Kanpur, Uttar Pradesh. He hires G of Lucknow, Uttar Pradesh (registered in Uttar Pradesh), to transport his household goods from Kanpur to Bhopal. The recipient being unregistered person, the place of supply is the location where goods are handed over for their transportation, i.e. Kanpur

5.8. Section 12(9) – POS in Transportation of Passenger

- The place of supply of passenger transportation service to, –

Supplied to	Place of Supply
Registered Person	Location of such registered person
Unregistered Person	Where the passenger embarks

Explanation.

For the purposes of this sub-section, return journey shall be treated as a separate journey, even if the right to passage for onward and return journey is issued at the same time.

EXAMPLES:

Mr. A (registered person in New Delhi) travels from Mumbai to Bangalore in jet flight. Mr. A has bought the tickets for the journey from jet's office registered in New Delhi. The place of supply is the location of recipient, i.e. New Delhi.

Mr. S (unregistered person in Chennai) has come to Delhi on a vacation. He buys pre-paid Delhi Metro Card from Delhi Metro (New Delhi) for hassle free commute in the National Capital Region. Recipient being unregistered person, the place of supply is the address of Mr. S, i.e. Chennai. If address of Mr. S is not available with the Delhi Metro, the place of supply will be the location of the supplier of services, i.e. New Delhi.

Mr. S, an unregistered person, based in Gurugram, Haryana books a two-way air journey ticket from New Delhi to Mumbai on 5th December. He leaves New Delhi on 10th December in a late-night flight and lands in Mumbai the next day. He leaves Mumbai on 14th December in a morning flight and lands in New Delhi the same day. The return journey is treated as a separate journey, even if the tickets for onward and return journey are issued at the same time. Thus, being an unregistered person, the place of supply for the outward and return journeys are the locations where the unregistered person embarks on the conveyance for the continuous journey, i.e. New Delhi and Mumbai respectively.

Examples of issue of right to passage for future use-point of boarding not known at the time of issue of right

An airline may issue seasonal tickets, containing say 10 vouchers which could be used for travel between any two locations in the country.

The card issued by New Delhi metro could be used by a person located in Noida, or New Delhi or Faridabad, without the New Delhi metro being able to distinguish the location or journeys at the time of receipt of payment.

5.9. Section 12(10) – POS for Services Supplied On Board of a Conveyance

- The place of supply of **services** on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, shall be the location of the **first scheduled point of departure** of that conveyance for the journey.

EXAMPLE:

Mr. R is travelling from Delhi to Mumbai in an jet flight. He desires to watch an English movie during the journey by making the necessary payment. The place of supply of such service of showing ‘movie on demand’ is the first scheduled point of departure of the conveyance for the journey, i.e. Delhi.

5.10. Section 12(11) – POS in case of Telecommunication Services

- The place of supply of telecommunication services including data transfer, broadcasting, cable and direct to home television services to any person shall, –

Type of service	Place of Supply
Fixed Line, cable or dish antenna	Place where the device is installed for receipt of service
Post Paid mobile/ internet connection	Location of billing address of recipient
Prepaid mobile/ internet connection	<ul style="list-style-type: none"> Through selling agent - address of such selling agent To final subscriber - location where such prepayment is received
In any other case	Address of recipient or if it is not available then location of supplier
Prepaid through online payment	Address of recipient or if it is not available then location of supplier

Explanation.

In case of a service for more than 1 state/ UT, then the value has to be proportionate as may be **prescribed**.

EXAMPLES:

Mr. S (Kolkata) gets a landline phone installed at his home in Kolkata from telair Ltd. The place of supply is the location where the telecommunication line is installed, i.e. Kolkata.

Mr. R (Mumbai) gets a DTH installed at his home in his village in Uttar Pradesh from skytata Ltd. The place of supply is the location where the DTH is installed, i.e. Uttar Pradesh.

Mr. S (Mumbai) takes a post-paid mobile connection in Mumbai from telair Ltd. and gives his residence address at Mumbai as the address for billing with supplier. The place of supply is the location of billing address of the recipient, i.e. Mumbai.

Mr. G (New Delhi) gets his post-paid mobile bill (billing address New Delhi) paid online from Goa. The place of supply is the location of the billing address of the recipient, i.e. New Delhi.

Mr. J (Pune) purchases a pre-paid card from a selling agent in Mumbai. The place of supply is the address of the selling agent or re-seller, i.e. Mumbai.

Mr. F (Puducherry) gets a pre-paid mobile recharged from a grocery shop in Chennai. The place of supply is the location where such pre-payment is received, i.e. Chennai.

5.11. Section 12(12) – POS in case of Banking and other services including Stock Broking

- The place of supply of banking and other financial services, including **stock broking services** to any person shall be

Case	Place of Supply
Address available on record	Location of recipient
Address not available on record	Location of supplier

EXAMPLES:

Mr. D (Chennai) buys shares from a broker in BSE (Mumbai). The place of supply is the location of the recipient of services in the records of the supplier, i.e. Chennai.

Mr. A (New Delhi) withdraws money from Best Bank's ATM in Amritsar. Mr. A has crossed his limit of free ATM withdrawals. The place of supply is the location of the recipient of services in the records of the supplier, i.e. New Delhi.

Mr. R from Varanasi, Uttar Pradesh, visits a bank registered in New Delhi to get a demand draft made. Mr. R does not have any account with the said bank. Therefore, since the location of recipient is not available in the records of the supplier, the place of supply is the location of the supplier of services, i.e. New Delhi.

5.12. Section 12(13) – POS in case of Insurance Services

- The place of supply of insurance services shall, --

Supplied to	Place of Supply
Registered Person	Location of such registered person
Unregistered Person	Location of recipient on the records of supplier

EXAMPLES:

Mr. S, CEO of S Ltd., Mumbai (a company registered in Maharashtra) buys insurance cover for the inventory stored in company's factory located at Mumbai, from Lucky Insurers, Chennai (registered in Tamil Nadu). The place of supply is the location of the registered recipient, i.e. Mumbai.

Ms. B (unregistered resident of Kolkata) goes to her native place Patna, Bihar and buys a medical insurance policy for her parents there from Lucky Insurers, Patna (registered in Bihar). The place of supply is the location of the recipient of services in the records of the supplier, i.e. Patna.

5.13. Section 12(14) – Advertising service to CG, SG or Local Authority

- The place of supply of **advertisement services** to the Central Government, a State Government, a statutory body or a local authority meant for the States or Union territories identified in the contract or agreement **shall be taken as being in each of such States or Union territories and the value of such supplies specific to each State or Union territory shall be in proportion to the amount attributable to services provided by way of dissemination in the respective States or Union territories** as may be determined in terms of contract or agreement entered into in this regard or, in absence of such contract or agreement, on such other basis as may be **prescribed**.

No.	Mode of Advertisement	Allocation method to each state/UT
1.	Newspaper	Number of editions in each state/UT
2.	TV	Viewership of the channel in each state/UT
3.	Radio	Number of Radio Stations in each state/UT
4.	Internet	Number of internet subscribers in each state/UT
5.	SMS	Number of telecom subscribers in each state/UT

6.	Cinema hall	Number of screens in each state/UT
7.	Trains	Length of the railway tracks in each state/UT
8.	Railway Tickets	Number of stations in each state/UT
9.	Utility bills	Number of consumers in each state/UT
10.	Hoardings	Number of Hoardings in each state/UT
11.	Pamphlets	Number of Pamphlets in each state/UT.

Advertisements in newspapers and publications

ABC is a government agency which deals with the all the advertisement and publicity of the Government. It has various wings dealing with various types of publicity. In furtherance thereof, it issues release orders to various agencies and entities. These agencies and entities thereafter provide the service and then issue invoices to ABC indicating the amount to be paid by them. ABC issues a release order to a newspaper for an advertisement on 'Beti bachao beti padhao', to be published in the newspaper DEF (whose head office is in Delhi) for the editions of Delhi, Pune, Mumbai, Lucknow and Jaipur. The release order will have details of the newspaper like the periodicity, language, size of the advertisement and the amount to be paid to such a newspaper. The place of supply of this service shall be in the Union territory of Delhi, and the States of Maharashtra, Uttar Pradesh and Rajasthan. The amounts payable to the Pune and Mumbai editions would constitute the proportion of value for the State of Maharashtra which is attributable to the dissemination in Maharashtra. Likewise, the amount payable to the Delhi, Lucknow and Jaipur editions would constitute the proportion of value attributable to the dissemination in the Union territory of Delhi and States of Uttar Pradesh and Rajasthan respectively. DEF should issue separate State-wise and Union territory-wise invoices based on the editions.

Advertisements through printed material like pamphlets, leaflets, diaries, calendars, T-shirts, etc.

As a part of the campaign 'Swachh Bharat', ABC has engaged a company GH for printing of 1,00,000 pamphlets (at a total cost of ₹ 1,00,000) to be distributed in the States of Haryana, Uttar Pradesh and Rajasthan. In such a case, ABC should ascertain the breakup of the pamphlets to be distributed in each of the three States, i.e. Haryana, Uttar Pradesh and Rajasthan, from the Ministry or department concerned at the time of giving the print order. Let us assume that this breakup

is 20,000, 50,000 and 30,000 respectively. This breakup should be indicated in the print order. The place of supply of this service is in Haryana, Uttar Pradesh and Rajasthan. The ratio of this breakup, i.e. 2:5:3 will form the basis of value attributable to the dissemination in each of the three States. Separate invoices will have to be issued State-wise by GH to ABC indicating the value pertaining to that State, i.e. ₹ 20,000 - Haryana, ₹ 50,000 - Uttar Pradesh and ₹ 30,000 - Rajasthan.

Advertisements in hoardings (other than those on trains)

ABC as part of the campaign 'Saakshar Bharat' has engaged a firm IJ for putting up hoardings near the Airports in the 4 metros, i.e. Delhi, Mumbai, Chennai and Kolkata. The release order issued by ABC to IJ will have the city-wise, location-wise breakup of the amount payable for such hoardings. The place of supply of this service is in the Union territory of Delhi and the States of Maharashtra, Tamil Nadu and West Bengal. In such a case, the amount actually paid to IJ for the hoardings in each of the 4 metros will constitute the value attributable to the dissemination in the Union territory of Delhi and the States of Maharashtra, Tamil Nadu and West Bengal respectively. Separate invoices will have to be issued State-wise and Union territory-wise by IJ to ABC indicating the value pertaining to that State/UT

Trains - ABC places an order on KL for advertisements to be placed on a train with regard to the 'Janani Suraksha Yojana'. The length of a track in a State will vary from train to train. Thus, for advertisements to be placed on the Hazrat Nizamuddin Vasco Da Gama Goa Express which runs through Delhi, Haryana, Uttar Pradesh, Madhya Pradesh, Maharashtra, Karnataka and Goa, KL may ascertain the total length of the track from Hazrat Nizamuddin to Vasco Da Gama as well as the length of the track in each of these States and Union territory from the website www.indianrail.gov.in. The place of supply of this service is in the Union territory of Delhi and States of Haryana, Uttar Pradesh, Madhya Pradesh, Maharashtra Karnataka and Goa. The value of the supply in each of these States and Union territory attributable to the dissemination in these States will be in the ratio of the length of the track in each of these States and Union territory. If this ratio works out to say 0.5:0.5:2:2:3:3:1, and the amount to be paid to KL is Rs. 1,20,000, then KL will have to calculate the State-wise and Union territorywise breakup of the value of the service, which will be in the ratio of the length of the track in each State and Union territory. In the given example, the State-wise and Union territory-wise breakup works out to Delhi

(₹ 5,000), Haryana (₹ 5,000), Uttar Pradesh (₹ 20,000), Madhya Pradesh (₹ 20,000), Maharashtra (₹ 30,000), Karnataka (₹ 30,000) and Goa (₹ 10,000). Separate invoices will have to be issued State-wise and Union territory-wise by KL to ABC indicating the value pertaining to that State or Union territory

Advertisements on railway tickets

ABC has issued a release order to MN for display of advertisements relating to the 'Ujjwala' scheme on the railway tickets that are sold from all the Stations in the States of Madhya Pradesh and Chattisgarh. The place of supply of this service is in Madhya Pradesh and Chattisgarh. The value of advertisement service attributable to these two States will be in the ratio of the number of railway stations in each State as ascertained from the Railways or from the website www.indianrail.gov.in. Let us assume that this ratio is 713:251 and the total bill is ₹ 9,640. The breakup of the amount between Madhya Pradesh and Chattisgarh in this ratio of 713:251 works out to ₹ 7,130 and ₹ 2,510 respectively. Separate invoices will have to be issued State-wise by MN to ABC indicating the value pertaining to that state

Advertisements on radio stations

For an advertisement on 'Pradhan Mantri Ujjwala Yojana', to be broadcast on a FM radio station OP, for the radio stations of OP Kolkata, OP Bhubaneswar, OP Patna, OP Ranchi and OP Delhi, the release order issued by ABC will show the breakup of the amount which is to be paid to each of these radio stations. The place of supply of this service is in West Bengal, Odisha, Bihar, Jharkhand and Delhi. The place of supply of OP Delhi is in Delhi even though the studio may be physically located in another State. Separate invoices will have to be issued Statewise and Union territory-wise by MN to ABC based on the value pertaining to each State or Union territory.

Advertisement on television channels

ABC issues a release order with QR channel for telecasting an advertisement relating to the 'Pradhan Mantri Kaushal Vikas Yojana' in the month of November, 2017. In the first phase, this will be telecast in the Union territory of Delhi, States of Uttar Pradesh, Uttarakhand, Bihar and Jharkhand. The place of supply of this service is in Delhi, Uttar Pradesh, Uttarakhand, Bihar and Jharkhand. In order to calculate the value of supply attributable to Delhi, Uttar Pradesh, Uttarakhand, Bihar and Jharkhand, QR has to proceed as under – I. QR will ascertain the viewership figures

for their channel in the last week of September 2017 from the Broadcast Audience Research Council. Let us assume it is 1,00,000 for Delhi and 2,00,000 for the region comprising of Uttar Pradesh and Uttarakhand and 1,00,000 for the region comprising of Bihar and Jharkhand. II. Since the Broadcast Audience Research Council clubs Uttar Pradesh and Uttarakhand into one region and Bihar and Jharkhand into another region, QR will ascertain the population figures for Uttar Pradesh, Uttarakhand, Bihar and Jharkhand from the latest census. III. By applying the ratio of the populations of Uttar Pradesh and Uttarakhand, as so ascertained, to the Broadcast Audience Research Council viewership figures for their channel for this region, the viewership figures for Uttar Pradesh and Uttarakhand can be calculated. Let us assume that the ratio of the populations of Uttar Pradesh and Uttarakhand works out to 9:1. When this ratio is applied to the viewership figures of 2,00,000 for this region, the viewership figures for Uttar Pradesh and Uttarakhand work out to 1,80,000 and 20,000 respectively. IV. In a similar manner, the breakup of the viewership figures for Bihar and Jharkhand can be calculated. Let us assume that the ratio of populations is 4:1 and when this is applied to the viewership figure of 1,00,000 for this region, the viewership figure for Bihar and Jharkhand works out to 80,000 and 20,000 respectively. V. The viewership figure for each State works out to Delhi (1,00,000), Uttar Pradesh (1,80,000), Uttarakhand (20,000), Bihar (80,000) and Jharkhand (20,000). The ratio is thus 10:18:2:8:2 or 5:9:1:4:1 (simplification). VI. This ratio has to be applied when indicating the breakup of the amount pertaining to each State. Thus, if the total amount payable to QR by ABC is ₹ 20,00,000, the State-wise breakup is ₹ 5,00,000 (Delhi), ₹ 9,00,000 (Uttar Pradesh) ₹ 1,00,000 (Uttarakhand), ₹ 4,00,000 (Bihar) and ₹ 1,00,000 (Jharkhand). Separate invoices will have to be issued State-wise and Union territory-wise by QR to ABC indicating the value pertaining to that State or Union territory.

Advertisements in cinema halls

ABC commissions ST for an advertisement on 'Pradhan Mantri Awas Yojana' to be displayed in the cinema halls in Chennai and Hyderabad. The place of supply of this service is in the States of Tamil Nadu and Telangana. The amount actually paid to the cinema hall or screens in a multiplex, in Tamil Nadu and Telangana as the case may be, is the value of advertisement service in Tamil Nadu and Telangana respectively. Separate invoices will have to be issued State-wise and Union territory-wise by ST to ABC indicating the value pertaining to that State.

Advertisements on internet

ABC issues a release order to WX for a campaign over internet regarding linking Aadhaar with one's bank account and mobile number. WX runs this campaign over certain websites. In order to ascertain the State-wise breakup of the value of this service which is to be reflected in the invoice issued by WX to ABC, WX has to first refer to the Telecom Regulatory Authority of India figures for quarter ending March, 2017, as indicated on their website www.trai.gov.in. These figures show the service area wise internet subscribers. There are 22 service areas. Some relate to individual States some to two or more States and some to part of one State and another complete State. Some of these areas are metropolitan areas. In order to calculate the State-wise breakup, first the State-wise breakup of the number of internet subscribers is arrived at. (In case figures of internet subscribers of one or more States are clubbed, the subscribers in each State is to be arrived at by applying the ratio of the respective populations of these States as per the latest census.). Once the actual number of subscribers for each State has been determined, the second step for WX involves calculating the State-wise ratio of internet subscribers. Let us assume that this works out to 8:1:2... and so on for Andhra Pradesh, Arunachal Pradesh, Assam... and so on. The third step for WX will be to apply these ratios to the total amount payable to WX so as to arrive at the value attributable to each State. Separate invoices will have to be issued State-wise and Union territory-wise by WX to ABC indicating the value pertaining to that State or Union territory

Advertisements through SMS

In the case of the telecom circle of Assam, the amount attributed to the telecom circle of Assam is the value of advertisement service in Assam. The telecom circle of North East covers the States of Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, Manipur and Tripura. The ratio of populations of each of these States in the latest census will have to be determined and this ratio applied to the total number of subscribers for this telecom circle so as to arrive at the State-wise figures of telecom subscribers. Separate invoices will have to be issued State-wise by the service provider to ABC indicating the value pertaining to that State.

Integrated GST Rules, 2017 – Central Government has prescribed the methods for determination of place of supply if a transaction has place of supply in more than one state/UT

Relevant Provision	Methodology	Examples
12(3) – Immovable Property	<ul style="list-style-type: none"> Accommodation – Number of Nights 	<p>Illustration 1: A hotel chain X charges a consolidated sum of ₹ 30,000/- for stay in its two Establishments in Delhi & 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 both in the Union territory of Delhi and in the State of Uttar Pradesh and the service shall be deemed to have been provided in the Union territory of Delhi and in the State of Uttar Pradesh in the ratio 2:1 respectively. The value of services provided will thus be apportioned as ₹ 20,000/- in the Union territory of Delhi and ₹ 10,000/- in the State of Uttar Pradesh.</p>
	<ul style="list-style-type: none"> Any other case – Area 	<p>Illustration 2: 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 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. The value of the service shall be accordingly apportioned between the States.</p>
	<ul style="list-style-type: none"> Houseboat – Time spent in each state as declared by supplier 	<p>Illustration 3: A company C provides the service of 24 hours accommodation in a houseboat, which is situated both in Kerala and Karnataka inasmuch as the guests board the houseboat 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 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. Value of the service shall be accordingly apportioned between the States.</p>

12(7) – Event	Generally accepted accounting Principles	<p>Illustration 4: An event management company E has to organise some promotional events in States S1 and S2 for a recipient R. 3 events are to be organised in S1 & 2 in S2. They charge a consolidated fee of ₹ 10,00,000 from R. The place of supply of this service is in both the States S1 and S2. Say the proportion arrived at by the application of generally accepted accounting principles is 3:2. The service shall be deemed to have been provided in the ratio 3:2 in S1 and S2 respectively. The value of services provided will thus be apportioned as ₹ 6,00,000/- in S1 and ₹ 4,00,000/- in S2 .</p>
12(11) – Telecommunication service	Number of Points in each state	<p>Illustration 5: 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 in the Union territory of Delhi and the State of Maharashtra. The service shall be deemed to have been provided in the ratio of 1:1 in the Union territory of Delhi and the State of Maharashtra, respectively.</p>
		<p>Illustration 6: A company T installs a leased circuit between the Chennai, Bengaluru and Mysuru 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 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.</p>
		<p>Illustration 7: A company T installs a leased circuit between Kolkata, Patna and Guwahati offices of a company C. There are 3 points in this circuit in Kolkata, Patna and Guwahati. One point each of this circuit is, therefore, in West Bengal, Bihar and Assam. The place of supply of this service is in the States of West</p>

		Bengal, Bihar and Assam. The service shall be deemed to have been provided in ratio of 1:1:1 in States of West Bengal, Bihar and Assam, respectively.
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Sr. No.	Type of service	Location of Supplier	Location of Recipient	POS and Type of Tax
1	Immovable property in Bangalore	Bangalore	Delhi	
2	Immovable property in UK	Bangalore	Delhi	
3	Immovable property in UK	Delhi	Bangalore	
4	Immovable property in Bangalore	Delhi	Bangalore	
5	Immovable property in Bangalore	Bangalore	Delhi	
7	Training at Delhi	Delhi	Bangalore(URP)	
8	Training at Delhi	Delhi	Mumbai(RP)	
10	Organisation of event in Bangalore	Bangalore	Delhi(RP)	
11	Entry fee to an event in Bangalore	Bangalore	Delhi(RP)	
12	Organisation of an event in UK	Bangalore	Delhi	
13	Transportation of goods from Delhi to Mumbai	Delhi	Mumbai(RP)	
16	Transportation of goods from Bangalore to UK	Bangalore	Delhi(RP)	
18	Transportation of passengers from Mumbai to Delhi	Delhi	Mumbai(RP)	
19	Transportation of passengers from Bangalore to US	Bangalore	Delhi(RP)	
20	Sponsorship of an event in Delhi	Delhi	Bangalore(RP)	
21	CA Service	Bangalore	US	
22	CA Service	Bangalore	Mysore	
23	Consultation for employee safety	Delhi	Bangalore(RP)	

25	On board service in a flight from Bangalore to US	Delhi	Mumbai(RP)	
29	Commission Agent for supply of goods	Bangalore	Delhi(RP)	
30	Hiring of truck for 4 months	Bangalore	Delhi	
31	Hiring of truck for 1 month	Bangalore	Delhi	
32	Hiring of truck for 1 month	Bangalore	US	
33	Banking service to account holder	Bangalore	Delhi	
34	Banking service to account holder	Bangalore	Address not available	

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5

EXEMPTIONS

➤ Chapter Overview

- (1) Section 11 : Power to Exempt
- (2) NN/12/2017 - Exemption Notification
- (3) Classwork / Homework

1. Power to Exempt – Section 11 of CGST Act, 2017

• Overview

Section 11 of CGST Act, 2017/ Section 6 of IGST Act, 2017

General Exemption: If the CG is satisfied that it is necessary in the **public interest**, it may on the recommendation of GST Council **exempt**, goods or services of any specified description from the **whole or any part** of the GST leviable thereon, subject to **such conditions** as may be specified in the notification.

Special Exemption: On the recommendation of GST Council, Central Government may by **special order** in each case, **exempt** goods or services of any specified description from the whole or any part of the GST leviable thereon, under circumstances of an **exceptional nature** to be stated in such order, subject to such conditions as may be specified in the order.

Explanation: Central Government may **insert Explanations** for clarifying the **scope or applicability** of the notification or special order.

Such explanation can have **retrospective effect** from date of exemption notification. However, the Explanation should be inserted within 1 year from issue of such Notification or Order.

Mandatory: If an exemption is **absolute** – whether for whole or part of GST, then the registered person supplying such goods or services or both shall not collect the tax, in excess of the effective rate after giving effect to the exemption.

2. List of Service Exemptions–Notification no.12/2017 of CGST and 9/2017 of IGST

2.1. Renting of Immovable Property

- Renting or leasing of **vacant land** relating to agriculture¹.
- Renting of a **residential dwelling for use as residence except where residential dwelling is rented to registered person**. Hotel, Lodge used as residence for temporary or long period will **not** be covered under this entry as they are not residential dwelling.

Explanation: For the purpose of exemption under this entry, this entry shall cover services by way of renting of residential dwelling to a registered person where, –

- Registered person is proprietor of a proprietorship concern and rents the residential dwelling in his personal capacity for use as his own residence; and*
- such renting is on his own account and not that of proprietorship concern.*

2.2. Hiring, Leasing, Licensing of Goods

- Services by way of **giving on hire**
 - (a) Motor vehicle meant to carry more than 12 passengers to **State transport undertaking**; or
 - (b) **Electrically operated vehicle** meant to carry more than 12 passengers to **Local authority**; or
 - (c) **Means of transportation of goods to a Goods transport agency**; or
 - (d) Motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent.

¹*Agriculture means the cultivation of plants and rearing of all life forms of animals except rearing of horses, for food, fibre, fuel, raw materials or other similar products.*

2.3. Construction Services

- Services provided by way of **pure labour contracts** of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a civil structure or any other original works pertaining to the **beneficiary-led individual house** construction or enhancement under the **Housing for All (Urban) Mission** or **Pradhan Mantri Awas Yojana**.
- Services by way of **pure labour contracts** of construction, erection, commissioning, or installation of **original works pertaining to a single residential unit otherwise than as a part of a residential complex**².
- Services supplied by **electricity distribution utilities** by way of construction, erection, commissioning, or installation of infrastructure for extending electricity distribution network upto the tube well of the farmer or agriculturalist for agricultural use.

2.4. Services provided by Government and Local Authorities

- **Exemption**

Services by the Central Government, State Government, Union territory or local authority excluding the following services–

- (a) services by the **Department of Posts**
- (b) services in relation to **an aircraft or a vessel**, inside or outside the precincts of a port or an airport;
- (c) **transport of goods or passengers**; or
- (d) any service, other than services covered under entries (a) to (c) above, **provided to business entities**.

- Additional Points

- **Service by Department of post by way of Post Card, Inland letter, Book-Post and Ordinary Post** (Envelopes Weighing less than 10gram) **will be Exempt**.
- **Any service** provided by CG, SG or LA **upto ₹ 5,000** is also exempted. **This exemption is not applicable to first three limbs of exemption**

²**Residential complex:** means any complex comprising of a building or buildings, having more than one single residential unit

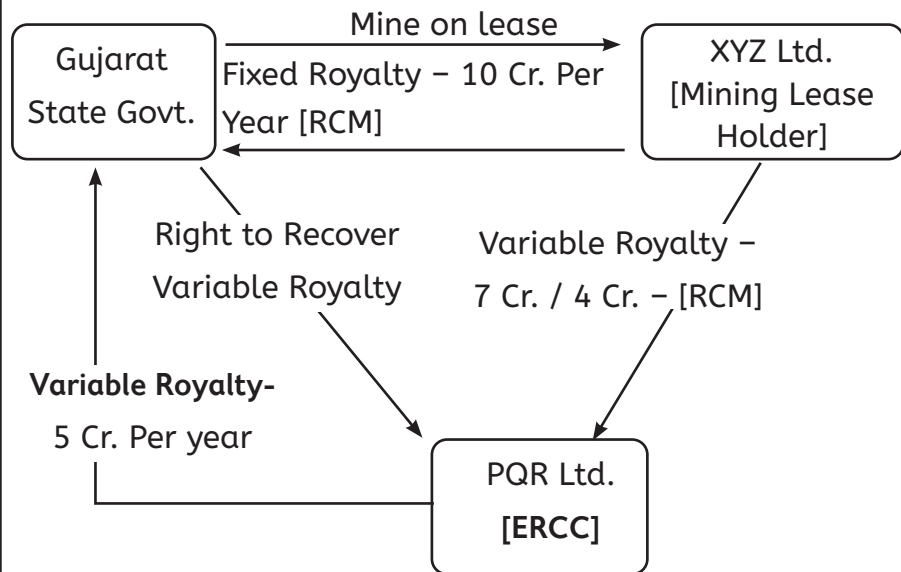
- **Exemption:** Any service provided by Government to a business entity whose turnover does not exceed registration limit(₹40/₹20/₹10 lakh) in preceding financial year is exempt except first three limbs and renting of immovable property.

- **Other Points & Exemptions related to Government**

Type of service	Taxability
Service provided by Government or local authority to another Government or local authority	Such services have been exempted . However, it does not apply to first three limbs of 1 st exemption provided by government.
Service provided to an individual who may be carrying out a profession or business.	Services by way of grant of passport, visa, driving license, birth or death certificates have been exempted.
Services in the nature of allocation of natural resources by Government or a local authority to individual farmers	Exempted. However, Such allocations/auctions to categories of persons other than individual farmers would be leviable to GST.
Services provided in lieu of fee charged by Government or a local authority	Registration required under the law; testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, required under the law, have been exempted.
Fines and penalties	It is clarified that fines and penalty chargeable by Government or a local authority imposed for violation of a statute, bye-laws, rules or regulations are not leviable to GST. Fines and liquidated damages payable to Government for non-performance of contract entered into with Government or local authority have been exempted.
Guarantee Commission	Services supplied by Central Government, State Government, Union territory to their undertakings or PSUs by way of guaranteeing the loans taken by such undertakings or PSUs from the banking companies & financial institutions is exempted..
Long term lease by State Government	One time upfront amount (called as premium, salami, cost, price, development charges or by any other name) leviable in respect of the service, by way of granting long term (thirty years, or more) lease of industrial plots or plots for development of infrastructure for financial business, provided by the State Government Industrial Development Corporations or Undertakings or by any other entity having 20% or more ownership of CG, SG, UT to industrial units is exempted.

	<p>Example</p> <p style="text-align: center;">Analysis</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <u>SGIDC</u> or <u>Undertakings or</u> <u>by any other entity</u> having 20% or more ownership of CG SG , LA, UT </div> <div style="text-align: center;"> <p>Lease ≥ 30 Years</p> <p>↓</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <u>Industrial plots</u> or <u>Plots for development</u> of infrastructure for financial business </div> <div style="text-align: center;"> <p>→</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <u>Industrial units</u> or <u>developers</u> in any industrial or financial business area </div> </div> <p style="text-align: center;">Consideration</p> <ol style="list-style-type: none"> 1. Upfront Amount -- Exempt 2. Periodical Amount -- Taxable as FCM <p style="text-align: center;">Circular No. 101/20/2019-GST</p> <p>It is hereby clarified that GST exemption on the upfront amount is admissible irrespective of whether such upfront amount is payable or paid in one or more instalments, provided the amount is determined upfront</p> <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">CG, SG, UT</div> <div style="text-align: center;"> <p>100% Ownership</p> <p>→</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">Entity - A</div> <div style="text-align: center;"> <p>20% or more ownership</p> <p>→</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">Entity - B</div> </div> <p>Entity B shall be deemed to have 20% or more ownership of CG, SG, UT</p>
<p>Charges for officers</p>	<p>Services provided by the Central Government, State Government, Union territory by way of deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges is exempted.</p>
<p>Assigning right to collect royalty</p>	<p>Services supplied by a State Government to Excess Royalty Collection Contractor (ERCC) by way of assigning the right to collect royalty* on behalf of the State Government on the mineral dispatched by the mining lease holders is exempted.</p>

* Example of ERCC :



- ✓ Fixed Royalty of Rs. 10 Cr. From MLH to Gujarat State always taxable as RCM
- ✓ Variable Royalty of Rs. 7 Cr. Or 4 Cr. From MLH to ERCC also taxable as RCM
- ✓ Variable Royalty of Rs. 5 Cr. From ERCC to Gujarat State Govt is -
 - Fully Exempt if variable royalty Rs. 7 Cr. Paid by MLH To ERCC
 - Only 4 Cr. Exempt out of 5 Cr. If if variable royalty Rs. 4 Cr. Paid by MLH To ERCC and 1 Cr. Taxable as RCM

National Permit	Services by way of granting National Permit to a goods carriage to operate through-out India is exempted.
Panchayat and Municipality	Pure Service/ Composite supply of goods or services where value of goods is not more than 25% of the total value provided to Government or local authority by way of any activity in relation to any function entrusted to Panchayat under Article 243G or to Municipalities under Article 243W of the Constitution is exempted.

	<p>Examples –</p> <ol style="list-style-type: none"> Raj entered into the labour contract [without material] to maintain a “Shivaji Garden” with Surat Municipal Corporation. Amar Entered into a Contract to administration of Parking lot with Indore Municipal corporation. <p>Example –</p> <ol style="list-style-type: none"> Sachin tichkule entered into Repair Contract including material with Raipur Municipal Corporation. <p>Invoice are as under:</p> <table border="1" data-bbox="523 757 1455 1093"> <thead> <tr> <th colspan="2"><u>Case 1</u> Material value < 25% of Total value</th> <th colspan="2"><u>Case 2</u> Material value > 25% of Total value</th> </tr> </thead> <tbody> <tr> <td>Material</td> <td>10,000</td> <td>Material</td> <td>30,000</td> </tr> <tr> <td>Labour charge</td> <td>90,000</td> <td>Labour charge</td> <td>70,000</td> </tr> <tr> <td>Total Value</td> <td>1,00,000</td> <td>Total value</td> <td>1,00,000</td> </tr> <tr> <td colspan="2">Exempt under Sr. No. 3A</td> <td colspan="2">NOT Exempt under Sr. No. 3A</td> </tr> </tbody> </table>	<u>Case 1</u> Material value < 25% of Total value		<u>Case 2</u> Material value > 25% of Total value		Material	10,000	Material	30,000	Labour charge	90,000	Labour charge	70,000	Total Value	1,00,000	Total value	1,00,000	Exempt under Sr. No. 3A		NOT Exempt under Sr. No. 3A	
<u>Case 1</u> Material value < 25% of Total value		<u>Case 2</u> Material value > 25% of Total value																			
Material	10,000	Material	30,000																		
Labour charge	90,000	Labour charge	70,000																		
Total Value	1,00,000	Total value	1,00,000																		
Exempt under Sr. No. 3A		NOT Exempt under Sr. No. 3A																			
<p>Commission paid to ration shops</p>	<p>Service provided by Fair Price Shops to Central Government, State Government or Union territory by way of sale of food grains, kerosene, sugar, edible oil, etc. under Public Distribution System against consideration in the form of commission or margin is exempted.</p>																				

2.5. Education related services - Exemption

- Services provided
 - (a) **BY** an educational institution* to its **students, faculty and staff**.
 - (aa) **By** an education institution* by way of conduct of entrance examination against consideration in the form of entrance fee.
 - (b) **TO** an educational institution*, by way of,-
 - (i) **Transportation** of students, faculty and staff;
 - (ii) **Catering**, including any mid-day meals scheme sponsored by the Government;

- (iii) **Security or cleaning or house-keeping** services performed in such educational institution;
- (iv) Services relating to **admission* to, or conduct of examination** by, such institution;
- (v) **Supply of online educational journals or periodicals**;

Note 1: However nothing contained in entry (i) (ii) (iii) of item (b) shall apply to an education institution* other than an institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

Note 2: Provided further that nothing contained in sub-item (v) of item (b) shall apply to an institution providing services by way of,-

- (i) Pre-school education and education up to higher secondary school or equivalent; or
- (ii) Education as a part of an approved vocational education course

***Education institution³** means an institution providing services by way of -

- (i) Pre-school education and education up to higher secondary school or equivalent;
- (ii) Education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
- (iii) Education as a part of an approved vocational education course**;

****Approved vocational education course means,-**

- (i) A course run by an industrial training institute or an industrial training centre affiliated to the **National Council for Vocational Training** or **State Council for Vocational Training** offering courses in designated trades notified under the Apprentices Act,

³It is clarified that the **Central and State Educational Boards** shall be treated as **Educational Institution** for the limited purpose of providing services by way of **conduct of examination to the students**.

An explanation is inserted in the exemption notification to clarify that any authority, board or body set up by the CG/SG including **National Testing Agency** for conduct of entrance examination for admission to educational institutions shall be treated as educational institution for the limited purpose of providing services by way of conduct of entrance examination for admission to educational institutions.

⁴Circular number 55/2018 clarified that **private Industrial Training Institutes** providing courses approved by NCVT/ SCVT would be exempt.

Some of the **designated trades** notified under the Apprentices Act, 1961 are electrician, wireman, carpenter, plumber, mason, mechanic, tool and die maker, baker and confectioner, weaver, tailor, footwear maker, photographer, beautician, painter, desk top publishing operator, gardener, cable television operator, library assistant, etc.

[#]It is clarified that the amount or fee charged for **admission or entrance**, or amount charged for **application fee for entrance**, or the fee charged from **prospective students** for issuance of **eligibility certificate** to them in the process of their **entrance/admission** to the educational institution is **exempt**. Further, services supplied by an educational institution by way of issuance of **migration certificate** to the leaving or ex-students are also **exempt**. (Circular No. 177/09/2022)

GST dated 03.08.2022)

2.6. Transportation of goods - Exemptions

- Services by way of transportation of goods by road **except** the services of **goods transportation agency⁵ or courier agency⁶**;
- Transportation of goods by an **aircraft** from outside India upto the custom airport;
- By inland waterways (means national waterway);
- Services by way of transportation **by rail or a vessel** from one place **in India to another** and transportation by **Goods Transportation Agency** of the following goods:
 - Relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap;
 - Defence or military equipment's;
 - Newspaper or magazines registered with the Registrar of Newspapers;
 - Agricultural produce;
 - **Milk, Salt and Food grains including flour, pulses and rice**; or
 - Organic manure;
- Services provided by a **GTA to an unregistered person**, including an unregistered causal taxable person, other than the **specified recipients⁷**.
- Services provided by a GTA, by way of transport of goods in a goods carriage, to, -
 - (a) a Department or Establishment of the Central Government or State Government or Union territory; or
 - (b) local authority; or
 - (c) Governmental agencies, which has taken registration under the Central Goods and Services Tax Act, 2017 only for the purpose of deducting tax under section 51 and not for making a taxable supply of goods or services.

⁵**GTA means** any person who provides services in relation to transportation of goods by road **and issues consignment note**, by whatever name called.

⁶**Courier agency means** any person engaged in the door-to-door transportation of time-sensitive documents, goods or articles utilising the services of a person, either directly or indirectly, to carry or accompany such documents, goods or articles.

⁷**Specified recipients list** - Refer chapter 3 Section 9 (3)

2.7. Transportation of passengers - Exemptions

- Railways in a class **other than** First class; or An air-conditioned coach;
- Metro, monorail or tramway;
- Inland waterways;
- #Public transport, other than predominantly for tourism purpose, in a vessel, between places located in India; and
- Metered cabs⁸, Auto rickshaws;
- Non-air conditioned contract carriage other than radio taxi, for transportation of passengers, **excluding tourism, conducted tour, charter or hire***; or

***Radio taxi means** a taxi including a radio cab, by whatever name called, which is in two-way radio communication with a central control office **and** is enabled for tracking using Global Positioning System (GPS) or General Packet Radio Service (GPRS).

Metered cab means any contract carriage on which an automatic device, of the type and make approved under the relevant rules by the State Transport Authority, is fitted which indicates reading of the fare chargeable at any moment and that is charged accordingly under the conditions of its permit issued under the Motor Vehicles Act, 1988 (59 of 1988.) and the rules made thereunder but does not include radio taxi.

Stage carriage means a motor vehicle constructed or adapted to carry more than six passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey.- Motor Vehicle Act, 1988. A person can get in or get down at any stage of journey.

In a contract carriage, the person will always buy a ticket for the whole journey. Generally, passengers do not get in or step down at every point.

***Circular No. 177/09/2022 GST dated 03.08.2022** It has been clarified that '**charter or hire**' excluded from the above exemption entry is charter or hire of a motor vehicle for a **period of time**, where the **renter defines** how and when the vehicles will be operated, determining schedules, routes and other operational considerations. Thus, the said exemption would apply **only to passenger transportation** services by Non AC contract carriage where **transportation takes place over pre-determined route on a pre-determined schedule**. The exemption shall not be applicable where **contract carriage is hired** for a period of time, during which the contract carriage is at the **disposal** of the **service recipient** and the recipient is thus free to decide the manner of usage (route and schedule) as per agreement.

#Circular No. 177/09/2022 GST dated 03.08.2022 It has been clarified that the **exemption** would **apply** to tickets purchased for **transportation from one point to another** irrespective of whether the ferry is owned or operated by a private sector enterprise or by a PSU/government. It has been further clarified that the expression '**public transport**' used in the exemption notification only means that the transport should be **open to public**; it can be **privately or publicly owned**. Only exclusion is on transportation which is predominantly for **tourism**, such as services which may combine with transportation, sightseeing, food and beverages, music, accommodation such as in shikara, cruise etc

- **Stage carriage other than AC stage carriage.**

Note: The exemption is **not** available for Metered Cabs, auto rickshaw, Stage and Contract Carriage **provided through** an **E-Commerce Operator** required to pay tax u/s **9(5)** of CGST Act.

- Transport of passengers by Air in economy class, embarking from or terminating in an airport located in the state of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bagdogra located in West Bengal; In short- North eastern states, to encourage development.
- Services provided to the Central Government, by way of transport of passengers with or without accompanied belongings, by air, embarking from or terminating at a regional connectivity scheme airport, against consideration in the form of viability gap funding. (Upto a period of 3 years from date of commencement of connectivity scheme)

2.8. Agriculture Related Exemptions

- a) Services relating to **cultivation of plants and rearing of animals except rearing of horses, for food, fibre, fuel, raw material or similar produce or agricultural produce**⁹ by way of –
- (i) Agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing;
 - (ii) Supply of **farm labour**;
 - (iii) Processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market;
 - (iv) Renting or leasing of agro machinery or vacant land with or without a structure incidental to its use;
 - (v) Loading, unloading, packing, storage or warehousing of agricultural produce;
 - (vi) **Agricultural extension** services;
 - (vii) Services by any **Agricultural Produce Marketing Committee** or Board or services provided by a **commission agent** for sale or purchase of agricultural produce¹⁵;

- b) Services by way of storage or warehousing of cereals, pulses, fruits and vegetables.
- c) Pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of **fruits and vegetables**.
- d) Services by way of loading, unloading, packing, storage or warehousing of **rice**.
- e) **Services by way of warehousing of minor forest produce**.
- f) **Carrying out an intermediate production process¹⁰** as job work in relation to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce.

Examples :

Desai Agro Care Limited” registered under GST furnishes the following details with respect to the activities undertaken by them in the month of March, 2022:

	Particular	Rs.
1	Receipts from supply of farm labour	85,000
2	Charges for seed testing	65,000
3	Charges for soil testing of farm land	35,000
4	Charges for warehousing of potato chips	85,000
5	Commission received on sale of wheat	75,000
6	Charges of training of farmer on use of new pesticides and fertilizers developed through scientific research	10,000
7	Renting of vacant land to a stud farm	1,85,000
8	Leasing of vacant land to a cattle farm	83,000
9	Charges for warehousing of rice	1,50,000
10	Charges for warehousing of cotton fabrics	3,50,000
11	Retail packing and labeling of fruits and vegetables	5,00,000

Compute the value of taxable supply of ‘Desai Agro Care limited’ for the month of March, 2022 if all the above amounts are exclusive of GST.

SOLUTION: Computation of Value of taxable supply-

	Particular	Rs.
1	Receipts from supply of farm labor [Exempt under Notification No. 12/2017] CT (Rate)]	NIL
2	Charges for seed testing [Exempt under Notification No. 12/2017] CT (Rate)]	NIL
3	Charges for soil testing of farm land [Exempt under Notification No. 12/2017] CT (Rate)]	NIL
4	Charges for warehousing of potato chips [potato chips is not an agricultural produce, hence warehousing of the same be taxable]	85,000
5	Commission received on sale of wheat [Exempt under Notification No. 12/2017-] CT (Rate)]	NIL
6	Charges for training of farmers on use of new pesticides and fertilizers developed through scientific research [Exempt under Notification No. 12/2017] CT (Rate)]	NIL
7	Renting of vacant land to a stud farm [This will be liable for GST as rearing of horses has been specifically excluded from Exemption]	1,85,000
8	Leasing of vacant to a cattle farm [Exempt under Notification No. 12/2017] CT (Rate)]	NIL
9	Charges for warehousing of rise [Exempt under Notification No. 12/2017-] CT (Rate)]	NIL
10	Charges for warehousing of cotton fabrics (Liable to GST)	3,50,000
11	Retail packing and labeling of fruits and vegetables [Exempt under Notification No. 12/2017] CT Rate)]	NIL
	Value of Taxable supply	6,20,000

⁹**Agricultural produce means** any produce of agriculture on which either **no further processing** is done or such processing is done as is usually done by a cultivator or producer which **does not alter its essential characteristics** but makes it marketable for primary market.

• It is hereby clarified that processed products such as **tea** (i.e. black tea, white tea etc.), processed **coffee beans or powder, pulses** (dehusked or split), **jaggery, processed spices, processed dry fruits, processed cashew nuts** etc. **fall outside the definition of agricultural produce** as they are not prepared after processing on raw agriculture produce. (Circular no. 16/16/2017 GST Dated 15.11.2017)

¹⁰**Milling of paddy is not an intermediate production process** in relation to cultivation of plants. It is a process carried out after the process of cultivation is over and paddy has been harvested.

Further, processing of paddy into rice is not usually carried out by cultivators but by rice millers. Milling of paddy into rice also changes its essential characteristics. Therefore, milling of paddy into rice cannot be considered as an intermediate production process in relation to cultivation of plants for food, fibre or other similar products or agricultural produce.

In view of the above, it is clarified that milling of paddy into rice is not eligible for exemption. (Circular No. 19/19/2017-GST dated 20/11/2017)

2.9. Health Care Services and Charity Related Exemptions

- a) **Health care services**¹¹ by a clinical establishment¹², an authorised medical practitioner¹³ or para-medics and **Ambulance services provided by any person**¹⁴.

“Provided that nothing in this entry shall apply to the services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU)/Critical Care Unit (CCU)/Intensive Cardiac Care Unit (ICCU)/ Neo natal Intensive Care Unit (NICU)] having room charges exceeding Rs. 5000 per day to a person receiving health care services.”

- b) Services by a **veterinary clinic** in relation to health care of animals or birds;

¹¹**Health care services means** any service by way of **diagnosis or treatment or care** for illness, injury, deformity, abnormality or pregnancy in **any recognised system of medicines in India** and includes services by way of transportation of the patient to and from a clinical establishment, **but does not include hair transplant or cosmetic or plastic surgery, except when** undertaken to restore or to reconstruct functions of body affected due to such injury or trauma.

• Circular No. 27/01/2018 GST dated 04.01.2018 has clarified that Renting of rooms provided to in-patients in hospitals are exempt.

¹²**Clinical establishment means** a **hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India.**

¹³Circular no. 32/06/2018 – GST Dated 12/02/2018 has clarified that **Consultancy Charge** provided to **visiting senior doctor** by hospital is exempt and also **food** provided to **in-patients** in hospitals are exempt.

¹⁴Circular number 51/25/2018 has clarified that **ambulance** service provided by **private operators** to Government under **National Health Mission** is not liable to GST.

Circular No. 177/09/2022 GST dated 03.08.2022 has been clarified that abnormality/disease/ailment of infertility is treated using ART procedure such as IVF and accordingly services by way of **IVF** are also **covered** under the definition of **health care** services for the purpose of **exemption** notification. (Circular No. 177/09/2022 GST dated 03.08.2022)

c) Services by an entity registered under **section 12AA/12AB** of the Income tax Act, 1961 (43 of 1961) by way of charitable activities*;

***Charitable activities means** activities relating to -

- (i) Public health by way of -

(a) Care or counseling of (i) terminally ill persons or persons with severe physical or mental disability, (ii) persons afflicted with HIV or AIDS, or (iii) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or

(b) Public awareness of preventive health, family planning or prevention of HIV infection;

- (ii) Advancement of religion or spirituality **or yoga**;

- (iii) Advancement of educational programmes or skill development relating to, -

(a) Abandoned, orphaned or homeless children;

(b) Physically or mentally abused and traumatized persons or prisoners;

(c) Persons over the age of 65 years residing in a rural area;

- (iv) Preservation of environment including watershed, forests and wildlife

d) **Services by an old age home run by Central Government, State Government or by an entity registered under Section 12AA/12AB of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto 25,000 per month per member.**

e) **Services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in**

i) Activities relating to the <u>welfare</u> of industrial or agricultural labour or farmers; or	i) <u>To its own members</u> against consideration in
ii) <u>Promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment</u>	the form of <u>membership fee</u> upto an amount of
	one thousand rupees (₹ 1000/-) per member
	per year

f) Services by way of **training or coaching** in

- Recreational activity relating to Arts, Culutre by an Individual,
- Sports by charitable entities registered under **section 12AA/12AB** of Income Tax Act, 1961

g) Services by a person by way of-

- Conduct of any **religious ceremony**;
- **Renting of precincts** of a **religious place** meant for **general public** by an entity registered u/s 12AA/12AB of Income tax Act. 1961 or;

Except

- Rooms for ₹ 1000 or more per day;
- Community hall for ₹ 10,000 or more per day;
- Shops for ₹ 10,000 or more per month

h) Services provided by **rehabilitation professionals** recognised under the Rehabilitation Council of India Act, 1992 (34 of 1992) by way of rehabilitation, therapy or counselling and such other activity as covered by the said Act at medical establishments, educational institutions, rehabilitation centers established by Central Government, State Government or Union territory or an entity registered under **section 12AA/12AB** of the Income-tax Act, 1961

2.10. Financial Sector Related Exemptions

a) Services **by** a Foreign Diplomatic Mission located in India;

b) **Banking and other financial services** - Services by way of-

- (i) extending deposits, loans or advances in so far as the consideration is represented by way of **interest or discount except interest on credit card**;
- (ii) inter se sale or purchase of foreign currency amongst banks or authorised dealers of **foreign exchange** or amongst banks and such dealers;

c) Service by an **acquiring bank**, to any person in relation to settlement of an amount upto two thousand rupees in a single transaction transacted through credit card, debit card, charge card or payment card services.

- d) **Service provided by a Banking Company to Basic Saving Bank Deposit (BSBD) account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY).**
- e) **Business facilitator** or business correspondent to **banking** company with respect to accounts in its **rural area branch** or any **intermediary** to the business facilitator or business correspondent.
- f) **Business facilitator/ Business Correspondent to insurance company** in rural area.

2.11. Other services - Exemptions

- a) **Toll Charges**- Service by way of access to a road or a bridge on payment of toll charges.
- b) **Transmission or distribution of electricity** by an electricity transmission or distribution utility;
- c) Arbitral Tribunal and **Advocates** (Not CA,CS,ICWA) by way of legal service¹⁵ -
 - (a) an arbitral tribunal to
 - (i) any person other than a business entity; or
 - (ii) a business entity with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017;
 - (iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.
 - (b) a partnership firm of advocates or an individual as an advocate other than a senior advocate, by way of legal services to-
 - (i) an advocate or partnership firm of advocates providing legal services;
 - (ii) any person other than a business entity; or
 - (iii) a business entity with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017;
 - (iv) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.

¹⁵**Legal service** means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner & includes representational services before any court, tribunal or authority

- (c) a senior advocate by way of legal services to-
- (i) any person other than a business entity; or
 - (ii) a business entity with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017.
 - (iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.
- d) Services provided by a tour operator to a **foreign tourist** in relation to a tour conducted **wholly outside India**.
- e) Services by an organiser to any person in respect of a business exhibition held outside India;
- f) Tour operator service, which is performed partly in India and partly outside India, supplied by a tour operator to a foreign tourist, to the extent of the value of the tour operator service which is performed outside India.
Provided that value of the tour operator service performed outside India shall be such proportion of the total consideration charged for the entire tour which is equal to the proportion which the number of days for which the tour is performed outside India has to the total number of days comprising the tour, or 50% of the total consideration charged for the entire tour, whichever is less:
Provided further that in making the above calculations, any duration of time equal to or exceeding 12 hours shall be considered as one full day and any duration of time less than 12 hours shall be taken as half a day.

Explanation - "foreign tourist" means a person not normally resident in India, who enters India for a stay of not more than six months for legitimate non-immigrant purposes.

Example

A tour operator provides a tour operator service to a foreign tourist as follows:-

- (a) 3 days in India, 2 days in Nepal Consideration Charged for the entire tour : Rs. 1,00,000/-
Exemption : Rs. 40,000/- (=Rs. 1,00,000/- x 2/5) or Rs. 50,000/- (=50% of Rs. 1,00,000/-) whichever is less i.e. Rs. 40,000/- (i.e. Taxable value Rs. 60,000/-);

- (b) 2 days in India 3 nights in Nepal Consideration Charged for the entire tour Rs. 1,00,000/-
Exemption : Rs. 60,000 (=Rs. 1,00,000/- x 3/5) or, Rs. 50,000/- (=50% of Rs. 1,00,000/-) whichever is less i.e. Rs. 50,000/- (i.e. Taxable value Rs. 50,000/-)
- (c) 2.5 days in India 3 days in Nepal Consideration charged for the entire tour Rs. 1,00,000/-
Exemption : Rs. 54,545 (=Rs.1,00,000/- x 3/5,5) or Rs, 50,000/- (=50%) of Rs. 1,00,000/-) whichever is less. i.e. Rs, 50,000/- (i.e. Taxable value Rs. 50,000/-)

g) Service by an unincorporated body or a non-profit entity registered under any law, to its own members by way of reimbursement of charges or share of contribution -

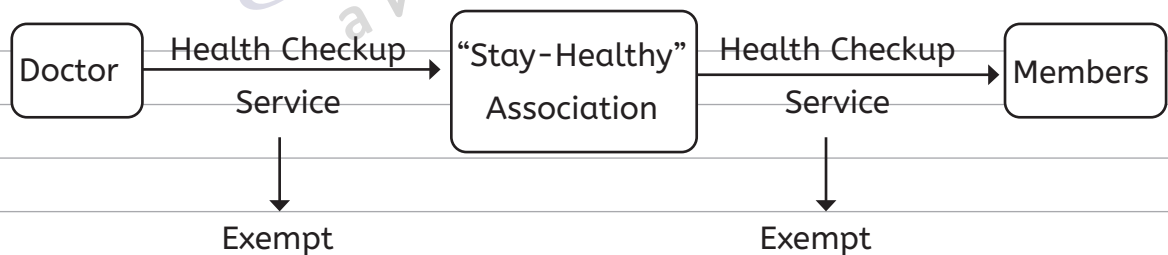
- As a trade union;

Example



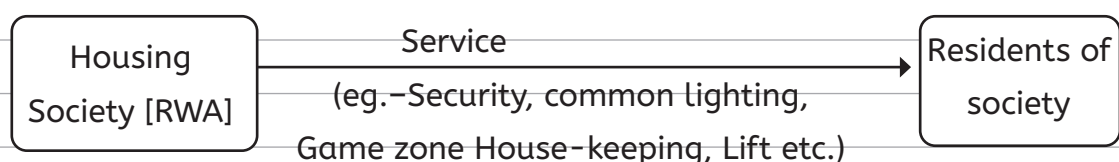
- For the provision of carrying out any activity which is exempt from the levy of GST; or

Example



- Upto an amount of ₹ 7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex;

Example



h) Services of **admission** to a museum, zoo, national park, wildlife sanctuary and a tiger reserve. Ancient monuments have been exempted recently.

i) Service by way of **Right to admission** to:

<ul style="list-style-type: none"> Circus, dance, or theatrical performances including drama or ballet. Award functions, concerts, pageants, musical performances or any sporting events other than recognized sporting event. Recognized sporting events and Planetarium. 	<p>where the consideration for such admission is upto ₹ 500 per person.</p>
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j) Services by a **performing artist** in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre **upto ₹ 1,50,000** per performance, **excluding** services provided by such artist as a **brand ambassador**.

k) Services provided **to a recognised sports body*** by-

- (a) an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body;
- (b) another recognised sports body;

l) Services by way of **sponsorship of sporting events organised**, -

- By a **national sports federation**, or its affiliated federations, where the participating teams or individuals represent any **district, State, Zone or Country**;
- By Association of **Indian Universities, Inter-University Sports Board**, School Games Federation of India, All India Sports Council for Deaf, **Paralympic Committee of India** or Special Olympics Bharat;
- By **Central Civil Services Cultural and Sports Board**;
- As part of **national games**, by Indian Olympic Association; or
- Under **Panchayat Yuva Kreedha Aur Khel Abhiyaan (PYKKA)** Scheme;

**"Recognised Sports Body" means : (i) the Indian Olympic Association; (ii) Sports Authority of India; (iii) a national sports federation recognised by the Ministry of Sports and Youth Affairs of the Central Government, and its affiliate federations; (iv) national sports promotion organisations recognised by the Ministry of Sports and Youth Affairs of the Central Government; (v) the International Olympic Association or a federation recognised by the International Olympic Association; or (vi) a federation or a body which regulates a sport at international level and its affiliated federations or bodies regulating a sport in India;*

- m) Services by an **intermediary** of financial services located in a multi services SEZ with International Financial Services Centre (IFSC) status to a customer located outside India for international financial services in currencies other than Indian rupees (INR).

Example



- n) Services provided to the Central Government, State Government, Union territory administration under any training program for which **“75% or more of the”** total expenditure is borne by CG/SG/UT.
- o) Services provided by and to Asian Football Confederation (AFC) and its subsidiaries directly or indirectly related to any of the events under AFC Women's Asia Cup 2022 to be hosted in India.
- p) Services by way of right to admission to the events organised under AFC Women's Asia Cup 2022.
- q) Entry fee and service in relation to FIFA U-17 Women World Cup has been exempted and this exemption will be available whenever the tournament is scheduled.

2.12. Read these exemptions yourself 😊

- a) Services by way of collecting or providing news by an **independent journalist**, Press Trust of India or United News of India;
- b) Services by way of **public conveniences** such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets;
- c) Services of **public libraries** by way of lending of books, publications or any other knowledge enhancing content or material;

- d) Services by way of slaughtering of animals;
- e) Services by way of **transfer of a going concern**, as a whole or an independent part thereof;
- f) Service provided to the Central Government, State Government or Union Territory under any **insurance scheme** for which **total premium** is paid by CG/SG/UT.
- g) Specified schemes¹⁶ of **general insurance business**. **Services of life insurance business** provided under following schemes -
- (i) Janashree Bima Yojana (JBY); or Aam Aadmi Bima Yojana (AABY);
 - (ii) Varista Pension Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Jan Dhan Yojana, Atal Pension Yojana, Pradhan Mantri Vaya Vandana Yojana;
 - (iii) Life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of two lakh rupees;
- h) Any service provided by
- | | |
|--|---|
| <ul style="list-style-type: none"> • The National Skill Development Corporation (NSDC) set up by Government of India • A Sector Skill Council approved by NSDC • An assessment agency approved by above two • A training partner approved by above two | <p>In relation to</p> <ul style="list-style-type: none"> • The National Skill Development programme implemented by NSDC • A Vocational Skill development course under National Skill Certification and Monetary Reward Scheme • Any other scheme implemented by NSDC |
|--|---|
- i) Service rendered by training providers under Deen Dayal Upadhyaya Grameen Kaushalya Yojana.

¹⁶Hut insurance scheme, Cattle insurance, scheme for insurance of tribals, Janata Personal Accident Policy and Gramin Accident Policy, Group Personal Accident Policy for Self Employed women, Agricultural Pumpset and Failed Well Insurance, **Jan Arogya Bima Policy, Universal Health Insurance scheme, National Agricultural Insurance Scheme, Nirmaya health insurance scheme, Bangla Shasya Bima**

- j) Services of assessing bodies empanelled centrally by the Directorate General of Training, Ministry of **Skill Development and Entrepreneurship** by way of assessments under the Skill Development Initiative Scheme.
- k) Service provided by **Employee Provident Fund Organisation and National Centre for Cold chain development**.
- l) Services by **Employees' State Insurance Corporation** to persons governed under the Employees' Insurance Act, 1948 (34 of 1948);
- m) Services of life insurance business provided or agreed to be provided by the **Army, Naval and Air Force Group Insurance Funds to members** of the Army, Navy and Air Force respectively, under the Group Insurance Scheme of Central Government. Services of life insurance provided or agreed to be provided by the Naval Group Insurance Fund to the personnel of **Coast Guard & Central Armed Police Force under the Group Insurance Schemes** of the Central Government.
- n) Services by **Coal Mines Provident Fund Organization** to persons governed by the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948.
- o) Service provided under **National Pension system**.
- p) **Services by National Pension System (NPS) Trust to its members against consideration in the form of administrative fee.**
- q) Services by way of providing **information** under the **Right to Information Act, 2005**.
- r) Services by way of **artificial insemination** of **livestock** (other than horses).
- s) Supply of services associated with transit cargo to Nepal and Bhutan.
It has been clarified that **exemption** notification **shall cover** services associated with transit cargo **both** to and from Nepal and Bhutan. It has been further clarified that movement of **empty containers** from Nepal and Bhutan, after delivery of goods there, **is a service associated with the transit** cargo to Nepal and Bhutan and is **therefore** covered by the **exemption**. (Circular No. 177/09/2022 GST dated 03.08.2022)

- t) Satellite launch services supplied by Indian Space Research Organisation, Antrix Corporation Limited or New Space India Limited.
- u) Service provided by the Haj Committee and Kumaon Mandal Vikas Nigam Limited in relation to pilgrimage to Mecca and Kailash Mansarovar.
- v) Services provided by an incubatee up to a total turnover of ₹ 50 lakh in a financial year subject to the following conditions, namely:-
- the total turnover had not exceeded ₹ 50 lakh during the preceding financial year; and
 - a period of 3 years has not elapsed from the date of entering into an agreement as an incubatee.

Incubatee: means an entrepreneur located within the premises of a Technology Business Incubator (TBI)/ Science and Technology Entrepreneurship Park (STEP) recognised by the National Science and Technology Entrepreneurship Development Board of the Department of Science and Technology, Government of India (NSTEDB) and who has entered into an agreement with the TBI/STEP to enable himself to develop and produce hi-tech and innovative products.

Example – Incubatee – Byju’s [Agreement with TBI / STEP – date 1.4.2020]

Case 1 –

Year	Total Turnover	Eligibility for Exemption
1	30 lakhs	Eligible
2	40 lakhs	Eligible
3	45 lakhs	Eligible
4	47 lakhs	Ineligible

Case 2 –

Year	Total Turnover	Eligibility for Exemption
1	30 lakhs	Eligible
2	55 lakhs	Eligible
3	35 lakhs	Ineligible

- w) Taxable services, provided or to be provided, by a **TBI/STEP** recognised by NSTEDB or bio- incubators recognised by the Biotechnology Industry Research Assistance Council, under the Department of Biotechnology, Government of India (BIRAC).

Examples of Incubators in India – (Start up Incubation)

1. The Amity Innovation Incubator – (Noida)
2. Centre for Innovation Incubation and Entrepreneurship – (Ahmedabad)
3. Indian Angel Network

Clarification issued by CBIC

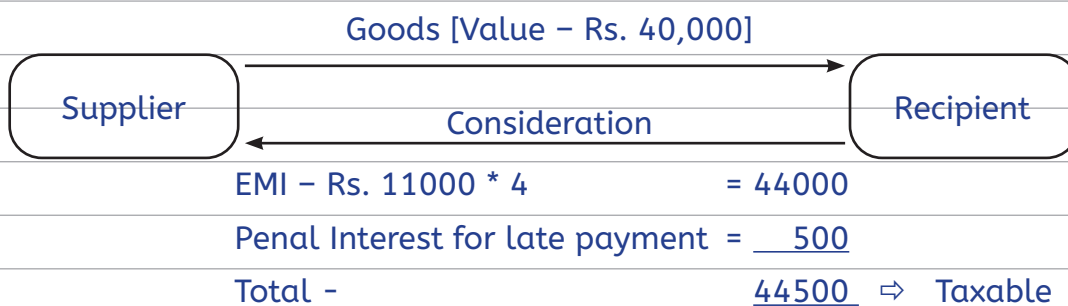
1. Accommodation as part of spiritual programme
 - Exempt as it is provided by charitable trust and is advancement of spirituality (Composite supply)

However if only accommodation is provided then GST would be applicable for charges >1000/day or equivalent

2. Taxability of interest in case of EMI
 CBIC has classified that interest is on delayed payment of consideration for taxable supply and therefore such interest is taxable.

However if interest is charged by other than Supplier of goods for granting loans - this is exempt

Case 1:-

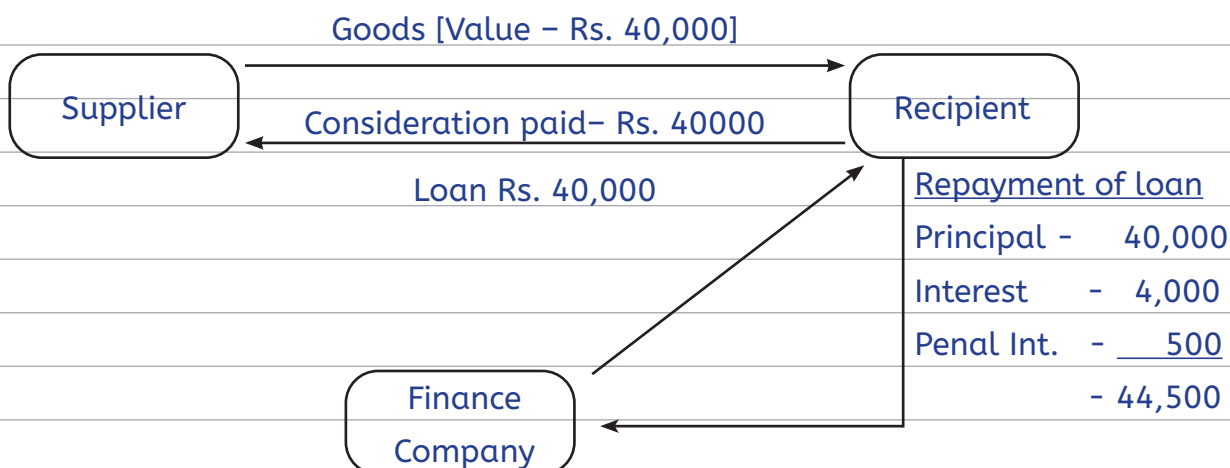


Value of Goods – Rs. 40000

Normal Interest of EMI Rs. 4000

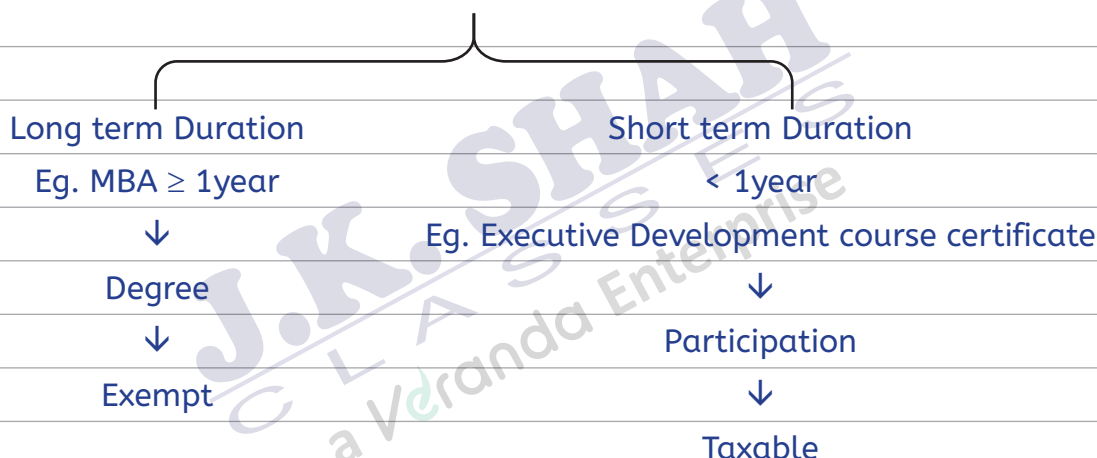
Penal Interest for late payment Rs. 500

Case – 2:



Interest Rs. 4000 and Penal Interest – Rs. 500 are Exempted

3. Taxability of Course provided by IIM



Note : Maritime Training Institutes are educational institutions and the courses conducted by them are exempt subject to fulfilment of other conditions specified herein.

4. Is GST applicable on accommodation services supplied by Air Force Mess to its personnel?

Any service provided by CG/SG/UT or local authority to any person other than business entity is exempt. Hence, accommodation services provided by Air Force Mess and other similar messes, such as, Army mess, Navy mess, Paramilitary and Police forces mess to their personnel or any person other than a business entity are covered by exemption.

5. Is GST applicable on incentives paid by Ministry of Electronics and Information Technology (MeitY) to acquiring banks under Incentive scheme for promotion of RuPay Debit Cards and low value BHIM-UPI transactions?

The service supplied by the acquiring banks in the digital payment system in case of transactions through RuPay/BHIM UPI is the same as the service that they provide in case of transactions through any other card or mode of digital payment. The only difference is that the consideration for such services, instead of being paid by the merchant or the user of the card, is paid by the central government in the form of incentive. However, it is not a consideration paid by the central government for any service supplied by the acquiring bank to the Central Government. The incentive is in the nature of a subsidy directly linked to the price of the service and the same does not form part of the taxable value of the transaction as per the definition of consideration and the provisions of value of supply. Hence, it is not liable to GST.

6. Applicability of GST on sanitation and conservancy services supplied to Army and other Central and State Government department

Clarification: The exemption has been given on pure services & composite supplies procured by Central Government, State Government, Union Territories or local authorities for performing **functions** listed in the 11th and 12th Schedule of the Constitution [Article 243G and 243W]. It has been clarified that if such services are procured by Indian Army or any other Government Ministry/Department **which does not perform any functions listed in the 11th and 12th Schedule of the Constitution**, in the manner as a local authority does for the general public, the same are **not** eligible for exemption. (Circular No. 177/09/2022 GST dated 03.08.2022)

7. GST applicability on transport of minerals from mining pit head to railway siding, beneficiation plant etc., by vehicles deployed with driver for a specific duration of time

Clarification: Usually in such cases the vehicles such as tippers, dumpers, loader, trucks etc., are **given on hire** to the mining lease operator. Expenses for **fuel** are generally **borne** by the **recipient** of service. Such services are nothing but **“rental services of transport vehicles with operator”**. It has been clarified that renting of trucks and other freight vehicles with driver for a period of time is a service of **renting** of transport vehicles with operator and **not** service of **transportation of goods by road**. This being so, it is **not eligible** for **exemption**. (Circular No. 177/09/2022 GST dated 03.08.2022)

8. Whether location charges or preferential location charges (PLC) collected in addition to the lease premium for long term lease of land constitute part of the lease premium or of upfront amount charged for long term lease of land and are eligible for the same tax treatment?

Clarification: It has been clarified that location charges or preferential location charges (PLC) paid upfront in addition to the lease premium for long term lease of land **constitute part of upfront amount** charged for long term lease of land and are eligible for the same tax treatment, and thus **eligible** for **exemption**. (Circular No. 177/09/2022 GST dated 03.08.2022)

9. Whether the additional toll fees collected in the form of higher toll charges from vehicles not having fastag is exempt?

Clarification: It has been clarified that additional fee collected in the form of higher toll charges from vehicles not having Fastag is **essentially payment of toll** for allowing access to roads or bridges to such vehicles and may be given the **same treatment as** given to **toll charges**. (Circular No. 177/09/2022 GST dated 03.08.2022)

3. Questions for practice

Sr. No.	Case	Taxability
1	Catering service provided to visitors by educational institution	Taxable
2	Catering service provided to students by an education institute	Exempt
3	Renting of immovable property to an education institute	Taxable
4	Renting of vacant land for agriculture	Exempt
5	Renting of vacant land to a stud farm	Taxable
6	Renting of vacant land for poultry farming	Exempt
7	Security service provided by Cobra Limited to a degree college	Taxable
8	Security service provided by Cobra Limited to a school	Exempt
9	A vocational training programme by Rajasthan Parishad, Bangalore	Taxable
10	Vocational training programme approved by National council for Vocational training	Exempt
11	Swimming pool usage service provided by degree college to Faculties	Exempt
12	Repair and Maintenance of a college building	Taxable

13	Speed post provided by Dept of Post to Karnataka State Government	Taxable
14	Repair of an aircraft provided by a Government department	Taxable
15	Mining license given to a business entity	Taxable
16	Passport of employees of a business owned by Mr. A	Exempt
17	Mining license given to a business entity whose turnover in PFY was 18 lakhs	Exempt
18	Mumbai Police providing security service to person other than business entity	Exempt
19	Money order by department of post	Taxable
20	Marriage certificate for ₹ 2,000 from the registrar	Exempt
21	Pension payments by department of post	Taxable
22	Service provided by Central government to State government	Exempt
23	Warehousing of biscuits	Taxable
24	Transportation of Flour by Rail (Non AC)	Exempt
25	Transportation of mineral oil by GTA to Registered Person	Taxable
26	Warehousing for vegetable Oil	Taxable
27	Supply of farm labour	Exempt
28	Commission agent of wheat	Exempt
29	Commission agent of Rice	Taxable
30	Commission agent of watches	Taxable
31	Packing and loading of wheat	Exempt
32	Packing and loading of rice	Exempt
33	Packing and loading of paddy	Exempt
34	Training to farmers	Exempt
35	Testing of farm Soil	Exempt
36	Scientific research on Tropicana Fruit juice	Taxable
37	Waxing of apples	Exempt
38	Administration charges for loan processing	Taxable
39	Interest on Government Securities	Exempt
40	Discount earned on bills discounted	Exempt
41	Interest earned by a pawn broker for loan on jewellery	Exempt
42	Exchange of foreign currency with general public	No Supply
43	Entry fee to Bangalore International Circus – ₹ 600	Taxable
44	Entry Fee to IIFA Award function – ₹ 200	Exempt
45	Entry fee to India v Australia match – ₹ 5,000	Taxable

46	Entry fee to IPL Match – ₹ 500	Exempt
47	Entry fee to hip hop dance performance by Hema Malini – ₹ 200. Hema Malini Charged ₹ 1,00,000 for the performance	Exempt Taxable
48	Entry fee to Kathak dance performance by Honey Singh – ₹ 700. Honey Singh Charged ₹ 1,50,000 for the performance	Taxable Exempt
49	Zakir Hussain charged ₹ 1,00,000 for Taj Mahal Tea advertisement	Taxable
50	Entry fee to Amoeba bowling centre – ₹ 11	Taxable
51	Entry fee to a pageant – ₹ 499	Exempt
52	Entry fee to snow city – ₹ 99	Taxable
53	Entry Fee to Wonderla (Amusement Park)– ₹ 199	Taxable
54	Health care service provided by Fortis Hospital	Exempt
55	Mr A (CA) providing health advisory for cough and cold	Taxable
56	Cosmetic and plastic surgery for an accident	Exempt
57	Advocate providing legal service to a person other than business entity	Exempt
58	A CA providing representation service before income tax authorities	Taxable
59	Training in recreational activity in relation to arts by individual	Exempt
60	CA providing service to a charitable trust registered u/s 12AA	Taxable
61	Entry fee to a museum	Exempt
62	Entry fee to a wild life sanctuary	Exempt
63	Life micro insurance of ₹ 2,75,000	Taxable
64	Public library	Taxable
65	Virat Kohli receiving fees for Boost advertisement	Taxable
66	Virat Kohli receiving fees from BCCI	Exempt
67	Virat Kohli receiving fees from IPL franchise	Taxable
68	A religious ceremony conducted by a priest for ₹ 10,000	Exempt
69	Renting of shop in precincts of religious premise for ₹ 10,000 per month	Taxable
70	Renting of shop in precincts of religious premise for ₹ 9,000 per month	Exempt
71	Renting of shop in precincts of religious premise for ₹ 11,000 per month	Taxable
72	Ravi Shastri receiving fees from BCCI for Commentary	Taxable
73	A commercial complex charging ₹ 3,000 per month as maintenance	Taxable
74	A commercial complex charging ₹ 8,000 per month as maintenance	Taxable
75	A residential complex charging ₹ 3,000 per month as maintenance	Exempt

76	A residential complex charging ₹ 8,000 per month as maintenance	Taxable
77	Pradhan mantri jeevan jyothi yojana	Exempt
78	Public telephone booth	Taxable
79	Public Conveniences	Exempt
80	Passengers – Tramway	Exempt
81	Passengers – Aerial Tramway	Taxable
82	Preservation of stem cells	Exempt
83	Ambulance service provided by a CA	Exempt
84	Transportation of passengers by Sleeper class (Rail)	Exempt
85	Transportation of passengers by Two tier AC (Rail)	Taxable
86	Transportation of passengers by Metro	Exempt
87	Transportation of passengers by AC Monorail	Exempt
88	Transportation of passengers by Non AC contract carriage	Exempt
89	Transportation of passengers by Non AC stage carriage	Exempt
90	Transportation of goods by Muniraju Auto driver	Exempt
91	Transportation of goods by GTA to Registered Person	Taxable
92	Transportation of goods by Courier Agency	Taxable
93	Transportation of goods by GTA – Agriculture Produce	Exempt
94	Transportation of goods by aircraft from a place outside India upto Custom Airport	Exempt
95	Transportation of goods by Vessel from a place outside India upto Custom Port	Taxable
96	Transportation of goods by Inland waterways	Exempt
97	Construction of a villa as part of a residential complex	Taxable
98	Hiring of a truck to GTA	Exempt
99	Hiring of a truck to Mr B (Individual Truck Driver)	Taxable
100	Root canal by a Dentist	Exempt
101	Transfer of business as going concern	Exempt
102	Credit card Interest	Taxable
103	Training given to trainers of farmers	Taxable
104	Development of a new research drug	Taxable
105	Dehusking of paddy to rice on job work basis	Exempt
106	Leasing of vacant land to a poultry farm	Exempt
107	Plantation of tea and coffee	Exempt
108	Amount of commission received for debt collection service	Taxable
109	Discount earned on bills discounted	Exempt

110	Charges received on credit card and debit card facilities extended	Taxable
111	Commission received for service rendered to Government for tax collection	Taxable
112	Interest earned on reverse repo transaction	Exempt
113	Service supplied by a private transport operator to a School in relation to transportation of students to and from a School	Exempt
114	Services supplied by way of vehicle parking to general public in a shopping mall.	Taxable
115	Service supplied by way of repair or maintenance of aircraft owned by a State Government	Taxable
116	Exhibiting movies on television channels	Taxable
117	Transportation of petroleum and petroleum products and household effects by railways	Taxable
118	Transportation of postal mails or mail bags by a vessel	Taxable
119	Printing services for printing the question papers provided to a school	Exempt
120	Honorarium to paper setters and examiners provided to a degree college	Exempt
121	Rural postal life insurance service in a Post office	Taxable
122	Distribution of mutual funds, bonds and passport applications by Post Office	Taxable
123	Premises let to a temple trust for ₹ 40,000 by PQR Properties engaged in the business of renting immovable properties	Taxable
124	Building let to a theatre for ₹ 80,000 by PQR Properties engaged in the business of renting immovable properties	Taxable
125	₹ 85,000 charged for warehousing of potato chips by Agro Care Ltd	Taxable
126	₹ 65,000 charged for seed testing by Agro Care Ltd	Exempt
127	₹ 2,00,000 charged for warehousing of cotton fabrics by Agro Care Ltd	Taxable
128	Palliative care for terminally ill patients at patient's home by Well-Being Nursing Home (₹ 30 lakhs)	Exempt
129	Hair Transplant Services by Well-Being Nursing Home (₹ 100 lakhs)	Taxable
130	Pranic Healing Treatments by Well-Being Nursing Home (₹ 120 lakhs). Such treatment is not a recognized system of medicine	Taxable



Question 1

AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October, 2021

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

All the above amounts are exclusive of GST.

Compute the taxable supplies of AB Ltd. for the month of October 2021 with necessary explanations.

Answer:

Computation of value of taxable supplies of AB Ltd.

Particulars	Amount (₹)
Services of transportation of students, faculty and staff to Commerce College [Not exempt, since transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	2,50,000
Online monthly magazine to students of PQR Law College [Services of supply of online educational journals provided to an educational institution providing qualification recognized by law are exempt.]	Nil

Housekeeping services to T Coaching Institute [Not exempt]	50,000
Security services ⁴ to N Higher Secondary School [Security services provided to an educational institution providing education up to higher secondary school are exempt.]	Nil
Services of providing breakfast, lunch and dinner to students of ABC Medical College [Not exempt, since catering services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	5,80,000
Value of taxable supplies	8,80,000

Question 2:

Green Agro Services, a registered person provides the following information relating to its activities during the month of February, 2020:

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

All the above receipts are exclusive of GST.

Compute the value of taxable supplies under GST laws for the month of February, 2020.

Answer:

Computation of value of taxable supplies

Particulars	Amount (₹)
Services relating to rearing of sheeps [Exempt since services relating to rearing of all life forms of animals, except horses, for food etc. are exempt.]	Nil
Services by way of artificial insemination of horses [Not exempt since services of artificial insemination are exempt only of livestock other than horses.]	4,00,000
Processing of sugarcane into jaggery [Not exempt, since processes which alter the essential characteristics of agricultural produce are not exempt and processing of sugarcane into jaggery changes the essential characteristics of sugarcane.]	8,00,000

Milling of paddy into rice [Not exempt, since this process, being carried out after cultivation is over, is not an intermediate production process in relation to cultivation of plants and it also changes the essential characteristics of paddy.]	7,50,000
Services by way of fumigation in a warehouse of agricultural produce [Not Exempt]	1,80,000
Value of taxable supplies	21,30,000

Question 3

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

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

Answer:

- (i) Services by an artist by way of a performance in classical art forms of, inter alia, dance, are exempt from GST, if the consideration charged for such performance is not more than ₹ 1,50,000.

However, such exemption is not available in respect of service provided by such artist as a brand ambassador.

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

- (ii) Even if the proceeds of the concert will be donated to a charitable organization, she will be liable to GST.

Question 4

Dharun provides service as a business facilitator to Zio Bank Limited by facilitating in opening of bank accounts to villagers in its rural branches in Punjab and earned a commission of ₹ 22 lakh in the month of April, 2022. So far he is not registered under GST. Dharun's tax consultant advised him that he is liable for registration under GST as his

gross receipts exceeded ₹ 20 lakh. Dharun has no other receipt / business activity other than the above.

(4 Marks)

Answer:

Services by a business facilitator to a banking company with respect to accounts in its rural area branch is exempt from GST.

Since in the given case, Dharun is engaged exclusively in providing the exempt services, it is not liable to obtain registration even though his aggregate turnover exceeds ₹ 20 lakh. Thus, the advice given by his tax consultant is not correct.

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Question 1

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

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

Answer:

- (i) Bollywood Dance performance by a film actor in a film is not exempt from GST even though the consideration charged is less than threshold limit of ₹ 1,50,000. The reason for the same is that the dance performance by an artist is exempt only if it is a performance in folk or classical art forms of dance. Consequently, entire consideration charged is subject to GST as follows:
$$= ₹ 1,45,000 \times 18\% = ₹ 26,100$$
- (ii) Carnatic music performance by a classical singer to promote a brand of readymade garments is not exempt from GST even though, the consideration charged is less than threshold limit of ₹ 1,50,000 and it is a performance in classical art forms of music. The reason for the same is that the said exemption is not applicable to service provided by such artist as a brand ambassador. Consequently, entire consideration charged is subject to GST as follows:
$$= ₹ 1,30,000 \times 18\% = ₹ 23,400$$
- (iii) Carnatic music performance by a classical singer in a music concert is not exempt from GST even though it is a performance in classical art forms of music. The reason for the same is the consideration charged for the service exceeds ₹ 1,50,000. Consequently, entire consideration charged is subject to GST as follows:
$$= ₹ 1,55,000 \times 18\% = ₹ 27,900$$

- (iv) Kathak dance performance by a classical dancer in a cultural programme is exempt from GST as it is a performance in classical art forms of dance and consideration charged does not exceed ₹ 1,50,000 [i.e. ₹ 1,45,000]. **(4 Marks) (MTP MAR'22)**

Question 2

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

Particulars	Amount [₹ in lakh] (excluding GST)
Extended housing loan to its customers	130
Processing fees collected from its customers on sanction of loan	20
Commission collected from its customers on bank guarantee	30
Interest income on credit card issued by the bank	40
Interest received on housing loan extended by the bank	35
Minimum balance charges collected from current account and saving account holder	03

Compute the value of taxable supply.

Answer:

Computation of value of taxable supply of M/s. Paisa Saver Bank Limited for the month of September:

Particulars	Amount in lakh (₹)
Housing loan extended to customers [Since money does not constitute goods, extending housing loan is not a supply.]	Nil
Processing fee collected on sanction of loan [Interest does not include processing fee on sanction of the loan. Hence, the same is taxable.]	20
Commission collected on bank guarantee [Any commission collected over and above interest on loan, advance or deposit are not exempt.]	30

Interest income on credit card issued by the bank [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax. However, interest involved in credit card services is specifically excluded from this exemption entry.]	40
Interest received on housing loan [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax.]	Nil
Minimum balance charges collected from current account and saving account holder [Any charges collected over and above interest on loan, advance or deposit are not exempt.]	03
Value of taxable supply	93

(6 Marks) (MTP APRIL'22)

Question 3

Mutiservices Private Ltd., registered in Punjab, is engaged in supplying a variety of services. Its turnover was ₹ 35 lakh in the preceding financial year. It has provided the following information for the month of April:

Particulars	Amount (₹)
Fee for the coaching provided to students for competitive exams. The coaching centre is run by Mutiservices Private Ltd. in Punjab (Intra-State transaction)	6,24,000
Receipts for services provided in relation to conduct of examination in Pureit University, Delhi (providing education recognized by Indian law), being an inter-State transaction	19,200
Amount received for transportation of students and faculty from their residence to Lotus Public School - a higher secondary school - and back (Intra-State transaction)	24,000
Amount received for providing the security and housekeeping services in Dhaani Public School - a pre-school (Intra-State transaction)	36,000

Note: Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amounts given above are exclusive of taxes.

Compute the total GST liability of Mutiservices Private Ltd. for the month of April .

Answer:

Computation of net GST liability of Multiservices Private Ltd. for the month of April:

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Fee for the coaching provided to students for competitive exams [Note-1]	6,24,000	56,160	56,160	
Services towards conduct of examination in Pureit University, Delhi [Note-2]	19,200			-
Services of transportation of students and faculty from their residence to Lotus Public School and back [Note-3]	24,000			-
Security and housekeeping services in Dhaani Public School [Note-4]	36,000	-	-	
Total GST liability		56,160	56,160	

Notes:-

- Coaching centre run by Mutiservices Private Ltd. is not an educational institution since competitive exam coaching does not lead to grant of a qualification recognized by law. Therefore, fee received for coaching provided at such coaching centre is taxable.
- Since Pureit University provides qualification recognized by law, it is an educational institution and services provided to an educational institution, in relation to conduct of examination by such institution are exempt from GST.
- Since Lotus Public School provides education up to higher secondary school, it is an educational institution and services of transportation of students, faculty and staff provided to an educational institution are exempt.
- Since Dhaani Public School provides pre-school education, it is an educational institution. Security and housekeeping services provided within the premises of an educational institution are exempt.

(RTP NOV'20)

Question 4

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

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

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

Answer:

S. No.	Description of Services provided	Taxability
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods. [Pure services provided to Government are exempt.]	Exempt
(ii)	Service provided by Fair Price Shops by way of sale of sugar under Public Distribution System [Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against consideration in the form of commission is exempt.]	Exempt

(iii)	<p>Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares constituting 35% of the supply of service.</p> <p>[Composite supply of goods and services to Government in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply is exempt. Since, in this case value of supply of goods constitutes 35% of the supply of composite service, same is taxable.]</p>	Taxable
(iv)	<p>Service of brochure distribution provided under a training programme.</p> <p>[Services provided to the Government under any training programme for which 75% or more of the total expenditure is borne by the Government is exempt. Since in the given case, 70% of the total expenditure is borne by the Government, it is taxable.]</p>	Taxable

(RTP MAY'22)

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TIME OF SUPPLY

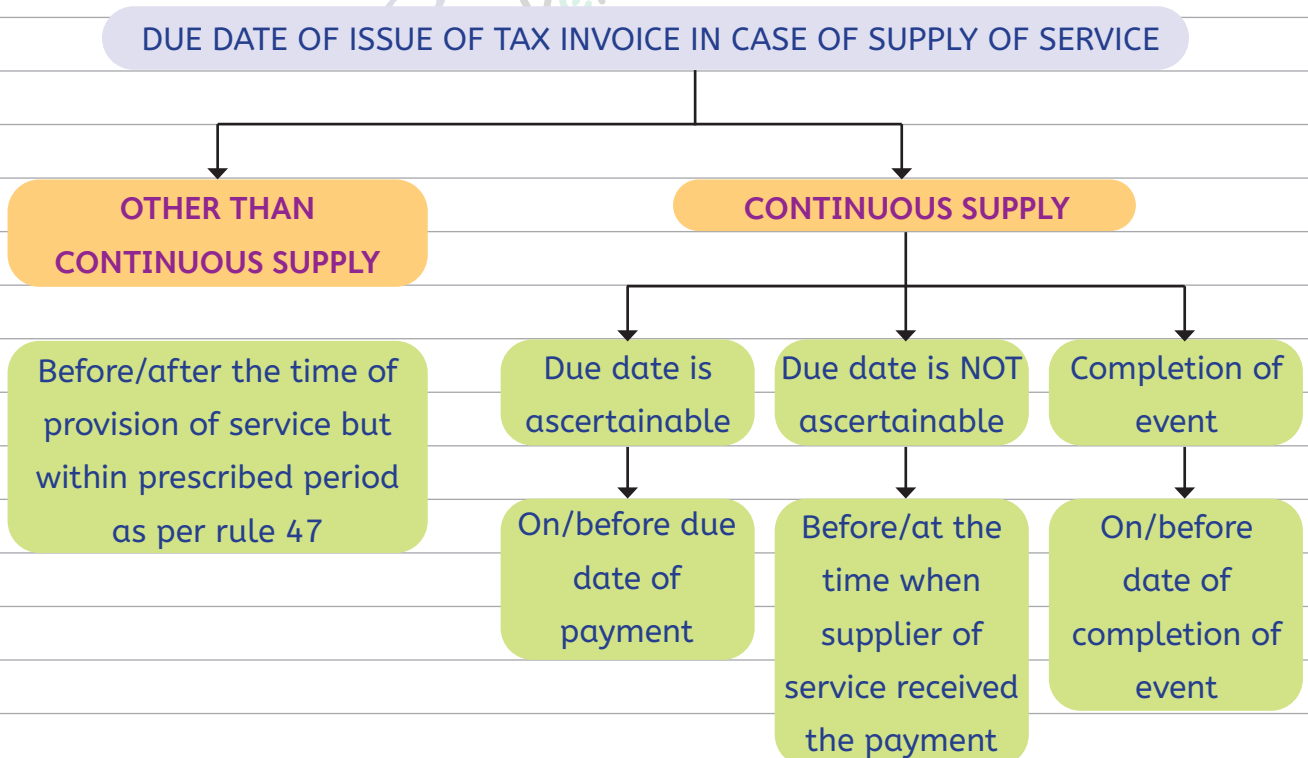
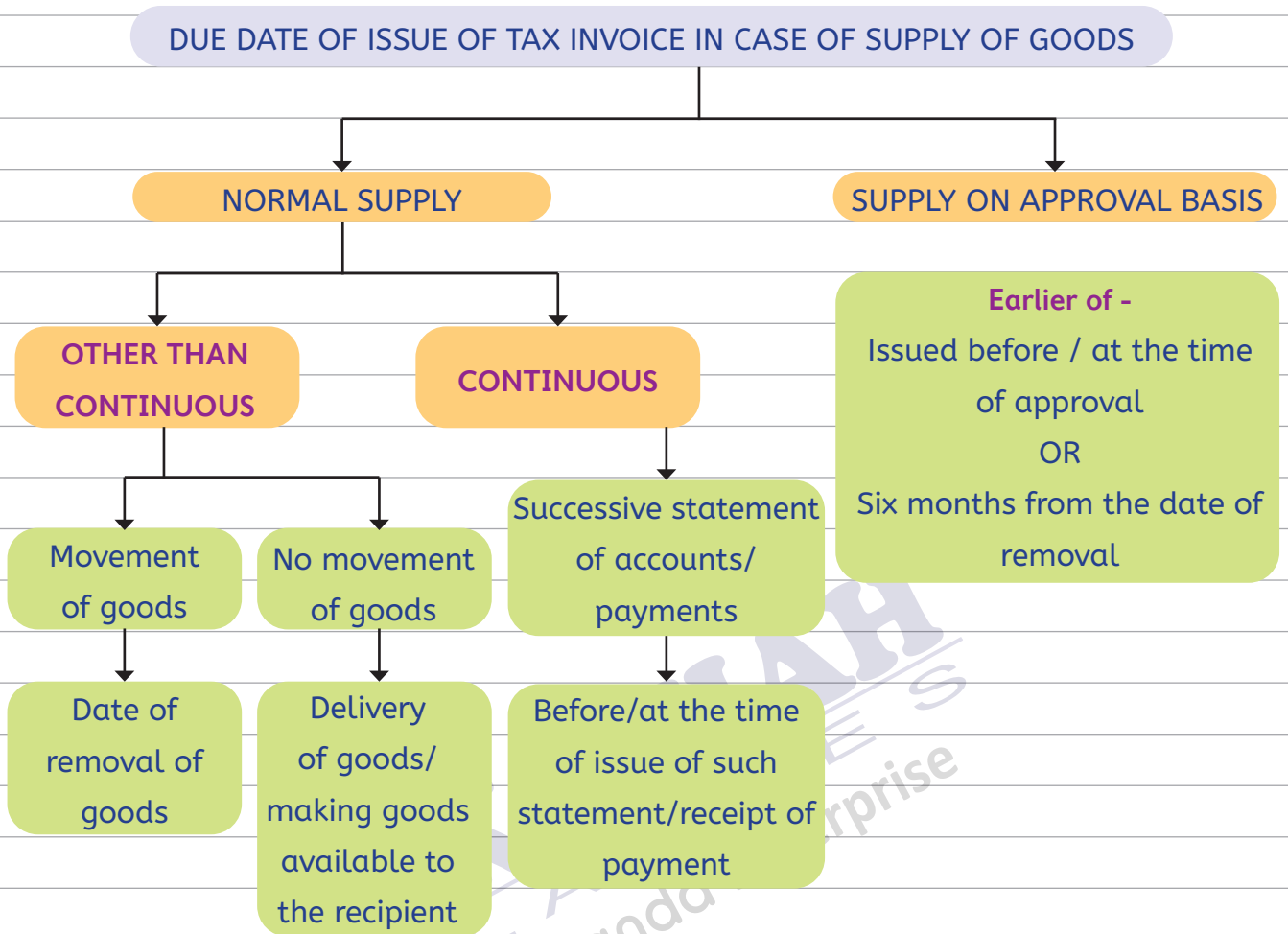
➤ Chapter Overview

- (1) Section 31: Last Date of Issue of Invoice
- (2) Section 12: Time of Supply for Goods
- (3) Section 13: Time of Supply for Service
- (4) Classwork / Homework
- (5) MCQs

INTRODUCTION

- It provides the Point in time when liability to pay tax arises.
- Time is the essence of levy. Tax is imposed when the supply is made. Hence it is important to determine the time of supply. Once time of supply is determined, levy will be made.
- Time of Supply means the point in time when goods have been deemed to be supplied or services have been deemed to be provided. It enables us to determine the rate of tax, value, and due dates for payment of taxes.

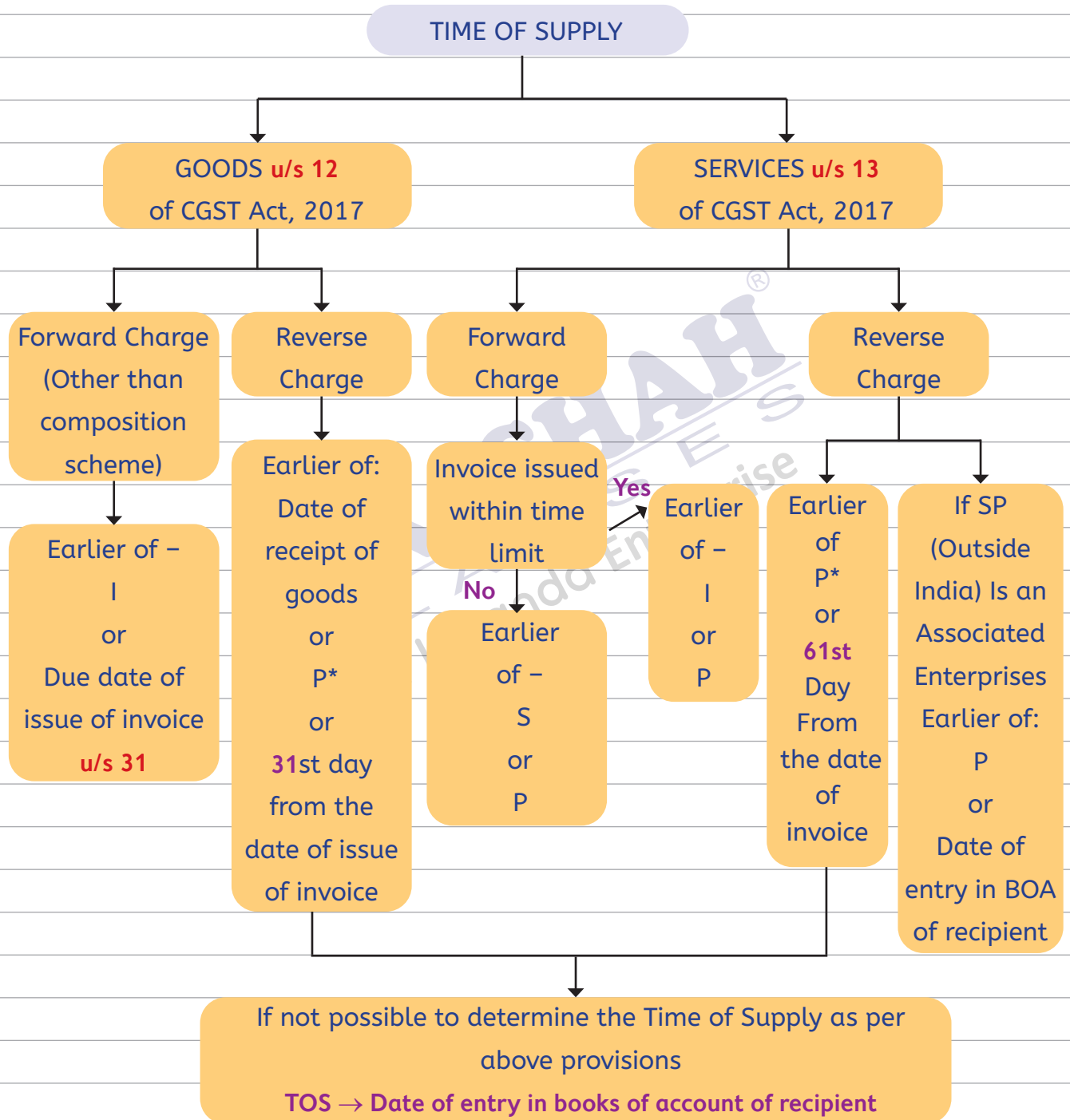
SECTION 31 : DUE DATE OF ISSUE OF TAX INVOICE



RULE 47: TIME LIMIT FOR ISSUING TAX INVOICE

Taxable supply of service: The tax invoices shall be issued within 30 days from the date of supply of services.

For Insurers, Banks etc. The tax invoice shall be issued within 45 days from the date of supply of services.



I = Date of invoice S = Date of provision of service SP = Service Provider	P = <u>DATE OF PAYMENT</u> Date of payment entered in BOA or Date on which payment is credited In Bank A/c, whichever is earlier	P* = <u>DATE OF PAYMENT</u> Date of payment entered in BOA of Recipient or Date on which payment is debited from Bank A/c Whichever is earlier.
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Section 12: Time of Supply for Goods

12(1): The liability to pay tax on goods shall arise at the time of supply as determined in terms of the provisions of this section.

12(2): In Case of Normal Charge:

Time of Supply =

Date of Issue of Invoice

OR

Last Date to Issue Invoice under **Section 31**

Whichever is Earlier

EXAMPLE:

Where Supply involves Movement

Date of Removal	Date of Invoice	Date of Delivery	Date of Receipt of Payment	Time of Supply
01-10-2021	02-10-2021	03-10-2021	15-09-2021	
03-10-2021	01-10-2021	04-10-2021	25-11-2021	
04-11-2021	07-11-2021	06-11-2021	01-10-2021	

EXAMPLE :

Where Goods does not involve any Movement

Date of Invoice	Date When Goods made available to Recipient	Date of Receipt of Payment	Time of Supply
02-10-2021	03-10-2021	15-09-2021	
11-11-2021	05-11-2021	20-11-2021	

12(3): In Case of Reverse Charge Mechanism

Time of Supply =

The date of the receipt of the goods

OR

The date of Payment entered in BOA of Recipient

OR

Date of Debit in Bank Account of Recipient

OR

31st Day from Date of Issue of Invoice

Whichever is Earlier

EXAMPLE:

Determine TOS where Recipient is liable to pay tax

Date of Invoice	Date of Receipt of Goods	Date of Payment as per BOA	Date when Payment debited in Bank A/c	Time of Supply
01-10-2021	05-10-2021	10-10-2021	12-10-2021	
01-10-2021	15-10-2021	10-10-2021	12-10-2021	

12(4): Time of Supply in case of Vouchers

- (a) Where Supply is Identifiable at time of Issue of Voucher – Date of Issue of Voucher
- (b) Where Supply is Not Identifiable at time of Issue of Voucher – Date of Redemption of Voucher

EXAMPLE:

ABC Ltd. enters in to an arrangement with “Hush Puppies”, buys the vouchers, these vouchers were issued on 14th December, 2020. The Company then distributes these vouchers with denomination INR 4,000/- to all its employees on 24th December, 2020 valid until

31st January, 2021, so that they can use these vouchers for buying shoes of their choice. The employees make the most of it and redeem these vouchers on the New Year's, i.e., on 1st January, 2021.

Ans. Time of Supply is _____.

EXAMPLE:

Nisha buys a voucher from Shoppers Stop for INR 10,000 and gifts it to Tarun on 14th February. The voucher was valid until 28th February. Tarun redeems the vouchers at the nearby Shoppers Stop store on 20th February.

Ans. Time of Supply is _____.

12(5): Residual Cases

In case where time of supply cannot be determined u/s 12 (2), (3), (4) then Time of supply shall be -

If person files periodical return – date of filing return.

In any other case – date when tax is paid.

12(6): Time of Supply in relation to Addition in Value by way of Interest, Late Fees & Penalty -

TOS = Date when interest, penalty, late fee is received (receipt basis)

Section 13: Time of Supply for Services

13(1): The liability to pay tax on services shall arise at the time of supply, as determined in terms of the provisions of this section.

13(2): In Case of Normal Charge -

(a) If Invoice is issued within prescribed Time,

TOS = Date of Issue of Invoice OR Date of Receipt of Payment, Whichever is Earlier.

(b) If Invoice is not issued within prescribed Time,

TOS = Date of Provision / Completion of Service OR Date of Receipt of Payment, Whichever is Earlier.

Note: Date of Receipt of Payment shall be -

Date on Which Payment is entered in BOA of Supplier

OR

Date on Which Payment is credited in Bank Account

Whichever is Earlier

EXAMPLE: Determine TOS in Independent Cases.

Date of Supply of Service	Date of Invoice	Date of Receipt of Payment	Time of Supply
10-11-2021	30-11-2021	15-12-2021	
10-11-2021	30-11-2021	15-11-2021	
10-11-2021	12-12-2021	30-04-2021	
10-11-2021	22-12-2021	12-12-2021	

Small Advance Upto ₹1,000 – Where the Supplier of taxable service receives an amount upto ₹1,000 in excess of the amount indicated in the tax invoice, the TOS to the extent of such excess shall, at the option of Supplier, be the date of Issue of Invoice relating to such excess amount.

13(3): In Case of Reverse Charge Mechanism –

Time of Supply = Earlier of -

Date of Payment as Entered in Books of Accounts

OR

Date of Debit in Bank Account

OR

61st Day from Date of Issue of Invoice

EXAMPLE:

Date of Invoice	Date of Completion of Service	Date of Debit in Bank Account	Entry in Books of Accounts	Time of Supply
30-11-2021	30-11-2021	10-12-2021	12-12-2021	
30-11-2021	30-11-2021	15-11-2021	30-11-2021	
30-11-2021	29-11-2021	10-03-2021	30-11-2021	

Proviso to Section 13(3): When supplier is Outside India & Recipient is in India & Both are Associated Enterprise. Example: Holding & Subsidiary

TOS = Earlier of -

Date of debit entry in the books of A/c of recipient

OR

Date of payment

Note: Section 13(4),13(5) & 13(6) are Same as 12(4),12(5) & 12(6)



Question 1

- (i) An order is placed to T & Co., Sholapur on 18th August, 2021 for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 2021 and after completion of the order issued the invoice on 15th September, 2021. The payment against the same was received on 30th September, 2021. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations.

Answer:

- (i) The time of supply of goods (where movement of goods involve) (fabric) for the purpose of payment of tax is the date of issue of invoice or the last date when the invoice ought to have been issued.
Further, a registered person is required to issue a tax invoice before or at the time of delivery of goods or making available thereof to the recipient.
Thus, in the given case, time of supply is 4th September, 2021. **(Suggested Dec 21)**

Question 2:

Know & Grow Publishers, a registered dealer in India, paid an advance of ₹ 50,000 to Mr. Ganatra, an author, for the copyright covered under **Section 13(1)(a)** of the Copyright Act, 1957, of his original literary work on 5-9-2018. It made the balance payment of ₹ 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

Answer:

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

The time of supply of service, on which GST is payable under reverse charge, is earlier of the following:

- (a) Date of payment as entered in the books of account of the recipient or date on which payment is debited from the bank account, whichever is earlier
or
- (b) 61st day from the date of issue of invoice by the supplier
- (i) If the invoice is issued on 06.10.2018, time of supply is as under:
- For the payment of ₹ 50,000: 05.09.2018 [earlier of date of payment and 61st day from date of issue of invoice]
 - For the payment of ₹ 1,50,000: 06.12.2018 [earlier of date of payment and 61st day from date of issue of invoice]
- (ii) If the invoice is issued on 17.12.2018, time of supply is as under:
- For the payment of ₹ 50,000: 05.09.2018 [earlier of date of payment and 61st day from date of issue of invoice]
 - For the payment of ₹ 1,50,000: 12.12.2018 [earlier of date of payment and 61st day from date of issue of invoice] **(Suggested Nov 19)**

Question 3

M/s. Xing Trans of Kolkata is engaged in the trading of transmitters. On 20/05/2021, M/s. Xing Trans has sent 500 units of transmitters for exhibition at Chennai on sale or return basis. Out of the said 500 units, 300 units have been sold on 28/07/2021 at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25/11/2021 and balance 50 units have neither been sold nor brought back.

Explain the provisions under GST law relating to issue of invoices with exact dates on which tax invoices need to be issued by M/s. Xing Trans.

Answer:

Where the goods being sent for sale or return are removed before the supply takes place, the tax invoice shall be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier.

In the given case, 500 units of transmitters have been sent for exhibition on sale or return basis out of which 300 units are sold before 6 months from the date of removal. Thus, tax invoice for said 300 units needs to be issued before or at the time of supply of such goods, i.e. upto 28/07/2021.

Remaining 200 (150+ 50) units have neither been sold nor brought back till the expiry of 6 months from the date of removal goods, i.e. 20/11/2021. Thus, tax invoice for said 200 units needs to be issued upto 20/11/2021. **(Suggested May'22)**



Question 1

Ms. Pearl is a classical singer. She wants to organize a classical singing function, so she booked an auditorium on 10th August for a total amount of ₹ 20,000. She paid ₹ 5,000 as advance on that day. The classical singing function was organized on 10th October. The auditorium owner issued invoice to Ms. Pearl on 25 th November amounting to ₹ 20,000. Pearl made balance payment of ₹ 15,000/- on 30th November. Determine the time of supply in this case.

- (a) Time of supply is 25th November for ₹ 20,000.
- (b) Time of supply is 25th November for ₹ 5,000 & 30th November for ₹ 15,000.
- (c) Time of supply is 10th August for ₹ 5,000 & 10th October for ₹ 15,000.
- (d) Time of supply is 10th October for ₹ 20,000.

Ans: (c)

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- (7) Determine the time of supply of goods
- (a) Date of issue of Invoice by supplier - 21st July
 - (b) Date of dispatch of goods by the supplier - 22nd July
 - (c) Date of receipt of payment in bank account - 15th June
 - (d) Date of record of payment in books of account - 17th June
- (8) What is time of supply of goods liable to tax under reverse charge mechanism?
- (a) Date of receipt of goods
 - (b) Date on which the payment is made
 - (c) Date immediately following 30 days from the date of issue of invoice by the supplier
 - (d) Earlier of (a) or (b) or (c)
- (9) On 04.09.2021, supplier invoices goods taxable on reverse charge basis to ABC & Co. ABC & Co. receives the goods on 12.09.2021 and makes payment on 30.9.2021. determine the time of supply.
- (a) 04.09.2018
 - (b) 04.10.2018
 - (c) 12.09.2018
 - (d) 30.09.2018
- (10) What is the time of supply of service if the invoice is issued within 30 days from the date of provision of service?
- (a) Date of issue of invoice
 - (b) Date on which the supplier receives payment
 - (c) Date of provision of service
 - (d) Earlier of (a) & (b)
- (11) Mr. X enters into a contract with a client for supply of certain services on 18.12.2020. GST is payable on such services under forward charge. Services are supplied on 25.12.2020 and invoiced on 05.01.2021. The client makes payment by cheque for the services on 29.12.2020 and such payment is credited to the bank account of Mr. X on 06.01.2021. The payment is recorded in the books of account of Mr. X on 07.01.2021. The time of supply of services is:
- (a) 29.12.2020
 - (b) 30.12.2020
 - (c) 06.01.2021
 - (d) 05.01.2021

- (12) Mr. A purchases redeemable vouchers worth INR 8,000/- on 1st January. The vouchers are redeemable against purchase of any goods. The vouchers are valid till 30th June. What will be the time of supply in case of such vouchers?
- (a) 1st January
 - (b) 30th June
 - (c) The date of redemption of vouchers
 - (d) None of the above
- (13) Value of services rendered is ₹ 1,00,000/-. Date of issue of invoice is 5th October 2021. Advance Received is ₹ 25,000/- on 20th September 2021. Balance amount received on 7th October 2021. What is the time of supply for ₹ 1,00,000/-?
- (a) 5th October 2021 for ₹ 1,00,000/-
 - (b) 20th September 2021 for ₹ 1,00,000/-
 - (c) 20th September 2021- ₹ 25,000/- and 5th October 2021 for ₹ 75,000/-
 - (d) 20th September 2021- ₹ 25,000/- and 7th October 2021 for ₹ 75,000/-
- (14) What is the time of supply of service in case of reverse charge mechanism?
- (a) Date of payment as entered in the books of account of the recipient
 - (b) Date immediately following 60 days from the date of issue of invoice
 - (c) Date of invoice
 - (d) Earlier of (a) & (b)
- (15) Continuous supply of services means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding _____ with _____ payment obligations.
- (a) 1 year, annual
 - (b) 3 months, periodic
 - (c) 6 months, half yearly
 - (d) 1 year, periodic
- (16) What is the time of supply of service for the supply of taxable services up to ₹1,000 in excess of the amount indicated in the taxable invoice?
- (a) At the option of the supplier - Invoice date or Date of receipt of consideration
 - (b) Date of issue of invoice
 - (c) Date of receipt of consideration 6 months, half yearly
 - (d) Date of entry in books of account

- (17) What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?
- (a) Date of issue of voucher
 - (b) Date of redemption of voucher
 - (c) Earlier of (a) & (b)
 - (d) (a) & (b) whichever is later
- (18) What is the time of supply of vouchers when the supply with respect to the voucher is not identifiable?
- (a) Date of issue of voucher
 - (b) Date of redemption of voucher
 - (c) Earlier of (a) & (b)
 - (d) (a) & (b) whichever is later
- (19) ABC Ltd. has purchased for its customers 50 vouchers dated 20.8.2021 worth ₹100 each from PQR Ltd., A footwear manufacturing company. The vouchers were issued by ABC Ltd. on 20.09.2021. the vouchers can be encashed at retail outlets of PQR Ltd. The employees of ABC Ltd. encashed the same on 01.10.2021. Determine the time of supply of vouchers.
- (a) 20.08.2021
 - (b) 20.09.2021
 - (c) 01.10.2021
 - (d) Supply is not identified
- (20) Ms. A purchased a gift voucher (it can be redeemed against any product of the departmental store) from a super market worth ₹ 2,000 on 30.7.2021 and gifted it to her friend on the occasion of her marriage on 05.08.2021. Her friend encashed the same on 01.09.2021 for purchase of a watch. Determine the time of supply.
- (a) 30.07.2021
 - (b) 05.08.2021
 - (c) 01.09.2021
 - (d) Supply is identified
- (21) What is the time of supply of goods in residuary cases, in case where a periodical return has to be filed?
- (a) Date on which return is to be filed
 - (b) Actual date of filing of return
 - (c) Date of payment of tax
 - (d) Date of collection of tax

- (22) What is the time of supply in case of addition in the value of way of interest, late fee or penalty or any delayed payment of consideration?
- (a) Last date on which such late fees / penalty has been charged
 - (b) Date of payment of such additional amount
 - (c) Date of collection of whole amount
 - (d) It doesn't constitute supply

Answer:

1.	(a)	9.	(c)	17.	(a)
2.	(a)	10.	(d)	18.	(b)
3.	(c)	11.	(d)	19.	(a)
4.	(d)	12.	(c)	20.	(c)
5.	(a)	13.	(c)	21.	(b)
6.	(a)	14.	(d)	22.	(b)
7.	(a)	15.	(b)		
8.	(d)	16.	(a)		

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7

VALUE OF SUPPLY

➤ **Chapter Overview**

- (1) Section 15(1): Transaction value
- (2) Section 15(2): Inclusions
- (3) Section 15(3): Exclusions
- (4) Classwork / Homework
- (5) MCQs

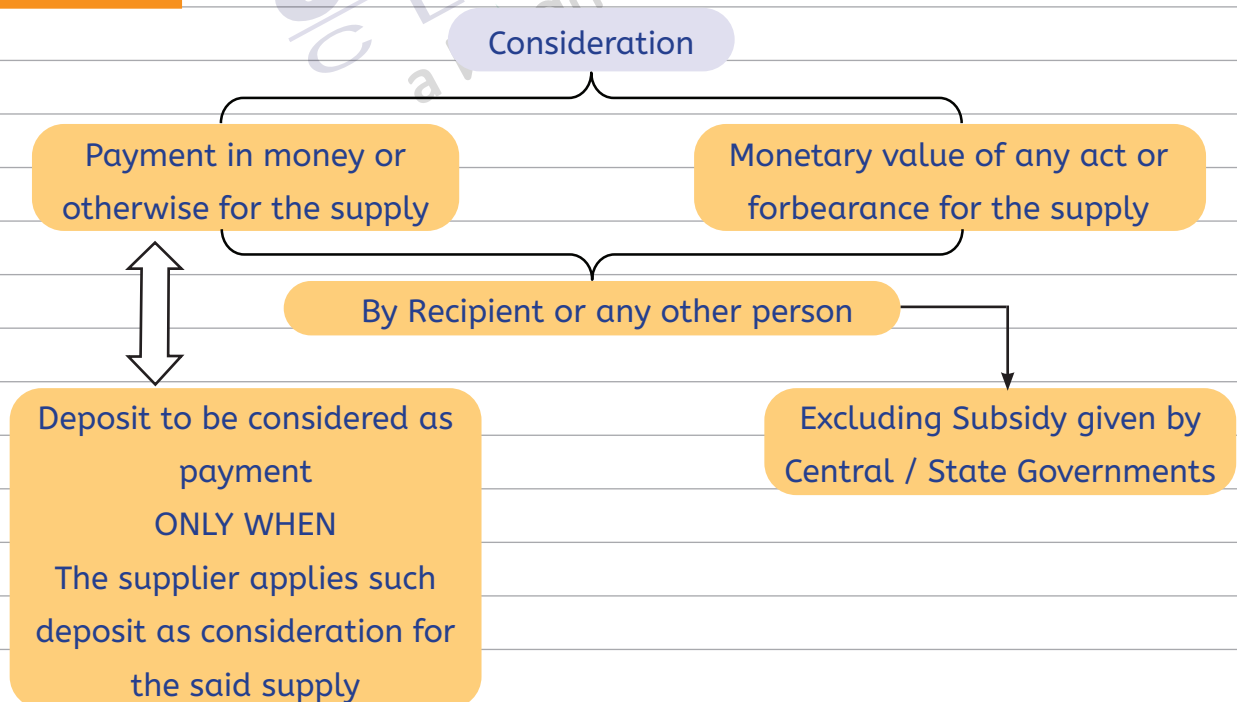
15(1)-Transaction value = Assessable Value

Transaction value means Price actually paid or payable for the said supply of goods or service or both.

The Transaction Value will be accepted as Assessable Value if:

- **Buyer and Seller are not related, and**
- **Price is a sole consideration.**

Consideration



Value of supply = T. V. + Inclusions – Exclusions

Section: 15(2) Inclusions -

Section 15(2)(a): In taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, SGST act, UTGST act, IGST act, GST(compensation to states) act, if charged by supplier

Section 15(2)(b): any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both;

Section 15(2)(c): incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services

Section 15(2)(d): Interest or late fee or penalty for delayed payment of any consideration for any supply

❖ **CLARIFICATION ON SCOPE OF PRINCIPAL AND AGENT RELATIONSHIP UNDER SCHEDULE I OF CGST ACT IN THE CONTEXT OF DEL-CREDERE AGENT (DCA)**

If Del order Agent issued invoice in his own name, he will fall within the ambit of para 3 of schedule 1 & hence Interest charged by him to recipient would be included in value of supply of Goods by him

However when Del credere agent is not para 3 agent Interest charged by him on extending Loans to recipient would amount to Independent supply & will not be included in value of supply of Goods.

15(2)(e): Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments

Section 15(3): Exclusion

Discount shall not be included in the value of supply in the following situations-

(a) Before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and

EXAMPLE :

Lifestyle an apparel shop supplies at ₹2,000 wherein it allows a flat discount of 30% on list price.

Value of supply = _____

- (b) Post-Supply Discount: Post-discount to be excluded only when Such discount is established in terms of agreement entered into at or before TOS & Specially linked to Invoice & ITC attributable for such amount has been reversed.

CLARIFICATION ON DISCOUNTS

➤ DISCOUNTS INCLUDING 'BUY MORE, SAVE MORE' OFFERS

(i) Sometimes, the supplier offers staggered discount to his customers (increase in discount rate with increase in purchase volume). For example - Get 10 % discount for purchases above Rs.5000/- , 20% discount for purchases above Rs.10000/- and 30% discount for purchases above Rs.20000/- . Such discounts are shown on the invoice itself. Such discounts are excluded to determine value of supply.

(ii) Some suppliers also offer periodic / year ending discounts to their stockists, etc. For example- Get additional discount of 1% if you purchase 10,000 pieces in a year, get additional discount of 2% if you purchase 15,000 pieces in a year. Such discounts are established in terms of an agreement entered into at or before the time of supply though not shown on the invoice as the actual quantum of such discounts gets determined after the supply has been effected and generally at the year end. In commercial parlance, such discounts are colloquially referred to as “volume discounts”. Such discounts are passed on by the supplier through credit notes.

Such discounts are excluded to determine the value of supply provided they satisfy the parameters laid down in section 15(3), including the reversal of ITC by the recipient of the supply as is attributable to the discount on the basis of document (s) issued by the supplier.

➤ SECONDARY DISCOUNTS

(i) These are the discounts which are not known at the time of supply or are offered after the supply is already over. For example, M/s A supplies 10,000 packets of biscuits to M/s B at Rs. 10/- per packet. Afterwards M/s A re-values

it at Rs. 9/- per packet. Subsequently, M/s A issues credit note to M/s B for Rs.1/- per packet.

(ii) such secondary discount shall not be excluded while determining the value of supply as such discounts are not known at the time of supply and condition laid down under section 15(3) are not satisfied.

(iii) It may be noted that financial/commercial credit note can be issued by the supplier even if the condition mentioned in the section 15(3) are not satisfied. Such credit note does not include GST, and do not have any impact on value of supply for the purpose of GST

EXAMPLES OF DISCOUNT DEDUCTIBLE FROM VALUE OF SUPPLY:[®]

1. Vijay Biscuit Co. gives a discount of 30% on the list price to its distributors. Thus, for a carton of Krackbisk, in the invoice the list price is mentioned as Rs.200, on which a discount of 30% is given to arrive at the final price of Rs.140. The value is Rs.140, as the discount is allowed at the time of supply and shown in the invoice.
2. The agreement of Shyam Electrical Appliances with its dealers is that sale of rice cookers over 100 pieces in the Diwali month will entitle them to discount of 5% per cooker sold to them in the next month. The next month's stock has already been dispatched when the sales figures for the Diwali month are worked out. However, as the agreement was in existence at the time of supply, and the discount can be worked out for each invoice, the value will be billed price minus 5%. The dealer must reverse the proportionate input tax credit on the relevant stock to bring it in line with the reduced tax.

EXAMPLES OF NON-DEDUCTIBLE DISCOUNT:

- 1 A company announces turnover discounts after reviewing dealer performance during the year. The discounts are based on performance slabs and are given as cash-back. As these discounts were not known at the time of supply of the goods, they will not be deducted from value of those goods.

EXAMPLE:

Deepika Pvt. Ltd. has provided the following particulars relating to goods sold by it to Ranveer Pvt. Ltd.

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

Deepika Pvt. Ltd. received Rs.2000 as a subsidy from a NGO on sale of such goods. The price of Rs.50000 of the goods is after considering such subsidy. Deepika Pvt. Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods. Determine the value of taxable supply made by Deepika Pvt. Ltd

ANSWER:

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

EXAMPLE:

Alia Advertisers conceptualized and designed the advertising campaign for a new product launched by Ranbir Pvt Ltd. for a consideration of Rs.500000. Alia Advertisers owed Rs. 20,000 to one of its vendors in relation to the advertising service provided by it to Ranbir Pvt Ltd. Such liability of Alia Advertisers was discharged by Ranbir Pvt Ltd. Ranbir Pvt Ltd. delayed the payment of consideration and thus, paid Rs.15000 as interest. Assume the rate of GST to be 18%. Determine the value of taxable supply made by Alia Advertisers.

ANSWER:

Computation of value of taxable supply	
PARTICULARS	Rs.
Service charges	5,00,000
Payment made by Ranbir Pvt. Ltd to vendor of Alia Advertisers [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15(2)(b)]	20,000
Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d) – Refer note below] (rounded off)	12,712
Value of taxable supply	5,32,712

Note: The interest for delay in payment of consideration will be includible in the value of supply but the time of supply of such interest will be the date when such interest is received in terms of section 13(6). Such interest has been assumed to be inclusive of GST and the value computed by making back calculations [Interest / 100 + tax rate) x 100].

- **Circular No. 186/18/2022 GST dated 27.12.2022**
 - **Issue:** What will be the taxability of no claim bonus allowed as deduction by insurance companies from insurance premium?
 - **Clarification:** No claim bonus is a permissible deduction u/s 15 of CGST Act, 2017 and GST shall be leviable on actual insurance premium amount payable by the policy holder. Further, it is clarified that there is no supply provided by the insured to the insurance company in form of agreeing to the obligation to refrain from the act of lodging insurance claim during previous years and No claim bonus cannot be considered as consideration for any supply provided by the insured to the insurance company.



Question 1

Following are the particulars, relating to one of the machine sold by SQM Ltd. to ACD Ltd. in the month of February 2020 at list price of ₹ 9,50,000. (exclusive of taxes and discount) Further, following additional amounts have been charged from ACD Ltd :

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

Additional information :

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

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

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

Answer:

S. No.	Particulars	Amount (₹)
	List price (exclusive of taxes and discount)	9,50,000
(i)	Municipal taxes [Note-1]	45,000
(ii)	Outward freight charges [Note-2]	65,000
	Value of taxable supply	10,60,000

Notes:

1. Tax other than GST, if charged separately, are includible in the value in terms of **section 15**.
2. Since contract is to deliver machine at buyer's factory, it is a composite supply wherein the freight charges will be added to the value of principal supply of machine.
3. Value of supply includes interest charged for delayed payment. However, since the interest on delayed payment has been waived off, the same has not been added to the value.
4. Subsidy provided by non-Government bodies is includible in the value in terms of **section 15** provided the same is directly linked to the price. Since subsidy received from NGO is not directly linked to the price of the machine, the same has not been added to the value.
5. Since the discount was not known or agreed to at the time of supply of goods to the buyers, such discount cannot be reduced from the price, in terms of **section 15**.
6. TCS is not includible in the value of supply as it is an interim levy not having the character of tax. **(Suggested Nov 20)**

Question 2

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

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

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

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

Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law. (6 Marks)

Answer:

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Taxes other than GST, if charged separately, are includible in the value of supply.]	6,000
Packing charges [Being incidental expenses, same are includible in the value of supply.]	2,500
Subsidy received from NGO [Since subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply.]	Nil
Payment made by ABC Pvt. Ltd. in relation to service provided by vendor to XYZ Pvt Ltd1. [Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.]	2,000
Turnover discount [Since discount is not known at the time of supply, it is not deductible from the value of supply.]	-
Interest for delayed payment (rounded off) [Includible in the value of supply]	4,237 [5,000 × 100/118]
Value of taxable supply	64,737

(Suggested May'22)



Question 1

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

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

Determine the value of taxable supply made by Kashvi Ltd. to Garam Dharam Ltd.

Answer:

Computation of value of taxable supply made by Kashvi Ltd. to Garam Dharam Ltd.

Particulars	Amount (₹)
Price of machinery (exclusive of taxes and discounts)	5,50,000
Add: Amount paid by Garam Dharam Ltd. directly to the supplier for the part fitted in the machinery [Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply in terms of section 15(2)(b) of the CGST Act, 2017.]	20,000

Add: Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of the CGST Act, 2017.]	25,000
Less: Discount @ 2% on the price of machinery [₹ 5,50,000 × 2%] [Since discount is given at the time of supply of machinery and recorded in the invoice, the same is deductible from the value of the supply in terms of section 15(3)(a) of the CGST Act, 2017.]	11,000
Less: Additional 1% discount at year end	Nil
[Though the additional discount is established before/at the time of supply, it is not deductible from the value of supply in terms of section 15(3)(b) of the CGST Act, 2017 as the same is not linked to any specific transaction and is adjusted by the parties at the end of the financial year.]	
Value of taxable supply	5,84,000

(6 Marks) (MTP MAR'22)

Question 2

Blue Stone Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March.

S. No.	Particulars	Amount (₹)
(i)	List price of taxable goods supplied inter-state (exclusive of taxes)	12,00,000
(ii)	Subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	1,75,000
(iii)	Subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv)	Tax levied by Municipal Authority	20,000
(v)	Packing charges	15,000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay ₹ 6,000 in lump sum and no additional amount is payable by him)	6,000

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

Calculate the total value of taxable supplies made by Blue Stone Ltd. during the month of March. Rate of IGST is 18%.

Answer:

Computation of total value of taxable supplies made by Blue Stone Ltd. during the month of March

Particulars	Amount (₹)
List price of the goods	12,00,000
Subsidy amounting to ₹ 1,75,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e) of the CGST Act]	NIL
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a) of the CGST Act]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c) of the CGST Act]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15(2)(d) of the CGST Act - As the amount of interest received is a lump sum amount, the same has to be taken as inclusive of GST] [₹ 6,000 × 100/118] rounded off	5,085
Total value of taxable supplies	12,90,085

(4 Marks) (MTP APRIL'22)

Question 3

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

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

(iii)	Commission	500	
(iv)	Weighment charges		2,000
(v)	Discount for prompt payment (recorded in the invoice)		1,000

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

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

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

Make suitable assumptions, wherever necessary.

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

Ans: Computation of GST liability

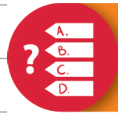
S. No.	Particulars	Narad Traders (₹)	Nandi Motors Ltd. (₹)
(i)	Price of goods	10,000	30,000
(ii)	Add: Packing charges (Note-1)	500	
(iii)	Add: Commission (Note-1)	500	
(iv)	Add: Weighment charges (Note-1)	-	2,000
(v)	Less: Discount for prompt payment (Note-2)	-	<u>1,000</u>
	Value of taxable supply	11,000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

Notes:

- Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weighment charges are also incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].

2. Since discount is known at the time of supply, it is deductible from the value in terms of **section 15** of the CGST Act, 2017.
3. Since supply made to Narad Traders is an inter-State supply, IGST is payable in terms of section 5 of the IGST Act, 2017.
4. Since supply made to Nandi Motors Ltd. is an intra-State supply, CGST & SGST is payable on the same. **(RTP NOV'21)**

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**MULTIPLE CHOICE
QUESTIONS**

- (1) The value of supply of goods and services shall be the –
- (a) Transaction value (b) Retail sale price
(c) Wholesale price (d) None of above
- (2) Value of supply shall be the transaction value, if
- (a) Transaction is between unrelated parties
(b) Price is the sole consideration
(c) Both (a) and (b)
(d) None of the above
- (3) Which of the following is included while computing the value of supply of goods under GST?
- (a) Price of the goods
(b) Packing charges of the goods
(c) Tax levied by Municipal Authority on sale of the goods
(d) All of the above
- (4) What shall be the treatment of subsidies received from BAC Private limited while deriving transaction value?
- (a) Shall be included in the transaction value, even if not directly linked with supply
(b) Shall be included only when such subsidy is directly linked with supply
(c) (a) or (b)
(d) None of the above
- (5) Subsidies directly linked to the price _____ subsidies provided by the Central and State Governments are includible in value for charge of GST.
- (a) Including
(b) Excluding
(c) Either (a) or (b)
(d) None of the above

- (6) Mr. A supplied goods worth of ₹1,00,000 for which he received payment in US dollars. Does the consideration as received falls within the ambit of money
- (a) Yes
 - (b) No
 - (c) As per the opinion of Appropriate authority
 - (d) None of the above
- (7) Value of supply shall be construed to include:
- (a) Any taxes, duties, cess, fees and charges levied under any Act, except GST
 - (b) Any amount that the supplier is liable to pay which has been incurred by the recipient and is not included in the price.
 - (c) All the incidental expenses, subsidies linked to supply and other interest, late fee and penalty
 - (d) All of the above
- (8) Value of supply is considered to exclude:
- (a) Taxes, duties, cesses and fees levied under any other Act
 - (b) SGST and UTGST
 - (c) Compensation Cess
 - (d) Both (b) and (c)
- (9) Jiffy foods Pvt. ltd gives discount of 30% on the list price to its distributors as per its contract. As per invoice raised on the items supplied per carton, the list price on the same amounts to ₹500. What shall be the taxable value of such supply, given that the discount is allowed at the time of supply and shown in invoice?
- (a) ₹300
 - (b) ₹350
 - (c) ₹500
 - (d) None of the above
- (10) Comment: If the amount is the contractual liability of the supplier but paid by the recipient on his behalf, that amount will be includible in value' for purpose of payment of GST.
- (a) Correct
 - (b) Incorrect
 - (c) Partially correct
 - (d) None of the above

Answer:

1.	(a)
2.	(c)
3.	(d)
4.	(b)
5.	(b)
6.	(a)
7.	(d)
8.	(d)
9.	(b)
13.	(a)

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8

INPUT TAX CREDIT

➤ **Chapter Overview**

- (1) Section 16: Eligibility & Condition for Claiming ITC
- (2) Section 17: Apportionment of credit & Blocked credit
- (3) Section 18: Availability & Reversal of ITC
- (4) Classwork / Homework
- (5) MCQs

Input Tax Credit is available of Inputs, Capital Goods & Input Services -

- **Inputs:** Inputs are those goods which are not capital goods and are used in course or furtherance of business.
- **Capital goods:** Capital goods are those goods which are capitalized in books of accounts of recipient who shall avail ITC and are used in course or furtherance of business.
- **Input Service:** Input services are those services which are used in course or furtherance of business.

Section 16: Eligibility & Conditions for Claiming ITC

16(1): Every registered person shall be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business.

Analysis:

- (a) Person must be registered
- (b) Goods & Services should be used for Business Purpose

16(2): Conditions for Availing Credit:

Section 16 (2)(a): Possession of tax invoice or debit note or other documents as prescribed.

Following are documents that should be in possession of recipient to avail ITC: Rule 36

- (1) Tax invoice
- (2) Debit note
- (3) Self – Invoice

- (4) Revised tax invoice
- (5) Bill of entry, to avail ITC in respect of IGST paid on imports. (Customs) as IGST is payable.
- (6) ISD invoice

Section 16 (a):

Above document must content following:

- Amount of tax charge
- Description of goods or services
- Total value of supply of goods
- GSTIN of the supplier and recipient
- Place of supply

Section 16 (2) (aa): Input tax credit in respect of any supply of goods or services or both is available to a registered person only if the details of the invoice/debit note in respect of said supply has been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such invoice/debit note in the manner specified under section 37.

Section 16 (2) (b): Receipt of goods or service: ITC can be availed by recipient only after goods or services are received.

Proviso to 16 (2) (b): When goods are received in lots or instalments the registered person shall be able to avail ITC only upon receipt of last lot or instalment.

Explanation to 16 (2) (b): For Purpose of this clause, it shall be deemed that the registered person has received goods, Where the Goods are delivered by supplier to recipient on direction of such registered person by way of transferring document of title to goods

Section 16(2) (ba) : The details of ITC in respect of said supply comminucated to Registered person u/s 38 has not been restricted.

16(2) (c): The tax charged in respect of such supply by supplier to recipient has been actually paid to Government either by utilising ITC or by Cash.

16(2)(d): Recipient has to furnished return u/s 39. Person claiming ITC must furnish the information relating to inward supply in the return covered u/s 39 i.e. GSTR3B.

Proviso to 16(2) r.w. Rule 37: If recipient fails to pay the value of supply of goods or service and tax amount to supplier of goods or service within a period of 180 days from date of issue of invoice then the recipient shall add to his output tax liability an amount equal to ITC that he had wrongly availed earlier along with interest.

Interest **u/s 50** shall be payable from the date immediately following 180 days upto the date of adding such amount to output tax.

If recipient makes the payment of the amount towards value of supply of goods or service and tax to supplier after 180 days then the recipient can re-avail ITC of same.

Exception : 1) Suppliers on which tax is payable under RCM (Reverse charge mechanism)

2) Supplies made without consideration

3) Any amount that supplier is liable to pay but incurred by recipient on behalf of supplier

Rule 37: Reversal of input tax credit in the case of non-payment of tax by the supplier and re-availment thereof

- Every registered person shall be entitled to avail the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited to his electronic credit ledger, subject to such conditions and restrictions as may be prescribed
- If the supplier has not filed GSTR 3B for the said tax period till 30th September following the FY in which ITC in respect of such invoice or debit note has been availed, the recipient shall reverse such ITC in his GSTR 3B on or before 30th November following the such FY. Interest u/s 50 of CGST Act shall be payable if the reversal is not made by 30th November.
- Provided Tax Recipient may re-avail ITC in his GSTR 3B after supplier furnishes GSTR 3B for the tax period.

Section 16 (3) : Depreciation Tax Component

Where registered person has claimed depreciation tax component of cost of capital goods under provisions of Income Tax Act 1961, the ITC shall not be allowed. In relation to input tax paid on such capital goods.

EXAMPLE:

Mr. A purchased Capital Goods of 100 Lacs & paid GST @ 18% on Same. Life of the Asset is 10 Years.

Option 1: Claim Depreciation on Value including Tax	Option 2: Claim Depreciation on Value & Claim ITC of Tax Paid.
Depreciation on: 118	Depreciation on: 100
ITC: 0	ITC : 18

Section 16 (4): Time limit to avail ITC

30th day of November following the end of FY to which such invoice or debite note pertains.

OR

Actual date of filing annual returns for relevant FY

Whichever is earlier

EXAMPLE:

HUL Ltd. supplies soaps to Big Bazar Ltd. for amount of ₹ 10 lacs + GST @ 18% by raising invoice on 1/3/22 and goods were delivered to BB on same date. What shall be time limit by which BB Ltd. can avail ITC if it fails to avail it on 20/4/22?

Date of filing annual return:

Case 1: 26/9/22

Ans : 26, September 2022

Case 2: 27/12/22

Ans : 30, November 2022

Section-17: Apportionments of Credit and Blocked Credits

17 (1)- Goods or services partly used for business and partly for other purpose

Where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.

17(2)-Goods or services used partly for taxable and partly for exempt supplies

Where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies under this Act or under the Integrated Goods and Services Tax Act and partly for effecting exempt supplies under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

Zero Rated Supply:

- (a) Export
- (b) Supply to SEZ Units

17(3)-The value of exempt supply under sub-section (2) shall be such as may be prescribed, and shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sales of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.

Note:

- 1) Value of Land and building for the purpose of exempt supply will be stamp duty value
- 2) value of securities will be 1% of Sale Value of Securities

17(4) - ITC in case of a Banking company or a financial Institution including NBFC

- A banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the option to either comply with the provisions of **Section 17(2)**, or avail of, every month, an amount equal to fifty per cent of the eligible input tax credit on inputs, capital goods and input services in that month and the balance amount of ITC shall be reversed in Form GSTR-3B.
- Option once exercised shall not be withdrawn during the remaining part of the financial year.
- The restriction of fifty percent is not applicable in case of supplies made to its own establishment.

Section 17(5): Blocked Credit i.e., Non-Availability of ITC in Certain Cases

- (a) **Motor Vehicle for transportation of persons having approved seating capacity of not more than 13 persons (including the driver) except when they are used for:**
 - (i) Further supply of such vehicles or conveyances; or
 - (ii) Transportation of passengers; or
 - (iii) Imparting training on driving, flying, navigating such vehicles or conveyances;

EXAMPLE:

Situation	ITC Allowed or Not
(1) ITC on cars purchased by a manufacturing company for official use of its employees is -	Not Allowed
(2) ITC on cars purchased by a car dealer for sale to customers is -	Allowed
(3) ITC on cars purchased by a company engaged in renting out cars for transportation of passengers, is -	Allowed
(4) ITC on cars purchased by a car driving school is -	Allowed
(5) ITC on buses purchased by a company for transportation of its employees from their residence to office and back, is -	Allowed
(6) ITC on trucks purchased by a company for transportation of its finished goods is -	Allowed

(aa) Vessel and Aircraft except when they are used for –

- (i) For making the following taxable supplies, namely –
 - (A) further supply of such vessels or aircraft, or
 - (B) transportation of passengers, or
 - (C) imparting training on navigating such vessels, or
 - (D) imparting training on flying such aircraft
- (ii) For transportation of Goods.

(ab) Services of general insurance, repair and maintenance in respect of motor vehicles, vessels and aircraft on which credit is available is allowed.

EXAMPLE:

ITC on general insurance taken on a car is used by MR. Ravikant who is teacher who uses it for commuting to his coaching centers is– Blocked

EXAMPLE

ITC on maintenance & repair services availed by a company for a truck used for transporting its finished goods is – Allowed

EXAMPLE:

ITC on repairs and maintenance services availed by a Maruti driving school is – Allowed

Clarification: CBIC has clarified that the restriction under section 17(5) i.e. blocked credit is applicable only in respect of input services by way of “leasing of motor vehicles, vessels or aircraft” and not for ITC on input services by way of leasing of other goods (Circular No. 172/04/2022 GST dated 06.07.2022)

(b) Food & Beverages, Outdoor Catering, Beauty treatment etc.

(i) Supply of –

- food and beverages,
- outdoor catering,
- beauty treatment,
- health services,
- cosmetic and plastic surgery,

EXAMPLE:

Suresh procures catering service from Kamlesh Caterers for his engagement. ITC will not be allowed to Mr. Suresh.

EXAMPLE

JKSC Ltd procures wafers and cold drinks i.r.t farewell party to students from Pepsi Ltd ITC will not be allowed to JKSC Ltd.

- However, ITC would be available when inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;

EXAMPLE:

Kamlesh caterer is procuring catering services from Vimlesh caterers for providing catering service to RIL Ltd.

ITC will be allowed to Kamlesh ITC will not be allowed to RIL Ltd.

EXAMPLE

Pizza Hut, a restaurant procures ice creams and cold drinks for the purpose of serving them to their customers along with food.

ITC will be allowed to Pizza Hut.

EXAMPLE:

Jet airways are procuring catering service from Taj hotels Ltd and supplies a composite supply wherein it provides transportation of passenger and meal to their customers.

ITC will be allowed to Jet airways as its inward supply is an element of its outward composite supply

- ITC would be admissible where it is obligatory for an employer to provide such supplies to its employees under any law for the time being in force.

EXAMPLE:

Outdoor catering service availed by a company to run a canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory.

ITC on such outdoor catering – Allowed

(ii) Membership of a club, health and fitness centre;

- ITC would be admissible where it is obligatory for an employer to provide such supplies to its employees under any law for the time being in force.

EXAMPLE:

JKSC has purchased membership of GOLDs GYM for ₹ 10 lakhs + GST @ 18% for its faculties.

ITC will not be allowed to JKSC.

EXAMPLE:

Mr. Khali a body builder purchased membership of POWERHOUSE GYM for ₹ 1 lacs+ GST @ 18% for himself.

ITC will not be allowed to Mr. Khali

(iii) Travel benefits extended to employees on vacation such as leave or home travel concession;

- ITC would be admissible where it is obligatory for an employer to provide such supplies to its employees under any law for the time being in force.

EXAMPLE:

Jet airways extend travel benefits of 2 lacs to each of its 500 employees wherein they can fly around the world with their family as per their company policy.

Ans. ITC will not be allowed to Jet Airways.

(iv) Rent-a-Cab Life Insurance & Health Insurance

- However, ITC would be available when inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;
- ITC would be admissible where it is obligatory for an employer to provide such supplies to its employees under any law for the time being in force.

EXAMPLE:

Prof X is procuring renting of cab services from zoom cars Ltd- ITC will not be allowed to Prof X

EXAMPLE:

ZOOM cars, a car rental service supplier is procuring car renting service from BOOM cars for supplying car renting service, ITC will be allowed to Zoom cars

EXAMPLE:

LIC is supplying life insurance service to Mr. Modi and LIC itself procures reinsurance service from Max Life Insurance.

ITC will be allowed to LIC

ITC will not be allowed to Mr. MODI

(c) Works contract services when supplied for construction of an immovable property

Except

1) For further supply of same category service (Sub contracting) :

Eg. Pranit Builder is taking works contract service from Pranay Builder for providing works contract service to CA Jainam & Associates

ITC will be allowed to pranit Builder but it will be blocked to CA Jainam & Associates.

2) For construction of plant & Machinery*

ITC is allowed to all irrespective of their line of Business

3) When ITC on works contract service is not capitalised

(i.e. if Expense charged to revenue ITC is allowed)

*** Plant & Machinery includes foundation and structural support**

But Exclude

- Land & Building, Civil structure
- Telecommunication Towers
- Pipeline laid outside the factory

EXAMPLE:

L&T is providing works contract service from Raheja Builders for providing works contract service to JKSC. In this case, L&T will get ITC on the input tax paid by it from procuring service from Raheja builders.

But in the same case JKSC will not get ITC on procuring service from L&T as it is used for constructing own immovable property.

(d) Goods or services or both received by a taxable person for construction of an immovable property : Except (Same as point No. c)

EXAMPLE:

Havmour, an ice cream manufacturer is purchasing cement and procuring labour service for constructing his own factory building. In this case, he will not be eligible to avail ITC of the cement and labour service procured by it as it is used for construction of own immovable property.

But if the same would have been used for construction of P&M then Havmour can take its ITC on the input tax paid on cement and labour.

ITC will be allowed in the following case: If L&T purchases cement and procure labour service for construction of immovable property for Havmore then L&T would be eligible to avail on input tax paid on such cement and labour service.

(e) Inward Supply of Goods or services or both on which tax has been paid under section 10 i.e. Composition Scheme

(f) Goods or services or both received by a non-resident taxable person except on goods imported by him;

EXAMPLE

Mr. Trump, USA is an NRTP who has come to India to carry out business and has no fixed establishment has imported goods from USA and has paid IGST on same.

Mr. Trump shall get ITC on the IGST paid by it on such imported goods.

But if Mr. Trump purchase any goods from within India then he will not be eligible to avail any ITC.

(g) Goods or services or both used for personal consumption;

(h) Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples;

- (i) Any tax paid in accordance with the provisions of sections 74 (Tax not / short paid due to fraud etc.), 129 (Detention, seizure and release of goods and conveyance in transit) and 130 (confiscation of goods or conveyance and levy of penalty)

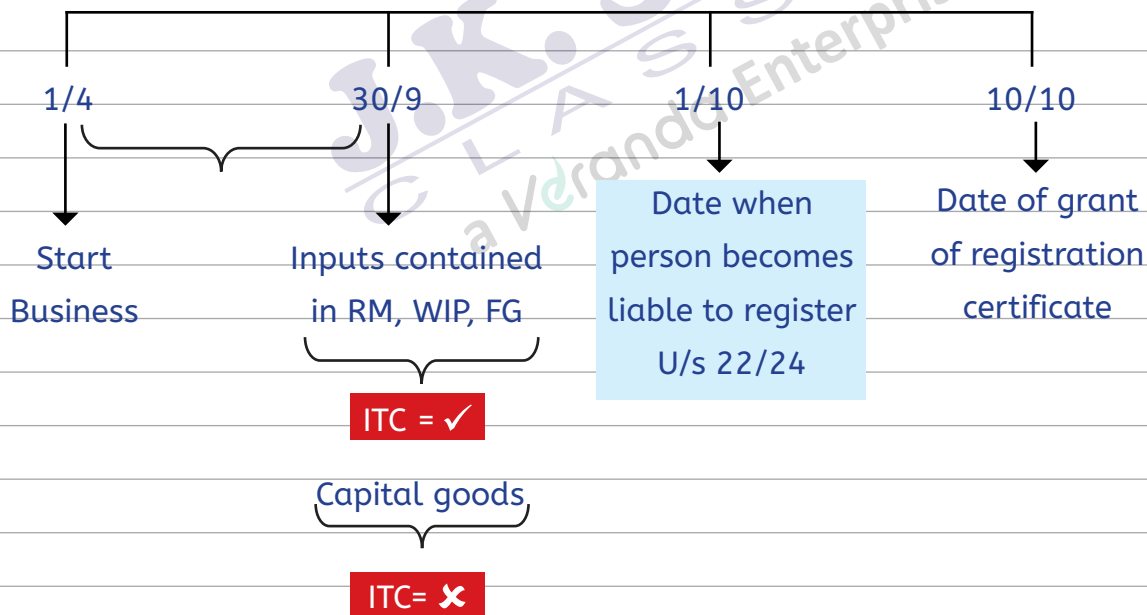
Section 18: Availability & Reversal of ITC in Special Cases

Sec18 (1): Availability of ITC

Section 18(1)(a):

Subject to such conditions and restrictions as may be prescribed person who has applied for registration under this Act within 30 days from date on which he becomes liable to registration and has been granted such registration shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi – finished or finished goods held in stock on day immediately preceding date from which he becomes liable to pay tax under provision of Act.

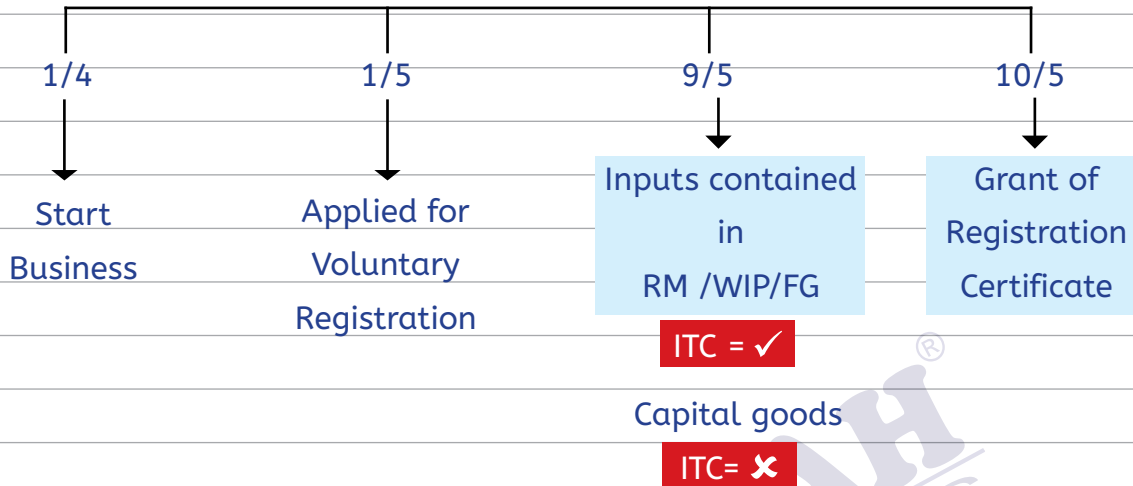
Analysis:



Section 18(1)(b):

A person who takes registration u/s 25 (3) (i.e., Voluntary registration) shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in WIP / FG held in stock on day immediately preceding the date of grant of registration.

Analysis:

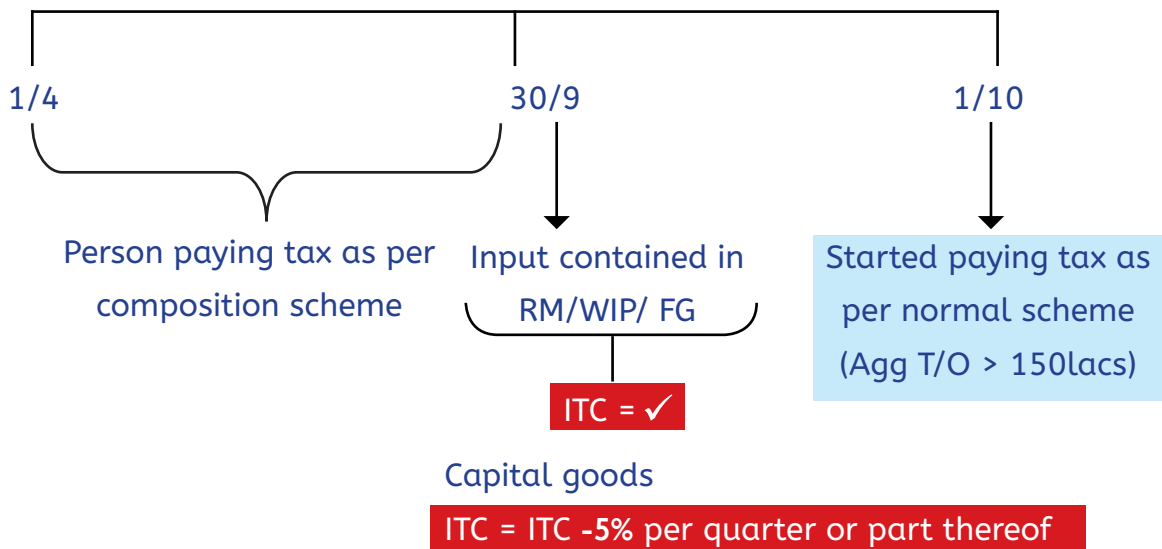


Section 18 (1) (c):

Where any registered person ceases to pay tax u/s 10 he shall be entitled to take credit of ITC in respect of inputs contained in stock, inputs contained in WIP / FG held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax u/s 9.

ITC on capital goods = ITC – 5% per quarter or part thereof

Analysis:

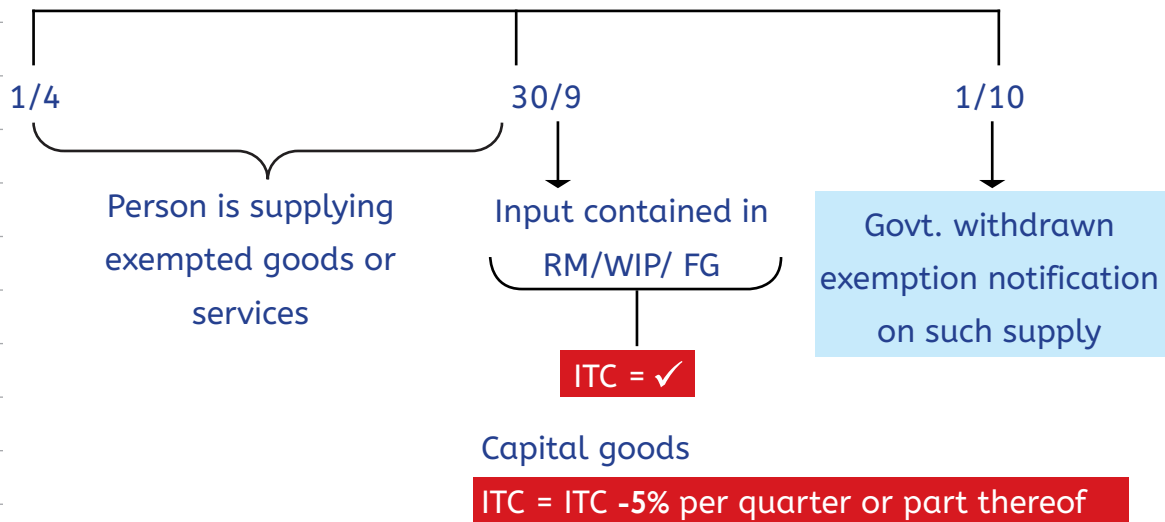


Section 18(1)(d):

Where an exempt supply of goods or services or both by a registered person becomes taxable supply, such person shall be entitled to take ITC of inputs held in stock, WIP / FG and on capital exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable.

ITC on capital goods = ITC – 5% per quarter or part thereof.

Analysis:



Section 18(2):

A registered person cannot avail ITC w.r.t goods after expiry of one year from date of issue of invoice that registered person is entitled to take u/s 18 (1).

EXAMPLE:

HUL Ltd. becomes liable to register w.e.f 1/4/21 as it exceeds ₹20 lacs and it applies for registration within 30 days. Following are details as on 31/3/21:

- (1) DOI 1/1/21 inputs contained in stock = 12 lacs (GST @ 20% inclusive)
- (2) DOI 1/2/20 inputs contained in WIP = 11.80 lacs (GST @ 18% inclusive)
- (3) DOI 1/10/20 inputs contained in FG = 15 lacs (GST @ 10% exclusive)
- (4) CG purchase for 100 lacs + GST @ 20%, exclusive on 26/06/20, invoice date 26/06/20.

Ans : Computation of ITC to be availed by HUL Ltd.:

$$1. \text{ Inputs contained in Stock} = 2L \left[\frac{12L}{120} \times 20 \right]$$

$$2. \text{ Inputs contained in FG} = 1.5L [15L \times 10\%]$$

$$3. \text{ Total} = 3.5L$$

NOTE:

ITC shall not be allowed on capital goods u/s 18 (1) (a) when a person is becoming liable to register.

According to **Section 18 (2)** ITC shall be allowed only on those inputs whose credit is availed within 1 year of DOI. Hence ITC shall not be allowed w.r.t. inputs contained in WIP.

Will your answer be different if on 1/4/21 if government has withdrawn exemption notification on goods supplied by HUL?

Ans.: Yes, it can avail ITC on capital goods also.

Date of issue of invoice = 26/6/20

Date when exemption notification is withdrawn = 1/4/21

No of Quarters = 4 Quarters

= ITC available (-) 5% per quarter

= 20 Lacs (-) (5% x 4 quarters) (26/06/20 - 31/03/21)

= 20 Lacs (-) 20%

= 20 Lacs (-) 4 lacs

= 16 lacs

∴ Total ITC available 3.5l + 16l = 19.50 l

Section 18 (4): Reversal of ITC

ITC had already been taken; due to change he would not have output liability so reversal of ITC claimed on inputs.

In Section 18 (4) ITC shall be reserved in following two situations:

(1) When a supplier who pays tax as per normal scheme options to pay tax under composition scheme u/s 10.

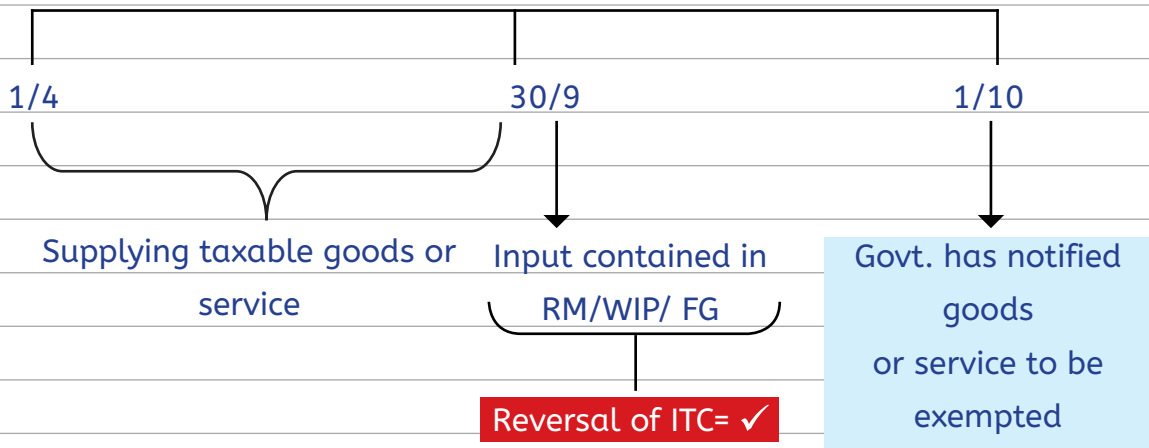
(2) When a supplier of taxable goods or service is supplying exempted goods or service after exemption notification is issued by government.

Reversal of Inputs held in Stock / WIP / FG on the day immediately preceding the date of Switchover / date of Exemption.

Reversal of Capital Goods: ITC Availaed $\times \frac{\text{Remaining Useful life}}{60 \text{ Months}}$

Analysis:

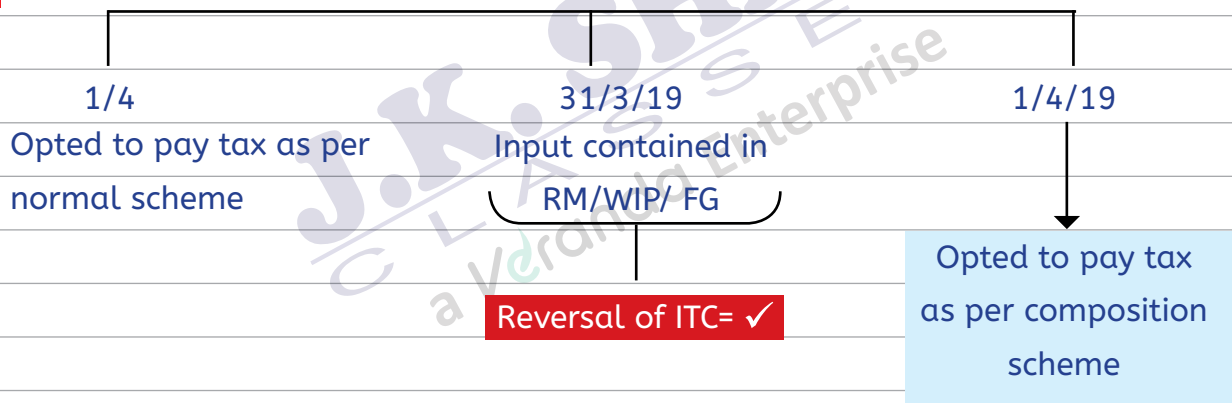
Eg:



Capital goods:

$$\text{Reversal of ITC} = \text{ITC availed} \times \frac{\text{Remaining useful life}}{60 \text{ Months}}$$

Eg:



Capital goods:

$$\text{Reversal of ITC} = \text{ITC availed} \times \frac{\text{Remaining useful life}}{60 \text{ Months}}$$

Section 18 (6)

In case of supply of goods or plant or machinery where ITC has already been taken in full:

Reverse ITC to extent of =

ITC availed – 5% per quarter or part thereof

OR

Transaction value x rate of tax

Whichever is **Higher**

But in case moulds, dies, jigs and fixtures, Reversal of ITC = Transaction value * rate of tax

Section 18 (3): ITC in case of transfer of business.

When there is a change in constitution of registered person account of sale, merger, demerger, amalgamation, lease or transfer of business with specific provision of transfer of liabilities, the said registered person shall be allowed to transfer. ITC which remains unutilised in his

E-credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed.

➤ **Rule 86A – Conditions of use of amount available in E-Credit Ledger**

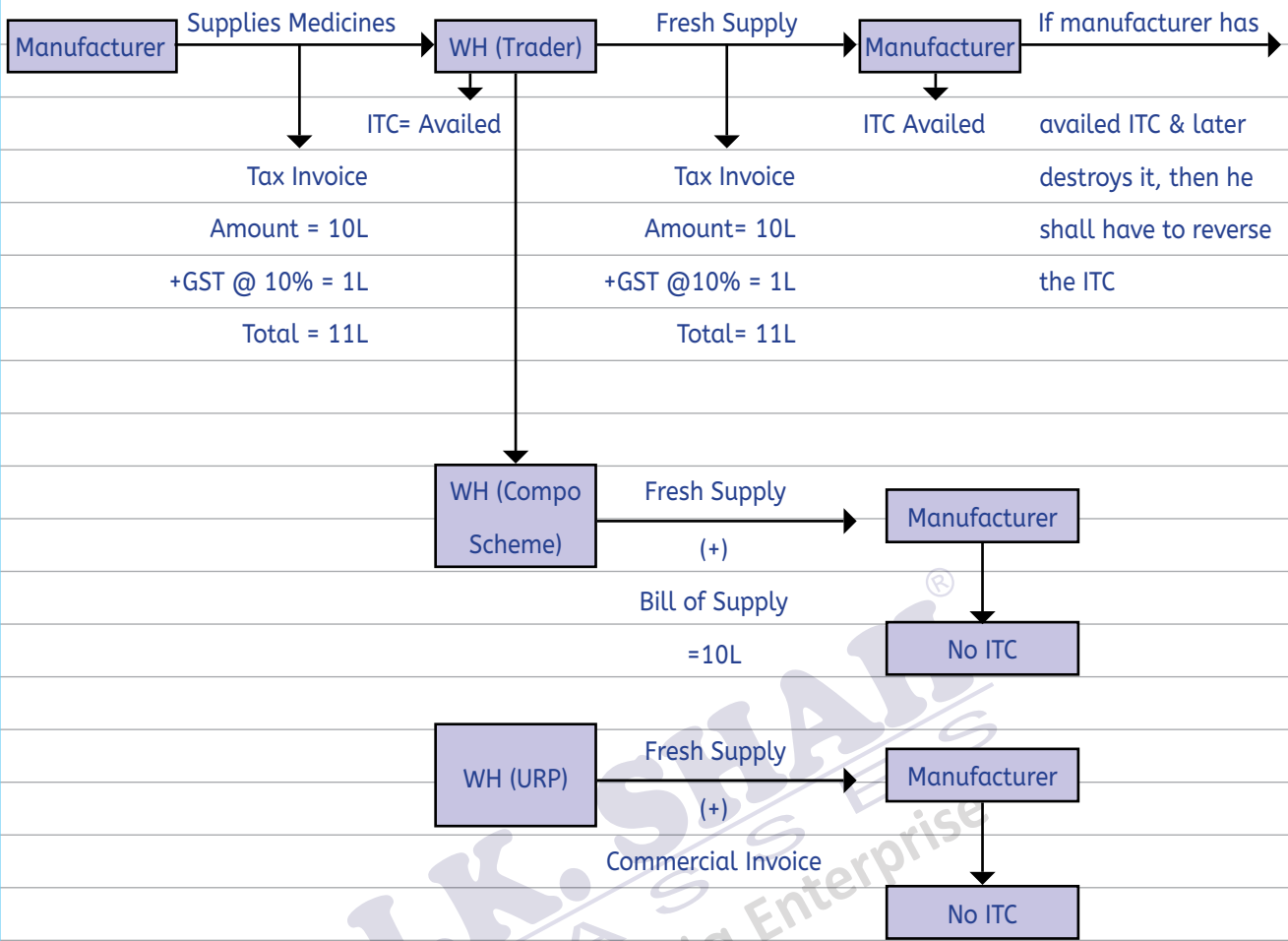
- Commissioner or an officer authorised not below the rank of an Assistant Commissioner may, for reasons to be recorded in writing, not allow debit of an amount in E-Credit Ledger, if he has reasons to believe that ITC has been fraudulently availed or is ineligible in as much as:
 - a) ITC has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36 issued by a registered person who has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or without receipt of goods or services or both; or
 - b) The credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36 in respect of any supply, the tax charged in respect of which has not been paid to the Government; or
 - c) The registered person availing the credit of input tax has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or
 - d) The registered person availing any credit of input tax is not in possession of a tax invoice or debit note or any other document prescribed under rule 36,
- The Commissioner, or the officer authorised by him may, upon being satisfied that conditions for disallowing debit of electronic credit ledger as above, no longer exist, allow such debit. Such restriction shall **cease** to have effect **after** the **expiry** of a period of **1 year** from the date of imposing such restriction.

- **Rule 86B - Restrictions on use of amount available in electronic credit ledger**
- The registered person shall not use amount available in electronic credit ledger to discharge his liability towards output tax in excess of 99% of such tax liability, in cases where value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds ₹ 50 Lakh:
 - The above restriction is not applicable in the following cases
 - (a) The said person or the proprietor or karta or the managing director or any of its two partners, whole-time Directors, Members of Managing Committee of Associations or Board of Trustees, have paid more than one lakh rupees as income tax in each of last two financial years for which the time limit to file return of income u/s 139(1) has expired; or
 - (b) The registered person has received a refund amount of more than one lakh rupees in the preceding financial year on account of unutilised input tax credit under zero rated supply or inverted tax structure or
 - (c) The registered person has discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current financial year; or
 - (d) The registered person is –(i) Government Department; or (ii) a Public Sector Undertaking; or (iii) a local authority; or (iv) a statutory body
 - Provided further that the Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit.

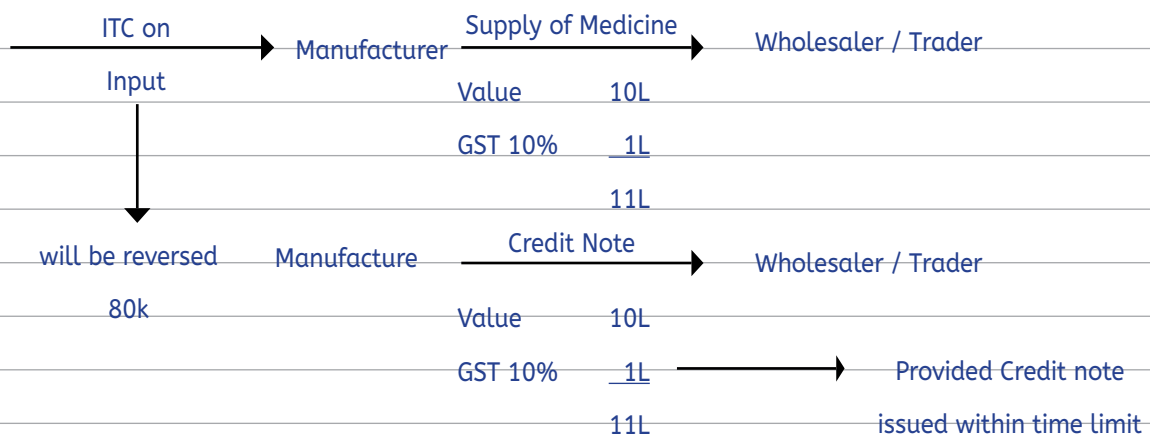
Clarification on time expired Medicines

Issue : In case of Expired Medicine, the retailer or wholesaler returns the medicine to the manufacturer. The manufacturer will then destroy the medicines. This issue was regarding treatment for such return expired medicine.

Option 1: Treat as fresh supply



Option 2: Treat as Credit Note



CBIC has given following 2 option

- a) **Option 1** : Treat is as fresh supply
In this case Wholesaler/Retailer will issue invoice on manufacturer

Manufacturer will not get ITC of tax charged by wholesaler as it is blocked u/s 17(5) (as medicines are destroyed)
- b) **Option 2** : Manufacturer will issue credit note
In this case credit note may be issued with GST if it is provided Credit note issued within time limit

Note : Otherwise financial credit note without GST will be issued

In this case, manufacturer has to reverse the ITC taken for manufacturing such expired Medicine.



Question 1

ABC Ltd., a registered supplier in Surat, Gujarat has calculated output net GST liability after adjusting ITC in the books for the month of February 2021:

CGST : ₹ 3,00,000

SGST : ₹ 2,50,000

IGST : ₹ 3,00,000

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

S. No.	Particulars	Amount (excluding GST) ₹
1	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. The hiring charges for the trucks were ₹ 7,500 per truck per day	3,75,000
2	The company sold goods to X & Co. of Delhi on 6th January 2021 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6th January 2021. X & Co. paid the consideration for the goods on 20th February along with applicable interest.	5,00,000
3	The company sought legal consultancy services for it's business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat.	1,50,000
4	The company ordered 3,000 packets of tools which are to be delivered by the supplier of Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full quantity in February 2021 and the last lot would be delivered in April 2021.	5,00,000

5	The company supplied 10,000 packets of tools to one of its customer at ₹ 10/- per packet in Gujarat in January 2021. Afterwards, the company re-values it at ₹ 9 per packet in February 2021 and the company issued credit note to the customer for ₹ 1 per packet.	
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The rate of GST is 9% CGST, 9% SGST and 18% IGST.

You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February 2021.

Answer

Computation of net GST liability of ABC Ltd. to be paid in cash for February 2021

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Net output GST liability as given		3,00,000	2,50,000	3,00,000
Add: Trucks given on hire to GTA [Services by way of giving a means of transportation of goods on hire to a goods transport agency are exempt.]	3,75,000	--	--	--
Add: Interest on delayed payment of 15 days ¹ (6th February, 2021 to 20th February, 2021) [Includible in value in terms of section 15 of the CGST Act, 2017.]	5,900 [5,90,000 × 2% × 15/30]	--	--	900
Total output tax liability		3,00,000	2,50,000	3,00,900
Less: ITC in respect of legal services paid as reverse charge is available ²	1,50,000	(13,500) [1,50,000 × 9%]	(13,500) [1,50,000 × 9%]	
Net output tax liability (A)		2,86,500	2,36,500	3,00,900
Legal consultancy services received(B) [Tax is payable under reverse charge on legal services received by a business entity from a partnership firm of advocates. Further, tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	1,50,000	13,500 [1,50,000 × 9%]	13,500 [1,50,000 × 9%]	
Total GST payable in cash [(A) + (B)]		3,00,000	2,50,000	3,00,900

Notes:

- (1) ITC on goods received in lots is available on receipt of last lot. Hence, ITC on tools received will not be available in February 2021.
- (2) Since discount given by ABC Ltd. on the packets of tools was not known at the time of supply, it shall not be excluded from its value of supply. **(Suggested Dec 21)**

Question 2:

Star Ltd., a registered supplier in Karnataka has provided the following details for supply of one machine:

	Particulars	Amount in (₹)
(1)	List price of machine supplied [exclusive of items given below from (2) to (4)]	80,000
(2)	Tax levied by Local Authority on sale of such machine	6,000
(3)	Discount of 2% on the list price of machine was provided (recorded in the invoice of machine)	
(4)	Packing expenses for safe transportation charged separately in the invoice	4,000

Star Ltd. received ₹ 5,000 as subsidy from a NGO on sale of each such machine, The Price of ₹ 80,000 of the machine is after considering such subsidy.

During the month of February, 2020, Star Ltd. supplied three machines to Intra-State customers and one machine to Inter-State customer.

Star Ltd. purchased inputs (intra-State) for ₹ 1,20,000 exclusive of GST for supplying the above four machines during the month.

The Balance of ITC at the beginning of February, 2020 was:

CGST	SGST	IGST
₹ 18,000	₹ 4,000	₹ 26,000

Note:

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

Compute the minimum net GST payable in cash by Star Ltd. for the month of February, 2020.

Answer

Computation of value of taxable supply

Particulars	Amount (₹)
List price of the machine	80,000
Add: Tax levied by Local Authority on the sale of machine [Tax other than GST, if charged separately, are includible in the value in terms of section 15 of the CGST Act, 2017.]	6,000
Add: Packing expenses for safe transportation [Includible in the value as per section 15 of the CGST Act, 2017.]	4,000
Add: Subsidy received from a NGO on sale of each machine [Subsidy received from a non-Government body and which is directly linked to the price, the same is included in the value in terms of section 15 of the CGST Act, 2017.]	5,000
Total	95,000
Less: Discount @ 2% on ₹ 80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15 of the CGST Act, 2017.]	1,600
Value of taxable supply	93,400

Computation of minimum net GST payable in cash by Star Ltd.

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Sale of machine	25,218	25,218	16,812
[Intra-State sales = ₹ 93,400 × 3 machines = ₹ 2,80,200 Inter-State sales = ₹ 93,400 × 1 machine = ₹ 93,400]	2,80,200 ×9%]	2,80,200 ×9%]	93,400×1 8%]
Total output tax	25,218	25,218	16,812
Less: Set off of IGST against IGST and SGST [IGST credit first be utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion]		(9,188)	(16,812)

Less: Set off of CGST against CGST and SGST against SGST [CGST credit cannot be utilized towards payment of SGST and vice versa.]	(25,218)	(14,800)	
Minimum net GST payable in cash	Nil	1,230	

Working Note:

Computation of total ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC	18,000	4,000	26,000
Add: Inputs purchased during the month	10,800 [₹ 1,20,000 ×9%]	10,800 [₹ 1,20,000 ×9%]	
Total ITC available	28,800	14,800	26,000

(Suggested Jan 21)

Question 3

M/s. Grey, a registered taxable person under regular scheme provides following information in respect of supplies made by it during the month of April, 2019:

	(All amount in rupees)
(i) Inter-state supply of goods	1,00,000
(ii) Intra-state supply of 500 packets of detergent @ ₹ 400 each alongwith a plastic bucket worth ₹ 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	
(iii) Supply of online educational journals to M/s. Pinnacle, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply.	50,000

M/s. Grey has also received the following inward supplies:

(iv) Inter-state supply of goods (out of which invoice for goods worth ₹ 20,000 is missing and no other tax paying document is available)	70,000
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(v) Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply.	50,000
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Details of opening balances of ITC as on 1-4-2019 are as follows:

CGST	5,000
SGST	5,000
IGST	40,000

Following additional information is provided :

- Rate of GST in respect of all inward and outward supplies except item (ii) above is 18%.
i.e. CGST and SGST @ 9% and IGST @ 18%.
- All figures mentioned above are exclusive of taxes.
- All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.

Compute the minimum net GST payable in cash by M/s. Grey for the month of April, 2019.

Answer:

Computation of minimum net GST payable in cash by M/s. Grey for the month of April, 2019

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Total tax liability				
Inter-State supply of goods	1,00,000			18,000
Intra-State supply of 500 packets of detergents along with a plastic bucket [Note-1]	2,00,000 (500 × 400)	28,000 (2,00,000 × 14%)	28,000 (2,00,000 × 14%)	
Supply of online educational journal to private coaching centre [Note-2]	50,000	4,500 (50,000 × 9%)	4,500 (50,000 × 9%)	
Total tax liability (A)		32,500	32,500	18,000
Input tax credit (ITC)				
Brought forward ITC		5,000	5,000	40,000
Inter-State purchase of goods [Note-3]	50,000			9,000
Repairing of bus with seating capacity of 20 passengers [Note-4]	50,000	4,500	4,500	

Total ITC (B)		9,500	9,500	49,000
Minimum net GST payable in cash				
Total tax liability		32,500	32,500	18,000
Less: Set off of IGST liability from IGST credit				(18,000)
Set off IGST credit against CGST and SGST liability in any order and in any proportion		(23,000)	(8,000)	
Set off of CGST and SGST credit against CGST and SGST liability respectively		(9,500)	(9,500)	
		CGST	SGST	
Minimum net GST payable in cash		Nil	15,000	Nil

Notes:-

- Supply of detergent and bucket together with a single price of ₹ 400 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply that attracts highest rate of tax (28%).
- Supply of online educational journal is exempt only when the same is provided to an educational institution which provides a qualification recognised by law. Since, the private coaching centre does not provide any recognised qualification, the supply of online educational journals to the same will be taxable.
- ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
- ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

Note: Under the amended position of law, the IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash [i.e. GST liability] as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

(Suggested Nov 19)

Question 4

X Electronics is a registered manufacturer of electrical appliances.

It made contract with dealers, that purchase of air conditioners of capacity 1.5 ton in the month of October, 2020 of quantity of more than 50 units will entitle them for 10% discount.

Inter-State supply made during the month of October 2020 is ₹ 50,00,000 Details of Intra-State supply:

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

Intra-State inward supplies are :

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

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

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

Opening Balance of ITC is as under:

CGST: ₹ 58,000

SGST: ₹ 70,000

IGST: ₹ 10,00,000

Note:

- (i) Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.
- (ii) Both inward and outward supplies are exclusive of taxes.
- (iii) All the conditions for availing the ITC have been fulfilled.

Compute the Net GST payable in cash by X Electronics for the month of October, 2020.

Answer

Computation of net GST payable in cash by X Electronics for October 2020

Particulars		Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
I.	Intra-State supply				
	Supply of microwave oven	15,00,000	1,35,000	1,35,000	
	Supply of refrigerators with stabilizers [Being mixed supply, the supply shall be treated as a supply of that particular supply which attracts the highest rate of tax and taxed accordingly. Thus, it will be taxed @ 14% CGST and 14% SGST.]	40,00,000	5,60,000	5,60,000	
	Supply of 100 (₹ 50 lakh/ ₹ 50,000) air conditioners [Since 100 air conditioners have been supplied, discount @ 10% will be available.] ¹	45,00,000 [₹ 50,00,000 × 90%]	4,05,000	4,05,000	
II.	Inter-State supply @ 18%	50,00,000			
Total outward tax liability			11,00,000	11,00,000	9,00,000
Less: Input Tax Credit (Refer Working Note below)					
IGST credit first utilized towards payment of IGST. Remaining amount can be utilized towards CGST and SGST in any order and in any proportion			1,00,000 (IGST)		9,00,000 (IGST)
CGST credit set off against CGST liability and SGST credit set off against SGST liability as CGST credit cannot be utilized towards payment of SGST and vice versa.			5,08,000 (CGST)	5,20,000 (SGST)	
Net GST liability payable in cash			4,92,000	5,80,000	Nil

Working Note

Computation of ITC available with X Electronics

Particulars		CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC		58,000	70,000	10,00,000
Intra-State inward supplies				
Raw material	20,00,000	1,80,000	1,80,000	
Gym membership for employees [ITC on membership of a health and fitness centre is blocked if there is no statutory obligation for the employer to provide the same.]	50,000	Nil	Nil	
Truck purchased for transportation of goods [ITC on motor vehicles used for transportation of goods is not blocked.]	30,00,000	2,70,000	2,70,000	
Total ITC		5,08,000	5,20,000	10,00,000

Note: In the above answer, tax payable in cash has been computed by setting off the IGST credit against CGST liability. However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in different other ways as well. In all such cases, net CGST and net SGST payable in cash will differ though the total amount of net GST payable (₹ 10,72,000) in cash will remain the same. **(Suggested July 21)**

Question 5

KNK Ltd., a registered supplier of Mumbai is a manufacturer of heavy machines. Its outward supplies (exclusive of GST) for the month of January, 2020 are as follows:

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

Applicable rate of CGST, SGST and IGST on outward supply are 9%, 9% and 18% respectively. Details of GST paid on inward supplies during the month of January, 2020 are as follows:

S. No	Particulars	CGST paid (₹)	SGST paid (₹)
(i)	Raw material A (of which 70% of inputs procured were used and 30% were in stock at the end of the January, 2020)	60,000	60,000
(ii)	Raw material B (of which 90% material received in factory and remaining material completely damaged due to a road accident on the way to factory. There was no negligence on the part of the KNK Ltd.)	50,000	50,000
(iii)	Construction of pipelines laid outside the factory premises	30,000	30,000
(iv)	Insurance charges paid for trucks used for transportation of goods.	55,000	55,000

Additional Information:

- (i) There is no opening balance of any input tax credit and all the conditions necessary for availing the input tax credit (ITC) have been fulfilled.
- (ii) Details of GST paid on inward supplies are available in GSTR-2B except for item (i) i.e. Raw Material A, for which supplier has not filed its GSTR-1 for the month of January 2020, hence corresponding input tax credit (ITC) is not reflecting in GSTR-2B of KNK Ltd. in January, 2020.

Compute the following:

- (i) Amount of eligible input tax credit (ITC) available for the month of January, 2020.
- (ii) Minimum net GST payable in cash, for the month of January, 2020 after using available input tax credit.

Working notes should form part of your answer.

Answer:

- (i) **Computation of amount of eligible ITC available for the month of January, 2020**

S.No	Particulars	CGST (₹)	SGST (₹)
(i)	Raw materials B (90%) [Note-1]	45,000	45,000
(ii)	Construction of pipelines laid outside the factory premises [Note-2]	Nil	Nil

(iii)	Insurance charges paid for trucks used for transportation of goods [Note-3]	55,000	55,000
(iv)	Raw materials A [Note-4]	Nil	Nil
(v)	Eligible ITC on invoices the details of which are available in GSTR-2B	1,00,000 (45,000 + 55,000)	1,00,000 (45,000 + 55,000)
(vi)	ITC on invoices the details of which are not available in GSTR-2B, i.e. the invoices which have not been uploaded by the suppliers in their GSTR-1 [Note-4]	-	-
	Total eligible ITC	1,00,000	1,00,000

Notes:

- ITC on goods destroyed is blocked under **section 17** of the CGST Act, 2017.
- ITC on works contract services availed for construction of plant and machinery is allowed but pipelines laid outside the factory premises are excluded from the definition of plant and machinery and hence, ITC thereon is blocked.
- ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is also allowed on insurance services relating to motor vehicles, ITC on which is allowed.
- Where invoice has not been uploaded by the supplier in its GSTR-1, ITC not available

(ii) **Computation of minimum net GST payable in cash for the month of January, 2020**

Particulars	Value (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Inter-State outward supplies	85,00,000			15,30,000
Intra-State outward supplies	15,00,000	1,35,000	1,35,000	
Total output tax payable		1,35,000	1,35,000	15,30,000
Less: Set off of CGST and SGST credit against CGST and SGST liability respectively		<u>(1,00,000)</u>	<u>(1,00,000)</u>	
Minimum net GST payable in cash		35,000	35,000	15,30,000

(Modified Suggested Nov 20)

Question 6

Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand, is engaged in the manufacturing of washing machines & mixer grinders. It provides you the details of various activities undertaken during the month of September, 2021 as follows:

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

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

Nature of supply	CGST	SGST	IGST
Composition supplies	0.5%	0.5%	-
Bus	14%	14%	28%
Raw material	6%	6%	12%
Washing machines & mixer grinders	9%	9%	18%

Opening balances of input tax credit as on 01/09/2021 were as follows:

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

Note:

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

Calculate the amount of net minimum GST payable in cash by Zeon Ltd. for the month of September, 2021.

Brief and suitable notes should form part of your answer.

Answer

Computation of minimum net GST payable in cash by Zeon Ltd. for the month of September 2021

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward supplies made within Jharkhand	2,16,000 [24,00,000 × 9%]	2,16,000 [24,00,000 × 9%]	-
Outward supplies made outside Jharkhand			90,000 [5,00,000 × 18%]
Total output tax	2,16,000	2,16,000	90,000
Less: Input Tax Credit	-	5,000 (IGST)	(90,000) (IGST)
[Refer Working Note below]	2,16,000 (CGST)		
[IGST credit be first utilized for payment of IGST liability. Remaining IGST credit has been utilized for payment of SGST liability since the SGST liability is to be kept at minimum.		2,03,000 (SGST)	
After exhausting IGST credit, CGST and SGST credit to be utilized. CGST credit to be utilized for payment of CGST and SGST credit to be utilized for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.]			
Minimum net GST payable in cash	Nil	8,000	Nil
ITC to be carried forward next month	2,000		

Working Note:

Computation of ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	20,000	5,000	95,000
Purchase of raw materials from registered dealers within Jharkhand [7,00,000 – 2,00,000] [ITC on purchases of goods worth ₹ 2,00,000 on which tax has been paid under composition scheme is blocked. ITC on remaining purchases worth ₹ 5,00,000 is available, being supply of goods used/intended to be used in the course/furtherance of business.]	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]	
Bus purchased from dealer in Jharkhand used to ferry 25 workers to and from factory [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,68,000 [12,00,000 × 14%]	1,68,000 [12,00,000 × 14%]	
Total ITC available	2,18,000	2,03,000	95,000

(Suggested May'22)

Question 7

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

S.No	Particulars			Amount (₹)	
(i)	Outward supply of goods made during the month to various non- related persons:				
		Particulars	Market value		Transaction Value (₹)
	a.	in the State of Bihar (Intra- State)	3,00,000		₹ 24,00,000
	b.	to other States (Inter-State)	2,00,000		₹ 5,00,000
(ii)	Services provided to the State Government of Karnataka for conducting a computer training programme for its employees. Total expenditure incurred for the said programme was ₹ 90,000, of which ₹ 63,000 was borne by the State Govt. (Inter-State transaction)			5,00,000	
(iii)	Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTN for convenience of accounting and billing. Value under section 15 - ₹ 20,000 (Intra -State)			Nil	
(iv)	Intra - State inward supply of various services for use in the course or furtherance of business (30 invoices)			6,50,000	

Additional Information:

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

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

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

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

(8 Marks)

Answer

Computation of net GST payable in cash by Ajay Ltd. for the month of January 2022

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward intra-State supply of goods made in the State of Bihar [Value of supply is the transaction value of the goods.]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
Outward supply of goods made to other States [Value of supply is the transaction value of the goods.]			18,000 [1,00,000 × 18%]
Inter-State services provided to State Government of Karnataka for conducting a computer training programme [Not exempt since the State Government has borne less than 75% of total expenditure of the training programme.]			90,000 [5,00,000 × 18%]
Intra-State stock transfer to Gaya Branch with separate registration	1,800 [20,000 × 9%]	1,800 [20,000 × 9%]	1,800 [20,000 × 9%]

[Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.]			
Total output tax	37,800	37800	1,08,000
Less: Input Tax Credit [Refer Working Note below] [CGST credit should be utilized for payment of CGST and IGST in that order. Similarly, SGST credit should be utilized for payment of SGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	(37,800) (CGST)		(7,200) (CGST)
		(37,800) (SGST)	(7,200) (SGST)
Net GST payable in cash	Nil	Nil	93,600

Working Note:

Computation of ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State inward supply of services [₹ 6,50,000 – ₹1,50,000]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
Cars taken on rental basis from Mr. Mukesh [Tax on renting of motor car services wherein cost of fuel is included in consideration provided]	45,000		18,000 [1,00,000 × 18%]
Total ITC available	45,000	45,000	--

Question 8

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

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

Mr. Handsome provides you the following details of transactions carried out during the month of March 2022:

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

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amounts given above are exclusive of taxes wherever applicable.

Subject to the information given above, necessary conditions are complied with for availment of input tax credit.

You are required to calculate the gross GST liability and eligible input tax credit for the month of March 2022 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in SL. No. (i) to (v).

(6 Marks)

Answer

Computation of gross GST liability of Mr. Handsome for the month of March 2022

Particulars		CGST (₹)	SGST (₹)	IGST (₹)
Goods sold by Mr. Handsome in his DCA capacity Add: Interest earned for short term credit facility provided to above customers [Interest included in the value of supply of the goods sold since where DCA is an agent under Schedule - I of the CGST Act, short term credit facility provided by DCA to the buyer is subsumed in the supply of the goods by the DCA to the buyer.]	2,80,000 20,000	27,000 [3,00,000 × 9%]	27,000 [3,00,000 × 9%]	
Commission charged for DCA services [Being taxable supply of services.]				5,400 [30, 000 × 18%]
Gross GST liability		27,000	27,000	5,400

Note: Since the invoice for goods sold is issued by the DCA – Mr. Handsome in his own name, he would fall under the ambit of an agent under Schedule – I of the CGST Act.

Computation of eligible ITC for the month of March 2022

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Inward supply of goods from Charm Limited free of cost [Supply of goods by principal – Charm Limited to the agent – Mr. Handsome qualifies as supply even though it is made without consideration.]			36,000 [2,00,000 × 18%]

Training in marketing and distribution received from Charm Limited free of cost [Since no consideration is charged for the services provided, said services do not qualify as supply. As no GST is paid on the same, ITC is not available]	--	--	--
Total ITC available	Nil	Nil	36,000

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Question 1

Riddhi & 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

Riddhi & 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 Riddhi & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required.

(8 Marks) (MTP MAR'22)

Answer:

Computation of GST payable on outward supplies

S.No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 10,00,000	90,000	90,000		1,80,000
(ii)	Inter-State supply of goods for ₹ 8,00,000			1,44,000	1,44,000
	Total GST payable				3,24,000
Computation of total ITC					
Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)		
Opening ITC	57,000	60,000	1,40,000		
Add: ITC on Intra-State purchases of goods valuing ₹ 3,00,000	27,000	27,000	Nil		
Add: ITC on Inter-State purchases of goods valuing ₹ 2,50,000	Nil	Nil	45,000		
Total ITC	84,000	87,000	1,85,000		

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	90,000	90,000	1,44,000	3,24,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(38,000) IGST	(3,000) IGST	(1,44,000) IGST	1,85,000
	(52,000) CGST	(87,000) SGST		1,39,000
Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	32,000	Nil	Nil	32,000

Note : The above computation is one of the many ways to set off the ITC of IGST (₹ 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. To illustrate, IGST of ₹ 10,000 can be set off against SGST

payable and IGST of ₹ 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be ₹ 25,000 and ₹ 7,000 (totaling to ₹ 32,000) respectively. However, if the entire ITC of ₹ 41,000 is set off against CGST payable, then SGST of ₹ 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable. **(8 Marks) (MTP MAR'22)**

Question 2

What is the ITC entitlement of a newly registered person?

Answer:

A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi- finished or finished goods held in stock on the day immediately preceding the date of grant of registration. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then ITC of inputs held in stock and inputs contained in semi- finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

In case of voluntary registration, ITC of such goods held in stock on the day immediately preceding the date of registration can be taken. **(5 Marks) (MTP MAR'22)**

Question 3

Alfa Institute of Management (AIM), a private college, is registered under GST in the State of Punjab. AIM provides the following particulars for the month of April, 2021 :

S.No.	Particulars	Amount (₹)
i.	Tuition fee received from students pursuing management courses recognised by Punjab University, established by an Act of State Legislature	18,00,000
ii.	Tuition fee received from students pursuing under- graduate courses recognised by Stan University, London under Dual Degree programmes	8,50,000
iii.	Fee received from students of competitive exam training academy run by a Department of AIM	5,40,000
iv.	Mess fees received from students pursuing qualification recognized by Indian law (Mess is run by AIM on its own)	3,20,000
v.	Amount paid to Local Municipal Corporation for premises taken on rent for conducting coaching classes for competitive exams	50,000

vi.	Legal services availed from Top Care & Co., a Partnership firm of advocates, for the competitive exam training academy (Intra-state transaction)	20,000
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Note:

The aggregate turnover of AIM in the preceding financial year exceeds ₹ 20 lakh. Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both outward and inward supplies. All the amounts given above are exclusive of taxes, wherever applicable. All the conditions necessary for availing the ITC have been fulfilled, wherever applicable. There is no opening balance of ITC under any head of tax.

From the information given above, you are required to calculate the Value of taxable supply and minimum GST liability (CGST, SGST or IGST as the case may be) to be paid in cash, if any, by AIM for the month of April, 2021.

Answer:

Computation of value of taxable supply and net GST liability to be paid in cash by AIM for April, 2021

Particulars	Amount (₹)	
Tuition fee received from students pursuing recognized management courses [Note-1]	Nil	
Tuition fee received from students pursuing under-graduate courses recognized by Foreign University [Note-2]	8,50,000	
Fee received from students of Competitive Exam Training Academy [Note-3]	5,40,000	
Mess fees received from students [Note-4]	Nil	
Total value of taxable supply	13,90,000	
Particulars	CGST (₹)	SGST (₹)
GST liability under forward charge @ 9% [Note-5]	1,25,100	1,25,100
Services on which tax is payable under reverse charge:		
Rent paid to Local Municipal Corporation [Note-6]	4,500	4,500
Legal services received from Top Care & Co., a partnership firm of advocates [Note-7]	1,800	1,800
GST liability under reverse charge payable in cash [A] [Note-8]	6,300	6,300
Output tax payable against which ITC can be set off	1,25,100	1,25,100
Less: ITC of renting immovable property and legal services	6,300	6,300
Output tax payable after set off of ITC [B]	1,18,800	1,18,800
Net GST liability payable in cash [A] + [B]	1,25,100	1,25,100

Notes:-

1. Services provided by an educational institution to its students are exempt. Further, educational institution means inter alia an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by an Indian law. Therefore, tuition fee received by Punjab University, being an educational institution, is exempt, since it provides qualification recognised by Indian law.
2. Tuition fee received by Stan University is taxable since Stan University is not an educational institution as qualification provided by it is not recognised by Indian law.
3. Fee received from students of competitive exam training academy is taxable as Department of AIM is not an educational institution since competitive exam training does not lead to grant of a recognized qualification.
4. Catering services provided by educational institutions to its students are exempt.
5. Since all the services provided are intra-State, CGST and SGST @ 9% is charged
6. GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.
7. GST is payable under reverse charge in case of legal services supplied by a firm of advocates to a business entity.
8. The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash. **(8 Marks) (MTP APRIL'22)**

Question 4:

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

Answer:

In case of supply of capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to the ITC taken on the said capital goods or plant and machinery reduced by 5% per quarter or part thereof from the date of invoice or the tax on the transaction value of such capital goods, whichever is higher. However, in case of refractory bricks, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

(5 Marks) (MTP APRIL'22)

Question 5:

Babla & Bros. is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1st October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla & Bros. was ₹ 50 lakh. Examine the eligibility of Babla & Bros. for availing ITC, if any.

Answer:

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

Assuming that Babla & Bros. applies for registration within 30 days of 1st October and it obtains such registration, it will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30th September [Section 18(1)(a) of the CGST Act, 2017]. Input tax paid on capital goods will not be available as input tax credit in this case. (RTP NOV'20)

Question 6:

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

Answer:

If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) of the CGST Act, 2017 become applicable. In the given case, since Mamta Sales is a registered person, section 18(1)(d) will be applicable.

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

Question 7:

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

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

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

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

Details of opening balances of input tax credit as on 1st July is given hereunder:

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

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

Answer:

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

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Total tax liability				
Inter-State supply of stationery [Note 1]	2,00,000			36,000
Intra-State supply of 500 combi packs of calculators and diaries [Note-2]	4,00,000 (500 × 800)	56,000 (4,00,000 × 14%)	56,000 (4,00,000 × 14%)	
Intra-State supply of services of business correspondent to a Shubhvidhi Bank with respect to accounts in its urban area branch [Note-3]	1,00,000	9,000 (1,00,000 × 9%)	9,000 (1,00,000 × 9%)	
Total tax liability		65,000	65,000	36,000
Input tax credit (ITC)				
Brought forward ITC		5,000	5,000	80,000
Inter-State purchase of office stationery [Note-4]	1,00,000			18,000
Intra-State repairing of lorry used for transportation of goods [Note-5]	1,00,000	9,000	9,000	
Total ITC		14,000	14,000	98,000
Minimum net GST payable in cash				
Total tax liability		65,000	65,000	36,000
IGST credit being set off against IGST liability				(36,000)
IGST credit being used to pay CGST and SGST liability in any order and in any proportion		(11,000)	(51,000)	
CGST and SGST credit being used to pay CGST and SGST liability respectively		(14,000) CGST	(14,000) SGST	
Minimum net GST payable in cash		40,000	Nil	Nil

Notes:-

1. Taxable supplies made by a registered person are liable to tax irrespective of whether they are made to a registered person or to an unregistered person.
2. Supply of calculator and diary as a combi pack with a single price of ₹ 800 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply which attracts highest rate of tax.

3. Services provided by a business facilitator/ business correspondent to a banking company only with respect to accounts in its rural area branch are exempt and not with respect to accounts in its urban area branch .
4. ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
5. ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

Note: IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

(RTP NOV'22)

Question 8:

PZY Ltd. is engaged in manufacturing of motor car. The company paid following amount of GST to its suppliers against the invoices raised to it. Compute the amount of ineligible input tax credit under GST law:-.

S.No.	Particulars	GST Paid (₹)
1.	General insurance taken on cars manufactured by PZY Ltd.	1,00,00,000
2.	Buses purchased for transportation of employees (Seating capacity 23)	25,00,000
3.	Life and health insurance for employees under statutory obligation	6,00,000
4.	Outdoor catering in Diwali Mela organized for employees	3,50,000

- (a) ₹ 9,50,000
- (b) ₹ 3,50,000
- (c) ₹ 1,31,00,000
- (d) ₹ 28,50,000

Ans: (c)

(RTP NOV'21)

Question 9:

Mr. Nikunj, a supplier of goods, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies in the month of August :-

	₹
Intra State supplies of goods	6,00,000
Inter State supplies of goods	2,00,000

He has also furnished following information in respect of purchases made by him from registered dealers during August :-

Intra State purchase of goods	4,00,000
Inter State purchase of goods	50,000

Balance of ITC available at the beginning of the August:-

	₹
CGST	15,000
SGST	35,000
IGST	20,000

Note:

- (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively, on both inward and outward supplies.
 - (ii) Both inward and outward supplies given above are exclusive of taxes, wherever applicable.
 - (iii) All the conditions necessary for availing the ITC have been fulfilled.
- Compute the minimum GST payable by Mr. Nikunj in cash for the month of August.

Answer:

Computation of GST liability of Mr. Nikunj for the month of August

S.No.	Particulars	(₹)	GST (₹)
(i)	Intra-State supply of goods		
	CGST @ 9% on ₹ 6,00,000	54,000	
	SGST @ 9% on ₹ 6,00,000	<u>54,000</u>	<u>1,08,000</u>
(ii)	Inter-State supply of goods		
	IGST @ 18% on ₹ 2,00,000		36,000

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	15,000	35,000	20,000
Add: ITC on Intra-State purchases of goods valuing ₹ 4,00,000	36,000	36,000	
Add: ITC on Inter-State purchases of goods valuing ₹ 50,000			<u>9,000</u>
Total ITC	51,000	71,000	29,000

Computation of minimum GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable	54,000	54,000	36,000
Less: ITC credit of IGST to be first utilised towards payment of IGST			(29,000)
ITC of CGST to be utilised for payment of CGST and IGST in that order.	(51,000)		
ITC of SGST to be utilised for payment of SGST and IGST in that order.		(54,000)	
ITC of SGST to be utilised for payment of IGST, only after ITC of CGST has been utilised fully.			(7,000)- SGST
Minimum GST payable in cash	3,000	Nil	Nil

(RTP NOV'21)

Question 10

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

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

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

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

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
 - (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
 - (iii) All the conditions necessary for availing the ITC have been fulfilled.
 - (iv) The turnover of Neelkanth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.
- Compute the minimum GST, payable in cash, by Neelkanth Pvt. Ltd. for the month of February. Make suitable assumptions as required.

Answer:

Computation of GST payable on outward supplies

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 4,00,000 [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided by way of training in recreational activities relating to sports [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to ABC higher secondary school for their annual day function to be held in Fintex Auditorium. [Note-4]	Nil	Nil	2,700	2,700
	Total GST payable	45,000	45,000	4,500	94,500

Notes

- As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.
- Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. Labour contracts for repairing are thus, taxable.
- Services by way of training or coaching in recreational activities relating to sports is exempt under GST vide Notification No. 12/2017 CT(R) dated 28.06.201, only if provided by charitable entities registered under section 12AA of the Income-tax Act. Thus, in the given case, said service is taxable.

4. Security services provided to ABC higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017.

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods from a composition dealer [No tax is payable on the goods purchased under composition scheme]	Nil	Nil	Nil
Add: Membership of a club [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12%. Since in the given case, services have been received from a GTA where GST is payable @ 12% and recipient is one of the specified recipients, reverse charge provisions will not be applicable. In this case, input tax credit is available for the services received from GTA.]	Nil	Nil	24,000
Add: Inputs to be received in 4 lots, out of which 2nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
Total ITC	57,000	Nil	74,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	45,000	45,000	4,500	94,500
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(24,500) IGST (3)	(45,000) IGST (2)	(4,500) IGST (1)	74,000

	(20,500) CGST			20,500
Minimum GST payable in cash	Nil	Nil	Nil	Nil

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow. **(RTP NOV'22)**

Question 11

Rimjhim Sales, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of ₹ 10 lakh, from various suppliers during the month of January, 2022. Out of 100 invoices, details of 80 invoices involving GST of ₹ 6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and such details have also been duly communicated to the recipients of such invoices in Form GSTR-2B.

Compute the ITC that can be claimed by Rimjhim Sales in its GSTR-3B for the month of January, 2022 to be filed by 20th February assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.

Answer:

ITC to be claimed by Rimjhim Sales in its GSTR-3B for the month of January to be filed by 20th February will be computed as under-

Invoices	Amount of ITC involved in the invoices (₹)	Amount of ITC that can be availed (₹)
80 invoices furnished in GSTR-1	6 lakh	6 lakh [Refer Note 1]
20 invoices not furnished in GSTR-1	4 lakh	Nil [Refer Note 2]
Total	10 lakh	6 lakh

Notes:

- (1) 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1.
- (2) Input tax credit in respect of any supply of goods or services or both is available to a registered person only, inter alia, if the details of the invoice/debit note in respect of said supply has been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such invoice/debit note in the manner specified under **section 37**. Thus, in respect of 20 invoices not furnished in GSTR-1s, no ITC is available. **(RTP NOV'22)**

Question 12

Neelkanth Pvt. Ltd., a registered supplier of goods and services at Kolkata has furnished the following information for the month of February: Compute the ITC that can be claimed by Rimjhim Sales in its GSTR-3B for the month of January, 2022 to be filed by 20th February assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.

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

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

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

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Neelkanth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.
- Compute the minimum GST, payable in cash, by Neelkanth Pvt. Ltd. for the month of February. Make suitable assumptions as required.

Answer:

Computation of GST payable on outward supplies

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for	36,000	36,000	Nil	72,000
(ii)	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided by way of training in recreational activities relating to sports [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to ABC higher secondary school for their annual day function to be held in Fintex Auditorium. [Note-4]	Nil	Nil	2,700	2,700
	Total GST payable	45,000	45,000	4,500	94,500

Notes:

- As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.

2. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. Labour contracts for repairing are thus, taxable.
3. Services by way of training or coaching in recreational activities relating to sports is exempt under GST vide Notification No. 12/2017 CT(R) dated 28.06.201, only if provided by charitable entities registered under section 12AA of the Income-tax Act. Thus, in the given case, said service is taxable.
4. Security services provided to ABC higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017.

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods from a composition dealer [No tax is payable on the goods purchased under composition scheme]	Nil	Nil	Nil
Add: Membership of a club [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12%. Since in the given case, services have been received from a GTA where GST is payable @ 12% and recipient is one of the specified recipients, reverse charge provisions will not be applicable. In this case, input tax credit is available for the services received from GTA.]	Nil	Nil	24,000

Add: Inputs to be received in 4 lots, out of which 2nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
Total ITC	57,000	Nil	74,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	45,000	45,000	4,500	94,500
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(24,500) IGST (3)	(45,000) IGST (2)	(4,500) IGST (1)	74,000
	(20,500) CGST			20,500
Minimum GST payable in cash	Nil	Nil	Nil	Nil

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

Question 13

Rimjhim Sales, a registered supplier, receives 100 invoices (for inward supply of goods/services) involving GST of ₹ 10 lakh, from various suppliers during the month of January, 2022. Out of 100 invoices, details of 80 invoices involving GST of ₹ 6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and such details have also been duly communicated to the recipients of such invoices in Form GSTR-2B.

Compute the ITC that can be claimed by Rimjhim Sales in its GSTR-3B for the month of January, 2022 to be filed by 20th February assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.

Answer:

ITC to be claimed by Rimjhim Sales in its GSTR-3B for the month of January to be filed by 20th February will be computed as under-

Invoices	Amount of ITC involved in the invoices (₹)	Amount of ITC that can be availed (₹)
80 invoices furnished in GSTR-1	6 lakh	6 lakh [Refer Note 1]
20 invoices not furnished in GSTR-1	4 lakh	Nil [Refer Note 2]
Total	10 lakh	6 lakh

Notes:

- (1) 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1.
- (2) Input tax credit in respect of any supply of goods or services or both is available to a registered person only, inter alia, if the details of the invoice/debit note in respect of said supply has been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such invoice/debit note in the manner specified under section 37. Thus, in respect of 20 invoices not furnished in GSTR-1s, no ITC is available.



**MULTIPLE CHOICE
QUESTIONS**

- (1) Whether definition of Inputs includes capital goods
- (a) Yes (b) No
(c) Can't say (d) None of the above
- (2) The dealer is required to fulfilled _____ for the entitlement of credit?
- (a) All the conditions (b) Any one conditions
(c) Any two Conditions (d) Ant three conditions
- (3) The time limit to pay the value of supply with taxes to avail the input tax credit?
- (a) No such conditions (b) Immediately
(c) 180 days (d) Till the date of filing of Annual Return
- (4) What is the last due date for taking input tax credit
- (a) No such time limit
(b) 1 year from the date of invoice
(c) 180 days from the date of receipt of invoice
(d) Due date of furnishing of the return for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier
- (5) Prorata ITC for capital goods is allowed
- (a) For business and non-business purpose
(b) For business or non- business purpose
(c) Both of the above
(d) None of the above
- (6) Banking company or Financial Institution have an option of claiming:
- (a) Eligible Credit or 50% credit (b) Only 50% Credit
(c) Only Eligible credit (d) Eligible credit and 50% credit

- (7) Punjab national Banking wish to withdraw the option of availing actual credit during the financial year Is it allowed?
- (a) Yes
 - (b) No
 - (c) Yes, with permission of Authorized officer
- (8) Rent a cab provided to an employee is eligible for ITC?
- (a) No
 - (b) Yes
 - (c) No, but in case it is obligatory for an employer to provide to its employees under any law for the time being in force, then it is eligible
 - (d) Not applicable
- (9) If an assessee obtains voluntary registration, can it avail credit on inputs lying in stock. What is the time limit for taking said credit?
- (a) 1 year from the date of invoice
 - (b) 2 year from the date of invoice
 - (c) 3 year from the date of invoice
 - (d) 4 year from the date of invoice
- (10) As per **Section 2(47)** of CGST Act, 2017, exempt supply includes the supply of following type of goods and services:
- (a) Supply attracting nil rate of tax
 - (b) Supplies wholly exempt from tax, by way of a notification;
 - (c) Non-taxable supply
 - (d) All of the above.
- (11) Input tax credit is available only when the purchase made is used in
- (a) The course or furtherance of business
 - (b) Other than business expenses
 - (c) Both (a) and (b)
 - (d) None of the above
- (12) ITC avoids the
- | | |
|---------------------------|--------------------------------------|
| (a) Cascading effect | (b) Compliance burden |
| (c) Working capital usage | (d) Difficulty in operating business |

(13) Comment: Supply of goods can be spread over a period of time; it is not necessary that all elements should be supplied at the same time

- (a) Correct (b) Incorrect
(c) Partially correct (d) None of the above

(14) Input tax credit is not available in respect of.

- (a) Services on which tax has been paid under composition levy
(b) Free samples
(c) Goods used for personal consumption
(d) All of the above

(15) ITC of motor vehicles used for is allowed.

- (a) Transportation of goods (b) Transportation of passengers
(c) Imparting training on driving (d) All of the above

(16) Mr. A, a practicing Chartered Accountant purchased 3 laptops each having tax elements of ₹ 40,000 in his firm name. Two laptops he utilized in his office whereas one laptop he gifted to his sister. What is the amount of ineligible ITC?

- (a) 40,000 (b) 50,000
(c) 75,000 (d) 80,000

(17) ABC Pvt. Ltd. is engaged in making Chocolates. The company on Diwali, distributed the same chocolates to its employees. Can the company claim ITC in respect to the inputs used in making such gifts?

- (a) Yes (b) No
(c) Maybe (d) Company's discretion

(18) As per the CGST Act, 2017, the term "works contract" includes:

- (a) Construction, fabrication, completion, erection, installation, etc. of movable property
(b) Construction, fabrication, completion, erection, installation, etc. of immovable property
(c) Both (a) and (b)
(d) None of the above

Answer:

1.	(b)	6.	(a)	11.	(a)	16.	(a)
2.	(a)	7.	(b)	12.	(a)	17.	(b)
3.	(c)	8.	(c)	13.	(a)	18.	(b)
4.	(d)	9.	(a)	14.	(d)		
5.	(a)	10.	(d)	15.	(d)		

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9

REGISTRATION

➤ Chapter Overview

- (1) Section 22: Person liable for Registration
- (2) Section 23: Person not liable for Registration
- (3) Section 24: Compulsory Registration
- (4) Section 25: Procedure Registration
- (5) Section 26: Deemed Registration
- (6) Section 27: Special provision for CTP & NRTP
- (7) Section 28: Amendments in Registration
- (8) Section 29: Cancellation of Registration
- (9) Section 30: Revocation of Cancellation of Registration
- (10) Classwork / Homework
- (11) MCQs

Registration is the most fundamental requirement for identification of Tax Payer. Under GST Regime - Without Registration, a person can neither collect tax from Customers nor can he claim ITC of the Tax paid by him on purchase.

Registration under GST is not Tax Specific, which means single registration for all taxes i.e. CGST, SGST, IGST, UTGST & Cesses. However registration is to be taken State-wise, there is no Centralized Registration.

This Chapter covers provision from Sec 22 to Sec 30.

SECTION 22: PERSON LIABLE FOR REGISTRATION

Sec 22 (1): Threshold Limit

If the aggregate turnover of the Supplier in the Financial year Exceeds ₹ 20 Lakhs than every supplier shall be liable to get registered under this Act, in relevant State or Union Territory from where he is making taxable supply of Goods or Services or Both.

Provided that: In case of Special Category States i.e. Manipur, Mizoram, Tripura & Nagaland, the threshold limit is 10 Lakhs instead of 20 Lakhs.

Aggregate Turnover:	
Inclusions	Exclusions
Value of all outward Supplies i.e.	➤ CGST
➤ Taxable Supplies	➤ SGST
➤ Exempt Supplies	➤ UTGST
➤ Exports	➤ IGST
➤ Inter-State Supplies	➤ CESS
Of persons having Same PAN to be computed on all India basis.	➤ Value of Inward Supplies on which Tax is payable under Reverse Charge.

Note 1: In above outward supplies even supplies where tax is payable as per RCM is included.

Note 2: Exempt supply means supply of goods or service which attract NIL rate of tax. Exempt supply u/s 11, u/s 6 of IGST Act and includes non-taxable supplies like petrol diesel, etc.

Note 3: Include interest earned loan, deposits, advances in the computation of aggregate turnover.

Note 4 : Taxable supply means supply of goods &/or services which is chargeable to tax under CGST Act.

Note 5 : Taxable person means a person who is registered or liable to be registered u/s 22 or section 24.

Example:

X Ltd registered in Mumbai having following supplies, is it required to get registration in FY 22-23 from which date?

Date	Particulars	Amount
01/04	Taxable Intrastate supply of goods	2,00,000
01/05	Exempt supplies of goods	9,00,000
01/06	Taxable inter-state supply of service	4,00,000
01/07	Supplies procured from Y Ltd which are taxable under FCM	8,00,000
10/07	Interest on extending loans	6,00,000
01/08	Supply of liquor	12,00,000

Answer:

It is liable to register from 10th July as his Aggregate Turnover exceeds Rs.20 Lakhs.

Will Your Answer be different if Mr. X is of Manipur?

Answer: Yes, it would be liable to register from 01st May.

Imp Note: Aggregate turnover to include all turnover of all branches under same PAN.

Example:

D-Mart Ltd. has 2 branches one at Mumbai and other at Ahmedabad.

Date	Particulars	Mumbai (Amt)	Ahmedabad (Amt)
01/04	Taxable Intrastate supply of goods	100000	300000
05/04	Exempt supplies of goods	150000	150000
01/05	Taxable inter-state supply of service	200000	250000
10/05	Inward Taxable supply of Goods	600000	100000
12/05	Taxable Inter-state supply of Service	100000	800000

Answer:

Date	Particulars	(Amt)
01/04	Taxable Intrastate supply of goods	4,00,000
05/04	Exempt supplies of goods	3,00,000
01/05	Taxable inter-state supply of service	4,50,000
12/05	Taxable Inter-state supply of Service	9,00,000
	Total	20.5 Lakhs

Since aggregate turnover of D-mart which is computed on All India Basis where they have same PAN exceeds 20 lakhs, hence D - mart is liable to get registered on 12/5 (Both Branches Mumbai & Ahmedabad with their respective GST Act).

Higher Limit for Supplier of Goods:

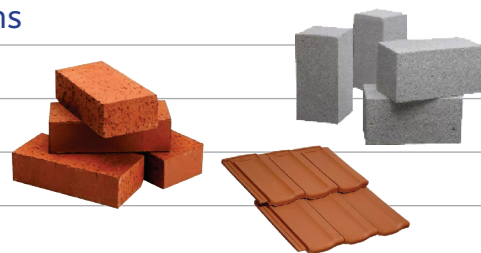
Any person, who is engaged in Exclusive Supply of Goods & whose aggregate turnover in the financial year does not exceeds ₹ 40 Lakhs is Exempt from Obtaining Registration.

However, the Exemption is not applicable to following Persons:

- a) Person required compulsory registration under **section 24**.
- b) Person Engaged in making supplies of the Goods being:
 - Ice-Cream & Other Edible Ice, whether or not containing Cocoa.
 - Pan-Masala, &
 - Tobacco & Manufactured Tobacco Substitutes.



- Fly ash bricks or fly ash aggregate with 90% or more fly ash content; Fly ash blocks
 - Bricks of fossil meals or similar siliceous earths
 - Building bricks
 - Earthen or roofing tiles
- c) Person making Intra-State Supply in the States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand; &
- d) Person exercising option of Voluntary Registration under this Act.



Explanation: A person shall be considered to be engaged exclusively in the supply of Goods even if he is engaged in exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Example:

Supplier	Supplier is engaged in	Aggregate Turnover	Applicable Threshold Limit for Registration	Whether Liable to Obtain Registration?
Prithiviraj of Assam	Exclusively in supply of shoes	32 Lakhs		
	Exclusively in supply of pan masala	22 Lakhs		
	Exclusively in supply of taxable services	22 Lakhs		
	In supply of both taxable goods and services	18 Lakhs		
Shivaji of Telangana	Exclusively in supply of toys	22 Lakhs		
	Exclusively in Supply of ice cream.	22 Lakhs		
	Exclusively in supply of taxable services	32 Lakhs		
	In supply of both taxable goods and services	32 Lakhs		
Ashoka of Manipur	Exclusively in Supply of Paper	12 Lakhs		
	Exclusively in Supply of Tobacco	22 Lakhs		
	Exclusively in Supply of Taxable Services	8 Lakhs		
	In supply of both taxable goods and services	12 Lakhs		

Sec 22 (2): Every Person who were registered under Existing Law such as Service Provided under Finance Act, 1994 (Service Tax), Trader under VAT Law, Manufacturer under Central Excise Act shall get registered Compulsorily under GST Law from 1st July, 2017.

Sec 22 (3): Where a business carried on by a taxable person registered under this Act is transferred, whether on account of succession or otherwise, to another person as a going concern, the transferee or the successor, as the case may be, shall be liable to be registered with effect from the date of such transfer or succession.

Example:

Mr. Tom a registered person transferred his running business as a Going Concern to Mr. Jerry on 01st April 2019. In this Case, Mr. Jerry is compulsory liable to be registered under GST Act from date of Transfer of Business i.e. from 01st April. 2019.

Sec 22 (4): In case of transfer pursuant to sanction of a scheme or an arrangement for amalgamation or, as the case may be, de-merger of two or more companies pursuant to an order of a High Court, Tribunal or otherwise, the transferee shall be liable to be registered, with effect from the date on which the Registrar of Companies issues a certificate of incorporation giving effect to such order of the High Court or Tribunal.

Example:

A Ltd and B Ltd is considering amalgamation into AB Ltd with its entity. The HC has dated effective transfer of business from A Ltd and B Ltd into AB Ltd w.e.f 1/6/2020, to which ROC has issued COI for the merged entity w.e.f 1/12/2020

Answer:

In that case that transferee company i.e., AB Ltd shall be liable to register w.e.f 1st December 2020.

SECTION 23: PERSON NOT LIABLE FOR REGISTRATION

1. Person exclusively making supply of Non- Taxable or Wholly Exempted Goods or Services or Both.
2. Agriculturist to the Extent of Supply of Produce out of cultivation Land.
3. Notified Category of Person: Person only engaged in making taxable supplies, total tax on which is liable to be paid on Reverse Charge Basis.

SECTION 24: COMPULSORY REGISTRATION IN CERTAIN CASES

Notwithstanding anything contained in **sub-section (1) of section 22**, the following categories of persons shall be required to be registered under this Act,–

- Person Making Inter-State Supply of Goods** except Where Person making Inter-State Supply of Handicraft Items.

Thus, Person making Inter-State Supply of Service shall be liable to register only when they Exceeds Aggregate Turnover of Rs. 10 Lakhs / 20 Lakhs.

- Casual Taxable Person**

Casual taxable person means a person who occasionally undertakes transaction involving of business in a state or union territory where he has no fixed place of business.

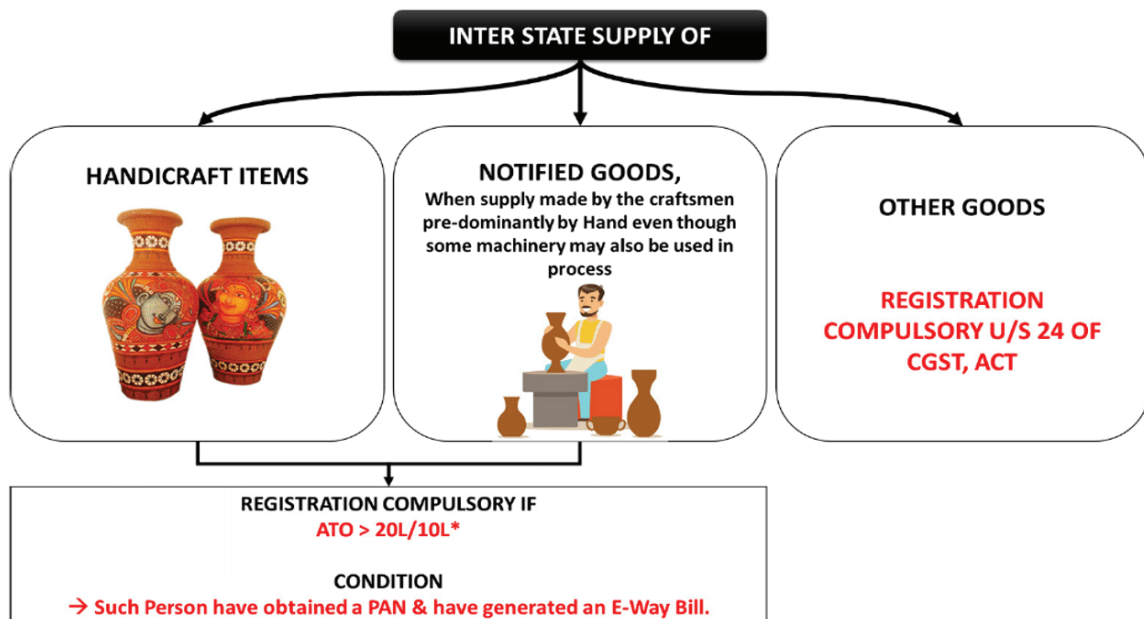
Example:

Mr. Kalu a supplier of pencils has its place of business in Patna, he is participating in exhibition conducted in Mumbai which will last for 10 days. Mr. Kalu has no fixed place of business in Maharashtra.

Answer:

In above case, Mr. Kalu shall compulsorily get registered under Mah SGST Act. u/s 24.

COMMON NOTE FOR 1) & 2) ABOVE



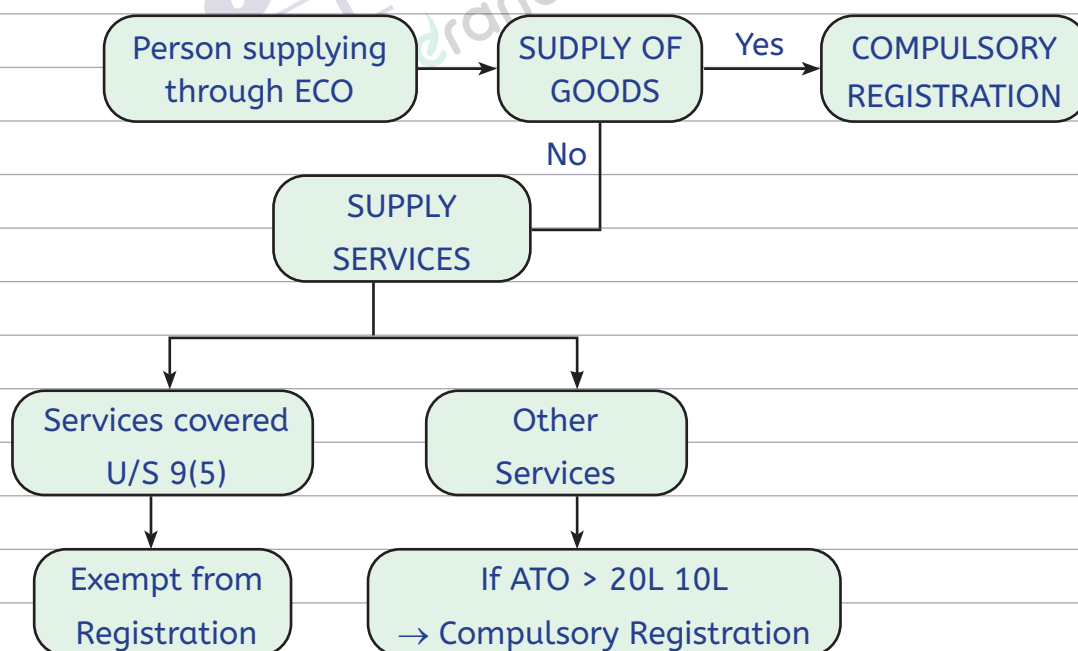
Meaning of Handicraft Goods:

Handicraft goods means goods predominantly made by hand even though some tools or machinery may also have been used in the process; such goods are graced with visual appeal in the nature of ornamentation or in-lay work or some similar work of a substantial nature; possess distinctive features, which can be aesthetic, artistic, ethnic or culturally attached and are amply different from mechanically produced goods of similar utility.

3. Persons who are required to pay tax under reverse charge i.e. Recipient of Supply is Liable to pay Tax.[Cases Notified under **Section 9(3)** of CGST Act]

4. Ecommerce Operator

- (i) Every ECO (Electronic Commerce Operator) who are required to collect tax u/s 52,
- (ii) persons who supply goods and/or services [other than supplies specified under section 9(5)], through such ECO who is required to collect tax at source under section 52, but threshold limit of Rs. 20 lakh (Rs. 10 lakh in case of Special Category States Tripura, Nagaland, Mizoram, Manipur) is available in case of suppliers supplying services through ECO



5. Non Resident Taxable Person (NRTP)

NRTP means any person who occasionally undertakes transaction involving supply of goods or services but has no fixed place of business or residence in India.

Example:

Mr. John from USA a supplier of diamonds is participating in exhibition conducted in Mumbai which will last for 60 days. Mr. John has no fixed place of business in Maharashtra.

Answer:

In an above case, Mr. John shall compulsorily get registered under Mah SGST Act. u/s 24.

6. Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise.
8. Persons who are required to pay tax u/s 9(5).
9. Such other person or class of persons as may be notified by the Government on the recommendations of the Council.

Section 25: PROCEDURE FOR REGISTRATION

Sec 25(1) Time limit for application:

Every person who is liable to be registered under section 22 or section 24 shall apply for registration in every such State or Union territory in which he is so liable within thirty days from the date on which he becomes liable to registration, in such manner and subject to such conditions as may be prescribed.

Effective Date of Registration (Rule 10)

Condition	Effective Date
Where Application is made within 30 Days from the date he becomes liable for Registration	Effective date shall be the date when person becomes liable for Registration.
Where Application is made after 30 Days from the date he becomes liable for Registration	Effective date shall be date of grant of Registration Certificate.

However, a casual taxable person or a non-resident taxable person shall apply for registration at least five days prior to the commencement of business.

EXAMPLE:

Sameer Services Ltd. Is engaged in taxable supply of services in Maharashtra. The turnover of Sameer Services Ltd. exceeded Rs. 20 Lakh on 1st November. It is liable to get registered by 1st December in the state of Maharashtra

Sec 25(2) MAY Take multiple registrations within the state:

Taxpayers may opt for multiple registrations within a State/U.T in respect of multiple places of business located within the same State/U.T on the same PAN.

Sec 25(3) Voluntary Registration:

A person, though not liable to be registered under **section 22** or **section 24** may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered person, shall apply to such person.

Sec 25(4) & (5) Distinct Person:

A person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act.

Where a person who has obtained or is required to obtain registration in a State or Union territory in respect of an establishment, has an establishment in another State or Union territory, then such establishments shall be treated as establishments of distinct persons for the purposes of this Act.

Sec 25(6) PAN is necessary for getting GST Registration:

Every person shall have a Permanent Account Number issued under the Income-tax Act, 1961 in order to be eligible for grant of registration:

However, a person required to deduct tax under **section 51** may have, in lieu of a Permanent Account Number, a Tax Deduction and Collection Account Number issued under the said Act in order to be eligible for grant of registration.

Section 25 (6A), (6B), (6C) & (6D) – Aadhaar Authentication:

A. As per section 25(6A), (6B) and (6C), following persons are required to undergo aadhaar authentication:

(i) New applicant: Every (i) individual applicant or (ii) an applicant, other than an individual, shall undergo authentication/furnish proof of possession of Aadhaar number.

In order to be eligible for registration following persons should get Aadhaar authentication

- a) Individual;
- b) Authorized signatory of all types;
- c) Managing and Authorized Partner; and
- d) Karta of an HUF

Risk-based biometric-based aadhaar authentication of registration applicants – Pilot project in Gujarat

In order to improve the registration process, biometric based aadhaar authentication of the high-risk applicants who opt for authentication of Aadhaar number has been introduced on a pilot basis in the State of Gujarat. An applicant who has opted for authentication of Aadhaar number and is identified on the common portal, based on data analysis and risk parameters, shall be followed by biometricbased Aadhaar authentication and taking photograph:

- (i) of the applicant where the applicant is an individual or
- (ii) of such individuals where the applicant is not an individual, along with the verification of the original copy of the documents uploaded with the application in Form GST REG01 at one of the notified Facilitation Centres.

The application shall be deemed to be complete only after completion of the process laid down hereunder.

An acknowledgement shall be issued to the applicant only after completion of biometric-based authentication.

- (ii) Persons already registered (new rule 10B)

The registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

- Proprietor, in the case of proprietorship firm,
- Any partner, in the case of a partnership firm,
- Karta, in the case of a Hindu undivided family,
- Managing director or any whole-time director, in the case of a company,
- Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or of the
- Trustee in the Board of Trustees, in the case of a Trust;

B. Where Aadhaar number is not assigned

1. In case of new applicant

If an aadhaar number is not assigned to a new applicant – either

(i) an individual or (ii) person/class of persons (other than individual), such individual/person/class of persons shall be offered alternate and viable means of identification in the manner specified in rule 9.

Proviso to rule 9(1) provides that where

- a person fails to undergo authentication of aadhaar number or does not opt for authentication of Aadhaar number, or
- a person, who has undergone authentication of Aadhaar number, is identified on the common portal, based on data analysis and risk parameters (presently in case pilot project in Gujarat), for carrying out physical verification of places of business
- the proper officer, with the approval of an officer authorised by the Commissioner not below the rank of Assistant Commissioner, deems it fit to carry out physical verification of places of business

the registration shall be granted within 30 days of submission of application only after physical verification of the principal place of business in the presence of the said person, in the prescribed manner and verification of such documents as the proper officer may deem fit.

2. In case of an already registered persons

If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely: –

- (a) her/his Aadhaar Enrolment ID slip; and
- (b) (i) Bank passbook with photograph; or
- (ii) Voter identity card issued by the Election Commission of India; or
- (iii) Passport; or
- (iv) Driving license issued by the Licensing Authority

Such person shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

3. Persons/class of persons exempt from aadhaar authentication

Section 25(6D) stipulates that above provisions shall not apply to such person or class of persons or any State or Union territory or part thereof, as may be notified.

Following persons have been notified in this regard:

- A person who is not a citizen of India
- Department or establishment of State Government or Central Government
- Local authority
- Statutory body
- Public Sector Undertaking
- A person applying for Unique Identity Number under **section 25(9)**

Sec 25(7) Documents required for NRTP:

Notwithstanding anything contained in **Section 25(6)**, a non-resident taxable person may be granted registration under **Section 25(1)** on the basis of such other documents as may be prescribed.

Sec 25(8) Registration by proper officer in case of failure of person to get registered:

Where a person who is liable to be registered under this Act fails to obtain registration, the proper officer may, without prejudice to any action which may be taken under this Act or under any other law for the time being in force, proceed to register such person in such manner as may be prescribed.

Sec 25(9) Grant of Unique Identification Number:

Not with standing anything contained in **Section 25(1)**,-

- any specialized agency of the United Nations Organization or Consulate or Embassy of foreign countries;
- and any other person or class of persons, as may be notified by the Commissioner, shall be granted a Unique Identity Number in such manner and for such purposes, including refund of taxes on the notified supplies of goods or services or both received by them, as may be prescribed.

Application for registration by Special Economic Zone (SEZ)

[Second proviso to section 25(1)]

A person having a unit in SEZ/and SEZ developer will have to make a separate application for registration as distinct from his place of business located outside SEZ in the same State/UT. Thus, there may be a case where two units of a taxpayer are located in same State/UT - one in SEZ and another outside SEZ. In that case, separate registrations have to be obtained for each of the two units as separate places of business.

SEZ is a geographically bound zone where the economic laws relating to export and import are more liberal as compared to other parts of the country. SEZ is considered to be a place outside India for all tax purposes.

Example:

Sandeep Industries is engaged in manufacturing activities in Uttar Pradesh. It has two manufacturing units in UP - one in SEZ and another outside SEZ. Under GST, one registration per State is required. However, since in this case, one of the two units of Sandeep Industries is located in SEZ, SEZ unit will have to compulsorily make a separate application for registration as a place of business distinct from unit located outside SEZ in the same State.

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Procedure for registration

Part I

Every person liable to get registered and person seeking voluntary registration shall, before applying for registration, declare his Permanent Account Number (PAN) and State/UT in **Part A of FORM GST REG-01** on GST Common Portal.

PAN is validated online by Common Portal from CBDT database and is also be verified through separate OTPs sent to the PAN linked mobile number and email address.

Temporary Reference Number (TRN) is generated and communicated to the applicant on the validated mobile number and e-mail address.

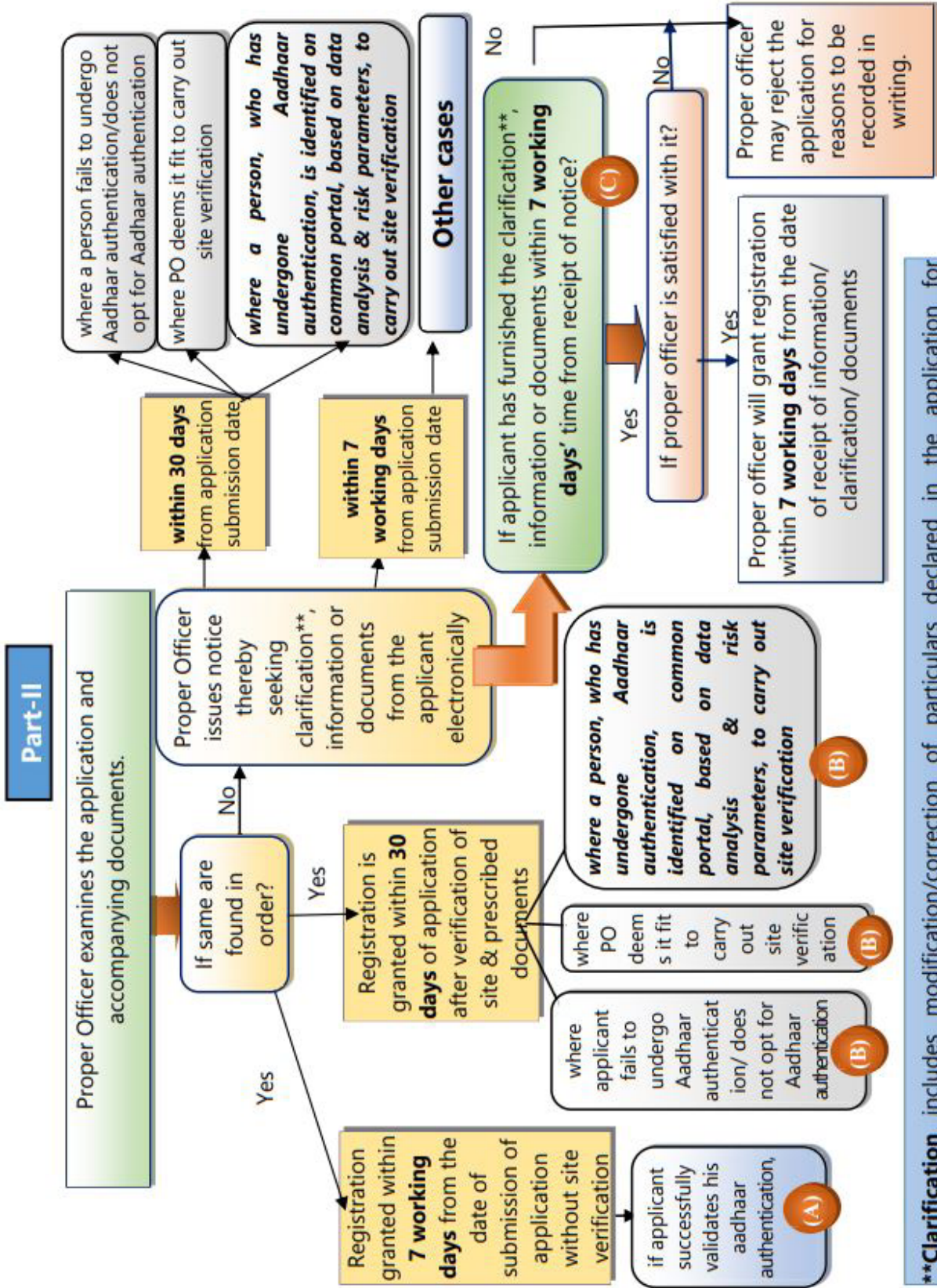
Using TRN, applicant shall electronically submit application in Part B of application form, along with specified documents at the Common Portal. **Part B** of application contains the details, such as, constitution of business, jurisdiction, option for composition, date of commencement of business, reason to obtain registration, address of PPOB and nature of activity carried out therein, details of APoB, details of bank account(s), details of authorized signatory, aadhaar authentication, etc.

On receipt of such application, an acknowledgement in the prescribed form shall be issued to the applicant electronically. A **Casual Taxable Person (CTP)** applying for registration gets a TRN for making an advance deposit of tax in his electronic cash ledger and an acknowledgement is issued only after said deposit.*

Application shall be forwarded to the Proper Officer.

The procedure after receipt of application by the Proper Officer is depicted in Part II.

* Discussed in detail in subsequent paras.



****Clarification** includes modification/correction of particulars declared in the application for registration other than PAN, State Mobile No. & E-mail address.

Deemed Approval of Application

If the proper officer fails to take any action in the following cases within the stipulated time, the application for grant of registration shall be deemed to have been approved

in cases where a person is covered in (B) above

• within a period of 30 days from the date of submission of the application

in case of a person covered in (A) above

• within a period of 7 working days from the date of submission of the application

in cases covered in (C) above

• within 7 working days from the date of receipt of clarification, information or documents furnished by the applicant

Section 26: DEEMED REGISTRATION

1. The grant of registration or the Unique Identity Number under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act shall be deemed to be a grant of registration or the Unique Identity Number under this Act subject to the condition that the application for registration or the Unique Identity Number has not been rejected under this Act within the time specified.
2. In case any application for Registration or UIN is rejected in specified time under SGST Act or UTGST Act, shall be deemed to be a rejection of application for registration under this Act.

Section 27: SPECIAL PROVISIONS FOR CASUAL TAXABLE PERSON OR NON RESIDENT TAXABLE PERSON

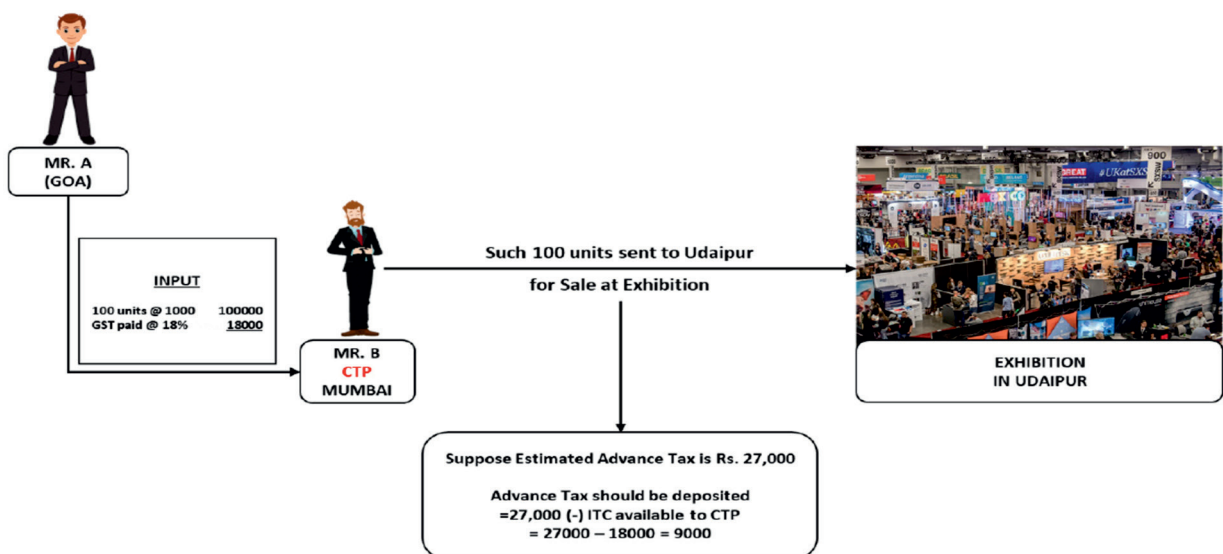
1. CTP / NRTP registration is valid up to Period Specified in application for Registration or 90 Days from Effective date of Registration, Whichever is Earlier.
2. Taxable Supply to be made only after issuance of Registration Certificate.
3. Advance deposit to be made by CTP or NRT equivalent to Estimated Tax Liability.
4. The Amount Deposited will be credited to Electronic Cash Ledger.

DO YOU KNOW?

- 1) As per Rule 13, Application for registration made by a Non Resident taxable person shall be duly signed or verified through electronic verification code by his authorized signatory who shall be a person resident in India having a valid PAN.
- 2) At the time of submitting the registration application, CTP/NRTP are required to make an advance deposit of tax** in an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought.

Such person will get a TRN for making an advance deposit of tax which shall be credited to his electronic cash ledger. An acknowledgement of receipt of application for registration is issued only after said deposit.

Such advance tax deposit amount should be calculated after considering the due eligible ITC which might be available to such casual taxable person [Circular No. 71/45/2018-GST dated 26.10.2018].



3) REGISTRATION OF PARTICIPANTS OF LONG RUNNING EXHIBITIONS

In case of long running exhibitions (for a period more than 180 days), the taxable person cannot be treated as a CTP and thus such person would be required to obtain registration as a normal taxable person.

In such cases, he would not be required to pay advance tax [Refer Point D.] for the purpose of registration. He can surrender such registration once the exhibition is over [Circular No. 71/45/2018-GST dated 26.10.2018].

Section 28: AMENDMENT OF REGISTRATION

Except for the changes in some core information in the registration application, a taxable person shall be able to make amendments without requiring any specific approval from the tax authority.

In case the change is for legal name of the business, or the State of Place of Business or additional place of business. The taxable person will apply for amendments within 15 days of the event necessitating the change.

The Proper Officer, then will approve the amendment within the next 15 days.

For other changes like the name of day to day functionaries, e-mail ID's, mobile numbers etc. no approval of the Proper Officer is required and the amendments can be affected by the taxable person in his own on the common portal.

DO YOU KNOW?

- 1) Any change in the mobile number or e-mail address of the authorized signatory submitted under rule 19, as amended from time to time, shall be carried out only after online verification through the common portal in the manner provided under [sub-rule (2) of rule 8.]
- 2) Any particular of the application for registration shall not stand amended with effect from a date earlier than the date of the submission of the application in **FORM GST REG-14** on the commission portal except with the order of the Commissioner for reasons to be recorded in writing and subject to such conditions in the Commissioner may, in the said order, specify.

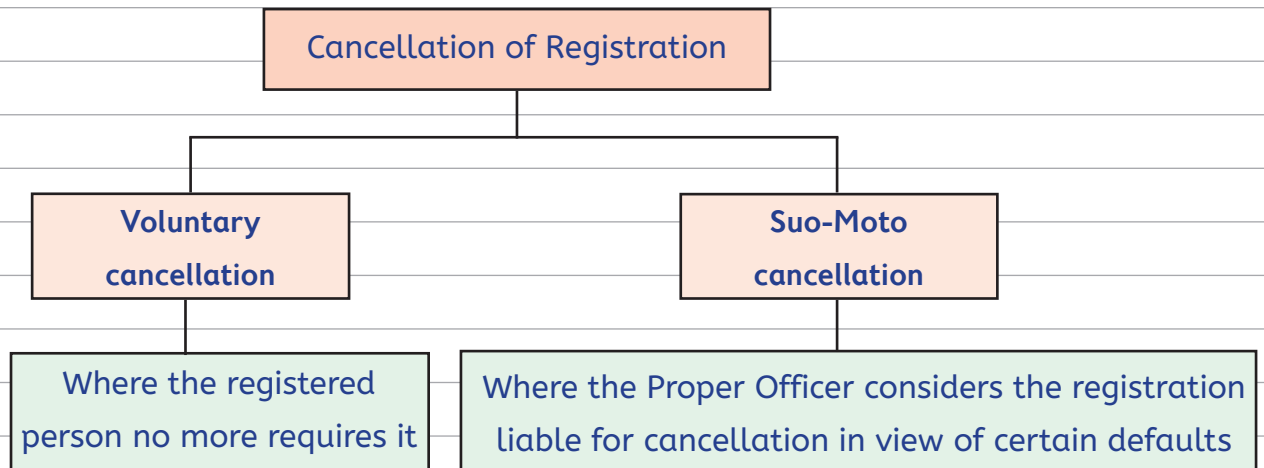
Example:

Karan Enterprises, a sole proprietorship firm, is engaged in supply of electrical goods in Delhi. The firm is registered under GST. Karan is the proprietor of the firm. He wishes to expand his business and his friend Vijay - approaches him to provide additional capital for his business if he is made a partner in Karan's business.

Karan agrees and changes the constitution of his business and form a partnership firm - Karan Vijay & Co. Since the change in constitution of business from sole proprietorship firm to partnership firm results in change in PAN of the registered person, the partnership

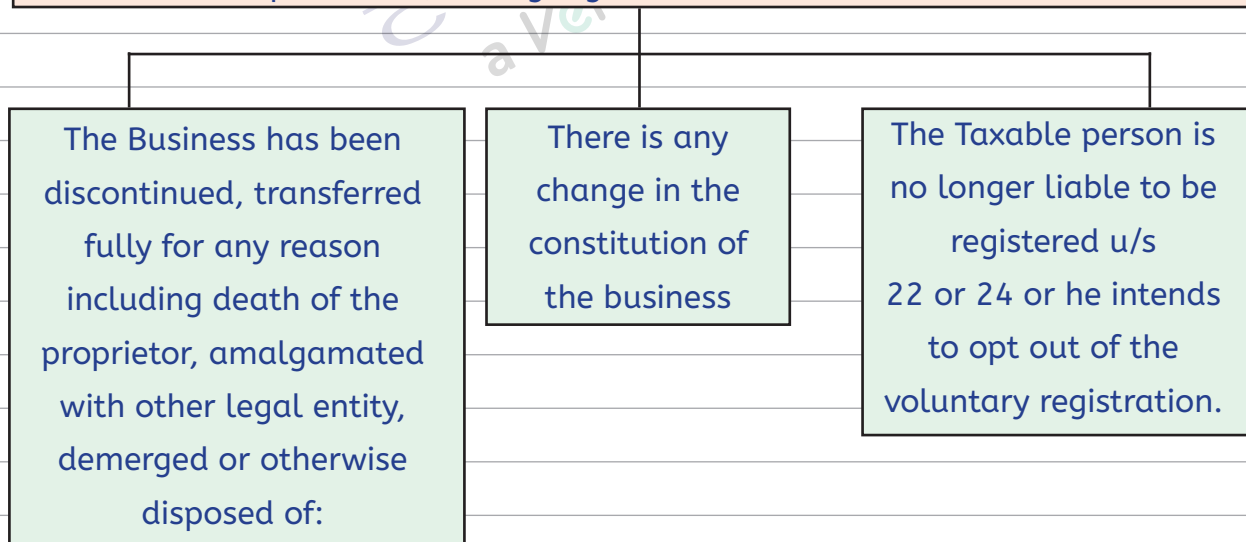
firm has to apply for fresh registration. The reason for the same is that GSTIN is PAN based. Any change in PAN would warrant a new registration.

Section 29: CANCELLATION OF REGISTRATION



SEC 29 (1): CIRCUMSTANCES FOR CANCELLATION OR SUSPENSION OF REGISTRATION

The Proper Officer may either on his own motion or on an application filed by the registered person or by his legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed, having regard to the circumstances where:



A provision to **section 29(1)** has been inserted to provide that once a registered person has applied for cancellation of registration or the proper officer seeks to cancel his registration, the proper officer may suspend his registration during pendency of the proceedings relating to cancellation of registration filed by such registered person, for such period** and in such manner as may be prescribed.

****PERIOD AND MANNER OF SUSPENSION OF REGISTRATION RULE 21A**

Further, with effect from 01.02.2019, new rule 21A of the CGST Rules has been inserted vide Notification No. 03/2019 CT dated 29.01.2019 which lays down the period and manner of suspension of registration as follows:

1. Where registered person has applied for cancellation of registration:

Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from:

- (a) the date of submission of the application or
- (b) the date from which the cancellation is sought,

Whichever is later, pending the completion of proceedings for cancellation of registration.

2. Where cancellation of the registration has been initiated by the Department on their own motion:

Where the proper officer has reasons to believe that the registration of a person is liable to be cancelled, he may, after affording the said person a reasonable opportunity of being heard, suspend the registration of such person with effect from a date to be determined by him, pending the completion of the proceedings for cancellation of registration.

3. A registered person, whose registration has been suspended as above:

- shall not make any taxable supply during the period of suspension (It means the registered person shall not issue a tax invoice and, accordingly not charge tax on supplies made by him) and
- shall not be required to furnish any return under **section 39**.

4. The suspension of registration shall be deemed to be revoked upon completion of the cancellation proceedings by the proper officer. Such revocation shall be effective from the date on which the suspension had come into effect.

5. Where the registration has been suspended for not filing of returns and the registration has not already been cancelled by the proper officer, the suspension of registration shall be deemed to be revoked upon furnishing of all the pending returns.

6. Where any order having the effect of revocation of suspension of registration has been passed, the provisions of **section 31(3)(a)** [revised tax invoices] and **section 40** [first return] in respect of the supplies made during the period of suspension and the procedure specified therein shall apply.

SEC 29(2): CANCELLATION OF REGISTRATION BY PROPER OFFICER

Reasons thereof [Sections 29(2) and Rule 21 of CGST Rules, 2017]. The proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where –

- (a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed.
- (b) A person paying tax under **Section 10** i.e. composition scheme has not furnished returns for a financial year beyond 3 months from the due date of furnishing the said return.
- (c) Being a registered person required to file return under subsection (1) of section 39 for each month or part thereof, has not furnished returns for a continuous period of six months.
- (d) Being a registered person required to file return under proviso to subsection (1) of section 39 for each quarter or part thereof, has not furnished for a continuous period of two tax period.
- (e) Any person who has taken voluntary registration under **Section 25(3)** has not commenced business within 6 months from the date of registration; or
- (f) registration has been obtained by means of fraud, willful misstatement or suppression of facts.
- (g) does not conduct any business from the declared place of business, or
- (h) issues invoice/bill without supply of goods/services in violation of the provisions of this Act, or the rules made thereunder
- (i) avails input tax credit in violation of the provisions of **section 16(2)** of the CGST Act or the rules made thereunder; or
- (j) furnishes the details of outward supplies in Form GSTR-1 under **section 37** for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under **section 39** for the said tax periods; or
- (k) violates the provision of rule 86B

Opportunity of being heard. The proper officer shall not cancel the registration without giving the person an opportunity of being heard.

SEC 29(3): CANCELLATION OF REGISTRATION

Not to affect tax liability: The cancellation of registration under this section shall not affect the liability of the person to pay tax and the other dues under this Act or to discharge any obligation under this Act or the rules made thereunder for any period prior to the date of cancellation whether or not such tax and other dues are determined before or after the date of cancellation.

SEC 29(4): CANCELLATION UNDER SGST/UTGST ACT

Deemed cancellation under CGST Act The cancellation of registration under this act.

SEC 29(5): PAYMENT OF ITC ON CANCELLATION

Pay ITC availed on goods in stock or output tax whichever is higher. As per **Section 29(5)**, every registered person whose registration is cancelled shall pay an amount calculated in such manner as may be prescribed, by way of debit in the electronic credit ledger or electronic cash ledger, -

- equivalent to the credit of input tax in respect of –
 - inputs held in stock, or
 - inputs contained in semi-finished goods, or
 - inputs contained in finished goods held in stock, or
 - capital goods or plant and machinery

On the day immediately preceding the date of such cancellation, or

- the output tax payable on such goods,
Whichever is higher.

Payment in case of capital goods – ITC in respect of capital goods or plant and machinery calculated in accordance with rule 44

- ITC involved in the remaining useful life in months of the capital goods computed on pro-rata basis, taking the useful life as 5 years.
- The tax on the transaction value of such capital goods or plant and machinery under **Section 15**, whichever is higher.

EXAMPLE:

Capital goods have been in use for 4 years and 4 months.

The useful remaining life in months = 8 months. And sold for 50,000 @18%.

ITC taken on such capital goods = 60,000

Answer:

1. ITC attributable to remaining useful life = $60,000 \times 8/60 = 8,000$
2. Tax on transaction value = $50,000 \times 18\% = 9000$
Higher of the two above = 9000

Section 30: REVOCATION OF CANCELLATION OF REGISTRATION

1. Application for Restoration of Registration to be made within 30 Days from Service of Cancellation Order. This can be further extended by not exceeding 30 days by Additional commissioner / Joint commissioner and further period by not exceeding 30 days by Commissioner.
2. The P.O by order either revoke cancellation of the registration or reject application. However before cancellation, Applicant must be given opportunity of being heard.
3. Restoration of RC under SGST / UTGST Act deemed to be restoration under CGST Act.
4. Where registration was cancelled for failure of registered person to furnish returns

4A - Where the registration has been cancelled with effect from the date of order of cancellation of registration.

Example:

The registration of Vinit Associates was cancelled by the proper officer by an order dated 1st June for its failure to furnish returns.

The registration was cancelled with effect from 1st June itself. It applied for revocation of cancellation of registration and the order for revocation of cancellation of Vinit Associates is passed on 31st July.

In this case, Vinit Associates shall be required to furnish all the returns for the period from 1st June to 31st July within a period of 30 days from 31st July, i.e. by 30th August.

4B - Where the registration has been cancelled with retrospective effect.

Example:

The registration of Vinit Associates was cancelled by the proper officer by an order dated 1st June for its failure to furnish returns.

The registration was cancelled with effect from 1st January itself. It applied for revocation of cancellation of registration and the order for revocation of cancellation of Vinit Associates is passed on 31st July.

In this case, Vinit Associates shall be required to furnish all the returns for the period from 1st January to 31st July within a period of 30 days from 31st July, i.e. by 30th August.



Question 1

BBD Pvt. Ltd. of Gujarat exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'Z' only within Gujarat and is not registered under GST laws. The turnover of the company in the previous year 2018-19 was ₹ 50 lakh. The company expects the sales to grow by 10% in the current year 2019-20.

However, effective 01.01.2020, exemption available on 'Z' was withdrawn by the Central Government and GST@ 5% was imposed thereon. The turnover of the company for the nine months ended on 31.12.2019 was ₹ 42 lakh.

BBD Pvt. Ltd. is of the opinion that it is not required to get registered under GST for current financial year 2019-20.

Answer:

For a supplier exclusively engaged in intra-State supply of goods, the threshold limit of turnover to obtain registration in the State of Gujarat is ₹ 40 lakh. However, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration.

Therefore, since BBD Pvt. Ltd. was engaged exclusively in supplying exempted goods till 31.12.2019, it was not required to be registered till that day; though voluntary registration was allowed.

The position, however, will change from 01.01.2020 as the supply of goods become taxable from that day and the turnover of BBD Pvt. Ltd. is more than ₹ 40 lakh. Since the aggregate turnover limit of ₹ 40 lakh includes exempt turnover also, turnover of 'Z' till 31.12.2019 will be considered for determining the threshold limit even though the same was exempt from GST. Therefore, BBD Pvt. Ltd. needs to register within 30 days from 01.01.2020.

(Suggested Nov'20)

Question 2:

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.

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

Answer:

(i) A casual taxable person is required to obtain compulsory registration under GST irrespective of the quantum of its aggregate turnover.

However, a threshold limit of ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States) is available for registration to a casual taxable person who:

- (i) is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods,
- (ii) is availing the benefit of exemption from registration available to inter-State supply of above-mentioned goods upto the aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States), and
- (iii) has obtained a PAN and
- (iv) has generated an e-way bill.

In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover does not exceed ₹ 20 lakh, he will not be liable to registration provided he fulfills other conditions specified herein.

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

(Suggested Dec'21)

Question 3

Under the provision of **section 29(1)** of CGST Act, 2017 read with rule 21A of CGST Rules, 2017 related to suspension of registration if the registered person has applied for cancellation of registration, what is the period and manner of suspension of registration ?

Answer:

- (b) Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from:
 - (a) the date of submission of the application or
 - (b) the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.

Such person shall not make any taxable supply during the period of suspension and shall not be required to furnish any return.

The expression “shall not make and taxable supply” mean that the registered person shall not issue a tax invoice and accordingly, not charge tax on supplies made by him during the suspension period. **(Suggested Jan’21)**

Question 4

Explain the registration requirements under GST law in the following independent cases:

- (i) Mr. Ahmad of Jammu engaged in the business of supplying tobacco based Pan Masala with an aggregate turnover of ₹ 24 lacs.
- (ii) Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of ₹ 13 lacs.

Will your answer be different if Mr. Lepcha is located in Meghalaya ?

Answer:

- (i) A person is eligible for enhanced threshold limit of ₹ 40 lakh in the State of Jammu and Kashmir if he is engaged exclusively in intra-State supply of goods. However, the enhanced threshold limit is not applicable if the person is engaged, inter alia, in the supply of pan masala and all goods of chapter 24 i.e. Tobacco and manufactured tobacco substitutes. In that case, the normal threshold limit of ₹ 20 lakh will be applicable.

In view of said provisions, in the given case, Mr. Ahmad is liable to register since his aggregate turnover (₹ 24 lakh) exceeds the applicable threshold limit for registration of ₹ 20 lakh.

- (ii) The enhanced threshold limit of ₹ 40 lakh as applicable to a person engaged exclusively in intra-State supply of goods, is not applicable to Mizoram [a specified Special Category State]. Instead, a lower threshold limit of ₹ 10 lakh for registration is applicable for Mizoram.

Thus, in the given case, Mr. Lepcha of Mizoram is liable to register since his aggregate turnover (₹ 13 lakh) exceeds the applicable threshold limit for registration of ₹ 10 lakh. The enhanced threshold limit of ₹ 40 lakh is also specifically not applicable in the State of Meghalaya. Instead, the normal threshold limit of ₹ 20 lakh for registration is applicable to it.

Therefore, if Mr. Lepcha is located in Meghalaya, he is not liable to register since his aggregate turnover (₹ 13 lakh) does not exceed the applicable threshold limit for registration of ₹ 20 lakh. **(Suggested Nov’19)**

Question 5

Examine the following cases and explain with reasons whether the supplier of goods is liable to get registered in GST:

- (i) Krishna of Himachal Pradesh is exclusively engaged in intra-State taxable supply of readymade suits. His turnover in the current financial year from Himachal Pradesh showroom is ₹ 25 lakh. He has two more showrooms one in Manipur & another in Sikkim with a turnover of ₹ 15 lakh and ₹ 18 lakh respectively in the current financial year.
- (ii) Ankit of Telangana is exclusively engaged in intra-State taxable supply of footwears. His aggregate turnover in the current financial year is ₹ 25 lakh:
- (iii) Aakash of Uttar Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 30 lakh.

Answer:

Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds ₹ 20 lakh in a financial year. An enhanced threshold limit for registration of ₹ 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States.

- (i) The applicable threshold limit for registration gets reduced to ₹ 10 lakh in case a person is engaged in making taxable supply from a Special Category State. Since Krishna is making taxable supply from Manipur – a Special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- (ii) Since Ankit is exclusively engaged in intra-State supply of goods in Telangana, which is not a specified State for enhanced threshold limit, the applicable threshold limit for registration is ₹ 20 lakh. Thus, Ankit is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- (iii) Though the enhanced threshold limit for registration of ₹ 40 lakh is available to Uttar Pradesh, the same will not be applicable if the person is engaged in supply of pan masala. In view of the same, the applicable threshold limit for Aakash is ₹ 20 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.

(Suggested July'21)

Question 6:

Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May 2021 are as follows:

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

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

Answer:

Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds ₹ 20 lakh in a financial year. An enhanced threshold limit for registration of ₹ 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States. However, the applicable threshold limit for registration gets reduced to ₹ 10 lakh in case a person is engaged in making supply from a specified Special Category State provided such supply is a taxable supply.

- (i) Since Q Ltd. is making supply of taxable goods from Tripura – a specified Special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh. Thus, it is liable to be registered under GST as its aggregate turnover [₹ 31 lakh] exceeds the said threshold limit.
- (ii) In case Q Ltd. is making supply of non-taxable goods [petrol and diesel] from Tripura, the applicable threshold limit will not be reduced to ₹ 10 lakh; enhanced threshold limit of ₹ 40 lakh will be applicable. Thus, it is not liable to be registered under GST as its aggregate turnover [₹ 31 lakh] does not exceed the said threshold limit. **(Suggested Dec'21)**

Question 7:

Nesamani started his business activities in the month of February 2022 in the State of Orissa. He provided the following details:

State	Amount in ₹
(i) Outward supply of petrol (Intra State)	4,00,000
(ii) Transfer of exempt goods to his branch in Rajasthan (Inter- State)	2,00,000

(iii) Outward supply of taxable goods by his branch in Uttar Pradesh (Intra State)	5,00,000
(iv) Outward supply of services on which tax is payable under RCM by the recipient of services (Intra-State)	6,00,000
(v) Inward supply of services on which tax is payable under RCM (Intra- State)	2,00,000

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

(5 Marks)

Answer:

Particulars	Amount (₹)
Computation of aggregate turnover of Nesamani	
Outward supply of petrol [Supply of petrol being a non-taxable supply is an exempt supply. Value of exempt supply is includible in aggregate turnover.]	4,00,000
Inter-State stock transfer of exempt goods [Supply of taxable/exempt goods between distinct persons is includible.]	2,00,000
Outward supply of taxable goods from Uttar Pradesh branch [Value of outward supplies under same PAN are includible.]	5,00,000
Outward supply of services taxable under reverse charge [Includible in aggregate turnover.]	6,00,000
Inward supply of services taxable under reverse charge [Excludible from the aggregate turnover.]	--
Aggregate turnover	17,00,000

For a supplier engaged in supply of goods and services from the States of Orissa and Uttar Pradesh, the threshold limit of aggregate turnover to obtain registration is ₹ 20 lakh. However, a person required to pay tax under reverse charge has to obtain registration compulsorily irrespective of the quantum of turnover.

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



Question 1

What is the validity period of the registration certificate issued to a casual taxable person and non-resident taxable person?

Answer:

In terms of **section 27(1)** of the CGST Act, 2017 read with proviso thereto, the certificate of registration issued to a “casual taxable person” or a “non-resident taxable person” shall be valid for a period specified in the application for registration or 90 days from the effective date of registration, whichever is earlier. However, the proper officer, at the request of the said taxable person, may extend the validity of the aforesaid period of 90 days by a further period not exceeding 90 days. **(5 Marks) (MTP MAR'22)**

Question 2

Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled?

Answer:

Yes, as per **section 29(5)** of the CGST Act, 2017, every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher. **(5 Marks) (MTP APRIL'22)**

Question 3

Examine whether the liability to register compulsorily under **section 24** of the CGST Act, 2017 arises in each of the independent cases mentioned below:

- (1) Heera, a supplier in Haryana, is exclusively engaged in supply of potatoes produced out of cultivation of his own land, within Haryana and also outside Haryana.
- (2) Aanya of Telangana is exclusively engaged in intra-State supply of toys. Its aggregate turnover in the current financial year is ₹ 22 lakh.

Answer:

(1) **Section 24** of the CGST Act, 2017 provides that persons making any inter -State taxable supply of goods are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

However, as per **section 23** of the CGST Act, 2017, an agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to registration.

Heera is exclusively engaged in cultivation and supply of potatoes. Thus, he is not liable to registration irrespective of the fact that he is engaged in making inter -State supply of goods. Further, Heera will not be liable to registration, in the given case, even if his turnover exceeds the threshold limit.

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

(a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.

(b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(c) ₹ 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

Since Aanya is making taxable supplies from Telangana, she will not be eligible for higher threshold limit available in case of exclusive supply of goods. The applicable threshold limit for registration for Aanya in the given case is ₹ 20 lakh. Thus, she is liable to get registered under GST. **(RTP NOV'21)**

Question 4

Mr. Z of Himachal Pradesh starts a new business and makes following supplies in the first month-

(i) Intra-State supply of taxable goods amounting to ₹ 17 lakh

(ii) Supply of exempted goods amounting to ₹ 1 lakh

(iii) Inter-State supply of taxable goods amounting to ₹ 1 lakh

Whether he is required to obtain registration?

(a) Mr. Z is liable to obtain registration as the threshold limit of ₹ 10 lakh is crossed.

(b) Mr. Z is not liable to obtain registration as he makes exempted supplies.

- (c) Mr. Z is liable to obtain registration as he makes the inter-State supply of goods.
- (d) Mr. Z is not liable to obtain registration as the threshold limit of ₹ 20 lakh is not crossed.

Ans: (c)

(RTP MAY'21)

Question 5

Mr. X of Haryana intends to start business of supply of building material to various construction sites in Haryana. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer suo-motu cancelled the registration of Mr. X. You are required to examine whether the action taken by proper officer is valid in law?

Mr. X has applied for revocation of cancellation of registration after 40 days from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. However, Mr. X contends that the period of submission of application may be extended on sufficient grounds being shown. You are required to comment upon the validity of contentions raised by Department and Mr. X.

Answer:

As per **section 29** of the CGST Act, 2017, the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where, -

- (a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or
- (b) a person paying tax under composition scheme has not furnished returns for three consecutive tax periods; or
- (c) any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months; or
- (d) any person who has taken voluntary registration under sub-**section (3)** of **section 25** has not commenced business within six months from the date of registration; or
- (e) registration has been obtained by means of fraud, wilful misstatement, or suppression of facts:

Thus, in view of the above-mentioned provisions, suo-motu cancellation of registration of Mr. X by proper officer is valid in law since Mr. X, a voluntarily registered person, has not commenced his business within 6 months from the date of registration.

Further, where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation to such proper officer, within 30 days from the date of service of the order of cancellation of registration.

However, the said period of 30 days may, on sufficient cause being shown and for reasons to be recorded in writing, be extended for a period not exceeding 30 days by Additional/Joint Commissioner and by further period not exceeding 30 days by Commissioner.

Thus, considering the above provisions, the contention of Department is not valid in law as extension can be sought in the prescribed time limit for revocation of cancellation of registration. The contention raised by Mr. X is valid in law as extension in time limit is allowed on sufficient cause being shown and for reasons to be recorded in writing.

(RTP MAY'22)

Question 6

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

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

Answer:

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

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

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

- (i) The benefit of enhanced threshold limit of registration of ₹ 40 lakh is not applicable for Rudra brothers even though it is exclusively engaged in intra-State taxable supply of goods in Delhi as it is engaged in making supplies of building bricks. Thus, the applicable threshold limit for registration for Rudra Builders in the given case is ₹ 20 lakh. Thus, it is liable to get registered under GST as its turnover is more than the threshold limit.
- (ii) Heera could have been eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Heera is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to ₹ 10 lakh. Thus, Heera is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States. (RTP NOV'22)

Question 7

“Aadhaar authentication is not required for persons who are already registered under GST.” Examine and discuss the correctness of the statement. You are required to elaborate the relevant legal provisions.

Answer:

The given statement is incorrect. Aadhaar authentication has been made mandatory for the new registrants as well as for the existing registrants. With regard to existing registrants, **section 25(6A)** of the CGST Act, 2017 stipulates that every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in the prescribed form, manner and time. New rule 10B of the CGST Rules, 2017 prescribes the manner in which aadhaar authentication needs to be done by a registered person.

A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

- Proprietor, in the case of proprietorship firm,
- Any partner, in the case of a partnership firm,
- Karta, in the case of a Hindu undivided family,
- Managing director or any whole-time director, in the case of a company,

- Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or
- Trustee in the Board of Trustees, in the case of a Trust; and of the Authorized Signatory, in order to be eligible for the following purposes:
 - ✓ for filing of application for revocation of cancellation of registration [Rule 23]
 - ✓ for filing of refund application in Form RFD-01 [Rule 89]
 - ✓ for refund of the IGST paid on goods exported out of India [Rule 96]

First proviso to **section 25(6A)** of the CGST Act, 2017 provides that if an Aadhaar number is not assigned to an existing registered person, such person shall be offered alternate and viable means of identification in the prescribed manner. Such manner has been prescribed by rule 10B of the CGST Rules, 2017 as follows:

If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely: –

- (a) his/ her Aadhaar Enrolment ID slip; and
- (b) (i) Bank passbook with photograph; or
(ii) Voter identity card issued by the Election Commission of India; or
(iii) Passport; or
(iv) Driving license issued by the Licensing Authority

However, once Aadhaar number is allotted to such person, he shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

The afore-said rule 10B shall not be applicable to persons notified under **section 25(6D)** of the CGST Act, 2017, i.e. to persons exempt from aadhaar authentication.

(RTP NOV'22)

Question 8

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

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

Answer:

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

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

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

- (i) The benefit of enhanced threshold limit of registration of ₹ 40 lakh is not applicable for Rudra brothers even though it is exclusively engaged in intra-State taxable supply of goods in Delhi as it is engaged in making supplies of building bricks. Thus, the applicable threshold limit for registration for Rudra Builders in the given case is ₹ 20 lakh. Thus, it is liable to get registered under GST as its turnover is more than the threshold limit.
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Question 9

“Aadhaar authentication is not required for persons who are already registered under GST.” Examine and discuss the correctness of the statement. You are required to elaborate the relevant legal provisions.

Answer:

The given statement is incorrect. Aadhaar authentication has been made mandatory for the new registrants as well as for the existing registrants. With regard to existing registrants, section 25(6A) of the CGST Act, 2017 stipulates that every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in the prescribed form, manner and time. New rule 10B of the CGST Rules, 2017 prescribes the manner in which aadhaar authentication needs to be done by a registered person.

A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

- Proprietor, in the case of proprietorship firm,
- Any partner, in the case of a partnership firm,
- Karta, in the case of a Hindu undivided family,
- Managing director or any whole-time director, in the case of a company,
- Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or
- Trustee in the Board of Trustees, in the case of a Trust;

and of the Authorized Signatory,

in order to be eligible for the following purposes:

- for filing of application for revocation of cancellation of registration [Rule 23]
- for filing of refund application in Form RFD-01 [Rule 89]
- for refund of the IGST paid on goods exported out of India [Rule 96]

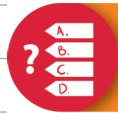
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If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely:

- (a) his/ her Aadhaar Enrolment ID slip; and
- (b)
 - (i) Bank passbook with photograph; or
 - (ii) Voter identity card issued by the Election Commission of India; or
 - (iii) Passport; or
 - (iv) Driving license issued by the Licensing Authority

However, once Aadhaar number is allotted to such person, he shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

The afore-said rule 10B shall not be applicable to persons notified under section 25(6D) of the CGST Act, 2017, i.e. to persons exempt from aadhaar authentication.



**MULTIPLE CHOICE
QUESTIONS**

1. Which one of the following cannot be a reason for cancellation of registration?
 - (a) There is a change in the constitution of business from partnership firm to proprietorship.
 - (b) The business has been discontinued.
 - (c) A composition taxpayer has not furnished returns for three consecutive tax periods.
 - (d) A registered person, other than composition taxpayer, has not furnished returns for three consecutive tax periods.

2. Mr. Champak, located in the State of Himachal Pradesh, a job worker, is engaged in providing job work services relating to silverware articles to his Principal, Mr. Mote Lal, in the State of Rajasthan.
The details of his turnover are as under:
 - a) For the period July, 2022 to March, 2023: Rs. 19,00,000/-.
Mr. Champak, has earned continuous rental income of Rs. 15,000/- per month from his residential flat in Delhi for nine months from July, 2022 to March, 2023.
He has also made wholly exempt supplies of handicraft items of Rs. 50,000/- during the period, December, 2022 to March, 2023.
Compute the aggregate turnover of Mr. Champak for the financial year 2022-23 under the CGST Act, 2017, and also state whether he is liable for registration under the Act or not.
 - a) Rs. 20,85,000/-; Liable for registration.
 - b) Rs. 20,35,000/-; Liable for registration.
 - c) Rs. 19,00,000/-; Not liable for registration.
 - d) Rs. 19,50,000/-; Liable for registration.

3. Mr. Natwarlal, a registered person under GST, was the proprietor of M/s. Spiceton Restaurant. He died and left behind his wife and son on 15-Aug-2023.
His son wants to continue the business of the deceased father.
The GST consultant of M/s. Spiceton Restaurant, gave the following advices to the son, how the son could continue the business of his deceased father.

Which of the following option is correct in accordance with the provisions of GST law?

- (a) The son should get himself registered under the name and style M/s. Spiceton Restaurant, under his own PAN and file Form ITC-02.
- (b) The son can get the authorized signatory changed by approaching to the Proper Officer and can continue the same business.
- (c) The son should close the old firm and start new business under different name.
- (d) The son should do the business as his mother as the new proprietor of the M/s. Spiceton Restaurant, and son should act as a Manager.

4. Mr. Manjot Singh Sidhu is a trader supplying goods from his firm M/s. Singh Traders. The office of the firm is located in Delhi whereas the godowns are located in the State of Uttar Pradesh, Punjab and Jammu & Kashmir (J & K).

M/s. Singh Traders made intra-State supplies from different States during the period from 1-Jul-2022 to 31-March-2023 as follows:

- (i) Delhi-Taxable supplies: Rs. 21,00,000/-.
- (ii) Punjab-Exempted supplies: Rs. 6,00,000/-.
- (iii) Uttar Pradesh-Taxable and exempted supplies: Rs. 3,00,000/- each respectively.
- (iv) J & K-Taxable and exempted supplies: Rs. 8,00,000/- and Rs. 3,00,000/- respectively.

Being a GST expert, Mr. Manjot Singh Sidhu seeks your advice to correctly ascertain the States in which he is required to take registration under GST:

- (a) Delhi, Punjab, Uttar Pradesh and J & K
- (b) Delhi, Uttar Pradesh and J & K
- (c) Delhi and Uttar Pradesh
- (d) Delhi

5. Kaushal Industries (P) Ltd. is an unregistered person having Head Office in Delhi. It has started supplying goods through e-commerce operator all over India. The turnover achieved by its two business verticals during financial year 2022-23 is as follows:

Turnover from first business vertical located in Delhi: Rs. 10,50,000.

Turnover from second business vertical located in Assam: Rs. 8,00,000

As a GST consultant of Kaushal Industries (P) Ltd., you are required to guide Mr. Kaushal, Director of Kaushal Industries (P) Ltd. as to which business vertical is liable to be registered under GST?

- (a) Delhi
- (b) Assam
- (c) Both
- (d) Registration not required

Answer:

1.	(d)	4.	(b)
2.	(a)	5.	(c)
3.	(a)		

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10 Tax Invoice, Debit Note and Credit Note

➤ Chapter Overview

- (1) Section 31: Tax Invoice
- (2) Section 34: Credit Note Debit Note
- (3) Manner of Issue of E-Invoice & Dynamic QR Code
- (4) Section 68 (Rule 138): E-way Bill
- (5) Classwork / Homework
- (6) MCQs

1. Time limit for issue of invoice – Section 31

Same as Chapter 5A Time of Supply

2. Manner of issuing an invoice – Rule 48

Case	Number of Copies
Goods	3 Copies – Original for recipient, Duplicate for Transporter and Triplicate for supplier
Services	2 Copies – Original for recipient, Duplicate for supplier

3. Particulars to be mentioned on the invoice – Rule 46

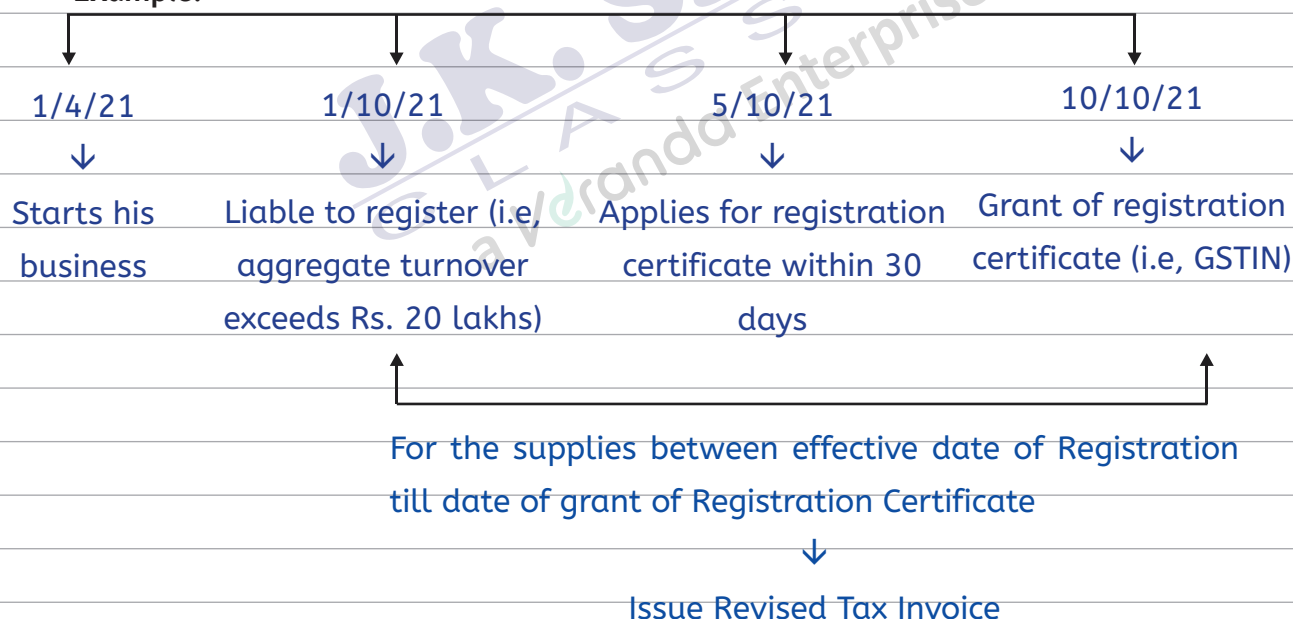
- 1) Name, add & GSTIN of Supplier
- 2) Date of Issue
- 3) Name, add, GSTIN/UIN of recipient (if he is registered)
- 4) Description of goods or Service
- 5) Qty in case of goods/Unique Qty Code
- 6) Total value, Taxable value & Rate of Tax
- 7) Amount of Tax, Place of supply, Add of delivery (if different than Place of supply)
- 8) whether it is under RCM.
- 9) Signature, digital signature (**not required incase of E-invoicing**)
- 10) Quick Response Code (IRN Embeded in it - in case of E-invoicing)
- 11) HSN Code - Harmonised System of Nomenclature
SAC Code- Service Accounting Code.

T/O PFY	No of Digits of HSN Code
ATO Upto 5cr	For B2B Supplies = 4 digit For B2C Supplies = 4 digit (Optional)
ATO > 5cr	For B2B & B2C = 6 digit

4. Revised Tax Invoice – Rule 53

- 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.
- There would be a time lag between date of grant of certificate of registration and the effective date of registration. For supplies made by such person during this intervening period, the law enables the issuance of a revised invoice can be issued within 1 month, so that ITC can be availed by the recipient on such supplies except for cases where revised invoice is due to **Section 74,129 & 130**.

Example:



- A registered person may issue a **Consolidated Revised Tax Invoice** in respect of all taxable supplies made to an unregistered recipient during such period. However, in case of inter-State supplies, a consolidated Revised Tax Invoice cannot be issued in respect of all unregistered recipients if the value of a supply exceeds 2,50,000.

5. Consolidated tax invoice – Rule 46

- A registered person may not issue a Tax Invoice if: (i) Value of the goods/services/ both supplied is less than 200, (ii) the recipient is unregistered; and (iii) the recipient does not require such invoice.
- Instead such registered person shall issue a **Consolidated Tax Invoice** for such supplies at the close of each day in respect of all such supplies.
- All the above provisions are also applicable to Bill of Supply.

Example :

Kiran & Co. a Printing & stationery dealer has given details for the day. You are required to determine for which all case he can issued consolidated Tax Invoice.

Sr. No.	Recipient of supply	Amount (₹)
1	CA Pravesh & Associates – registered dealer	199
2	Tisha – painter (Unregistered)	500
3	Bhavna orphanage – unregistered entity	389
4	Sneha & Co. an unregistered dealer	156
5	Pranay – student	188

Answer

Kiran & Co. is required to issue consolidated Tax Invoice for the supplies to Sneha & Co. & Pranay a student. As the amount of supply is less than 200, recipient is unregistered & recipient doesn't require the same (assumed).

However in supplies to CA Pravesh & Associates, Tisha & Bhavna Orphanage he will have to issue Tax Invoice separately as the all the conditions are not fulfilled.

6. Bill of Supply – Rule 49

- A registered person supplying exempted goods or services or both or paying tax under composition levy shall issue a bill of supply instead of a tax invoice.

7. Invoice cum Bill of Supply – Rule 49

- A registered person supplying exempted and taxable goods or services may issue an invoice cum bill of supply instead of a tax invoice and bill of supply separately.

8. Receipt Voucher – Rule 50

- A registered person shall, on receipt of advance payment with respect to any supply of goods or services or both, issue a Receipt Voucher evidencing receipt of such payment.
- Where at the time of receipt of advance, rate of tax/ nature of supply is not determinable:
 - Rate of tax would be – 18%
 - Nature of supply would be– inter-state supply (IGST)

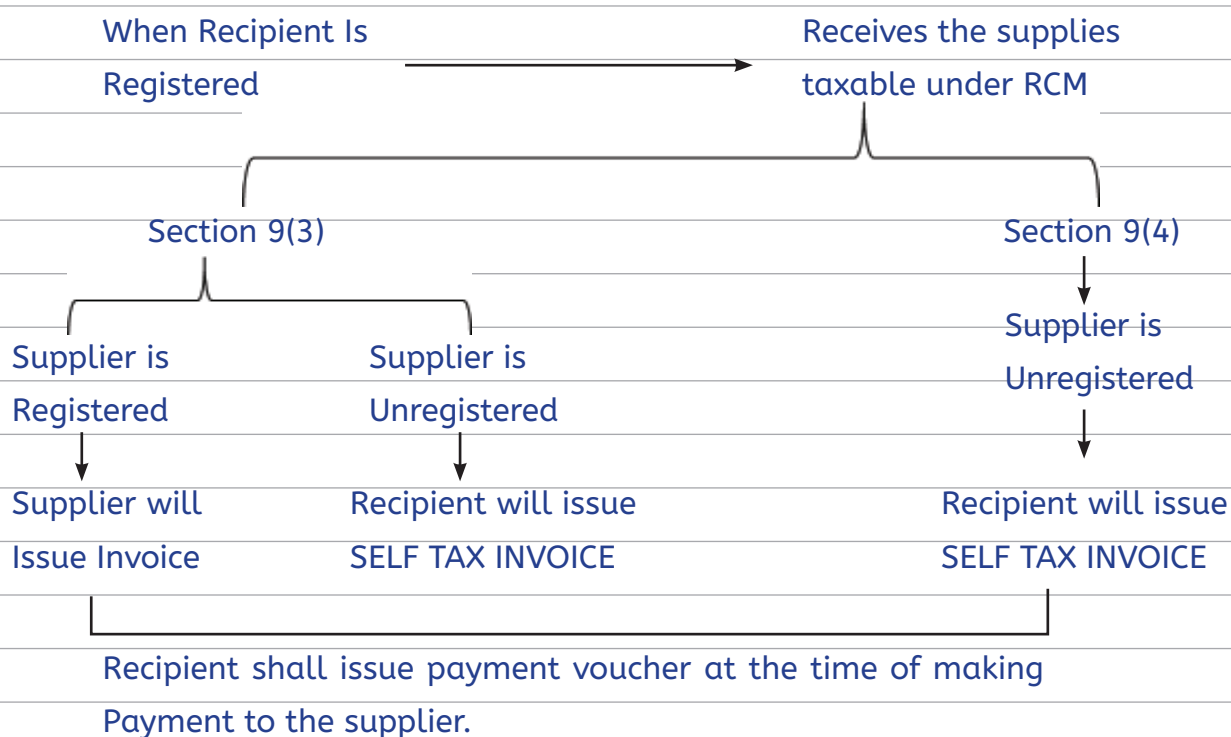
9. Refund Voucher – Rule 51

- 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.

10. Payment Voucher – Rule 52

- A registered person who is liable to pay tax under reverse charge [under section 9(3)/9(4) of the CGST Act] shall issue a Payment Voucher at the time of making payment to the supplier.

Invoice and Payment Voucher for RCM - Summary



11. Suppliers permitted to issue any other document – Rule 54

Supplier	Optional information	Mandatory Information
Insurer/ Banking Company including NBFC	Serial Number and Address of recipient	Other information's to be mentioned – Optional for these entities to issue invoice for every transaction. They can issue consolidated invoice for a month per customer.
Goods Transport Agency		Gross weight, Name of consignor and consignee, Registration number of carriage, Details of goods, place of origin and destination, GSTIN of the person liable to pay tax.
Supplier of passenger transportation	Serial Number and Address of recipient	Tax invoice shall include ticket in any form, by whatever name called.
A registered person supplying services by way of admission to exhibition of cinematograph films in multiplex screens.		Issue an electronic ticket and the said electronic ticket shall be deemed to be a tax invoice for all purposes of the Act, <u>even if such ticket does not contain the details of the recipient of service</u> but contains the other information.

Note: An insurer or banking company or other financial institution or telecom operator or any other class of notified supplier of service can raise a single invoice per quarter for transactions between distinct persons.

12. Delivery Challan – Rule 55

- Rule 55 specifies the cases where at the time of removal of goods, goods may be removed on delivery challan and invoice may be issued after delivery.
 - Supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known;
 - Transportation of goods for job work;
 - Transportation of goods for reasons other than by way of supply;
 - Transportation of goods in semi knocked down or completely knocked down condition and invoice was issued before dispatch of first consignment;
 - Such other supplies as may be notified by Board;

13. Section 31A – Facility for digital payment to recipient

- The Government may, on the recommendations of the Council, prescribe a class of registered persons who shall provide prescribed modes of electronic payment to the recipient of supply of goods or services or both made by him and give option to such recipient to make payment accordingly, in such manner and subject to such conditions and restrictions, as may be prescribed.

14. Credit Note and Debit Note – Section 34

- **Credit Note:** Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, 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.

- **Reasons for Credit Note issued by Supplier**

- Taxable value in invoice is more than Taxable value in respect of such supply;
- Tax charged in invoice is more than Tax payable in respect of such supply;
- Where the goods supplied are returned by the recipient;
- Where goods or services or both are found to be deficient.

- **Debit Note is** Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is less than taxable value or tax payable in respect of such supply.

Note: Last date to issue Credit note is

30th day of November following the financial year in which such invoice debit note pertains. OR

Actual date of filing annual returns for relevant FY

Whichever is earlier

15. Manner of issuing E-invoice - Rule 48(4)

- The e-invoice shall be prepared by notified class of registered persons, on the recommendation of GST Council, by including such particulars contained in Form GST INV-01 after obtaining an IRN (Invoice Reference Number) by uploading information contained therein on the prescribed electronic portal (Invoice Registration Portal – Eg: einvoice1.gst.gov.in).

- Every Invoice issued in any other manner shall not be treated as on invoice.
- The requirement of preparing the invoice in duplicate and triplicate in case of supply of services and goods does not apply to such e-invoice. Signature or digital signature is also not required for e-invoice. An e-invoice will have a **Quick Response Code (QR Code)** having embedded **IRN** in it.
- **Notified Persons:** E-invoicing is mandatory for the registered person whose aggregate turnover in any of the preceding financial year from 2017-18 exceeds **5 Crores** in case of B2B supplies and exports.
- E-invoice can be cancelled within 24 hours but any amendment is not permitted.
- **Exceptions:** However, irrespective of the turnover, e-invoicing shall not be applicable to the following categories of registered person:
 - SEZ Unit;
 - Insurer or a banking company or a financial institution, including a NBFC;
 - A Goods Transport Agency;
 - A registered person supplying passenger transportation service; and
 - A registered person supplying services by way of admission to the exhibition of cinematograph films in multiplex screens.
 - Government Department and Local Authority

Note: Any person whose aggregate turnover exceeds 10 crore in any of the preceding financial year from 2017-18 but is not required to issue e-invoice should mention the below declaration on every invoice issued by such person (Eg: Banks, Government Department, SEZ unit, etc.)

“I/We hereby declare that though our aggregate turnover in any preceding financial year from 2017-18 onwards is more than the aggregate turnover notified under rule 48(4), we are not required to prepare an invoice in terms of the provisions of the said sub-rule”

- **Circular No. 186/18/2022 GST dated 27.12.2022**
 - **Issue:** Whether the exemption from mandatory generation of e-invoices is available for the entity as whole, or whether the same is available only in respect of certain supplies made by the said entity?

- **Clarification:** It is hereby clarified that the said exemption from generation of e-invoices is for the entity as a whole and is not restricted by the nature of supply being made by the said entity.

- **Illustration:** A Banking Company providing banking services, may also be involved in making supply of some goods, including bullion. The said banking company is exempted from mandatory issuance of e-invoice for all supplies of goods and services and thus, will not be required to issue e-invoice with respect to any supply made by it.

16. Dynamic QR Code

- Any registered person whose aggregate turnover in **any** of the **preceding financial year** from 2017-18 **exceeds** 500 Crore is required to display a dynamic QR code on every B2C invoice. This Dynamic QR code should be such that a person can scan and pay electronically.

- The Dynamic QR code should capture details of invoice such as GSTIN, invoice value, GST, Bank details, UPI ID, etc. In this regard, CBIC has issued a detailed circular regarding various issues which was faced by the trade. This circular is given below

Circular No. 146/02/2021-GST - Dynamic Quick Response (QR) Code on B2C (Registered person to Customer) READ WITH Circular No. 156/12/2021

Sl. No.	Issue	Clarification
1.	Would this requirement of Dynamic QR Code on B2C invoices be applicable on invoices issued for supplies made for Exports?	<p>The notification is applicable to a tax invoice issued to an unregistered person by a registered person (B2C invoice) whose annual aggregate turnover exceeds 500 Cr in any of the financial years from 2017-18 onwards. However, the said notification is not applicable to an invoice issued in following cases:</p> <ol style="list-style-type: none"> i. Where the supplier of taxable service is: <ol style="list-style-type: none"> a. An insurer or a banking company or a financial institution, including a non-banking financial company; b. GTA in relation to transportation of goods by road in a goods carriage; c. Supplying passenger transportation service; d. Supplying services by way of admission to exhibition of cinematograph in films in multiplex screens ii. OIDAR supplies made by any registered person, who has obtained registration under section 14 of the IGST Act 2017, to an unregistered person. <p>As regards the supplies made for exports, though such supplies are made by a registered person to an unregistered person, however, as e-invoices are required to be issued in respect of supplies for exports, treating them as (B2B) supplies, and hence Dynamic QR Code will not be applicable to export invoices.</p>

<p>2.</p>	<p>What parameters/ details are required to be captured in the Quick Response (QR) Code?</p>	<p>Dynamic QR Code is required, inter-alia, to contain the following information: -</p> <ol style="list-style-type: none"> i. Supplier GSTIN number ii. Supplier UPI ID iii. Payee's Bank A/C number and IFSC iv. Invoice number & invoice date, v. Total Invoice Value and vi. GST amount along with breakup i.e. CGST, SGST, IGST, CESS, etc. <p>Further, Dynamic QR Code should be such that it can be scanned to make a digital payment.</p>
<p>3.</p>	<p>If a supplier provides/ displays Dynamic QR Code, but the customer opts to make payment without using it, then will the cross reference of such payment, made, be considered as compliance of Dynamic QR Code on the invoice?</p>	<p>If the supplier has issued invoice having Dynamic QR Code for payment, the said invoice shall be deemed to have complied with Dynamic QR Code requirements.</p> <p>In cases where the supplier, has digitally displayed the Dynamic QR Code and the customer pays for the invoice: -</p> <ol style="list-style-type: none"> i. Using any mode like UPI, credit/ debit card or online banking or cash or combination of various modes of payment, with or without using Dynamic QR Code, and the supplier provides a cross reference of the payment (transaction id along with date, time and amount of payment, mode of payment like UPI, Credit card, Debit card, online banking etc.) on the invoice; or ii. In cash, without using Dynamic QR Code and the supplier provides a cross reference of the amount paid in cash, along with date of such payment on the invoice; <p>The said invoice shall be deemed to have complied with the requirement of having Dynamic QR Code.</p>

4.	If the supplier makes available to customers an electronic mode of payment like UPI Collect, UPI Intent, etc, through mobile applications or computer-based applications, where though Dynamic QR Code is not displayed, but the details of merchant & transaction are displayed/ captured otherwise, how can the requirement of Dynamic QR Code as per the notification be complied with?	In such cases, if the cross reference of the payment made using such electronic modes of payment is made on the invoice, the invoice shall be deemed to comply with the requirement of Dynamic QR Code. However, if payment is made after generation / issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.
5.	Is generation/ printing of Dynamic QR Code on B2C invoices mandatory for pre- paid invoices i.e. where payment has been made before issuance of the invoice?	If cross reference of the payment received either through electronic mode or through cash or combination thereof is made on the invoice, then the invoice would be deemed to have complied with the requirement of Dynamic QR Code.
6	Whether Dynamic QR Code is to be provided on an invoice, issued to a person, who has obtained a Unique Identity Number as per the provisions of Sub- Section 9 of Section 25 of CGST Act 2017?	Any person, who has obtained a Unique Identity Number (UIN) as per the provisions of Sub-Section 9 of Section 25 of CGST Act 2017, is not a “registered person” as per the definition of registered person provided in section 2(94) of the CGST Act 2017. Therefore, any invoice, issued to such person having a UIN , shall be considered as invoice issued for a B2C supply and shall be required to comply with the requirement of Dynamic QR Code.
7	UPI ID is linked to the bank account of the payee/ person collecting money. Whether bank account and IFSC details also need to be provided separately in the Dynamic QR Code along with UPI ID?	Given that UPI ID is linked to a specific bank account of the payee/ person collecting money, separate details of bank account and IFSC may not be provided in the Dynamic QR Code.

8	<p>In cases where the payment is collected by some person other than the supplier (ECO or any other person authorized by the supplier on his/ her behalf), whether in such cases, in place of UPI ID of the supplier, the UPI ID of such person, who is authorized to collect the payment on behalf of the supplier, may be provided?</p>	<p>Yes. In such cases where the payment is collected by some person, authorized by the supplier on his/ her behalf, the UPI ID of such person may be provided in the Dynamic QR Code, instead of UPI ID of the supplier.</p>
9	<p>In cases, where receiver of services is located outside India, and payment is being received by the supplier of services in foreign exchange, through RBI approved modes of payment, but as per provisions of the IGST Act 2017, the place of supply of such services is in India, then such supply of services is not considered as export of services as per the IGST Act 2017; whether in such cases, the Dynamic QR Code is required on the invoice issued, for such supply of services, to such recipient located outside India?</p>	<p>No. Wherever an invoice is issued to a recipient located outside India, for supply of services, for which the place of supply is in India, as per the provisions of IGST Act 2017, and the payment is received by the supplier, in convertible foreign exchange or in Indian Rupees wherever permitted by the RBI, such invoice may be issued without having a Dynamic QR Code, as such dynamic QR code cannot be used by the recipient located outside India for making payment to the supplier.</p>

10	<p>In some instances of retail sales over the counter, the payment from the customer is received on the payment counter by displaying dynamic QR code on digital display, whereas the invoice, along with invoice number, is generated on the processing system being used by supplier/ merchant after receiving the payment. Whether in such cases, the order ID/ reference number of such transaction can be provided in the dynamic QR code displayed digitally, instead of invoice number.</p>	<p>In such cases, where the invoice number is not available at the time of digital display of dynamic QR code in case of over the counter sales and the invoice number and invoices are generated after receipt of payment, the unique order ID/ unique sales reference number, which is uniquely linked to the invoice issued for the said transaction, may be provided in the Dynamic QR Code for digital display, as long as the details of such unique order ID/ sales reference number linkage with the invoice are available on the processing system of the merchant/ supplier and the cross reference of such payment along with unique order ID/ sales reference number are also provided on the invoice.</p>
11	<p>When part-payment has already been received by the merchant/ supplier either in advance or by adjustment (e.g. using a voucher, discount coupon etc), before the dynamic QR Code is generated, what amount should be provided in the Dynamic QR Code for “invoice value”?</p>	<p>The purpose of dynamic QR Code is to enable the recipient/ customer to scan and pay the amount to be paid to the merchant/ supplier in respect of the said supply. When the part-payment for any supply has already been received from the customer/ recipient, in form of either advance or adjustment through voucher/ discount coupon etc., then the dynamic QR code may provide only the remaining amount payable by the customer/ recipient against “invoice value”. The details of total invoice value, along with details/ cross reference of the part payment/ advance/ adjustment done, and the remaining amount to be paid, should be provided on the invoice.</p>



Question 1

List any three situations that warrant issue of credit note. Briefly explain the time line to declare such credit note in the GST return.

(5 Marks)

Answer:

Situations that warrant the issue of credit note are as follows:

- The supplier has erroneously declared a value which is more than the actual value of the goods or services provided.
- The supplier has erroneously declared a higher tax rate than what is applicable for the kind of the goods or services or both supplied.
- The quantity received by the recipient is less than what has been declared in the tax invoice.
- The quality of the goods or services or both supplied is not to the satisfaction of the recipient thereby necessitating a partial or total reimbursement on the invoice value.

The details of credit note are declared in the GST return for the month during which such credit note has been issued but not later than:

- (i) September following the end of the financial year in which such supply was made.



Question 1

Utsav 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	1st August
2.	Turnover exceeds 10,00,000 on	15th August
3.	Turnover exceeds 20,00,000 on	5th September
4.	Application for registration made on	28th September
5.	Registration certificate granted on	6th 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** of the CGST Act, 2017. 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 Utsav 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, Utsav 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, Utsav 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.

(6 MARKS) (MTP MAR'22)

Question 2

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

- (i) Value of supply charged in invoice no. 1 was 1,50,000 against the actual taxable value of 1,30,000.
- (ii) Tax charged in invoice no. 4 was 42,000 against the actual tax liability of 78,000 due to wrong HSN code being chosen while issuing invoice.
- (iii) Value charged in invoice no. 8 was 3,50,000 as against the actual value of 4,50,000 due to wrong quantity considered while billing.

Namo & Co. asks you to answer the following:

- (1) Who shall issue a debit/credit note under CGST Act?
- (2) Whether debit note or credit note has to be issued in each of the above circumstances?
- (3) What is the maximum time-limit available for declaring the credit note in the GST Return?

Answer:

- (1) The debit/credit note shall be issued by the registered person who has supplied the goods and/or services, i.e. Namu & 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.

(4 MARKS) (MTP APRIL'22)

Question 3

Determine in which of the following independent cases, e-invoicing is applicable?

- (i) Harnam & Co., dealing in interior decoration products made supplies to various registered and unregistered persons in the preceding financial year. The aggregate turnover of Harnam & Co. in the preceding financial year is 60 crore.
- (ii) Rich & Poor Bank, registered under GST has an aggregate turnover of 75 crore in the preceding financial year.

Answer:

All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than 20 crore are required to issue e-invoices in respect of B2B supplies (supply of goods and/or services to a registered person).

Further, following entities are exempt from the mandatory requirement of e-invoicing:-

- (a) Special Economic Zone units
- (b) Insurer or banking company or financial institution including NBFC
- (c) GTA supplying services in relation to transportation of goods by road in a goods carriage
- (d) Supplier of passenger transportation service
- (e) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds 20 crore in the preceding financial year from 2017-18 onwards.

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

- (i) The aggregate turnover of Harnam & Co. exceeds the threshold limit of aggregate turnover applicable for e-invoicing. Thus, Harnam & Co. is mandatorily required to issue e-invoices in respect of supplies made to registered persons.
- (ii) Banking company is specifically exempt from mandatory requirement of e-invoicing even if the turnover exceeds 20 crore in the preceding financial year. Thus, e-invoicing is not applicable to Rich & Poor Bank. **(RTP NOV'21)**

Question 4

Ministry of Communications and Information Technology, a Government Department registered under GST has an aggregate turnover of 52 crore in the preceding financial year. You are required to comment whether Ministry of Communications and Information Technology is required to issue e-invoices in the current financial year?

Answer:

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

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

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds 20 crore in the preceding financial year from 2017-18 onwards.

Thus, Ministry of Communications and Information Technology, being a Government Department is not required to issue e-invoices in the current financial year even if its aggregate turnover has exceeded 20 crore. **(RTP NOV'22)**

Question 5

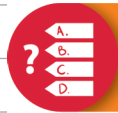
- (a) Fashion Queen Ltd., registered under GST and dealing in baby products has an aggregate turnover of 40 crore in the preceding financial year. The tax consultant of Fashion Queen Ltd. advised it to issue e-invoices mandatorily. However, Fashion Queen Ltd. is of the view that since its aggregate turnover is less than the threshold limit applicable for e-invoicing, it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.
- (b) Ministry of Communications and Information Technology, a Government Department registered under GST has an aggregate turnover of 52 crore in the preceding financial year. You are required to comment whether Ministry of Communications and Information Technology is required to issue e-invoices in the current financial year?

Answer:

- (a) With effect from 01.04.2022, e-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than 20 crore, in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports. Thus, the advice given by tax consultant of Fashion Queen Ltd. for issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Fashion Queen Ltd. has exceeded the threshold limit i.e. 20 crore in the preceding financial year.

- (b) Following entities are exempt from the mandatory requirement of e-invoicing:
- Special Economic Zone units
 - Insurer or banking company or financial institution including NBFC
 - GTA supplying services in relation to transportation of goods by road in a goods carriage
 - Supplier of passenger transportation service
 - Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
 - Government Department and a local authority

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds 20 crore in the preceding financial year from 2017-18 onwards. Thus, Ministry of Communications and Information Technology, being a Government Department is not required to issue e-invoices in the current financial year even if it's aggregate turnover has exceeded 20 crore.



**MULTIPLE CHOICE
QUESTIONS**

1.

Which of the following statements is correct in respect of supply of goods received by the firm which are taxable under reverse charge?

- (i) Firm shall issue a payment voucher at the time of making payment to supplier.
- (ii) Firm shall issue invoice for supply of goods.
- (iii) Firm shall issue receipt voucher at the time of making payment to supplier.
- (iv) Firm is not required to issue any document in respect of such supply.

- (a) i
- (b) i & ii
- (c) ii & iii
- (d) iv

(RTP MAY'21)

2. What document shall a person under composition scheme issue to its customer?

- a. Bill of supply
- b. Tax invoice
- c. Invoice
- d. Payment Voucher

3. Avtaar Enterprises, Kanpur started trading in ayurvedic medicines from July 1, 20XX. Its turnover exceeded Rs. 20 lakh on October 3, 20XX. The firm applied for registration on October 31, 20XX and was issued registration certificate on November 5, 20XX. Can any revised invoice be issued in the given scenario? If the answer to the first question is in affirmative, determine the period for which the revised invoices can be issued as also the last date up to which the same can be issued.

- (a) Revised invoice cannot be issued in the given case.
- (b) Revised invoices can be issued for supplies made between October 3, 20XX and November 5, 20XX. Further, the revised invoices can be issued for the said period till December 5, 20XX.
- (c) Revised invoices can be issued for supplies made between October 31, 20XX and November 5, 20XX. Further, the revised invoices can be issued for the said period till December 31, 20XX.
- (d) Revised invoices can be issued for supplies made between July 1, 20XX and November 5, 20XX.

Further, the revised invoices can be issued for the said period till December 31, 20XX.

Answer:

1.	(a)	2.	(a)	3.	(b)
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11

ACCOUNTS & RECORDS

1. Introduction

- Chapter VIII – This chapter [Sections 35 and 36] enumerates accounts and records required to be maintained by a taxpayer and period for which they are required to be preserved.

2. Section 35 read with CGST Rules, 2017

- **Every registered person** shall keep and maintain his books of accounts at his **principal place of business** and books of account relating to additional place of business.
- **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.**
- Unless proved otherwise, if any documents, registers, or any books of account belonging to a registered person are found at any premises other than those mentioned in the certificate of registration, they shall be **presumed** to be **maintained** by the said registered person.
- **Accounts and records required to be maintained** – A true and correct account of the **following**: Production or manufacture of goods, inward and outward supply of goods or services or both, stock of goods, ITC, output tax payable and paid and **other particulars** as may be **prescribed**.²
- **Records not required by composition dealer – Stock of goods, Details of tax.**
- **Records to be maintained by agent** – particulars of authorization received by him from each principal, particulars for goods received or supplied on behalf of principal, details of accounts furnished to every principal & tax paid on receipts or on supply effected on behalf of each principal.
- **Separate accounts for executing works contract** - The names and addresses of the persons on whose behalf the works contract is executed; **Description**, value and quantity (wherever applicable) of goods or services received for the execution of works contract; **Description**, value and quantity (wherever applicable) of goods or **services** utilized in the execution of works contract;

²**prescribed means** The goods/ services imported/exported, supplies attracting payment of tax under RCM along with all required documents and separate account for advances received, paid and adjustments. Names and complete addresses of suppliers from whom he has received goods or services chargeable to tax and details to whom he has supplied goods or services.

The details of payment received in respect of each works contract; and the names and addresses of suppliers from whom he received goods or services.

(a) Failure to maintain the accounts

- Where the registered person fails to account for the goods or services or both, PO shall determine the amount of tax payable on the goods or services or both that are **not accounted for**, as if such goods or services or both had been **supplied** by such person and the provisions of **section 73 or section 74**(Notice and Order), as the case may be, shall apply for determination of such tax.

(b) Records to be maintained by owner or operator of godown or warehouse and transporters

- Irrespective of whether he is a registered person or not, shall maintain records of the consignor, consignee and other relevant details of the goods in such manner as may be prescribed.
- Records to be maintained by an owner/operator of a warehouse/godown - Books of accounts with respect to the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt, and disposal of such goods.
- The owner or the operator of godown shall store goods in such manner that they can be identified item-wise & owner-wise to facilitate any physical verification or inspection by officer on demand.
- Registration: If such persons are not already registered, they shall obtain a unique enrolment number by applying electronically at the GST Common Portal.
- A transporter who is registered in more than one State or Union Territory having the same Permanent Account Number, he may apply for a unique common enrolment number by submitting the details in FORM GST ENR-02 using any one of his Goods and Services Tax Identification Numbers, and upon validation of the details furnished, a unique common enrolment number shall be generated and communicated to the said transporter.
- Records by a transporter - Records of goods transported, delivered & goods stored in transit by him along with GSTIN of the registered consignor and consignee for each of his branches.

(c) **Records may be in electronic form**

- The registered person may keep and maintain such accounts and other particulars in electronic form stored on any electronic device and record so maintained shall be authenticated by means of a digital signature.
- Proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within a reasonable period of time.
- Registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.

3. Section 36 – Period of retention of accounts

- Every registered person required to keep and maintain books of account or other records as per section 35(1), shall retain them **until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records.**
- **In case of Appeal or other proceedings:** A registered person, who is a **party** to an appeal or revision or any other proceedings **before** any Appellate Authority or Revisional Authority or Appellate Tribunal or Court, whether filed by him or by the Commissioner, or is under investigation for an offence, **shall retain** the **books** of account and other records pertaining to the subject matter of such proceedings for a **period of one year after** final disposal of such appeal or revision or proceedings or investigation, or **for the period specified above,** whichever is **later.**

12

E - Way Bill

1. Electronic way bill – Section 68 read with Rule 138, 138A, 138B, 138C, 138D & 138E

- The Government may require the person in charge of a conveyance carrying any consignment of goods of value exceeding such amount as may be specified to carry with him such documents and such devices as may be prescribed.
- Consequently, E-way Bills have been prescribed for such purpose.

1.1. Rule 138 – Information to be furnished prior to Commencement of movement of goods and generation of E-way bill

- Every registered person who causes movement of goods of value²¹ exceeding ₹ 50,000 shall before commencement furnish Part A of GST EWB-01. It is required in the following cases:
 - a. In relation to a supply;
 - b. For reasons other than supply;
 - c. Due to inward supply from an unregistered person (In this case, movement is deemed to be caused by the registered recipient);

Note 1: The Unique number generated after submitting Part A would be valid for 15 days for updating Part B.

Note 2: A transporter or E-commerce operator or a courier agency can also furnish the above details if they have the authorisation from the registered person.

Note 3: Mandatory E-way bill - The limit of ₹ 50,000 is not applicable in case of movement of goods from the principal in one state to the job worker in another state and handicraft goods from one state to another by a person who is exempted from registration u/s 24 of CGST Act.

- **Goods transported by road:** Where the goods are transported by the registered person as a consignor or consignee, whether in his own conveyance or a hired one or a public

conveyance, by road, the said person shall generate the e-way bill in FORM GST EWB-01 electronically on the common portal after furnishing information in Part B of FORM GST EWB-01.

- **Goods transported by road:** If the registered person has not generated the E-way bill and the goods are handed over to the transporter for transportation by road, the registered person shall furnish the information relating to the transporter on the common portal and the e-way bill shall be generated by the transporter on the said portal on the basis of the information furnished by the registered person in Part A of FORM GST EWB-01. Some key points are:
 - a. Consignment below ₹ 50,000 – E-way bill is optional. However, ~~if the consignments in a conveyance exceed ₹ 50,000 where the consignor or consignee have not generated E-way bill and it is an interstate supply,~~ then transporter has to generate E-way bill.
 - b. Movement by URP – E-way bill is optional for such URP
 - c. Part B is optional if the distance between the place of business of consignor and the place of business of transporter is upto 50 kms **within the state.**
- **Goods transported by railway, air or vessel:** E-way bill can be generated by the registered person by furnishing Part B of form GST EWB-01 before or after the commencement of movement. However, railways shall not deliver the goods unless E-way bill is produced at the time of delivery.

²¹Value shall be as per section 15 of CGST Act, 2017 **including** GST but **excludes** exempt supply.

- **Consolidated E-way bill:** The transporter may indicate serial number of e-way bills generated in respect of each such consignment electronically on common portal and a consolidated e-way bill in FORM GST EWB-02 maybe generated by him on said portal **prior to the movement of goods.**
- **E-way Bill Number:** Upon generation of the e-way bill on the common portal, a unique e-way bill number (EBN) shall be made available to the **supplier, the recipient and the transporter on the common portal.** Any acceptance or rejection should be made within 72 hours or delivery of goods, whichever is earlier. Otherwise, it is deemed to be accepted.

- **Cancellation of EBN:** Where an e-way bill has been generated under this rule, but goods are either not transported or are not transported as per the details furnished in the e-way bill, the e-way bill may be **cancelled** electronically on the common portal within **twenty four hours of generation** of the e-way bill. However, an e-way bill **cannot be cancelled** if it has been verified in transit in accordance with the provisions of rule 138B.
- **One conveyance to another:** If the goods are transferred from one conveyance to another, then the consignor or recipient or transporter shall before such transfer, update Part B of GST EWB-01. It is not required if the distance is upto 50 kms within the state.
- **One transporter to another:** The consignor or recipient or the transporter shall assign the EBN to another registered or enrolled transporter for updating Part B of GST EWB-01.

• **Validity of EWB Number**

Distance	Validity period
Upto 200 Kms	One day in cases other than over dimensional Cargo
For every 200 km. or part thereof thereafter	One additional day in cases other than over dimensional Cargo

Note 1: In case of Over Dimensional Cargo and Multi Modal transportation (at least one leg involves transport by ship) 200 Kms is replaced by 20 Kms.

Note 2: The count would start from midnight of the day on which the goods were transported. However, under circumstances of an exceptional nature, including trans-shipment, where the goods cannot be transported within the validity period of the e-way bill, the transporter may extend the validity period within 8 hours from the expiry of EWB after updating the details in Part B of FORM GST EWB-01, if required.

- **Exemptions from generation of E-way bill**
 - a. Where the goods being transported are specified in **Annexure²²**;
 - b. Where the goods are being transported by a **non-motorised conveyance**;

²²LPG, Kerosene (PDS), Postal baggage, precious stones, jewellery (except Imitation Jewellery), currency, used personal or household effect, Coral.

- c. In respect of movement of goods within such **areas** as are **notified**;
- d. Where the goods being transported are alcoholic liquor for human consumption, petroleum crude, high speed diesel, motor spirit (petrol), natural gas or aviation turbine fuel;
- e. Where supply of goods being transported is treated as no supply under Schedule III of Act;
- f. Where the goods being transported are transit cargo from or to Nepal or Bhutan;
- g. Where the goods being transported are exempt from tax;
- h. Any movement of goods caused by defence formation under Ministry of defence as a consignor or consignee;
- i. Where the consignor of goods is the Central Government, Government of any State or a local authority for transport of goods by rail;
- j. Where empty cargo containers are being transported; and
- k. Where the goods are being transported upto a distance of twenty kilometers from the place of the business of the consignor to a weighbridge for weighment or from the weighbridge back to the place of the business of the said consignor accompanied by a delivery challan.
- l. Empty cylinders for packing of LPG are being moved for reasons other than supply;**

1.2. Rule 138A – Documents and devices to be carried by person in charge of a conveyance

- The person in charge of a conveyance shall carry–
 - (a) The **invoice** or bill of supply or delivery challan, as the case may be; and
 - (b) A **copy** of the e-way bill in **physical form** or the **e-way bill number** in **electronic form** or mapped to a Radio Frequency Identification Device embedded on to the conveyance in such manner as may be notified by the Commissioner. **[(b) Not applicable for rail, air or vessel]**

1.3. Rule 138B – Verification of documents and conveyances

- The Commissioner or an officer empowered by him in this behalf may authorize the proper officer to intercept any conveyance to verify the e-way bill in physical or electronic form for all inter-State and intra-State movement of goods.
- The Commissioner shall get Radio Frequency Identification Device readers installed at places where the verification of movement of goods is required to be carried out and verification of movement of vehicles shall be done through such device readers where the e-way bill has been mapped with the said device.
- The **physical verification** of conveyances shall be carried out by the proper officer as authorised by the Commissioner or an officer empowered by him in this behalf: **Provided that on receipt of specific information on evasion of tax, physical verification of a specific conveyance can also be carried out by any other officer after obtaining necessary approval of the Commissioner or an officer authorised by him in this behalf.**

1.4. Rule 138C – Inspection and verification of goods

- A summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of FORM GST EWB-03 within twenty four hours of inspection and the final report in Part B of FORM GST EWB-03 shall be recorded within three days of such inspection.
- Provided that where the circumstances so warrant, the Commissioner, or any other officer authorised by him, may, on sufficient cause being shown, extend the time for recording of the final report in Part B of FORM EWB-03, for a further period not exceeding three days.
- Where the physical verification of goods being transported on any conveyance has been done during transit at one place within the State or Union territory or in any other State or Union territory, no further physical verification of the said conveyance shall be carried out again in the State or Union territory, unless a specific information relating to evasion of tax is made available subsequently.

1.5. Rule 138D – Facility for uploading information regarding detention of vehicle

- Where a vehicle has been intercepted and detained for a period exceeding thirty minutes, the transporter may upload the said information in FORM GST EWB-04 on the common portal.

1.6. Rule 138E – Restriction on furnishing information in Part A of GST EWB-01

- The following persons shall **not** be **allowed** to furnish information in Part A of Form GST EWB-01 in respect of their outward supply:
 - a. A person paying tax under **composition scheme** who has not furnished the statement of payment of self-assessed tax for **2 consecutive quarters** or
 - b. A person paying tax under **regular scheme** has not furnished the **return** for **2 consecutive tax period** or
 - c. A person paying tax under regular scheme has not furnished **GSTR 1** for **any 2 months or quarters**, as the case may be or
 - d. **A person whose registration is suspended**
- However, **Commissioner** may, on receipt of **application** from such person may **allow** him to furnish information upon **sufficient cause** being shown and make an order in **writing**. He shall not reject the application without giving an opportunity of being heard.

2. Press release on E-way bill – Bill to ship to transaction

- Bill-to-Ship-to model of supply which involves two transactions, only one e-way bill is to be generated –either by the person ordering goods to be sent to another or by the person actually sending the goods. (Press Release dated 23-4-2018)



Question 1:

“It is mandatory to furnish the details of conveyance in Part-B of E-way Bill.”

Comment on the validity of the above statement with reference to provisions of E-Way Bill under CGST Rules, 2017.

Answer:

The given statement is partially valid.

An e-way bill is valid for movement of goods by road only when the information in Part-B – which includes details of conveyance – is furnished.

However, the details of conveyance may not be furnished in Part-B of the e-way bill where the goods are transported for a distance of upto 50 km within the State/Union territory:

- (a) from the place of business of the consignor to the place of business of the transporter for further transportation or
- (b) from the place of business of the transporter finally to the place of business of the consignee.

(Suggested Nov'20)

Question 2:

- (i) What is 'e-invoicing'?
- (ii) What is the threshold limit for mandatory issuance of E-invoice for all registered businesses?
- (iii) A consignor hands over his goods for transportation on Friday to the transporter. However, assigned transporter starts the movement of goods from consigner's warehouse to its depot located at distance of 600 Km. on Monday.

When will the e-way bill be generated and for how many days it will be valid?

Answer:

- (i) E-invoicing is reporting of business to business (B2B) invoices to GST system for certain notified category of taxpayers.
- (ii) The threshold limit for mandatory issuance of e-invoice for all registered businesses is ₹ 20 crores.

(iii) E-way bill will be generated before commencement of movement of goods by transporter on Monday.

The validity period of the e-way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter.

Thus, validity period in the given case, is 3 days

(Suggested Dec'21)

Question 3:

Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter.

Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder.

Answer:

In the given scenario, only one e-way bill is required to be issued.

Part A can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorisation.

Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in Part A, or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in the e-way bill on the common portal in Part B.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, who has filled Part A of the e-way bill, or Mehta Transporter can, before the transfer and further movement of goods, update the details of conveyance in Part B of the e-way bill.

Further, the consignor or the recipient, who has furnished the information in Part A, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, or Mehta Transporter can assign the said e-way bill to Parikh Transporter who will thereafter update the details of conveyance in Part B.

However, upon updation of the details of the conveyance by Parikh transporter in Part B, Mr. Shah or recipient, as the case may be, who has furnished the information in Part A shall not be allowed to assign the e-way bill number to another transporter.

(Suggested Nov'19)

Question 4

“One consolidated e-way bill can be generated for multiple invoices”. Comment on the validity of the above statement with reference to GST law.

Answer:

The statement is invalid.

Multiple invoices cannot be clubbed to generate one e-way bill. If multiple invoices are issued by the supplier to recipient, for movement of such goods, multiple e-way bills have to be generated.

Thus, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved.

However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.

(Suggested May'22)

Question 5

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

(2 Marks)

Answer:

In the given case, consignment value of goods (including GST and excluding value of exempt supply) is ₹ 50,350 ($47,500 \times 106\%$).

Since there is a movement of goods of consignment value exceeding ₹ 50,000, M/s Sakura Enterprises is mandatorily required to issue e-way bill.



Homework

Question 1

Mr. Shambhu, a trader registered under GST in Delhi is engaged in wholesale business of toys for kids. Mr. Nandi registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Shambhu for selling to end consumers.

Mr. Shambhu paying tax in regular scheme in Delhi, has not filed GSTR-3B for last 2 months. Mr. Nandi wants to generate e-way bill for toys amounting to ₹ 5,00,000 to be supplied to Mr. Shambhu. Also Mr. Narayan from Jammu approached Mr. Shambhu for purchasing toys amounting to ₹ 75,000 for the purpose of return gift on his son's first birthday party. Shambhu wants to generate an e-way bill in respect of an outward supply of goods to Mr. Narayan.

Examine with reference to the provisions under GST law, whether Mr. Nandi and Mr. Shambhu can generate e-way bill?

Answer:

Rule 138E of the CGST Rules, 2017 contains provisions pertaining to blocking of e-way bill generation facility, i.e. disabling the generation of e-way bill.

A user will not be able to generate e-way bill for a GSTIN if the said GSTIN is not eligible for e-way bill generation as per rule 138E.

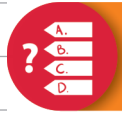
Rule 138E as amended vide Notification No. 15/2021 CT dated 18.05.2021 provides that blocking of GSTIN for e-way bill generation would only be for the defaulting supplier GSTIN and not for the defaulting Recipient or Transporter GSTIN.

In terms of rule 138E, a person paying tax under regular scheme who has not furnished the returns for a consecutive period of 2 tax periods is considered as a defaulting person. Suspended GSTIN cannot generate e-way bill as supplier. However, the suspended GSTIN can get the e-way bill generated as recipient or as transporter.

In other words, e-way bill generation facility is blocked only in respect of any outward movement of goods of the registered person who is not eligible for e-way bill generation as per rule 138E. E-way bills can be generated in respect of inward supplies of said registered person.

Thus, applying the above provisions, there will be no restriction in generating e-way Bill by Mr. Nandi as Mr. Nandi who is making outward movement of goods is a regular return filer. E-way bill generation is blocked in case of movement of goods made by Mr. Shambhu to Mr. Narayan as it's an outward movement of goods of Mr. Shambhu who has not filed GSTR-3B for past 2 months.

(RTP MAY'22)



**MULTIPLE CHOICE
QUESTIONS**

1.

ABC Ltd. generated e-way bill on 12th February at 14.00 hrs. It used over- dimensional cargo for a distance of 100 km. When the validity period of the e -way bill will expire?

- (a) Midnight of 13th-14th February
- (b) Midnight of 17th-18th February
- (c) At 14.00 hrs. of 13th February
- (d) At 14.00 hrs. of 14th February

(RTP NOV'21)

2.

Which of the following statements is correct in respect of e-way bill generated for goods in the month of February for which order was cancelled?

- (a) Once generated, e-way bill cannot be cancelled.
- (b) E-way bill can be cancelled within 24 hours of generation
- (c) E-way bill can be cancelled within 48 hours of generation
- (d) E-way bill can be cancelled within 72 hours of generation

(RTP MAY'22)

Answer:

1.	(b)	2.	(b)
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13

Payment of Tax

➤ Chapter Overview

- (1) Rule 86A: Conditions on use of amount available in E-credit ledger
- (2) Rule 86B: Restrictions on use of amount available in electronic credit ledger
- (3) Section 49: Payment of Tax
- (4) Section 50: Interest
- (5) Classwork & Homework

1. Definitions

- **Output tax** in relation to a taxable person, means the tax chargeable under this Act on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis.
- **Valid return means** a return furnished under **sub-section (1)** of **section 39** on which self-assessed tax has been paid in full.
- Common portal Identification Number (CPIN) is created for every Challan successfully generated by taxpayer. It is a 14-digit unique number to identify the challan & remains valid for a period of 15 days.
- **CIN** or Challan Identification Number is generated by banks, once payment in lieu of a generated Challan is successful. It is a 17-digit number that is 14-digit CPIN plus 3-digit Bank Code.
- Bank Reference Number (BRN) is a transaction number given by bank for payment against Challan.
- Where the bank fails to communicate details of Challan Identification Number to the common portal, the Electronic Cash Ledger may be updated on the basis of e-Scroll of the RBI in cases where the details of the said e-Scroll are in conformity with the details in challan generated in Form GST PMT-06 on the common portal.

2. Major and Minor Heads for payment

Major Heads	Minor Heads
IGST	Tax
CGST	Interest
SGST/ UTGST	Penalty
Compensation Cess	Fee
-----	Others

Note 1: Cross Utilization of Major Head and Minor Head is strictly prohibited.

Note 2: Cross Utilization within Minor head is also not allowed.

Example for Adjustment: An amount of ₹ 1,000 is available under S(Tax) and the taxpayer has a liability of ₹ 200 for S(Interest). Since, there is no amount available under S(Int), therefore, interest payment cannot be made from the amount available S(Tax). However, ₹ 200 can be transferred from S(tax) to S(Int) by filing form GST PMT-09 and then it can be utilised to pay the liability.

3. Payment of tax, interest, penalty and other amounts – Section 49 with the Rules

- **Credit to E Cash Ledger:** Every deposit made towards tax, interest, penalty, fee or any other amount by a person by internet banking or by using credit or debit cards or National Electronic Fund Transfer or Real Time Gross Settlement or by such other mode shall be credited to the electronic cash ledger.
- **Credit to E Credit Ledger:** The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger as provisional credit u/s 41.
- **What happens if the taxable person files the return but does not make payment of tax?**

Solution: In such cases, the return is not considered as a valid return. Section 2(117) defines a valid return to mean a return furnished under sub-section (1) of section 39 on which self-assessed tax has been paid in full. It is only the valid return that would be used for allowing input tax credit (ITC) to the recipient. In other words,

unless the supplier has paid the entire self-assessed tax and filed his return and the recipient has filed his return, the ITC of the recipient would not be confirmed.

- **Sequence to discharge tax and other dues:** Every taxable person shall discharge his tax and other dues under this Act or the rules made thereunder in the following order:
 - Self-assessed tax, and other dues²⁰ related to returns of **previous tax periods**;
 - Self-assessed tax, and other dues related to the return of the **current tax period**;
 - Any other amount payable under this Act or the rules made thereunder **including the demand** determined under **section 73** or **section 74**.
- **Date of Deposit:** The date of credit to the account of the Government in the authorised bank shall be deemed to be the date of deposit in the electronic cash ledger.
- **ONLY CASH PAYMENT** - TDS under **section 51**, or TCS under **section 52**, or the amount payable on reverse charge basis, or the amount payable under Composition Scheme, any amount payable towards interest, penalty, fee or any other amount under the Act shall be paid by debiting the electronic cash ledger.
- Payment challan to be generated online and will be valid for 15 days – Form **GST PMT – 06**.
- **Limit for Over the Counter Payment:** The limit for Over the Counter payment through authorised banks for deposits is up to ₹ 10,000 per challan per tax period, by cash, cheque or demand draft. However, the limit of ₹ 10,000 is not applicable to Government Departments or any other deposit to be made by persons as may be notified by the Commissioner in this behalf or deposit by proper officer in case of recovery by department.
- **The credit in E Credit ledger can be used to make payment of TAX ONLY and not for other amounts such as interest, penalty, fees etc.**
- **Clarifications regarding utilization of the amounts available in the electronic credit ledger and the electronic cash ledger for payment of tax and other liabilities** (Circular No. 172/04/2022 GST dated 06.07.2022)
Issue 1: Whether the amount available in the electronic credit ledger can be used for making payment of **any tax** under the GST Laws?

Clarification: It is clarified that any payment towards **output tax**, whether **self-assessed** in the return or **payable as a consequence of any proceeding instituted** under the provisions of GST laws, can be made by utilization of the amount available in the electronic credit ledger of a registered person **except** tax payable under RCM.

Issue 2: Whether the amount available in the electronic credit ledger can be used for making payment of **any liability other than tax** under the GST laws?

Clarification: As per section 49(4), the electronic credit ledger can be used for making payment of **output tax** only under the CGST Act or the IGST Act. It **cannot** be used for making payment of any interest, penalty, fees or any other amount payable under the said Acts. Similarly, electronic credit ledger cannot be used for payment of **erroneous refund** sanctioned to the taxpayer, where such **refund** was **sanctioned** in **cash**.

Issue 3: Whether the amount available in the electronic cash ledger can be used for making payment of any liability under the GST laws?

Clarification: As per section 49(3), the amount available in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the provisions of the GST laws.

4. Interest on delayed payment of tax – Section 50

Case	Interest
Delay in payment of tax, in full or in part within the prescribed period.	18% per annum from the date following the due date to the date of payment.
Where the ITC has been wrongly availed and utilised.	Interest not exceeding 24% p.a. as notified by Govt. The notified rate is 18% p.a.*

*Note - The interest shall be calculated on the amount of ITC wrongly availed and utilised, for the period starting from the date of the utilisation of such wrongly availed ITC till the date of reversal of such credit or payment of tax in respect of such amount. Further, an Explanation has been added to the said new Rule 88B to provide that

²⁰**Other dues means** interest, penalty, fee or any other amount payable under this Act or the rules under GST.

ITC availed shall be said to have been utilised, when the balance in the E-Credit Ledger falls below the amount of the ITC wrongly availed, and the extent of such utilisation of ITC shall be the amount by which the balance in the electronic credit ledger falls below the amount of the ITC wrongly availed. Further, the date of the utilisation of such ITC shall be taken to be the due date for filing return or the actual date of filing of the said return, whichever is earlier. In all other cases, the date of debit in the E-Credit ledger.

Note 1: Provided that the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date in accordance with the provisions of **section 39** shall be payable on that portion of the tax that is paid by debiting the electronic cash ledger.

However, this benefit will not be available where such return is furnished after commencement of any proceedings under **section 73** or **74** in respect of the said period.

Note 2: Payment of tax wrongly collected and paid due to wrong place of supply

Section 19 of IGST Act - In case a person has paid IGST instead of CGST+SGST, then he has to claim refund of IGST after payment of CGST+SGST. However, interest is not applicable on such payment due to wrong place of supply.

Same principle is applicable if C+S is paid instead of IGST in terms of **section 77** of CGST Act, 2017.



Question 1

PQR Ltd., have filed their GSTR-3B 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 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 GSTR-3B of October, 2020 which was filed on 20.11.2020.

- (i) Examine and compute the interest payable if any under the CGST Act, 2017.
- (ii) What would be your answer if, GSTR-3B for the month of August 2020 had been filed belatedly on 20.11.2020 as above.

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

Answer:

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:

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

(Suggested Dec'21)

Question 2

Pranesh has deposited a sum of ₹ 5,000 under the head of 'Fee' column of Cess and ₹ 4,000 was lying unutilized under the head of 'Penalty' column of IGST. Both the deposits were made wrongly instead of depositing under the head of Fee column under SGST.

In the light of the provisions of section 49(10) & 49(11) of the CGST Act, 2017, briefly explain the relevant provisions as how can Pranesh rectify these errors?

(3 Marks)

Answer:

A (registered person) is allowed to make intra-head or inter-head transfer of amount, as available in electronic cash ledger, using specified form.

It can transfer any amount of tax, interest, penalty, fee or others, under one (major or minor) head to another (major or minor) head, as available in the electronic cash ledger.

Therefore, in the given case, amount of ₹ 5,000 available under minor head 'fee' of major head 'cess' and ₹ 4,000 available under minor head 'penalty' of major head 'IGST' can be transferred to minor head 'fee' of major head 'SGST' using specified form.

Question 3

Rule 86B restricts the use of Input Tax Credit (ITC) available in the Electronic Credit Ledger for discharging output tax liability. List down the exceptions to the rule 86B.

(5 Marks)

Answer:

(a) Rule 86B of the CGST Rules, 2017 restricts the use of ITC available in the Electronic Credit Ledger for discharging output tax liability by a registered person. Exceptions to rule 86B are as follows:

- (1) Where the said person / proprietor / karta / managing director / any of its two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees, as the case may be, have paid more than ₹ 1 lakh as income tax in each of the last 2 financial years.
- (2) Where the registered person has received a refund of more than ₹ 1 lakh in the preceding FY on account of unutilised ITC in case of
 - (i) zero rated supplies made without payment of tax or
 - (ii) inverted duty structure.
- (3) Where the registered person has discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current FY.
- (4) Where the registered person is Government Department, Public Sector Undertaking, Local authority or Statutory body. Said restriction may be removed by Commissioner/ authorised officer after required verifications and safeguards.



Question 1

Mr. Piyush, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 2021 on 15th April, 2021. The prescribed due date to file the said GSTR 3B was 20th February, 2021. The amount of net GST payable, in Cash i.e. Electronic Cash Ledger on supplies made by him for the said month worked out to be ₹ 36,500 which was paid on 15th April, 2021. Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Piyush. Ignore the effect of leap year, if applicable in this case.

Answer:

Interest is payable in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax .

Thus, the amount of interest payable by Mr. Piyush is as under:-

Period of delay = 21st February, 2021 to 15th April, 2021 = 54 days

Hence, amount of interest = ₹ 36,500 × 18% × 54/365 = ₹ 972

(4 Marks) (MTP MAR'22)

Question 2

Suhasini is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid ₹ 75,000 to various vendors. Total GST involved on the goods and services procured by her is ₹ 13,500. Out of the total bills paid by her, one bill for ₹ 15,000 relates to security services availed for security of her office, tax on which is payable under reverse charge. GST involved in such bill is ₹ 2,700.

Suhasini is of the opinion that for the month of October, no GST is payable from electronic cash ledger as she has sufficient balance of ITC for payment of GST under reverse charge on security services.

Do you think Suhasini is right? Explain with reasons.

Answer:

The amount available in the electronic credit ledger, i.e. input tax credit may be used for making any payment towards output tax. Output tax, in relation to a taxable person, means the tax chargeable on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis.

Therefore, input tax credit cannot be used to pay the tax liability under reverse charge. The same is always required to be paid through electronic cash ledger and not electronic credit ledger. Thus, Suhasini is wrong and she should pay GST of ₹ 2,700 on security service through electronic cash ledger. **(RTP NOV'20)**

Question 3

Restrictions have been imposed on the use of amount available in the electronic credit ledger vide rule 86B of the CGST Rules, 2017. Is there any exceptions to rule 86B? If yes, state the exceptions.

Answer:

Restrictions have been imposed on the use of amount available in electronic credit ledger vide rule 86B of the CGST Rules, 2017. Yes, there are exceptions to rule 86B. The exceptions to rule 86B are as under:-

(i) Payment of Income Tax more than ₹ 1 lakh

Rule 86B may not apply in cases whereby person mentioned below have deposited sum of more than ₹ 1 lakh as income tax under the Income-tax Act, 1961 in each of the last 2 financial years for which the time limit to file return of income under **section 139(1)** of the said Act has expired

- The registered person or
- The karta/proprietor/the managing director of the registered person;
- Any of the two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees of the registered person, as the case may be.

(ii) Receipt of refund of input tax credit of more than ₹ 1 lakh

Rule 86B may not apply whereby registered person has received a refund amount of more than ₹ 1 lakh on account of unutilized input tax credit under the following:

- zero-rated supplies made without payment of tax
- Inverted duty structure

It is pertinent to note that refund should have been received in the preceding financial year.

(iii) Payment of total output tax liability through electronic cash ledger in excess of 1% of total output tax liability

If the registered person has paid more than 1% of total output tax liability using electronic cash ledger upto the said month in the current financial year, the restrictions as specified in Rule 86B shall not apply.

It is pertinent to note that GST liability paid under reverse charge mechanism should not be taken into account while calculating the total output liability paid through electronic cash ledger.

(RTP MAY'22)

14

TDS AND TCS

1. Tax deducted at Source (TDS): Section 51: Notified rate – CGST 1%, SGST 1% & IGST 2%

- **Difference between TDS & TCS:** TDS refers to the tax which is deducted when the recipient of goods or services makes some payments under a contract etc., while **TCS** refers to the tax which is collected by the **electronic commerce operator** when a supplier supplies some goods or services **through its portal and the payment for that supply is collected by the electronic commerce operator.**
- **Compulsory Registration:** Any person liable to deduct tax u/s 51 has to take registration u/s 24 and file TDS return (GSTR 7) on monthly basis by 10th of the following month. **Interest for delayed payment is at 18% p.a.**
- **Credited in E Cash Ledger:** The amount of tax deducted/collected is reflected in the Electronic Cash Ledger of the deductee/supplier respectively after validation by deductee/supplier.
- **Rate and Monetary Limit:** Where the total value of **taxable** goods or services, under a contract, **exceeds two lakh and fifty thousand rupees** (Excluding GST), then TDS is at the rate of 1%.
- **Example:** Suppose a supplier makes a supply worth ₹ 1000/- to a recipient and the GST at the rate of 18% is required to be paid. The recipient, **while making the payment** of Rs1000/- to the supplier, shall deduct 1% viz ₹ 10/- as TDS. The value for TDS purpose shall not include 18% GST. The TDS, so deducted, shall be deposited in the account of Government by 10th of the succeeding month. The TDS so deposited in the Government account shall be reflected in the electronic cash ledger of the supplier (i.e. deductee) who would be able to use the same for payment of tax or any other amount.
- **Persons required to deduct tax are given below:**
 - A department or establishment of the Central Government or State Government; or
 - local authority; or
 - Governmental agencies; or

- Such persons or category of persons as may be notified by the Government on the recommendations of the Council. The persons notified are:
 - Any authority or board set up by parliament.
 - Society set up by Central Government or State Government.
 - Public Sector Undertaking (PSU)

- **Exemptions from TDS – Following persons are not required to deduct tax:**
 - Ministry of Defence.
 - Transaction between two PSU.
 - Transaction amongst the persons required to deduct tax as specified above.

- **No deduction:** Deduction shall not be made if the **location of the supplier and the place of supply is in a State or Union territory which is different from the State/ Union territory of registration of the recipient.**

Example: Supplier as well as the place of supply are in State A and the recipient is located in State B. The supply would be intra-State supply and Central tax and State tax would be levied. In such case, transfer of TDS (Central tax + State tax of State B) to the cash ledger of the supplier (Central tax + State tax of State A) would be difficult. So, TDS would not be deducted.

- **Certificate of deduction:** A certificate of deduction shall be issued in the manner prescribed.

Example: Supplier makes a supply worth ₹ 20 lakh to a recipient and the GST at the rate of 18% is required to be paid. The recipient, while making the payment of ₹20 lakh to the supplier, shall deduct 2% [CGST 1% + SGST 1%] viz ₹ 4 lakh as TDS. The value for TDS purpose shall not include 18% GST. The TDS, so deducted, shall be deposited in the account of Government by 10th of the succeeding month. The TDS so deposited in the Government account shall be reflected in the electronic cash ledger of the supplier (i.e. deductee) who would be able to use the same for payment of tax or any other amount.

Identify TDS for a supplier in Delhi in the following cases in October 20XX

Sl No.	Particulars	Total contract value including GST @ 18% (₹)	Payment due in October, 20XX (₹)
(i)	Supply of stationery to Fisheries Department, Kolkata	2,60,000	15,000
(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)	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 ₹ 9,72,000, contract value for supply of books (exempt from GST) is ₹ 7,00,000 and for supply of printed post cards (taxable under GST) is ₹ 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

2. Collection of tax at source: Section 52: Notified rate – CGST 0.5%, SGST 0.5% & IGST 1%

- **Electronic Commerce means** the supply of goods or services or both, including digital products over digital or electronic network.

- **Electronic Commerce Operator means** any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.
- **Collection:** Every electronic commerce operator, not being an agent, shall collect an amount calculated at such rate not exceeding **one per cent** 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.**
- Net value of taxable supplies will be aggregate value of taxable supplies of goods or services less taxable supplies **returned** to suppliers and other than notified services under section 9(5) by all registered persons supplied through the E-Commerce Operator
Note: As per section 20 of IGST Act, the operator shall collect tax at such rate not exceeding two per cent, as may be notified on the recommendations of the Council
- **Compulsory Registration:** The e-commerce operator as well as the supplier supplying goods or services through an operator needs to compulsorily register under GST. If a person is applying for GST registration in a state for collecting TCS and he does not have any physical place of business in that state, even then he can apply for GST registration in that state.
- **Due Date:** TCS has to be paid by 10th of the next month. Otherwise interest at 18% p.a.
- **Monthly Statement:** Every operator who collects the TCS shall furnish a statement, electronically, **containing the details of outward supplies** of goods or services or both effected **through it including** the supplies of goods or services or both **returned through it**, and the amount collected, **within 10 days after end of such month.** (Extension can be notified by Commissioner)
- **Annual statement:** Every operator has to also furnish an annual statement for a financial year by **31st December after the end of the financial year.** (Extension can be notified by Commissioner)
- **Discovery of errors –** Any error can be rectified subject to payment of interest on TCS. However, it **cannot be changed after** the 30th November following the end of the financial year or the actual date of furnishing of the relevant annual statement, whichever is earlier.
- **Credit of TCS:** The supplier who has supplied the goods or services or both through the operator shall claim credit, in his electronic cash ledger, of the amount collected after validation.

- **Notice to ECO:** Any authority not below the rank of Deputy Commissioner may serve a notice, either before or during the course of any proceedings under this Act, **requiring the operator to furnish such details relating to:**
 - **Supplies** of goods or services or both effected through such operator during any period
 - **Stock** of goods held by the suppliers making supplies through such operator in the godowns or warehouses, managed by such operator **and** declared as additional places of business by such suppliers.

Time to Submit: Every operator on whom a notice has been served shall furnish the required information within 15 working days of the date of service of such notice.

Penalty: Any person who fails to furnish the information required by the notice served shall, without prejudice to any action that may be taken under section 122¹, be liable to a penalty which may extend to ₹ 25,000.
- Currently, services notified under section 9(5) of CGST Act, 2017 vide Notification No. 17/2017 CT (R) dated 28.06.2017/ Notification No. 14/2017 IT (R) dated 28.06.2017 as amended are given as below :
 - (a) services by way of transportation of passengers by a radio-taxi, motorcab, maxicab, motor cycle, omnibus or any other motor vehicle;
 - (b) services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under section 22(1) of the CGST Act.
 - (c) services by way of house-keeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under sub-section 22(1) of the CGST Act.
 - (d) supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises
- **Example -** 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? 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

¹section 122 means Penalty provision are dealt at CA Final Level

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.

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15

RETURN

➤ **Chapter Overview**

- (1) Section 37: Details of Outward Supply
- (2) Section 38: Details of Inward Supply
- (3) Section 39: Summary Return
- (4) Section 40: First Return
- (5) Section 44: Annual Return
- (6) Section 45: Final Return
- (7) Section 46: Notice to Defaulter
- (8) Section 47: Late Fees
- (9) Section 48: GSTP
- (10) Classwork & Homework
- (11) MCQs

Section 37 : Detain of outward supplies (From GSTR – 1)

- 1) Every Registered Person including CTP has to furnish details of outward supplies in Form GSTR – 1/ IFF & the due date as follows
 - a) Monthly Return Scheme – 11th of Next Month
 - b) QRMP Scheme – GSTR-1 = 13th of Next Month after the Quarter
– IFF = For 1st & 2nd Month = 13th of Next Month following the Quarter
- 2) Following person are not required to file GSTR 1/ IFF
 - i. input service distributor (ISD)
 - ii. non-resident taxable person
 - iii. person paying tax under composition scheme
 - iv. person deducting tax at source
 - v. person collecting tax at source i.e., e-commerce operator (ECO), not being an agent
 - vi. supplier of online information and database access or retrieval services (OIDAR) located in non-taxable territory and providing such services to non-taxable online recipient

- 3) **Extention:** Due date of GSTR 1 / IFF May be extended by Commissioner.
- 4) **Modification:** Modification can be done any no. of times before submitting the return
- 5) **Rectification:** Any error or omission in the returns be rectified in the month's Return in which the error is found.

The last date of rectification is

- 30th day of November following the end of the financial year to which such details pertain or
- Date of filing of the relevant annual return
Which is earlier

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.

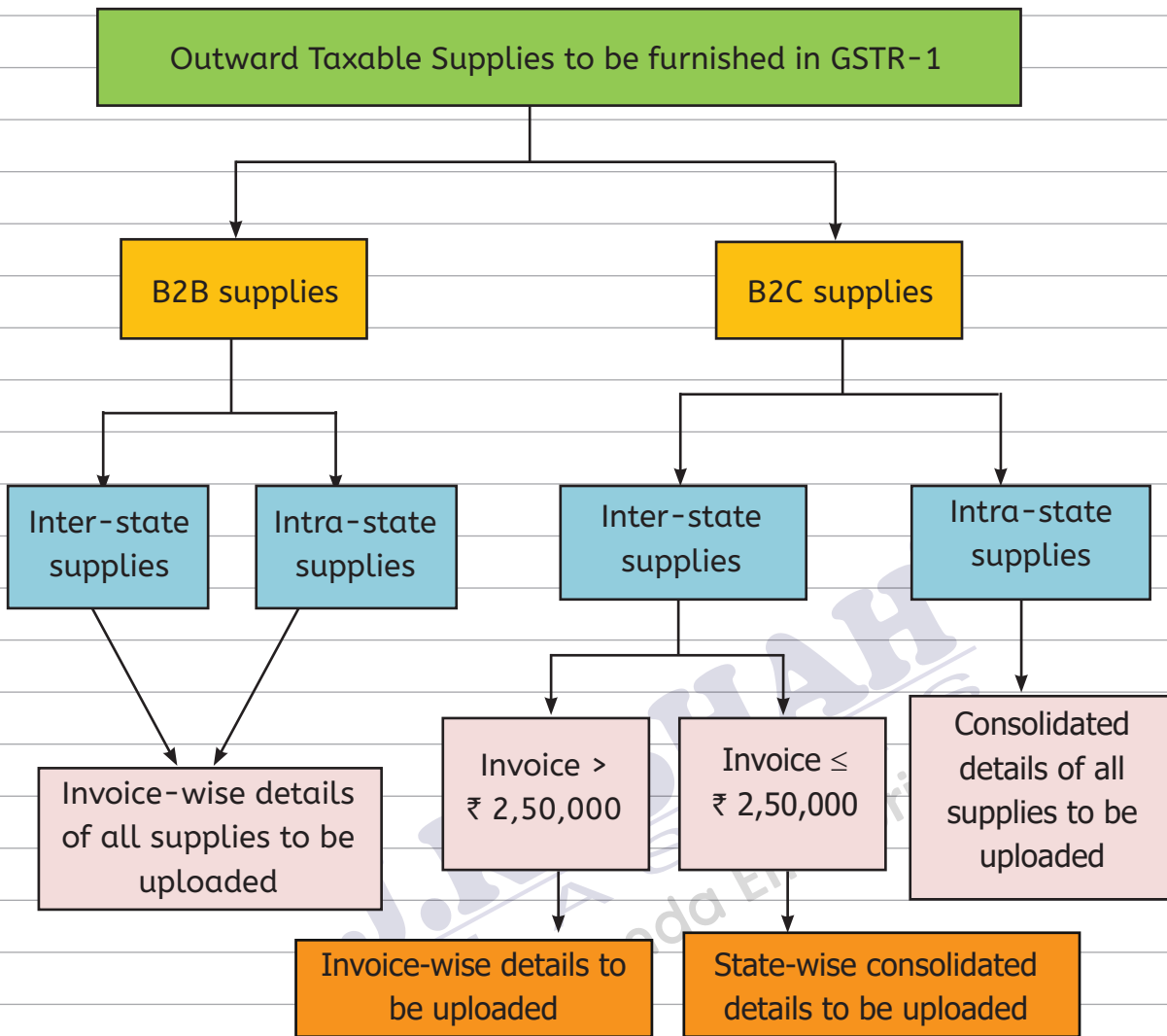
Note:

Can a Return be Revised?

No, Revision of return filed in not permitted.

- 6) **NIL Return:** If there is no outward supply in a tax period, then Nil Return has to be filed.
- 7) **GSTR – 1 cannot be filed before the end of a current tax period**
However in following circumstances one can do
 - a) CTP after last day of registration
 - b) Cancellation of Registration

8) Outward Taxable supplies to be furnished in GSTR -1



9) Indication of HSN details

Annual turnover in the preceding financial year	Number of Digits of HSN Code
Upto ₹ 5 core	For B2B supply - 4 For B2C supply - 4 (optional)
More than ₹ 5 crore	6

10) GSTR - 1/ IFF not permitted to be furnished: If

- i. Registered Person has not furnished GSTR- 3B for preceding month.
- ii. Registered Person opting for QRMP scheme has not furnished return in form GSTR - 3B for preceding tax period
- iii. Registered Person has not furnished GSTR - 1/ IFF for preceding tax period.

Rule 88C – Manner of dealing with difference in liability reported in statement of outward supply and in return

- If the tax payable by registered person as per GSTR 1/Invoice Furnishing Facility (IFF) in respect of a tax period, exceeds the amount of tax payable as per GSTR 3B for the said tax period, by such percentage and amount, as may be recommended by GST Council, the said registered person shall be intimated in form DRC-1B electronically on common portal and a copy will be sent to his registered email ID.
- The intimation will direct to either pay the liability along with interest u/s 50, through form DRC-03 or explain the difference within 7 days.
- The registered person shall either pay the liability or furnish a reply electronically on the common portal, giving reasons for the difference.
- Where the amount is not paid or the reply is not found to be acceptable by the proper officer, the said amount shall be recoverable in accordance with section 79.

Note - (Rule 59) - A registered person, to whom an intimation has been issued on the common portal under rule 88C in respect of a tax period, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in Form GSTR-1 or using the invoice furnishing facility for a subsequent tax period, unless he has either deposited the amount specified in the said intimation or has furnished a reply explaining the reasons for any amount remaining unpaid.

Section 38: Furnishing details of Inward supplies

- (1) The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.
- (2) The auto-generated statement under sub-section (1) shall consist of
 - (a) details of inward supplies in respect of which credit of input tax may be available to the recipient; and
 - (b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of section 37,

- (i) by any registered person within such period of taking registration as may be prescribed; or
- (ii) by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or
- (iii) by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or
- (iv) by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with clause (a), by such limit as may be prescribed; or
- (v) by any registered person, who has defaulted in discharging his tax liability in accordance with the provisions of sub-section (12) of section 49 subject to such conditions and restrictions as may be prescribed; or
- (vi) by such other class of persons as may be prescribed.

Form GSTR – 2B : An Auto-generated statement containing the details of eligible ITC is made available to recipient for every month. It is a static statement and is available only once a month on 14th day of relevant months.

Section 39: **Furnishing of Returns**

1) **GSTR 3B : Regular scheme**

i. **Monthly Filling scheme**

Every Registered person who is required to file GSTR – 1 has to file GSTR – 3B giving details of output tax, input tax, RCM Liabilities etc.

The due date is 20th of Next Month

➤ Monthly Return = 20th of next month

ii **QRMP Scheme: Quarterly Returns Monthly Scheme**

1) **Applicability**: Any person whose Aggregate Turnover of Preceding Financial year is upto 5 crore

2) **Due dates:**

- i) GSTR 1: 13th of Next Month following the quarter
- ii) GSTR-3B: 22nd/24th of the next Month following the quarter

3) **Payment of Tax**

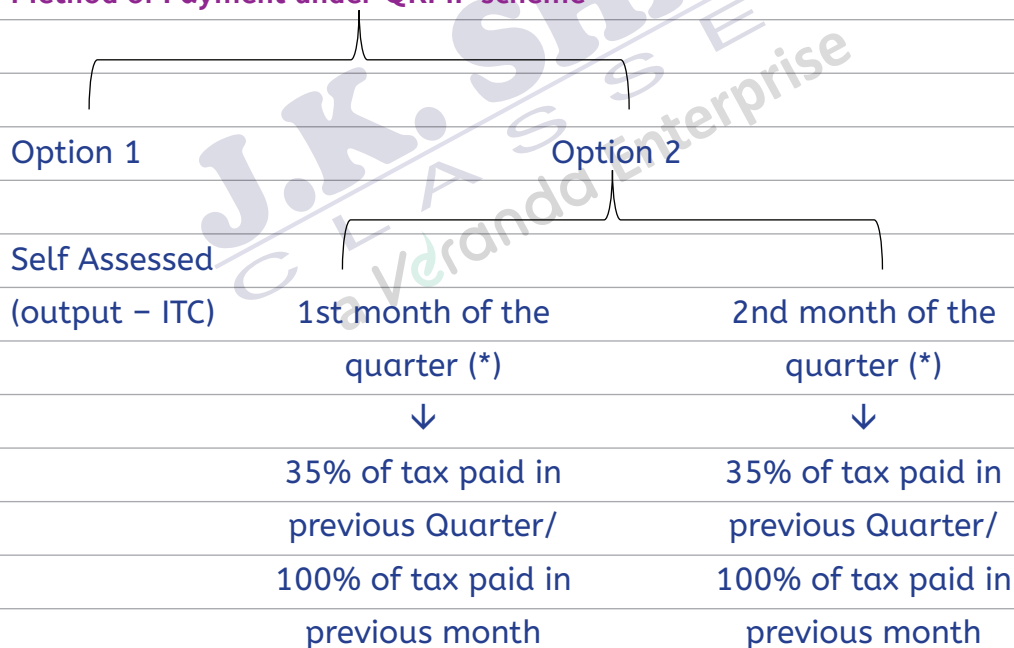
➤ QRMP Scheme:

- For 1st & 2nd month of the Quarter = 25th day of next month
- For 3rd month of the Quarter = 22nd /24th of next month following the quarter.

4) **IFF Facility:** (Invoice Furnishing Facility)

- i. **Applicability Optional = (Upto 50 Lakh each month)**
- ii. **Due date for 1st and 2nd month of quarter**
= 13th of next month

5) **Method of Payment under QRMP scheme**



- How to pay for 1st & 2nd month
 - Deposit in Electronic cash ledger
 - & adjust in the returns i.e. GSTR – 3B for the Quarter

*No Interest for short payment compared to actual tax of 1st & 2nd month of the Quarter

Note: Any short payment will be liable to interest u/s 50 @ 18% P.A.

6) **When to opt for QRMP scheme?**

One can opt for QRMP Scheme between 1st day of 2nd Month of previous Quarter till last day of 1st month of relevant Quarter

E.g.: CA Sahil & Co. wants to opt for QRMP scheme for the Quarter of April – June when can he opt?

Ans: He can select it between 1st Feb to 30th April.

7) **Can we shift between QRMP scheme to monthly scheme?**

Ans: Yes, it can be changed between the 1st day of 2nd month of previous Quarter till last day of 1st month of relevant Quarter

QRMP is available only upto 5cr in current year, then shift to monthly scheme from next Quarter

8) **Can QRMP scheme taken in one branch having same PAN & monthly in other?**

Ans: Yes

9) **Can we use money deposited in E – cash ledger in first 2 months for any other purpose.**

Ans: It is to be used only for Paying Quarterly Liability. But once GSTR – 3B is filed it can be used for any other payment

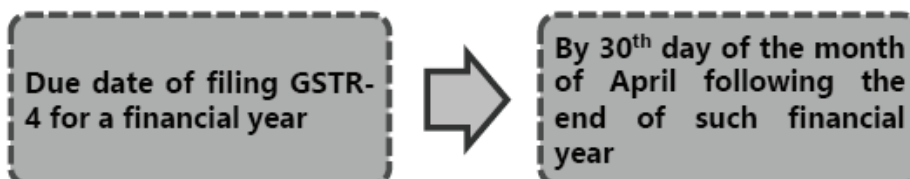
ii **GSTR 3B not permitted to be furnished :**

If registered person has not furnished GSTR 3B FOR preceding tax period.

2) **GSTR – 4: For Composition dealer u/s 10**

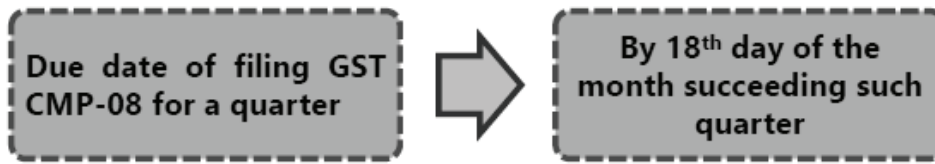
a) **Due date for filing GSTR-4 and Statement for payment of self-assessed tax**

GSTR-4 for a financial year should be furnished by 30th April of the succeeding financial year.

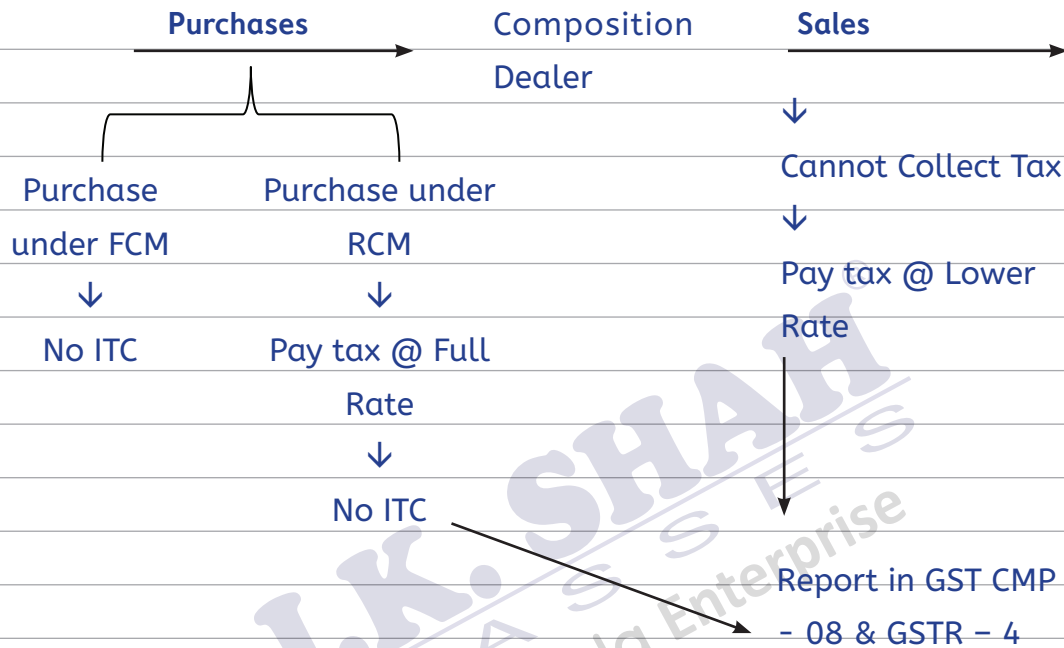


GST CMP-08 (quarterly statement for payment of self-assessed tax) should

be furnished by 18th day of the month succeeding such quarter.



b) Details to be Reported



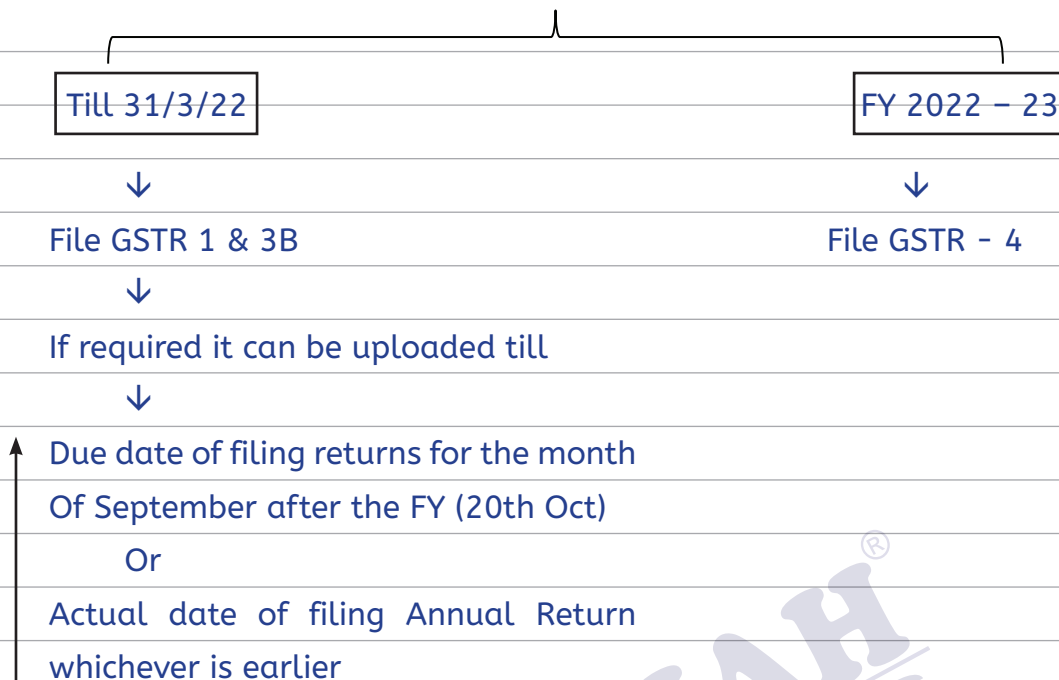
c) Composition Scheme → **Regular scheme**

Shifted on 15/10/22



d) **Regular scheme** → **Composition scheme**

Shifted on 1/4/22



3) **GSTR – 5: Non Resident Taxable Person (NRTP)**

Tax period : Monthly

Due Date: ↑ 13th of next month or
7 days after expiry of Registration certificate
whichever is earlier

4) **GSTR – 7: Return for Tax deducted at source**

Tax period : Monthly

Due Date: 10th of next month succeeding the calendar month

Note: The details of TDS will be available to supplier in his Electric cash ledger and he can utilise for payment of tax or any other liability

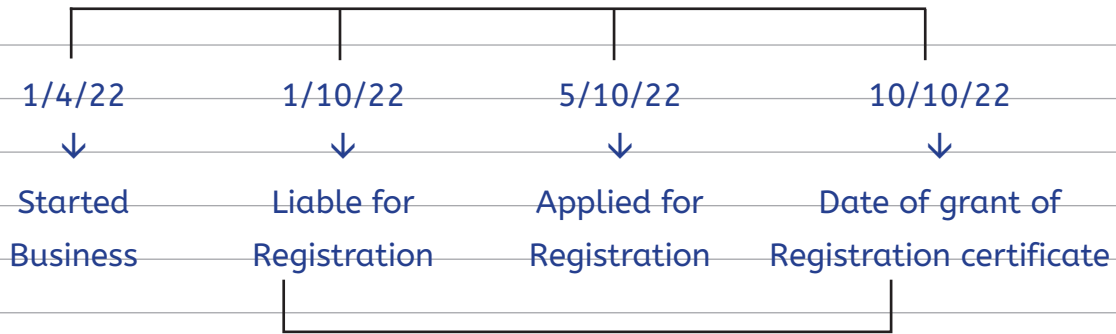
5) **GSTR – 8: Statement for Tax Collected at Source**

Tax period : Monthly

Due Date: 10th of next month succeeding the calendar month

Note: The details of TCS will be available to supplier in his Electric cash ledger and he can utilise for payment of tax or any other liability

Section 40: First Return



For the supplies between effective date of Registration till Date of grant of Registration certificate – Issue Revised Tax Invoice.



Furnish these invoice along with details of outward supply maid during said period in first Return.

Section 44: Annual Return

- 1) **Applicability:** Every Registered Person who required to File GSTR – 1 expect CTP.
- 2) **Form:** Form GSTR – 9/GSTR – 9A (For composition dealer)
- 3) **Due Date:** 31st December of Next financial Year.
- 4) Annual return not return by CG, SG, LA whose book are audited by C & AG.
- 5) A person whose Aggregate T/O exceeds 5 crore is required to submit reconciliation statement along with Annual Return
This statement is self-certified comparing Annual Return & Audited Financial statement
Form for Reconciliation → GSTR – 9C
- 6) Extension: by commissioner

Section 45: Final Return (GSTR – 10)

Applicability: Every person whose Registration has been cancelled or who has surrendered the Registration

Form: Form GSTR – 10

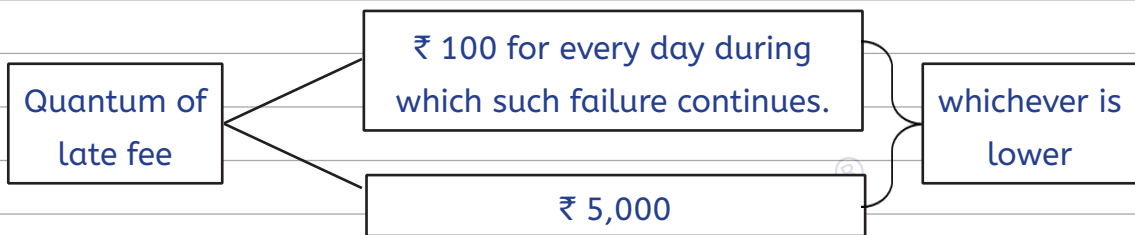
Due Date: 3 months from Date of cancellation
Or
3 months form Date of order of cancellation
whichever is LATER

Section 46: Notice to defaulter

Proper officer has the power to issue a notice to a person who has not filed his Return giving 15 days time to file Return (Notice to person u/s 39, 44,45)

Section 47: Late fees for delay in filing return

- (A) Statement of Outward Supplies [Section 37]
- (B) Returns (including returns under QRMP Scheme) [Section 39]
- (C) Final Return [Section 45]
- (D) TCS Statement [Section 52]



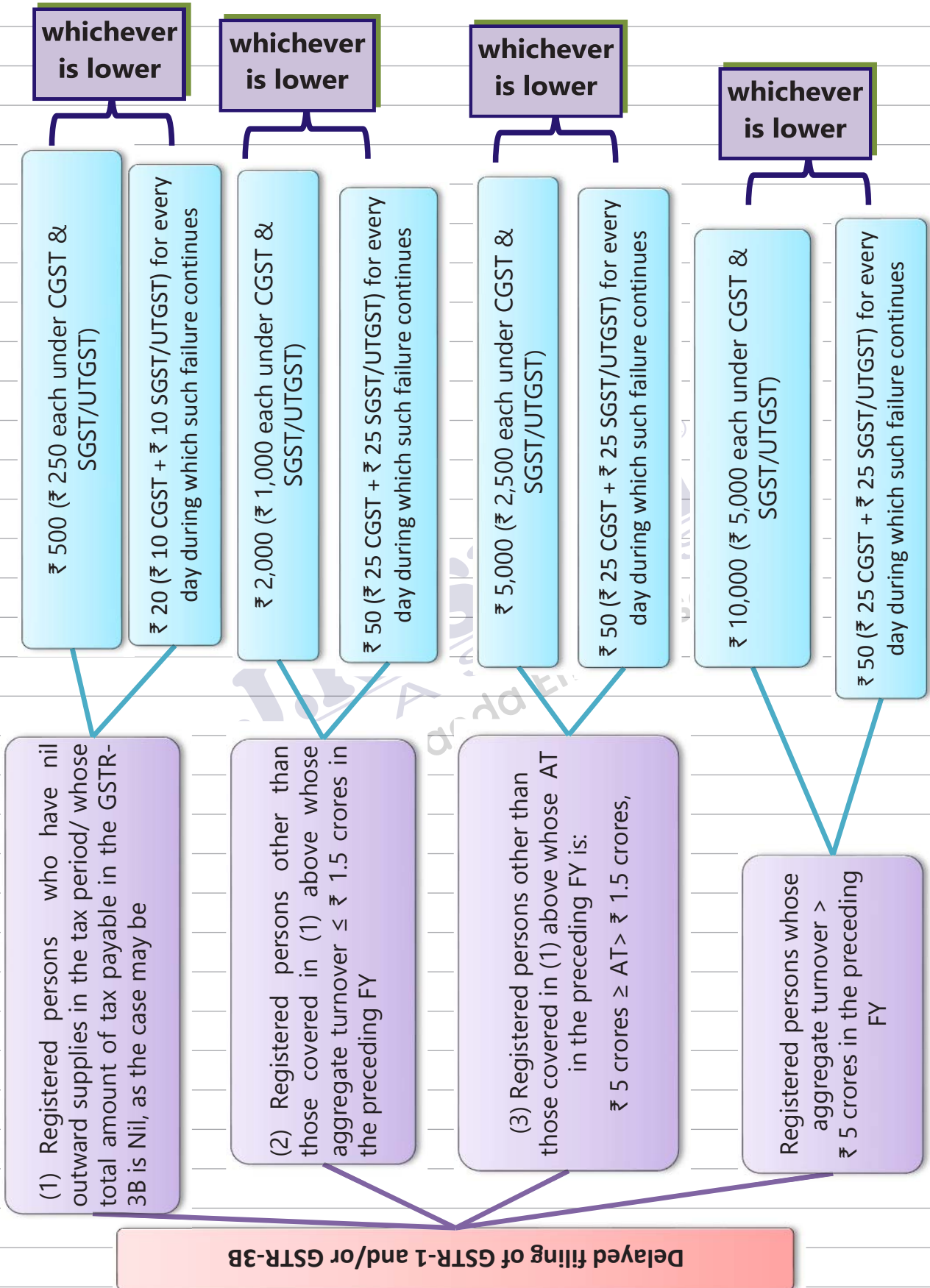
Note: It may be noted that the late fee payable by a registered person for delayed filing of a return and/or annual return under section 47 is with reference to only the CGST Act. An equal amount of late fee is payable by such person under the respective SGST/UTGST Act as well. Hence, the late fee amount mentioned herein pertains to both CGST as well as SGST/UTGST.

Rationalisation of late fees for delayed filing of Forms GSTR-1, GSTR-3B, GSTR-4, GSTR-7 and GSTR-9

The late fee can be waived off partially or fully by the Central Government [Section 128²¹]. In view of this, late fees for delayed filing of Forms GSTR-1, GSTR-3B, GSTR-4, GSTR-7 and GSTR-9 have been rationalized²² as follows:

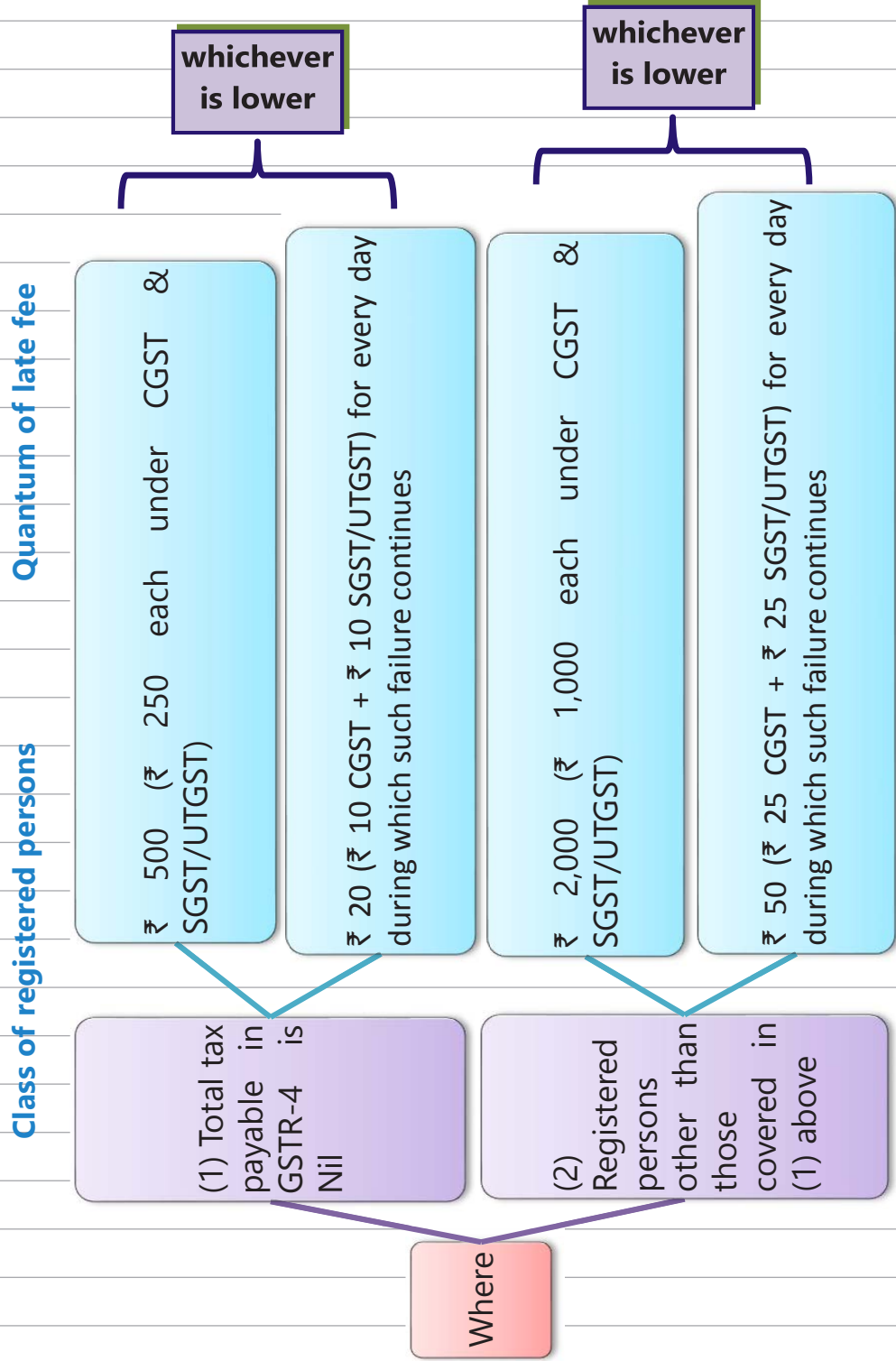
(i) For delayed filing of GSTR-1 and/or GSTR-3B:

Amount of late fee payable under section 47 by the registered person who fail to furnish Form GSTR-1 and/or Form GSTR-3B by the due date, shall be as follows:

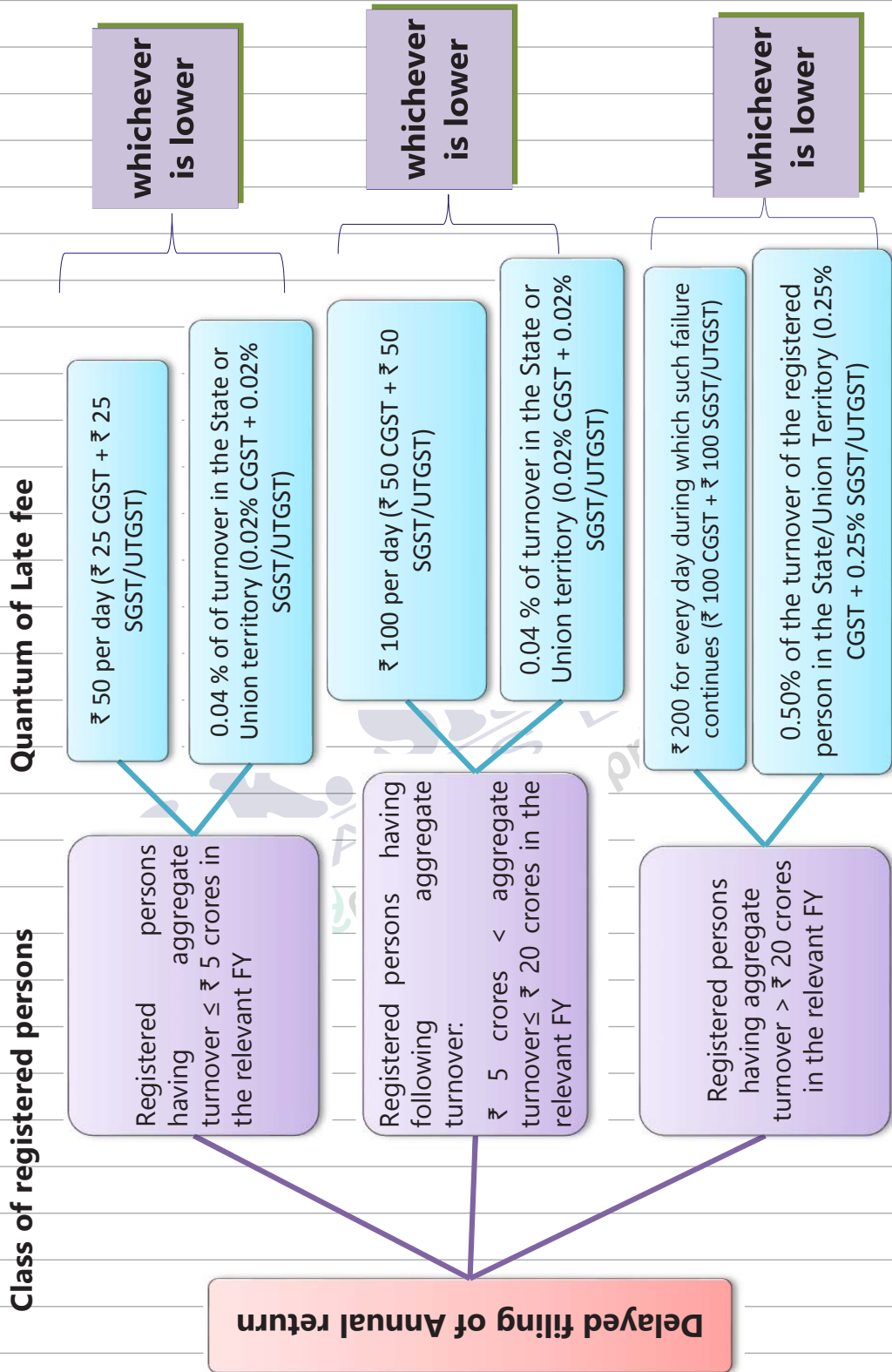


(ii) For delayed filing of GSTR-4:-

Amount of late fee payable under section 47 by a composition supplier who fails to furnish Form GSTR-4 by the due date, shall be as follows:

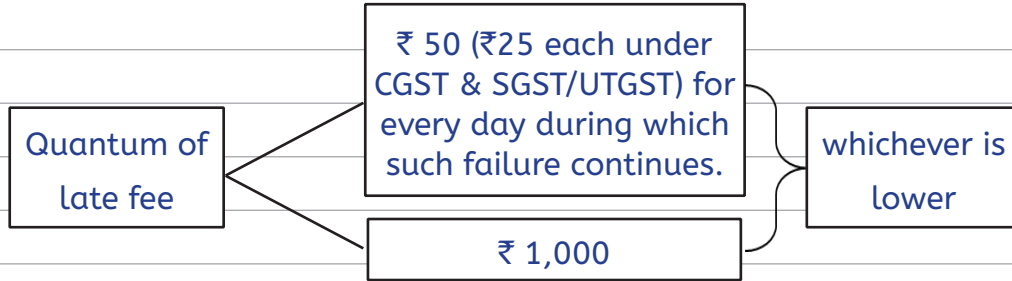


(iii) For delayed filing of GSTR-9:-



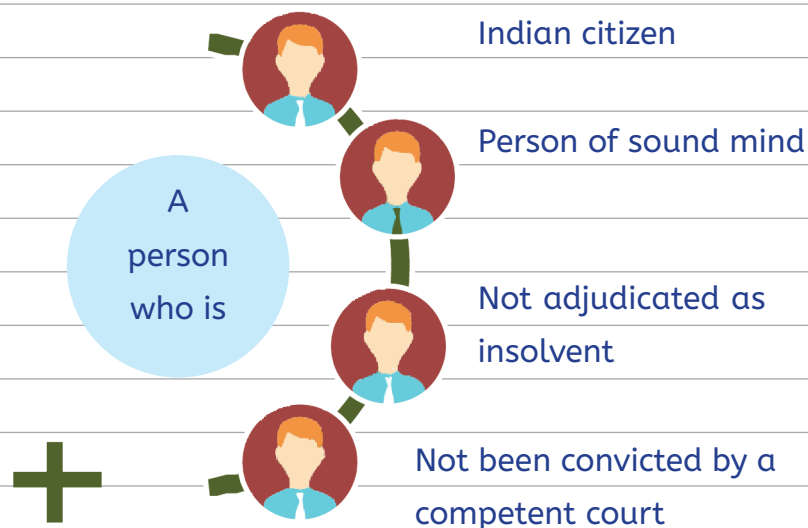
(iv) For delayed filing of GSTR-7:-

Total amount of late fee payable under section 47 by any registered person, required to deduct tax at source under the provisions of section 51 for delayed filing of GSTR-7, shall be as follows:



Section 48: Goods & Service Tax Practitioner (GSTP)

- 1) GST Practitioner is given a separate user name & password on the common portal. He can access his client records allowed by the clients & carry out functions such as GST Return, Payment of Tax, reply to notice etc.
- 2) GSTP has to pass an exam conducted by National Academy for customer, Indirect Tax & Narcotics (NACIN).
- 3) The primary responsibility of any error or mistake is always on the client.
- 4) Who is eligible?



satisfies any of the conditions

- Retired officer of Commercial Tax Department of any State Govt./CBIC who, during service under Government had worked in a post not lower than the rank of a Group-B gazetted officer for a period \geq 2 years
- Enrolled as a Sales Tax Practitioner or Tax Return Preparer under the earlier indirect tax laws for a period of not less than 5 years
- Has acquired any of the prescribed qualifications (mentioned below)

Prescribed Qualifications

- (i) Graduate or postgraduate degree or its equivalent examination having a degree in Commerce, Law, Banking including Higher Auditing, or Business Administration or Business Management from any Indian University established by any law for the time being in force
- (ii) Degree examination of any Foreign University recognised by any Indian University as equivalent to the degree examination mentioned in sub-clause (i)
- (iii) Any other examination notified by the Government, on the recommendation of the Council, for this purpose
- (iv) Has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India.



Question 1

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

Answer:

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.

(Suggested July'21)

Question 2

Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act?

Answer:

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

Any person who, (i) is a citizen of India; (ii) is a person of sound mind; (iii) is not adjudicated as insolvent; (iv) has not been convicted by a competent court; and satisfies any of the following conditions, namely that he:

1. is a retired officer of Commercial Tax Department of any State Govt./CBIC who, during service under Government had worked in a post not lower than the rank of a Group-B gazetted officer for a period ≥ 2 years, or

2. is enrolled as a Sales Tax Practitioner or Tax Return Preparer under the erstwhile indirect tax laws for a period of not less than 5 years, or
3. acquired any of the prescribed qualifications
4. has passed Graduate/postgraduate degree or its equivalent examination having a degree in specified disciplines, from any Indian University or a degree examination of any Foreign University recognised by any Indian University as equivalent to degree examination
5. has passed any other notified examination
6. has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India

Note: Any 3 points may be mentioned.

(Suggested July'21)

Question 3

“In Form GSTR-1, submission of invoice-wise details of outward supplies is mandatory for all kind of invoices issued during the tax period.”

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

Answer:

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.

(Suggested Nov'20)

Question 4

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.

Answer:

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

(Suggested Nov'19)

Question 5

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.

Answer:

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.

(Suggested Nov'19)

Question 6

“All taxpayers are required to file GSTR-1 only after the end of the current tax period.”
Comment on the validity of the above statement with reference to GST law.

Answer:

The statement is partially valid.

A taxpayer cannot file Form GSTR-1 before the end of the current tax period. However, following are the exceptions to this rule:

- a. Casual taxpayers, after the closure of their business
- b. Cancellation of GSTIN of a normal taxpayer.

A taxpayer who has applied for cancellation of registration will be allowed to file Form GSTR-1 after confirming receipt of the application.

(Suggested May'22)

Question 7

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.

(5 Marks)

Answer:

The date of furnishing of the relevant annual return, whichever is earlier.

Alternative answer

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

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

Cases where 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 2 months^{2/} for the preceding 1 month^{3/}.
- (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.



Question 1

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.

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.

(RTP NOV'20)

Question 2

Miss Kashi is a registered intra-State supplier of goods in Haryana. During the months of August and September, she was out of station on a religious pilgrimage with her family for 55 days. Thus, no business transaction was made during August. Miss Kashi is of the opinion that as there is no transaction, there is no need to file monthly return [GSTR-3B] for the month of August. However, her tax consultant has advised her to file nil GSTR-3B. Whether the advice given by tax consultant is correct? Explain.

Answer:

The advice given by tax consultant is correct.

Under GST law, filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

Therefore, in the given case, even though Miss Kashi was out of station on a religious pilgrimage with her family for 55 days and thus, could not do any business transaction during the month of August, she is still required to file Nil GSTR-3B for that month.

(RTP MAY'21)

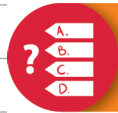
Question 3

- (a) Mr. Ayushman, a registered person having intra-State aggregate turnover of ₹ 1.2 crores in the preceding financial year did not file GSTR-3B for the month of September, 2021 by 10th November, 2021. The amount of tax payable for the month of September, 2021 is ₹ 8 lakh. All his supplies are intra-State supplies. Is there any late fee payable for the same? If yes, what is the amount of late fee payable?
- (b) Will your answer be different in (a), if Mr. Ayushman has intra-State aggregate turnover of ₹ 5 crores in the preceding financial year?
- (c) Will your answer be different in (a), if total amount of tax payable in the GSTR-3B for the month of September is Nil?

Answer:

- (i) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is \leq ₹ 1.5 crores in the preceding FY, and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of ₹ 2,000 (₹ 1,000 each under CGST & SGST).
Thus, late fee is payable in the given case and the amount of late fee payable is ₹ 2,000 (₹ 1,000 each under CGST & SGST).
- (ii) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is more than ₹ 1.5 crores but less than equal to ₹ 5 crores in the preceding FY, and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of ₹ 5,000 (₹ 2,500 each under CGST & SGST).
Thus, late fee is payable in the given case and the amount of late fee payable is ₹ 5,000 (₹ 2,500 each under CGST & SGST).
- (iii) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, any registered person whose total amount of tax payable in the GSTR-3B is Nil and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of ₹ 500 (₹ 250 each under CGST & SGST).
Thus, late fee is leviable even if total amount of tax payable in the GSTR-3B for the month of September is Nil. The amount of late fee would be ₹ 500 (₹ 250 each under CGST & SGST).

(RTP MAY'22)



**MULTIPLE CHOICE
QUESTIONS**

1. The details of outward supplies of goods or services shall be submitted by
 - (a) 11th of the succeeding month
 - (b) 18th of the succeeding month
 - (c) 15th of the succeeding month
 - (d) 20th of the succeeding month

2. Details of Outward supplies shall include
 - (a) Invoice
 - (b) Credit and Debit notes
 - (c) Revised invoice issued in relation to outward supplies
 - (d) All the above

3. Every registered taxable person shall be entitled to take credit of input tax in his return and such input tax credit shall be credited to
 - (a) Personal Ledger Account
 - (b) Refund account
 - (c) Electronic Cash Ledger
 - (d) Electronic Credit Ledger

4. The annual return shall be filed by the registered taxable person (other than dealers paying tax under section 10) in form
 - (a) GSTR 7
 - (b) GSTR 9
 - (c) GSTR 9A
 - (d) GSTR 10

5. The final return shall be filed by the registered taxable person within
 - (a) 3 months of the date of cancellation
 - (b) 3 months of the Date of order of cancellation
 - (c) Later of the (a) or (b)
 - (d) Earlier of the (a) or (b)

6. Which of the following is correct?
 - (a) Failure to file annual return within due date attracts a late fee of ₹ 100 per day up to 0.25% of his turnover
 - (b) Failure to file annual return within due date attracts late fee of 1% of his turnover till the failure continues
 - (c) Failure to file annual returns within due date attracts a late fee of ₹ 100 per day up to 1% of his turnover.

- (d) On failure to file annual return within due date the proper officer shall issue a notice of non-filing on such person
7. Output tax in relation to a taxable person under the CGST Act, 2017 includes:
- (a) Tax chargeable on taxable supplies made by him
 - (b) Tax chargeable on taxable supplies made by his agent
 - (c) Tax payable by him under reverse charge
 - (d) Both (a) and (b)
8. A goods and service tax practitioner can undertake the following activities if authorized by the taxable person
- (a) Furnish details inward and outward supplies
 - (b) Furnish monthly / quarterly return
 - (c) Furnish Annual and Final return
 - (d) All of the above
9. In a case there is no transaction during the relevant period, Nil return is required to be filed by all _____.
- a. Taxable persons
 - b. Persons liable to pay tax
 - c. Registered persons
 - d. Composition dealer
10. In case of monthly returns, taxes will be payable _____.
- a. Before filing the return
 - b. At the time of filing return
 - c. After or at the time of filing return
 - d. Before or at the time of filing return
11. Details of outward suppliers of goods or services by registered person paying tax under composition scheme shall be submitted in
- a. FORM GSTR-1
 - b. FORM GSTR-4
 - c. FORM GSTR-6
 - d. FORM GSTR-7

12. Registered person paying tax under normal scheme shall submit GSTR-3B monthly
- Within 7 days after the end of such month
 - Within 10 days after the end of such month
 - Within 18 days after the end of such month
 - Within 20 days after the end of such month
13. Every registered taxable person who has made outward suppliers in the period between the date on which he become liable to registration till the date on which is registration has been granted shall declare the same in the
- First return filed by him after grant of registration
 - First two return filed by him after grant of registration
 - FORM GSTR-7
 - FORM GSTR-11
14. Every registered taxable person who is required to file return under section 39 of CGST act and whose registration has been cancelled shall furnish
- | | |
|-------------------|----------------------|
| a. Last return | b. Final return |
| c. Closing return | d. None of the above |
15. Final return shall be furnished in
- | | |
|-----------------|-----------------|
| a. Form GSTR-8 | b. Form GSTR-9 |
| c. Form GSTR-10 | d. Form GSTR-11 |
16. GST practitioners must be:
- | | |
|------------------------------------|-------------------------|
| a. A citizen of India | b. Person of sound mind |
| c. Non adjudicated as an insolvent | d. All of above |
17. Which of the following returns is to be filed by the composition dealer?
- | | |
|-------------|--------------|
| a. GSTR – 1 | b. GSTR – 3B |
| c. GSTR – 2 | d. GSTR – 4 |

Answer:

1.	(a)	7.	(d)	13.	(a)
2.	(d)	8.	(d)	14.	(b)
3.	(d)	9.	(c)	15.	(c)
4.	(b)	10.	(d)	16.	(d)
5.	(d)	11.	(b)	17.	(d)
6.	(a)	12.	(d)		

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**ADDITIONAL QUESTION
FOR PRACTICE**

1. M/s Aditi & Co, a partnership firm registered under GST, is undertaking various Government projects.

The firm has let out on hire the following vehicles-

- i. A motor vehicle to carry more than 15 passengers to a State Government Electricity Department
- ii. An electric motor vehicle to carry more than 12 passengers to Local Municipal Corporation
- iii. An electric motor vehicle to carry upto 12 passengers to State Transport Undertaking

The firm provided the following additional information for the month of October:

- i. Works contract services were availed for construction of immovable property being plant and machinery, where value of GST component was ₹ 1,10,000.
- ii. GST amounting to ₹ 70,000 was paid on account of demand of the Department due to fraud in returns filed.
- iii. Goods valuing ₹ 10,00,000, (GST on the same ₹ 1,00,000) were received 180 days ago (invoice also issued on the date of receipt of supply) for which payment has been made till date to an extent of ₹ 4,00,000 towards value, ₹ 40,000 towards tax.

The firm made two independent outward supplies in which value of supply was understated in one case by ₹ 75,000 and overstated by ₹ 45,000 in the other case.

The firm received certain supply of goods from registered persons on which tax was payable under reverse charge basis.

All the amounts given above are exclusive of taxes, wherever applicable. All transactions referred to above are intra-State. All the conditions for availing ITC have been fulfilled subject to the information given above.

From the information given above, choose the most appropriate answer for Q. 1 to Q. 5 given below:-

1. In respect of vehicles let out on hire by the firm, services that are exempt from GST are
 - (i) Letting on hire a motor vehicle to State Electricity Department (>15 passengers)
 - (ii) Letting on hire an electric vehicle to Local Municipality (> 12 passengers)
 - (iii) Letting on hire an electric vehicle to State Transport Undertaking (<12 passengers)
 - (a) (i)
 - (b) (ii)
 - (c) (i) and (iii)
 - (d) (ii) and (iii)

2. Determine the amount of eligible ITC to be claimed by the firm for the month of October.
 - (a) ₹ 70,000
 - (b) ₹ 1,10,000
 - (c) ₹ 1,80,000
 - (d) Nil

3. Determine the amount of ITC to be added to the output tax liability.
 - (a) ₹ 40,000
 - (b) ₹ 60,000
 - (c) ₹ 1,00,000
 - (d) Nil

4. Which of the following is correct in respect of document to be issued by the firm for understatement and overstatement of invoice value?
 - (i) Debit note is to be issued for ₹ 75,000.
 - (ii) Credit note is to be issued for ₹ 75,000.
 - (iii) Debit note is to be issued for ₹ 45,000.
 - (iv) Credit note is to be issued for ₹ 45,000.
 - (a) i & iii
 - (b) ii & iii
 - (c) i & iv
 - (d) ii & iv

(RTP MAY'21)

SOLUTIONS

Question No.	Answer
1	(b)
2	(b)
3	(b)
4	(c)

2. Vidhula Impex Ltd. is engaged in supplying sports goods. The company did not opt for registration under GST. The proper officer under GST, based on enquiry, finds that the concern is liable for registration and he registers the firm on temporary basis on 15th June, 2020.

After being granted the registration certificate, the company availed the following services for the purpose of its business-

- i. Renting of motor vehicles from Blue Taxi Pvt. Ltd. where GST was charged @ 12%.
- ii. Appointed Mr. Rajesh as Technical Director for advisory role in business and the payment was made based on the contract entered. However, he was not employee of the company.

During the course of its business, the company issued an invoice to a customer and erroneously charged higher value by ₹ 34,000. Such invoice was issued on 28th February, 2021.

Further, in the month of February 2021, the company also generated an e-way bill for inter-State transport of goods. However, immediately on generation of the e-way bill, the buyer cancelled the order before it is dispatched from the factory for delivery. In the month of March 2021, since the company was incurring heavy losses, it applied for cancellation of GST registration on 15th March, 2021. The order for cancellation was made on 30th March, 2021 effecting cancelling the registration with effect from 15th March, 2021.

From the information provided above, choose the most appropriate answer for the following questions (1-5):

1. After the grant of temporary registration, Vidhula Impex Ltd. needs to apply for registration within _____ from the date of grant of temporary registration, if no extension of period is to be granted for such temporary registration.

(a) 30 days	(b) 90 days
(c) 7 days	(d) 15 days

2. In case of which of the following services, the company is liable to pay tax under reverse charge?
- (a) Renting of Motor Vehicles (b) Directorship services
(c) Both (a) and (b) (d) Neither (a) nor (b)
3. Which document is required to be issued by the company in respect of the invoice issued on 28th February, 2021?
- (a) Debit note (b) Credit note
(c) Bill of supply (d) Revised Tax invoice
4. The Company needs to file its Final return by _____
- (a) 30th April, 2021
(b) 30th August, 2021
(c) 15th June, 2021
(d) 30th June, 2021

(RTP MAY'22)

SOLUTIONS

Question No.	Answer
1	(b)
2	(b)
3	(b)
4	(d)

3. M/s. Harsimran & Co., a registered supplier under GST, is dealing in supply of taxable goods in the State of Karnataka.
- The firm had opted for Composition Scheme from April month of last financial year. It's turnover crossed ₹ 1.50 Crores on 9th May of current financial year and had opted for withdrawal of composition scheme on the said date.
- Harsimran & Co. removed goods on 10th June for delivery to Simran & Co. on 'Sale or Return Basis'.
- Simran & Co. accepted the goods vide its confirmation mail dated 15 th December. The firm has paid GST for various items during the month of August. It comprised of the following -
- (a) GST paid on input services intended to be used for personal purposes – ₹ 12,000

- 1.3 Determine the amount of eligible input tax credit that can be availed by Harsimran & Co for the month of August?
- (a) Nil (b) ₹ 19,000
(c) ₹ 22,000 (d) ₹ 50,000
- 1.4 Compute the amount of ITC to be reversed for the month of September? Ignore interest liability, if any.
- (a) Nil (b) ₹ 28,000
(c) ₹ 15,000 (d) ₹ 13,000
- 1.5 Time of supply in respect of service imported by Harsimran & Co from its Associated Enterprise is _____
- (a) 1st September (b) 30th September
(c) 1st October (d) 10th October **(5 x 2 Marks = 10 Marks)**
2. Ganesh Traders, engaged in manufacturing of taxable as well as exempt goods, purchased a machinery worth ₹ 17,70,000 (₹ 15,00,000 plus ₹ 2,70,000 GST). It capitalized full amount including taxes in the books of accounts and claimed depreciation on it as per provisions of the Income Tax Act, 1961. Compute the amount of ITC that can be claimed by Ganesh Traders?
- (a) ₹ 2,70,000
(b) Zero
(c) In proportion of taxable and exempt supply
(d) By decreasing percentage points as prescribed **(2 Marks)(MARCH'22)**

SOLUTION

Question No.	Answer
1.1	(c) 8th June
1.2	(c) 10th December
1.3	(b) ₹ 19,000
1.4	(c) ₹ 15,000
1.5	(b) 30th September
2	(b) Zero

4. Mr. Lala is engaged in supply of tiles and marbles in the State of Telangana. He is not registered under GST. He commenced his business from the month of July. He availed godown construction services for business from his brother-in-law who was dependent on him. He also availed professional consultancy services for the purpose of business from his son who is a Company Secretary and his son is not dependent on him. Mr. Lala did not pay anything for both the services as both of them were his relative / family member respectively.

On the basis of advice of his son, Mr. Lala made the supply of tiles within his State only. His turnover reached to ₹ 7 lakh as on 31st October. However, he planned to expand his business to other States, since he has received decent orders from other States also.

During the month of December, he received a consignment of tiles from Rajasthan through Prompt Carriers, a goods transport agency based in the State of Rajasthan. Goods were dispatched by the supplier on 'to-pay' basis for freight. Freight charges were ₹ 50,000 and the said GTA pays GST @ 12%. Mr. Lala paid the invoice amount in the month of December itself. This was an inter-State transaction.

During the month of January, Mr. Lala made his first inter-State supply to Tamil Nadu on 4th January. His turnover before making such supply was ₹ 15 lakh. Value of such inter-state supply was ₹ 4,50,000, exclusive of taxes. Payment for the said inter-State supply was received on 28th February. Invoice was raised by Mr. Lala on 25th January.

All the figures given above are exclusive of taxes wherever applicable.

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

1.1 In respect of services availed by Mr. Lala, which of the following is a correct statement?

- (a) Godown construction service availed from his brother-in-law free of cost is considered as a deemed supply
- (b) Professional service availed from his son free of cost is considered as a deemed supply
- (c) Neither of the services is a deemed supply
- (d) Both services are deemed supply

1.2 Upto which limit of aggregate turnover, Mr Lala can continue to supply goods without registration within his state, if he does not procure any goods/services on which tax is payable under reverse charge mechanism?

- (a) ₹ 20 lakh
- (b) ₹ 40 lakh
- (c) ₹ 10 lakh
- (d) ₹ 150 lakh

1.3 What is the tax liability for the freight charges?

- (a) ₹ 6000 of IGST under reverse charge
- (b) ₹ 6000 of IGST under forward charge
- (c) ₹3000 each under CGST and SGST under reverse charge
- (d) Nil as it is exempt

1.4 Which of the following statement is correct with respect to liability of Mr. Lala to register under GST?

- (a) Mr. Lala is liable to register in the month of December for receipt of GTA services.
- (b) Mr. Lala is liable to register in the month of January for effecting inter-State outward supply of goods.
- (c) Mr. Lala is liable to register only when his turnover exceeds the threshold limit irrespective of whether he is in receiving any GTA services or is effecting inter-State outward supply.
- (d) Mr. Lala is not required to register as it is his first year of business.

1.5 What is the time of supply of goods made by Mr Lala during January?

- (a) 4th January
- (b) 25th January
- (c) 3rd February
- (d) 28th February

(5 x 2 Marks = 10 Marks)

2. Aanya, an individual, based in Gujarat, is in employment and earning ₹ 10 lakh as salary. She is also providing consultancy services to different organizations on GST implications of business. Her turnover from the supply of such services is ₹ 12 lakh. Determine whether Aanya is liable for taking registration as per provisions of the CGST Act?

- (a) Yes, as her aggregate turnover is more than ₹ 20 lakh.

- (b) No, as her aggregate turnover is less than ₹ 40 lakh.
 (c) No, as services in the course of employment does not constitute supply and therefore, aggregate turnover is less than ₹ 20 lakh.
 (d) Yes, since she is engaged in taxable supply of services.

(2 Marks) (APRIL'22)

SOLUTION

Question No.	Answer
1.1	(b) Professional service availed from his son free of cost is considered as a deemed supply
1.2	(a) ₹ 20 lakh
1.3	(d) Nil as it is exempt
1.4	(b) Mr. Lala is liable to register in the month of January for effecting inter-State outward supply of goods.
1.5	(a) 4th January
2	(c) No, as services in the course of employment does not constitute supply and therefore, aggregate turnover is less than ₹ 20 lakh.

5. M/s. Delight Brothers, a partnership firm, is engaged in restaurant business. It is registered under the composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 for the current financial year. It's turnover in the State for the month of April was ₹ 12,00,000.

It received new orders in the month of May to run a mess facility for supplying food at:

- i. Vishwas Public School, a higher secondary school;
- ii. Knowledge Institute of Technology, an engineering college, approved by AICTE and UGC; and
- iii. Frontline Hospital

It also provided catering services to a Coral limited company for their Annual General Meeting. Service was provided on 3rd July. But invoice was not issued by the firm to the company. However, payment was received on 25th July for which bank account was credited on 28th July. The turnover of restaurant business for the current financial year is ₹ 48,00,000.

From the inception of next financial year, M/s. Delight Brothers will close down the restaurant business and will provide service of repairing of air conditioners.

M/s Delight Brothers undertakes intra-State transactions only.

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

1. Compute the tax liability of M/s. Delight Brothers for the month of April?
 - (a) CGST & SGST of ₹ 6,000 each
 - (b) CGST & SGST of ₹ 12,000 each
 - (c) CGST & SGST of ₹ 30,000 each
 - (d) CGST & SGST of ₹ 60,000 each

2. Out of new orders received by the firm in May, which of the following services are exempt from GST?
 - (i) Service provided to Vishwas Public School
 - (ii) Service provided to Knowledge Institute of Technology
 - (iii) Service provided to Frontline Hospital
 - (a) (i) and (iii)
 - (b) (ii) and (iii)
 - (c) only (i)
 - (d) (i) and (ii)

3. Time of supply of catering services provided to a Coral limited company is
 - (a) 3rd July
 - (b) 25th July
 - (c) 28th July
 - (d) 2nd August

4. Which of the following statements is most appropriate in respect of next financial year for M/s Delight Brothers?
 - (a) M/s Delight Brothers can continue to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
 - (b) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
 - (c) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.
 - (d) M/s Delight Brothers can neither avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 nor under section 10(2A) of the CGST Act, 2017.

5. Rate of GST applicable for service of repairing of air conditioners made by M/s Delight Brothers will be _____, assuming that it intends to pay the tax at the minimum rate available?
- (a) 1%
 - (b) 5%
 - (c) 6%
 - (d) 12%

(RTP NOV'22)

SOLUTION

Question No.	Answer
1	(c) CGST & SGST of ₹ 30,000 each
2	(c) only (i)
3	(a) 3 rd July
4	(c) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.
5	(c) 6%

Case Study based MCQ from past papers and ICAI Case study booklet questions

1. X & Co., a supplier registered under GST in Meghalaya, wants to opt for composition levy. The aggregate turnover limit for composition levy is-
- (a) ₹ 50 lakh (b) ₹ 75 lakh
(c) ₹ 1.5 crore (d) none of the above

Ans: (b)

2. The person making inter-State supplies from Madhya Pradesh which is not notified handicraft goods or predominantly hand-made notified products, is compulsorily required to get registered under GST, _____
- (a) if his aggregate turnover exceeds ₹ 20 lakh in a financial year
(b) if his aggregate turnover exceeds ₹ 10 lakh in a financial year
(c) irrespective of the amount of aggregate turnover in a financial year
(d) in case of making inter-State supply of taxable goods, irrespective of the amount of aggregate turnover in a financial year

Ans: d)

3. Which of the following supply of services are exempt under GST?
- (i) testing of agricultural produce
(ii) supply of farm labour
(iii) warehousing of agricultural produce
- (a) (i) (b) (i) and (ii)
(c) (ii) and (iii) (d) (i), (ii) and (iii)

Ans: (d)

4. Mr. Narayan Goel has booked a room on rent in Sunshine Hotel for the purpose of lodging on 10th August. GST is not payable by Mr. Narayan Goel in case value of supply for accommodation is _____.
- (a) ₹ 800 per day (b) ₹ 6,000 per day
(c) ₹ 11,000 per day (d) ₹ 1,500 per day

Ans: (a)

19. What is the validity of the registration certificate granted under GST for a normal tax payer?

- (a) One year (b) Two years
(c) Valid till it is cancelled (d) Five years.

Ans: (c)

20. Within how many days an application for revocation of cancellation of registration can be made provided no extension to said time-limit has been granted?

- (a) Within 7 days from the date of service of the cancellation order.
(b) Within 15 days from the date of the cancellation order.
(c) Within 45 days from the date of the cancellation order.
(d) Within 30 days from the date of service of the cancellation order.

Ans: (d)

21. Can a registered person under composition scheme collect GST on his outward supplies from recipients?

- (a) Yes, in all cases
(b) Yes, only on such goods as may be notified by the Central Government
(c) Yes, only on such services as may be notified by the Central Government
(d) No

Ans: (d)

22. In case of Goods Transport Agency (GTA) services, tax is to be paid under forward charge if:

- (a) GST is payable @ 12%
(b) GST is payable @ 5% and a factory registered under the Factories Act, 1948 is the recipient of GTA service.
(c) An unregistered individual end consumer is the recipient of GTA service.
(d) A registered casual taxable person is the recipient of GTA service.

Ans: (a)

23. Which of the following services are not exempt from GST?

- (a) Yoga camp conducted by a charitable trust registered under section 12AB (erstwhile under section 12AA) of the Income-tax Act, 1961.
(b) Services provided by business correspondent with respect to Savings Bank Accounts in the rural branch of a bank

- (c) Services provided by cord blood bank for preservation of stem cells.
(d) Service provided by commentator to a recognized sports body

Ans: (d)

24. Which of the following activities is a supply of services?

- (i) Transfer of right in goods/ undivided share in goods without transfer of title in goods
(ii) Transfer of title in goods
(iii) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date upon payment of full consideration as agreed.

- (a) (i) (b) (iii)
(c) (i) and (iii) (d) (i), (ii) and (iii)

Ans: (a)

25. Rama Ltd. has provided following information for the month of September:

Intra-State taxable outward supply	₹ 8,00,000
Inter-State exempt outward supply	₹ 5,00,000
Turnover of exported goods	₹ 10,00,000
Payment made for availing GTA services*	₹ 80,000

* GTA not paying tax @ 12%

Calculate the aggregate turnover of Rama Ltd.

- (a) ₹ 8,00,000 (b) ₹ 23,80,000
(c) ₹ 23,00,000 (d) ₹ 18,00,000

Ans: (c)

26. Ltd. has its registered office, under the Companies Act, 2013, in the State of Maharashtra from where it ordinarily carries on its business of taxable goods. It also has a warehouse in the State of Telangana for storing said goods. What will be the place of business of Ltd. under the GST law?

- (a) Telangana (b) Maharashtra
(c) Both (a) and (b) (d) Neither (a) nor (b)

Ans: (c)

27. An exempt supply includes-

- (i) Supply of goods or services or both which attracts Nil rate of tax
(ii) Non-taxable supply

(iii) Supply of goods or services or both which are wholly exempt from tax under section 11 of the CGST Act or under section 6 of IGST Act

- (a) (i) (b) (i) and (ii)
(c) (ii) and (iii) (d) (i), (ii) and (iii)

Ans: (d)

28. Which of the following services are exempt from GST?

- (a) Services by an artist by way of a performance in classical art forms of painting/ sculpture making etc. with consideration thereof not exceeding ₹ 1.5 lakh.
(b) Services by an artist by way of a performance in modern art forms of music/ dance/ theatre with consideration thereof not exceeding ₹ 1.5 lakh.
(c) Services by an artist by way of a performance in folk or classical art forms of music/ dance/theatre with consideration thereof exceeding ₹ 1.5 lakh.
(d) Services by an artist by way of a performance in folk or classical art forms of music/ dance / theatre with consideration thereof not exceeding ₹ 1.5 lakh.

Ans: (d)

29. Services by way of admission to _____ is not exempt from GST.

- (a) Museum
(b) National park
(c) Tiger reserve
(d) Recognised sporting event where the admission ticket costs ₹ 600 per person.

Ans: (d)

30. Discount given after the supply has been effected is deducted from the value of taxable supply, if

- (i) such discount is given as per the agreement entered into at/or before the time of such supply
(ii) such discount is linked to the relevant invoices
(iii) proportionate input tax credit is reversed by the recipient of supply

- (a) (i) (b) (i) and (ii)
(c) (ii) and (iii) (d) (i), (ii) and (iii)

Ans: (d)

38. Which of the following persons engaged in making intra-state supplies from Uttar Pradesh, as prescribed below, is not eligible for composition levy under sub-sections (1) and (2) of the CGST Act, 2017 even though their aggregate turnover does not exceed ₹ 1.5 crore in preceding FY?

- (a) A person supplying restaurant services
- (b) A person supplying restaurant services and earning bank interest
- (c) A person trading in ice cream
- (d) A person supplying service of repairing of electronic items

Ans: (d)

39. The time of supply of service in case of reverse charge mechanism is:

- (a) Date on which payment entered in the books of account of the recipient
- (b) Date immediately following 60 days from the date of issue of invoice
- (c) Date on which the payment is debited in the bank account of recipient
- (d) Earlier of (a), (b) and (c)

Ans: (d)

40. Which of the following services does not fall under reverse charge provisions as contained under section 9(3) of the CGST Act?

- (a) Services supplied by arbitral tribunal to business entity located in Ladakh
- (b) Sponsorship services provided to a partnership firm located in Jammu & Kashmir
- (c) Sponsorship services provided to a body corporate located in Kerala
- (d) Service of renting of motor vehicle for passengers provided to a recipient other than body corporate.

Ans: (d)

41. Which of the following services are exempt from GST?

- (a) Admission to a circus where entry ticket costs ₹ 550 per person
- (b) Interest charged on outstanding credit card balances
- (c) Services by an organiser to any person in respect of a business exhibition held in India
- (d) Services by a foreign diplomatic mission located in India

Ans: (d)

46. In case of taxable supply of services by a non-banking financial company (NBFC) to, other than a distinct person, 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

Ans: (b)

47. 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) Later of (a) or (b)

Ans: (c)

48. Invoice shall be prepared in _____ in case of taxable supply of goods and in _____ in case of taxable supply of services.

- (a) Triplicate, Duplicate (b) Duplicate, Triplicate
(c) Duplicate, Duplicate (d) Triplicate, Triplicate

Ans: (a)

49. Which of the following shall be discharged first, while discharging liability of a taxable person?

- (a) All dues related to previous tax period
(b) All dues related to current tax period
(c) Demand raised under section 73 and 74
(d) No such condition is mandatory.

Ans: (a)

50. The due date of filing Final Return is _____ .

- (a) 20th of the next month
(b) 18th of the month succeeding the quarter
(c) within 3 months of the date of cancellation or date of order of cancellation, whichever is later
(d) 31st December of next financial year

Ans: (c)

55. Which of the following is not considered as 'goods' under the CGST Act, 2017?

- (i) Ten-paisa coin having sale value of ₹ 100.
 - (ii) Shares of unlisted company
 - (iii) Lottery tickets
- (a) (i) (b) (ii)
(c) (ii) and (iii) (d) (i), (ii) and (iii)

Ans: (b)

56. Mr Ram, a jeweller registered under GST in Mumbai, wants to sell his jewellery in a Trade Expo held in Delhi. Which of the following statements is false in his case?

- (a) He needs to get registration in Delhi as casual taxable person.
- (b) He needs to pay advance tax on estimated tax liability.
- (c) He needs to mandatorily have a place of business in Delhi.
- (d) He needs to file GSTR-1/ IFF and GSTR-3B for Delhi GSTIN for the month or quarter, as the case may be, when he gets registered in Delhi.

Ans: (c)

57. Which of the following is treated as exempt supply under the CGST Act, 2017?

- (i) Sale of liquor
 - (ii) Supply of health care services by a hospital
 - (iii) Transmission of electricity by an electricity transmission utility
- (a) (i) (b) (ii)
(c) (ii) and (iii) (d) (i), (ii) and (iii)

Ans: (d)

58. Which of the following is a recognised system of medicine for the purpose of exemption for health care services?

- (i) Allopathy
 - (ii) Unani
 - (iii) Siddha
- (a) (i) (b) (ii)
(c) (ii) and (iii) (d) (i), (ii) and (iii)

Ans: (d)

59. Which of the following services is exempt under health care services provided by clinical establishments?
- (a) Chemist shop in the hospital selling medicines to public at large.
 - (b) Food supplied by canteen run by the Hospital to in-patients as per diet prescribed by the hospital's dietician.
 - (c) Food supplied to the visitors or attendants of the patients in the hospital by canteen run by the Hospital.
 - (d) Advertisement services provided by the hospital to a pharmaceutical company for their asthma pump by displaying it prominently in the hospital building

Ans: (b)

60. In case of supply of goods for ₹ 5,00,000, following information is provided -
Advance received on 1st April
Invoice issued on 15th April
Goods removed on 25th April
What is the time of supply of goods, where tax is payable under forward charge?
- (a) 1st April
 - (b) 15th April
 - (c) 25th April
 - (d) 30th April

Ans: (b)

61. Sham Ltd., located in Mumbai, is receiving legal services from a lawyer Mr. Gyan, registered under GST. The aggregate turnover of Sham Ltd. in the preceding financial year is ₹ 42 lakh. The information regarding date of payment, invoice etc. is as follows
Invoice issued by Mr. Gyan on 15th April
Payment debited in the bank account of Sham Ltd. on 5th May
Date of payment entered in books of accounts of Sham Ltd.: 1st May
What is time of supply of services?
- (a) 1st May
 - (b) 5th May
 - (c) 15th June
 - (d) 15th April

Ans: (a)

62. Which of the following is not eligible for opting composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017?
- (a) M/s ABC, a firm selling garments solely in Ahmedabad, having aggregate turnover of ₹ 78 lakh in the preceding F.Y.

- (b) A start up company exclusively operating a restaurant in Delhi, having aggregate turnover of ₹ 98 lakh in the preceding F.Y.
- (c) A courier service company operating solely in Mumbai having aggregate turnover of ₹ 90 lakh in the preceding F.Y.
- (d) A trader selling grocery items solely in Orissa having an aggregate turnover of ₹ 95 lakh in the preceding F.Y.

Ans: (c)

63. Assuming that all the activities given below are undertaken for a consideration, state which of the following is not a supply of service?

- (a) Renting of commercial office complex
- (b) An employee agreeing to not work for the competitor organization after leaving the current employment
- (c) Repairing of mobile phone
- (d) Provision of services by an employee to the employer in the course of employment

Ans: (d)

64. During the month of May, Z Ltd. sold goods to Y Ltd. for ₹ 2,55,000 and charged GST @ 18%. However, owing to some defect in the goods, Y Ltd. returned some of the goods by issuing debit note of ₹ 40,000 in the same month. Z Ltd. records the return of goods by issuing a credit note of ₹ 40,000 plus GST in the same month. In this situation, GST liability of Z Ltd. for the month of May will be-

- (a) ₹ 45,900
- (b) ₹ 38,700
- (c) ₹ 53,100
- (d) ₹ 40,000

Ans: (b)

65. 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) CGST Nil and SGST Nil

Ans: (a)

66. Mr. Raghu avails services of Mr. Raja, a Chartered Accountant, as under-

- (i) Audit of financial accounts of Mr. Raghu ₹ 55,000
- (ii) Tax audit and annual accounts filing of Mr. Raghu ₹ 10,000
- (iii) Income-tax return (salaried-return) ₹ 5,000

All the above amounts are exclusive of taxes and the applicable rate of GST on these services is 18%.

The accountant of Mr. Raghu has booked the entire expenses of ₹ 70,000 plus GST in the books of account. Mr. Raghu is eligible to take input tax credit of -

- (a) ₹ 13,500
- (b) ₹ 11,700
- (c) ₹ 9,900
- (d) ₹ 1,800

Ans: (b)

67. TT Pvt. Ltd., registered in Rajasthan, furnished following information for the month of June:

- (i) Inter-State sale of goods for ₹ 1,25,000 to JJ Enterprises registered in Haryana
- (ii) Inter-State purchases of goods from XYZ company, registered in Punjab, for ₹ 40,000
- (iii) Intra-State purchases of goods from RR Traders, registered in Rajasthan, for ₹ 65,000

The applicable rate of GST is 18%. There is no opening balance of ITC. All the above amounts are exclusive of taxes. GST liability payable in cash is-

- (a) CGST ₹ 1,800 & SGST ₹ 1,800
- (b) SGST ₹ 3,600
- (c) IGST ₹ 3,600
- (d) CGST ₹ 3,600

Ans: (c)

68. Pradeep Traders, registered in Haryana, sold goods inter-State for ₹ 2,05,000 to Balram Pvt. Ltd. registered in Uttar Pradesh (GST is leviable @ 5% on said goods). As per the terms of sales contract, Pradeep Traders has to deliver the goods at the factory of Balram Pvt. Ltd. For this purpose, Pradeep Traders has charged freight of ₹ 2,400 from Balram Pvt. Ltd. GST is leviable @ 12% on freight. What would be

the output GST liability in this case assuming that the amounts given herein are exclusive of GST?

- (a) IGST- ₹ 37,332
- (b) IGST- ₹ 10,370
- (c) CGST- ₹ 18,666 and SGST- ₹ 18,666
- (d) CGST- ₹ 5,185 and SGST- ₹ 5,185

Ans: (b)

69. Prem & Sons had taken GST registration on 1st January, but failed to furnish GST returns for the next 6 months. Owing to this, the proper officer cancelled its registration on 25th July and served the order for cancellation of registration on 31st July. Now, Prem & Sons wants to revoke the cancellation of registration. Upto which date an application for revocation of cancellation of registration can be filed assuming no extension to said time-limit has been granted?

- (a) 30th August
- (b) 31st August
- (c) 25th August
- (d) 29th October

Ans: (a)

70. 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.

Ans: (a)

71. Sahil, a resident of Delhi, is having a residential property in Vasant Vihar, Delhi which has been given on rent to a family for ₹ 50 lakh per annum for use as a residence. Determine whether Sahil is liable to pay GST on such rent.
- (a) Yes, as services by way of renting is taxable supply under GST.
 - (b) No, service by way of renting of residential property is exempt.
 - (c) No, service by way of renting of residential property does not constitute supply.
 - (d) Sahil, being individual, is not liable to pay GST.

Ans: (b)

72. Goods as per section 2(52) of the CGST Act, 2017 includes:
- (i) Actionable claims
 - (ii) Growing crops attached to the land agreed to be severed before supply.
 - (iii) Money
 - (iv) Securities
- (a) (i) and (iii)
 - (b) (iii) and (iv)
 - (c) (i) and (ii)
 - (d) (ii) and (iii)

Ans: (c)

73. Mr. Z of Himachal Pradesh starts a new business and makes following supplies in the first month-
- (i) Intra-State supply of taxable goods amounting to ₹ 17 lakh
 - (ii) Supply of exempted goods amounting to ₹ 1 lakh
 - (iii) Inter-State supply of taxable goods amounting to ₹ 1 lakh
- Whether he is required to obtain registration, if the aforesaid goods are not handicraft goods or predominantly hand-made products, as notified?
- (a) Mr. Z is liable to obtain registration as the threshold limit of ₹ 10 lakh is crossed.
 - (b) Mr. Z is not liable to obtain registration as he makes exempted supplies.
 - (c) Mr. Z is liable to obtain registration as he makes the inter-State supply of goods.
 - (d) Mr. Z is not liable to obtain registration as the threshold limit of ₹ 20 lakh is not crossed.

Ans: (c)

74. 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 was blocked and therefore, was not availed.
- (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)

Ans: (a)

75. PZY Ltd. is engaged in manufacturing of motor car. The company paid following amount of GST to its suppliers against the invoices raised to it. Compute the amount of ineligible input tax credit under GST law:-

S.No	Particulars	GST Paid (₹)
1.	General insurance taken on cars manufactured by PZY Ltd.	1,00,00,000
2.	Buses purchased for transportation of employees (Seating capacity 23)	25,00,000
3.	Life and health insurance for employees under statutory obligation	6,00,000
4.	Outdoor catering in Diwali Mela organized for employees	3,50,000

- (a) ₹ 9,50,000 (b) ₹ 3,50,000
(c) ₹ 1,31,00,000 (d) ₹ 28,50,000

Ans: (b)

76. Which of the following statements is/are incorrect under GST law:-

- (i) If the supplier has erroneously declared a value which is more than the actual value of goods or services provided, then he can issue credit note for the same.
- (ii) If the supplier declared some special discount which is offered after the supply is over, then he cannot issue credit note under GST law for the discount offer.
- (iii) If quantity received by the recipient is more than what has been declared in the tax invoice, then supplier can issue debit note for the same.
- (iv) There is no time limit to declare the details of debit note in the return.
- (a) (i),(ii) and (iv) (b) (i) and (iv)
(c) (iv) (d) (i) and (iii)

Ans: (c)

- (c) No, as services in the course of employment does not constitute supply and therefore, aggregate turnover is less than ₹ 20 lakh.
- (d) Yes, since he is engaged in taxable supply of services.

Ans: (c)

81. Harish Trading Company situated in Haryana, is a dealer of seeds (exempt by exemption notification) & chemical fertilizers (taxable). He is about to cross the threshold limit of registration under GST and wants to opt for Composition Scheme under section 10(1) and 10(2) of the CGST Act. His entire supply is made exclusively within the State of Haryana. You being his Chartered Accountant, advise whether he can do so or not?

- (a) Yes, since aggregate turnover is less than ₹ 1.5 crore.
- (b) No, a person effecting supply exempted by way of exemption notification cannot opt for composition scheme under section 10(1) and 10(2) of the CGST Act.
- (c) No, a trader cannot opt for composition scheme.
- (d) No, a supplier of chemical fertilizer cannot opt for composition scheme.

Ans: (a)

82. Ash & Co, registered in Delhi, is a manufacturer of hardware items. He has purchased a machine on 01.06.2020 for ₹ 59,000 (₹ 50,000 + ₹ 9000 GST@ 18 %). GST of ₹ 9000 has been claimed by him as ITC.

Now, on 01.01.2022, he sold his machinery to an unrelated party, Aggawal & Sons of Rajasthan for ₹ 47,200 (40,000 plus ₹ 7,200 GST @ 18%). Determine how much tax Ash & Co. is liable to pay?

- (a) ₹ 7,200 (b) ₹ 5,850
- (c) ₹ 9,000 (d) ₹ 3,150

Ans: (a)

83. P.K. Traders, engaged in manufacturing of taxable as well as exempt goods, purchased a machinery worth ₹ 17,70,000 (₹ 15,00,000 plus ₹ 2,70,000 GST). It capitalized full amount including taxes in the books of accounts and claimed depreciation on it as per provisions of the Income Tax Act, 1961. Compute the amount of ITC that can be claimed by P.K. Traders?

- (a) ₹ 2,70,000
- (b) Zero

- (c) In proportion of taxable and exempt supply
- (d) By decreasing percentage points as prescribed

Ans: (b)

84. Mr. Rahim wants to start a new business of trading of footwear in Meghalaya. In order to expand his business he will also make such supplies through e-commerce operator who will collect tax at source.

In this respect, he has approached you to seek an advice on GST registration. Determine when he is required to get registered under GST?

- (a) Required to get registered when the turnover reaches the threshold limit of ₹ 40 lakh.
- (b) Required to get registered mandatorily irrespective of the turnover limit as he will be making supplies through e-commerce platform.
- (c) Required to get registered when the turnover reaches the threshold limit of ₹ 20 lakh.
- (d) Required to get registered when the turnover reaches the threshold limit of ₹ 10 lakh.

Ans: (b)

85. While conducting the GST audit of Vishwas Bank, it was discovered that bank has not charged GST on certain supplies made by it. In this respect, determine which of the following supplies made by Bank is taxable?

- (a) Discounting of bills receivable
- (b) Interest charged on loans
- (c) Interest charged on credit card services
- (d) Sale of foreign currency amongst banks

Ans: (c)

CASE SCENARIOS

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

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

- (a) GTA services from XYZ Transports (GST was charged @ 5%) ₹ 35,000
- (b) Renting of Godown premises from Local Municipality ₹ 40,000
- (c) Legal service availed from a Firm of Advocates ₹ 50,000

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

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

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

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

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

1.1 Determine the value of services taxable under reverse charge mechanism?

- | | |
|--------------|----------------|
| (a) ₹ 35,000 | (b) ₹ 75,000 |
| (c) ₹ 85,000 | (d) ₹ 1,25,000 |

1.2 In respect of sale of personal car and disposal of computer and stock of goods, total value of supply will be _____

- | | |
|----------------|----------------|
| (a) ₹ 60,000 | (b) ₹ 75,000 |
| (c) ₹ 1,35,000 | (d) ₹ 2,35,000 |

1.3 Time of Supply of goods received by Mr. Pasupathi is _____

- | | |
|--------------|--------------|
| (a) 1st May | (b) 5th May |
| (c) 5th June | (d) 6th June |

1.4 Compute the amount of input tax credit (except ITC on services taxable under reverse charge mechanism) that can be claimed by Mr. Pasupathi?

- | | |
|--------------|--------------|
| (a) ₹ 28,000 | (b) ₹ 38,000 |
| (c) ₹ 40,000 | (d) ₹ 13,000 |

Ans:

Question No.	Answer
1.1	(b) ₹ 75,000
1.2	(a) ₹ 60,000
1.3	(a) 1st May
1.4	(d) ₹ 13,000

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

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

Vittal & Co. removed goods on 10th June for delivery to Suri & Co. on 'Sale or Return Basis.' Suri & Co. accepted the goods vide its confirmation mail dated 15th December.

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

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

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

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

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

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

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

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

- 2.1 Vittal & Co. needs to furnish a statement containing details of stock of inputs/ inputs held in semi-finished / finished goods on the withdrawal of composition scheme by -
- | | |
|--------------|---------------------------|
| (a) 9th May | (b) 23rd May [®] |
| (c) 8th June | (d) 7th July |
- 2.2 In respect of the goods sent on sale or return basis, Vittal & Co. shall issue the invoice by _____
- | | |
|-------------------|--------------------|
| (a) 10th June | (b) 10th September |
| (c) 10th December | (d) 15th December |
- 2.3 Determine the amount of eligible input tax credit that can be availed by Vittal & Co for the month of August?
- | | |
|--------------|--------------|
| (a) Nil | (b) ₹ 19,000 |
| (c) ₹ 22,000 | (d) ₹ 50,000 |
- 2.4 Compute the amount of ITC to be reversed for the month of September? Ignore interest liability, if any.
- | | |
|--------------|--------------|
| (a) Nil | (b) ₹ 28,000 |
| (c) ₹ 15,000 | (d) ₹ 13,000 |
- 2.5 Time of supply in respect of service imported by Vittal & Co from its Associated Enterprise is _____
- | | |
|-------------------|--------------------|
| (a) 1st September | (b) 30th September |
| (c) 1st October | (d) 10th October |

Ans:

Question No.	Answer
2.1	(c) 8th June
2.2	(c) 10th December
2.3	(b) ₹ 19,000
2.4	(c) ₹ 15,000
2.5	(b) 30th September

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

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

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

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

M/s Triambak & Co let out its warehouse to Mr. Grushnesh, who in turn let out to an Agriculturist for warehousing of agricultural produce.

The firm also undertakes milling of paddy into rice for various agriculturists (not under the Public Distribution Scheme).

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

(a) Demand to pay GST of ₹ 45,000 for suppression of sales figures in monthly returns

(b) Demand to pay GST ₹ 55,000 for fraudulently obtaining refund of GST.

Further, in a particular month, the GST liability of the firm was ₹ 20,000 IGST; ₹ 10,000

CGST; ₹ 10,000 SGST. The following credits were available in the said month

IGST: ₹ 8,000

CGST: ₹ 12,000

SGST: ₹ 5,000

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

Ans:

Question No.	Answer
3.1	(c) (i) & (iv)
3.2	(d) Neither Supply of goods nor supply of Services
3.3	(b) (iii) & (iv)
3.4	(d) Nil
3.5	(a) IGST: ₹ 10,000; CGST: Nil, SGST: ₹ 5000

4. Ms. Chanchala, is a doctor, registered person under GST, having in-patient facility in her hospital.

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

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

- (a) Plastic surgery to enhance the beauty of the face
- (b) Ambulance service for transportation of patients
- (c) Renting of space to run medical store in hospital premises

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

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

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

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

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

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

4.1 Which of the following is a correct statement as per the provisions of CGST Act, 2017?

- (i) Service availed from her Spouse is a deemed supply
- (ii) Service availed from her Sister-in-Law is a deemed supply
- (iii) Service availed from her Spouse is not a deemed supply
- (iv) Service availed from her Sister-in-Law is not a deemed supply

- (a) (i) and (iv)
- (b) (iii) and (iv)
- (c) (ii) and (iii)
- (d) (i) and (ii)

4.2 Compute the taxable value of supply of canteen service provided by Ms. Chanchala?

- (a) ₹ 25,000
- (b) ₹ 35,000
- (c) ₹ 60,000
- (d) ₹ 80,000

4.3 By which date Ms. Chanchala should have applied for revocation of cancellation of registration certificate, in case no extension is granted?

- (a) 5th August
- (b) 20th August
- (c) 30th August
- (d) 4th September

4.4 Maximum time permissible for rectification of error committed in monthly return of June is

- (a) 20th July
- (b) 20th October of the next year
- (c) 31st October of the next year
- (d) 31st December of the next year

4.5 Determine which of the following services provided by Ms. Chanchala and her hospital is exempt from GST?

- (i) Plastic surgery to enhance the beauty of the face
- (ii) Ambulance service for transportation of patients
- (iii) Renting of space to run medical store in hospital premises
- (iv) Consultancy service by Ms. Chanchala in other hospitals

- (a) (i), (ii) & (iv)
- (b) (i), (ii)
- (c) (ii) & (iv)
- (d) (i) & (iii)

Ans:

Question No.	Answer
4.1	(a) (i) and (iv)
4.2	(b) ₹ 60,000
4.3	(d) 4th September
4.4	(b) 20th October of the next year
4.5	(c) (ii) & (iv)

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

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

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

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

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

The firm belatedly paid the tax amounting to ₹ 40,000 for the quarter ending December on 09th February of the succeeding year.

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

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

5.1 The effective date of registration of M/s. Visali & Co is _____

- (a) 10th July (b) 9th August
(c) 10th August (d) 14th August

5.2 Amongst the services availed by M/s. Visali & Co, which of the following services are taxable under reverse charge mechanism?

- (i) Sponsorship services received from Leisure Treat Bay Pvt. Ltd. Co.
- (ii) GTA Services received from Safe Logistics
- (iii) Security Services received from Prompt Security Agency Pvt. Ltd.

- (a) (i) (b) (i) & (ii)
- (c) (i) & (iii) (d) (ii) & (iii)

5.3 Determine the value of supply of equipments under section 15(1) of CGST Act, 2017 made by M/s. Visali & Co. in the month of October?

- (a) ₹ 14 lakh (b) ₹ 13 lakh
- (c) ₹ 12 lakh (d) ₹ 11 lakh

5.4 Compute the tax payable by the firm for the quarter ending September under CGST and SGST?

- (a) ₹ 5,000 each (b) ₹ 7,000 each
- (c) ₹ 10,000 each (d) ₹ 35,000 each

5.5 Compute the interest payable by the firm for the belated payment of tax?

- (a) ₹ 395 (b) ₹ 434
- (c) ₹ 414 (d) ₹ 552

Ans:

Question No.	Answer
5.1	(d) 14th August
5.2	(a) (i)
5.3	(d) ₹ 11 lakh
5.4	(b) ₹ 7,000 each
5.5	(b) ₹ 434

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

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

His turnover for the current financial year is as follows-

Taxable supply of goods ₹ 55 lakh

Exempt supply of goods ₹ 16 lakh

Inward supply liable to tax under reverse charge ₹ 8 Lakh

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

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

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

6.1 In respect of services imported by Mr. Mandeep, which of the following is a correct statement?

- (i) Architect services for his business from his friend in London free of cost is considered as a supply
- (ii) Designing services from his brother in London for ₹ 5 Lakh for his personal purposes is considered as a supply.
- (iii) Architect services for his business from his friend in London free of cost is not considered as a supply
- (iv) Designing services from his brother in London for ₹ 5 Lakh for his personal purposes is not considered as a supply.

(a) (i) & (ii)

(b) (i) & (iv)

(c) (ii) & (iii)

(d) (iii) & (iv)

6.2 Determine the time of supply of services, received by Mr. Mandeep and taxable under reverse charge?

(a) 1st September

(b) 1st November

(c) 15th November

(d) 18th November

6.3 Compute the aggregate turnover of Mr. Mandeep for the given financial year?

- (a) ₹ 63 lakh (b) ₹ 79 lakh
(c) ₹ 71 lakh (d) ₹ 55 lakh

6.4 Mr Mandeep will be eligible for composition scheme under section 10(1) of the CGST Act, 2017, in the next financial year, but he can supply services only upto _____.

- (a) ₹ 5.00 lakh (b) ₹ 6.3 lakh
(c) ₹ 7.90 lakh (d) ₹ 7.10 lakh

Ans:

Question No.	Answer
6.1	(c) (ii) & (iii)
6.2	(b) 1st November
6.3	(c) ₹ 71 lakh
6.4	(d) ₹ 7.10 lakh

7. Ms. Riya is a multi-faceted business personality. She is registered under GST from April, this year.

She supplied a package consisting of stapler, calculator and charger at a single price of ₹ 300. Rate of GST for stapler, calculator and charger is 5%, 12% and 18% respectively.

She wants to opt for composition levy.

She received following payments during the month of May:

- earned ₹ 160,000 by performing a western music in a cultural event at a Resort
- earned ₹ 50,000 by providing services by way of renting of residential dwelling for use as a boutique.
- received ₹ 70,000 by way of rent for letting of agro machinery

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

- Basic price of the product before TCS under Income Tax Act, 1961 – ₹ 45,000
- Tax collected at source under Income-tax Act, 1961 – ₹ 2,500
- She received a subsidy of ₹ 3,500 from Green Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to saving energy

Ms. Riya provides the following information regarding receipt of inward supply during July-

- received invoice for goods having GST component of ₹ 30,000. Goods were to be delivered in 5 lots, out of which three lots were received in the current month.
- purchased a car having GST component of ₹ 1,50,000 for the usage in a driving school owned by her for imparting training
- availed health insurance service for her employees on her own voluntarily and paid GST of ₹ 7,000 thereon

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

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

- 7.1 What would be the nature of supply and the applicable rate of GST for the supply of package made by Ms. Riya (when not registered under composition scheme):-
- (a) composite Supply & applicable rate 12%
 - (b) mixed Supply & applicable rate 18%
 - (c) composite Supply & applicable rate 18%
 - (d) mixed Supply & applicable rate 12%
- 7.2 Out of payments received by Ms. Riya in month of May, exempt Supply amounts to_____
- | | |
|----------------|----------------|
| (a) ₹ 50,000 | (b) ₹ 70,000 |
| (c) ₹ 1,20,000 | (d) ₹ 1,60,000 |
- 7.3 Compute the value of supply under section 15 of CGST Act, 2017 made by Ms Riya?
- | | |
|--------------|--------------|
| (a) ₹ 45,000 | (b) ₹ 47,500 |
| (c) ₹ 48,500 | (d) ₹ 51,000 |
- 7.4 Compute the amount of input tax credit that can be claimed by Ms. Riya?
- | | |
|----------------|----------------|
| (a) ₹ 30,000 | (b) ₹ 37,000 |
| (c) ₹ 1,50,000 | (d) ₹ 1,57,000 |

Ans:

Question No.	Answer
7.1	(b) mixed Supply & applicable rate 18%
7.2	(b) ₹ 70,000
7.3	(a) ₹ 45,000
7.4	(c) ₹ 1,50,000

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

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

Other Information:

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

Based on the above information, answer the following questions:

8.1. What is the aggregate turnover of Shanky Consultants?

- (a) ₹ 3,05,00,000
- (b) ₹ 3,05,70,000
- (c) ₹ 1,05,00,000
- (d) ₹ 1,05,70,000

8.2. GST liability paid under reverse charge by Shanky Consultants is?

- (a) CGST: ₹ 60,300, SGST: ₹ 60,300
- (b) CGST: ₹ 6,300, SGST: ₹ 6,300
- (c) CGST: ₹ 54,000, SGST: ₹ 54,000
- (d) None of the above

8.3. State which of the following statement is true in respect of security services provided by Shanky Consultants to registered business entities:

- (a) Shanky Consultants shall issue GST compliant tax invoice.
- (b) Shanky Consultants shall issue bill of supply stating “Tax to be paid by service recipient under reverse charge”.
- (c) Shanky Consultants can issue any document in lieu of tax invoice.
- (d) Shanky Consultants shall issue receipt voucher every time, it receives payment.

Ans:

Question No.	Answer
8.1	(a) ₹ 3,05,00,000
8.2	(a) CGST: ₹ 60,300, SGST: ₹ 60,300
8.3	(a) Shanky Consultants shall issue GST compliant tax invoice.

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

In the month of May, in order to save employee cost, PTL Pvt. Ltd. purchased a tempo traveller worth ₹ 12,00,000 with seating capacity of 25 persons (including driver) for transportation of its employees.

Further, for ensuring the well-being of its employees, PTL Pvt. Ltd. voluntarily obtained the health insurance cover of ₹ 2,00,000 for each employee in the same month. The premium of ₹ 1,500 per employee has been paid by the company for 100 employees.

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

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

In relation to the above, answer the following questions:

- 9.1 With respect to “Buy One, Get One free” which of the following statements is true:
- (a) It will not be considered as supply at all since no consideration is involved in one of the items.
 - (b) Supply of item for which consideration is charged is a supply under section 7 of the CGST Act, 2017 while supply of the other item supplied free of cost is not a supply.
 - (c) These are two individual supplies where a single price is charged for the entire supply. Since a single price is charged, the same will always be taxed as a mixed supply.
 - (d) These are two individual supplies where a single price is charged for the entire supply. Their taxability will depend upon as to whether the supply is a composite supply or a mixed supply.
- 9.2 Eligible input tax credit for the month of May (i) on the purchase of tempo traveller and (ii) on health insurance premium paid (assuming that all other conditions, for availing input tax credit have been complied with) is:
- (a) (i) CGST - Nil, SGST - Nil and (ii) CGST - Nil, SGST - Nil
 - (b) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - Nil, SGST - Nil
 - (c) (i) CGST - Nil, SGST - Nil and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000
 - (d) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000
- 9.3 Which of the following statements is true in respect of the services of advocate availed by the company?
- (a) CGST- ₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt Ltd. ITC availed thereon is to be added to its output tax liability with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
 - (b) CGST- ₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. ITC availed thereon is to be added to output tax liability of PTL Pvt Ltd. with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
 - (c) CGST- ₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt. Ltd. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.

- (d) CGST- ₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.

Ans:

Question No.	Answer
9.1	(d) These are two individual supplies where a single price is charged for the entire supply. Their taxability will depend upon as to whether the supply is a composite supply or a mixed supply.
9.2	(b) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - Nil, SGST - Nil
9.3	(c) CGST- ₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt. Ltd. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.

10. Mr. Kumar started interior designing practice from the month of January. His turnover up to the month of March was ₹ 12,50,000. On 30th June, his turnover exceeded ₹ 20,00,000 & reached to ₹ 20,05,000. Mr. Kumar applied for GST registration (as regular taxpayer) on 15th July and registration was granted to him on 25th July. On 16th July, he entered into a contract for designing the flat of Mr. Shyam. The service was completed on 22nd July and Mr. Kumar issued invoice on the same day for ₹ 6,00,000. On 5th July, Mr. Kumar purchased capital goods amounting to ₹ 4,50,000 and from 25th July to 31st July, he availed input services amounting to ₹ 1,75,000 in relation to an output service to be provided in the month of August. On 1st August, Mr. Kumar got another contract for interior designing from Mr. Ram, which he accepted on 2nd August. The service was completed on 6th August and invoice was issued on 7th August for ₹ 5,00,000. Payment was received on 29th August.

All values are excluding taxes, unless specifically mentioned. Mr. Kumar makes only intra-State outward supplies and all purchases are also intra-State. Rates of tax are CGST - 9% and SGST 9%.

In relation to the above, answer the following questions:

10.1 The effective date of registration for Mr. Kumar is-

- (a) 30th June (b) 15th July
(c) 25th July (d) 16th July

10.2 Mr. Kumar can issue a revised tax invoice till-

- (a) 23rd October (b) 8th September
(c) 25th September (d) 25th August

10.3 Eligible input tax credit available with Mr. Kumar for the month of July is-

- (a) CGST ₹ 40,500 & SGST ₹ 40,500
(b) CGST ₹ 15,750 & SGST ₹ 15,750
(c) CGST ₹ 56,250 & SGST ₹ 56,250
(d) CGST ₹ 36,000 & SGST ₹ 36,000

10.4 The time of supply of services provided by Mr. Kumar to Mr. Ram is-

- (a) 7th August
(b) 1st August
(c) 29th August
(d) 6th August

10.5 If instead of opting for regular scheme, Mr. Kumar opts to pay tax under section 10(2A) of the CGST Act, 2017, the tax liability pertaining to July month, out of the total tax liability for the September quarter, will be-

- (a) CGST Nil and SGST Nil (b) CGST ₹ 54,000 & SGST ₹ 54,000
(c) CGST ₹ 18,000 & SGST ₹ 18,000 (d) CGST ₹ 78,150 & SGST ₹ 78,150

Ans:

Question No.	Answer
10.1	(a) 30th June
10.2	(d) 25th August
10.3	(c) CGST ₹ 56,250 & SGST ₹ 56,250
10.4	(a) 7th August
10.5	(c) CGST ₹ 18,000 & SGST ₹ 18,000

11. Ms. Neha is engaged in supply of services. She is registered under GST and has opted to pay tax under composition scheme for service provider under section 10(2A) of the CGST Act. The turnover for the quarter ending June was ₹ 12,00,000.

11.2 Compute the value of Supply made by Ms. Neha to Breathe Wall LLP?

- (a) ₹ 56,000 (b) ₹ 58,000
(c) ₹ 68,000 (d) ₹ 75,000

11.3 Determine the amount of ITC that can be claimed by Ms. Neha for the month of July?

- (a) ₹ 1,00,000 (b) ₹ 1,10,000
(c) ₹ 1,05,000 (d) ₹ 1,50,000

11.4 Determine the time of supply made to Breathe Wall LLP?

- (a) 22nd July (b) 25th July
(c) 28th July (d) 30th July

11.5 Ms. Neha need not issue tax invoice to which of the following persons but required to issue a consolidated tax invoice?

- (a) Mr. Pawan
(b) Mr. Pawan and Umesh
(c) Mr. Pawan and Rains Trust
(d) Need not issue invoice to all the three persons

Ans:

Question No.	Answer
11.1	(d) ₹ 36,000 each
11.2	(b) ₹ 58,000
11.3	(c) ₹ 1,05,000
11.4	(b) 25th July
11.5	(a) Mr Pawan

12. Poorva Logistics is a Goods Transport Agency registered under GST.

It provided GTA services (taxable @ 5%) to the following persons-

- (a) Kunal Traders, an unregistered Partnership firm
(b) Mr. Amar, who is not registered under GST
(c) Small Traders co-operative society registered under Societies Registration Act

12.4 Which of the following statements is correct in respect of services provided by Poorva Logistics to Bama Steels Pvt. Ltd.

- (a) Bama Steels Pvt. Ltd. is liable to pay GST
- (b) Poorva Logistics is liable to pay GST
- (c) Service provided by Poorva Logistics to Bama Steels Pvt. Ltd. is exempt under GST
- (d) Bama Steels Pvt. Ltd. is liable to pay 50% GST and remaining 50% will be paid by Poorva Logistics

Ans:

Question No.	Answer
12.1	(c) (i) & (iii)
12.2	(c) (i) & (iii)
12.3	(d) 1st April
12.4	(b) Poorva Logistics is liable to pay GST

13. Vedanshi & Co., a partnership firm, is engaged in retail trade since 1st April. The firm became liable for registration on 1st October. However, it applied for registration on 10th October. It had inputs held in stock, semi finished and finished goods. The firm was granted certificate of registration on 5th November.

Vedanshi & Co. needs to transport one consignment to the transporter and then to the consignee. The distance, within the same state, between godown of the firm and the transporter is 20 kms and from the place of transporter to consignee is 99 kms, respectively.

In the month of November, the firm received 80 invoices for various inward supplies on which total GST paid was ₹ 8 lakh. However, only 60 invoices involving GST of ₹ 7.70 lakh was uploaded in GSTR-1 by the respective suppliers.

Also, while filing return for the month of November, the firm generated E-Challan on 5th December for making payment of GST through RTGS of their bank.

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

From the information provided above, choose the most appropriate answer for the following questions-

13.1 Determine the effective date of registration of Vedanshi & Co.?

- | | |
|------------------|------------------|
| (a) 1st April | (b) 1st October |
| (c) 10th October | (d) 5th November |

13.2 Vedanshi & Co. is eligible to claim ITC in respect of inputs held in stock as on-

- | | |
|--------------------|-------------------------------|
| (a) 30th September | (b) 1st October |
| (c) 10th October | (d) Not eligible to claim ITC |

13.3 Which of the following statements is true in respect of furnishing of details of conveyance in Part B of e way bill?

- (a) Part B need not be filed in respect of transport of consignment from Godown of Vedanshi & Co. to transporter location.
- (b) Part B need not be filed in respect of transport of consignment from transporter location to consignee's location.
- (c) Information in Part-B is neither required in transport of consignment from Godown of Vedanshi & Co. to transporter location nor from transporter location to consignee's location.
- (d) Information in Part-B is mandatory in in transport of consignment from Godown of Vedanshi & Co. to transporter location and from transporter location to consignee's location.

13.4 Compute the amount of ITC that can be claimed by Vedanshi & Co for the month of November?

- | | |
|----------------|----------------|
| (a) ₹ 7,50,000 | (b) ₹ 8,00,000 |
| (c) ₹ 8,25,000 | (d) ₹ 6,75,000 |

13.5 Determine the validity of E-Challan generated by Vedanshi & Co. for payment of taxes for the month of November?

- | | |
|-------------------|-------------------|
| (a) 5th December | (b) 15th December |
| (c) 20th December | (d) 31st December |

Ans:

Question No.	Answer
13.1	(b) 1st October
13.2	(a) 30th September
13.3	(a) Part B need not be filed in respect of transport of consignment from Godown to transporter location.
13.4	(b) ₹ 8,00,000
13.5	(c) 20th December

14. Safe Bank Ltd., a small finance bank, was incorporated in April this year. The bank got registered under GST immediately on its incorporation as a banking company. Safe Bank Ltd. received software support service free of cost from its Head office (HO) located in United Kingdom for business purpose in April. Safe Bank Ltd. provided one high end laptop worth ₹ 50,000 to its new Managing Director (MD) as a gift for discharge of his duties.

Initially the bank opened 125 branches across India covering various States. In order to secure business, the bank appointed 'Quick' Loan providers LLP, a direct selling agent, on PAN India basis. The Bank was in need of services of recovery agents of various retail and personal loans granted by its branches. For this purpose, the bank appointed 'Fast Recovery Services Pvt. Ltd.', a recovery agent, on PAN India basis. Safe bank Ltd. provided the following details for the month of may, in respect of one of its branch-

Sl.no	Nature of receipt	Amount in ₹
(i)	Interest received on Term Loan	10,75,000
(ii)	Interest received on credit card transactions	6,20,000
(iii)	Interest received on Fixed Deposit held with SBI, Mumbai	25,00,000
(iv)	Commission received on Letter of Credit issued	3,00,000
(v)	Documentation charges collected from borrowers	1,25,000
(vi)	Sale of foreign exchange to Bank of Rajasthan, an authorized dealer	15,60,000

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

15. KBC Insurance Ltd., is an insurance company providing life and nonlife products across India. The company is carrying on its business for the past three years with the approval of IRDA.

KBC Insurance Ltd. secure its business through various insurance agents spread across India. Those agents include individuals, firm, LLP and private limited company also. However, all of them are licensed under Insurance Act.

The company availed services of renting of motor vehicles for its employees in PAN India through 'RR Travels Private limited', where cost of fuel is included in the consideration charged. The service provider charged 5% GST and informed the company that it is claiming ITC only in respect of the same line of business.

KBC Insurance Ltd. provided the following details of insurance business for the month of May-

Sl.no	Nature of receipt	Amount in ₹
(i)	Premium received on Pradhan Mantri Jan Dhan Yojana	5,00,000
(ii)	Premium received on Aam Aadmi Bima Yojana	3,00,000
(iii)	Premium received on Life micro-insurance product having a sum assured of ₹ 2.50 lakh 4,00,000	4,00,000
(iv)	Premium received on reinsurance of Group Personal Accident Policy for Self-Employed Women	1,00,000
(v)	Premium received on Fire and Special perils policy of various business units	7,00,000
(vi)	Premium received on Money-back policies issued	12,00,000

KBC Insurance Ltd. received a proposal for Pandemic Insurance for IPL matches from the franchisees. Sum assured for said insurance was ₹ 250 Crores with a premium of ₹ 50 lakh. The company issued the said policy on 1st July. Invoice for the same was issued on 5th August. Premium was received on 14th August.

KBC Insurance Ltd. received the following supplies in the month of May and the details of GST paid on such supplies are as follows –

- (i) GST paid on purchase of car for use of Managing Director ₹ 5,00,000
- (ii) GST paid on bus (seating capacity for 14 persons) purchased by the company for transportation of its employees from their residence to office and back - ₹ 3,00,000
- (iii) GST of ₹ 80,000 was paid on general insurance taken from Amity Insurance Ltd. for motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the) driver) which were used in transportation of staff of the company.

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

company is not less than ₹ 10 crores for the past three years. Conditions necessary for availment of ITC are fulfilled subject to the information given.

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

15.1 Determine the services on which the company is liable to pay tax under reverse charge?

- (a) Service availed from insurance agents
- (b) Service availed from RR Travels Private Limited
- (c) None of the services availed attracts RCM
- (d) Both (a) & (b)

15.2 Compute the total value of exempt supply provided by KBC Insurance Ltd. for the month of May?

- (a) ₹ 9,00,000
- (b) ₹ 13,00,000
- (c) ₹ 20,00,000
- (d) ₹ 32,00,000

15.3 Compute the total value of taxable supply made by KBC Insurance Ltd. for the month of May?

- (a) ₹ 4,00,000
- (b) ₹ 12,00,000
- (c) ₹ 23,00,000
- (d) ₹ 32,00,000

15.4 Determine the amount of ITC that can be claimed by KBC Insurance Ltd?

- (a) ₹ 80,000
- (b) ₹ 3,00,000
- (c) ₹ 3,80,000
- (d) ₹ 8,80,000

15.5 Determine the time of supply of service provided to IPL franchisees?

- (a) 1st July
- (b) 16th August
- (c) 05th August
- (d) 14th August

Ans:

Question No.	Answer
15.1	(a) Service availed from Insurance Agents
15.2	(a) ₹ 9,00,000
15.3	(c) ₹ 23,00,000
15.4	(c) ₹ 3,80,000
15.5	(c) 5th August

16. M/s Aditi & Co, a partnership firm registered under GST, is undertaking various Government projects.

The firm has let out on hire the following vehicles

- (i) A motor vehicle to carry more than 15 passengers to a State Government Electricity Department
- (ii) An electric operated vehicle to carry more than 12 passengers to Local Municipal Corporation
- (iii) An electric operated vehicle to carry upto 12 passengers to State Transport Undertaking

The firm provided the following additional information for the month of October:

- (i) Works contract services were availed for construction of immovable property being plant and machinery, where value of GST component was ₹ 1,10,000.
- (ii) GST amounting to ₹ 70,000 was paid on account of demand of the Department due to fraud in payment of tax.
- (iii) Goods valuing ₹ 10,00,000, (GST on the same - ₹ 1,00,000) were received 180 days ago (invoice also issued on the date of receipt of supply) for which payment has been made till date to an extent of ₹ 4,00,000 towards value, ₹ 40,000 towards tax.

The firm issued invoices pertaining to two independent outward supplies, where in one invoice value of supply was understated by ₹ 75,000 and in another invoice, value was overstated by ₹ 45,000

The firm received certain supply of goods amounting to ₹ 8,40,000 from registered persons on which tax was payable under reverse charge basis.

All the amounts given above are exclusive of taxes, wherever applicable. All transactions referred to above are intra-State. All the conditions for availing ITC have been fulfilled subject to the information given above.

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

16.1 In respect of vehicles let out on hire by the firm, services that are exempt from GST are

- (i) Letting on hire a motor vehicle to State Electricity Department
- (ii) Letting on hire an electric operated vehicle to Local Municipality
- (iii) Letting on hire an electric operated vehicle to State Transport Undertaking

- (a) (i) (b) (ii)
- (c) (i) and (iii) (d) (ii) and (iii)

16.2 Determine the amount of eligible ITC to be claimed by the firm for the month of October.

- (a) ₹ 70,000 (b) ₹ 1,10,000
(c) ₹ 1,80,000 (d) Nil

16.3 Determine the amount of ITC to be added to the output tax liability. (Ignore interest)

- (a) ₹ 40,000 (b) ₹ 60,000
(c) ₹ 1,00,000 (d) Nil

16.4 Which of the following is correct in respect of document to be issued by the firm for understatement and overstatement of invoice value?

- (i) Debit note is to be issued for ₹ 75,000.
(ii) Credit note is to be issued for ₹ 75,000.
(iii) Debit note is to be issued for ₹ 45,000.
(iv) Credit note is to be issued for ₹ 45,000.
(a) (i) & (iii) (b) (ii) & (iii)
(c) (i) & (iv) (d) (ii) & (iv)

16.5 Which of the following statements is correct in respect of supply of goods amounting to ₹ 8,40,000 received by the firm which are taxable under reverse charge?

- (i) Firm shall issue a payment voucher at the time of making payment to supplier.
(ii) Firm shall issue invoice for supply of goods.
(iii) Firm shall issue receipt voucher at the time of making payment to supplier.
(iv) Firm is not required to issue any document in respect of such supply.
(a) (i) (b) (i) & (ii)
(c) (ii) & (iii) (d) (iv)

Ans:

Question No.	Answer
16.1	(b) (ii)
16.2	(b) ₹ 1,10,000
16.3	(b) ₹ 60,000
16.4	(c) (i) & (iv)
16.5	(a) (i)

17. MM Charitable Trust is registered under section 12AB of the Income tax Act, 1961. The trust conducted a three day residential yoga camp among people on the occasion of international yoga day for the advancement of yoga and charged ₹ 7,500 per person inclusive of stay and food.

The trust also conducted programmes for the advancement of education of persons aged above 65 years in metro cities. A nominal fee was charged for the same.

The trust received following donations during the month of September:-

- (i) Mr. Sunil Sharma, proprietor of Solid Steels donated a RO water plant to the trust costing ₹ 75,000 and displayed his firm name in the RO system installed at the premises of the trust as “Donated by Mr. Sunil, owner of Solid Steels-trusted by all’.
- (ii) Mr. Prasanna, a lawyer donated chairs to the trust costing ₹ 25,000 and ‘Love all’ is printed on all chairs donated by him to the trust.

The following are the details of GST payment made by the firm

- (i) GST of ₹ 1,75,000 was paid for the purchase of motor vehicle for transportation of needy persons (Seating capacity including driver is 13).
- (ii) GST of ₹ 2,45,000 was paid for works contract services availed from super Builders for construction of Trust’s office building.

MM Charitable Trust also owns and manages a gurudwara. It rented the community hall located in the precincts of the gurudwara for a rent of ₹ 8,500 per day for a marriage function. It also rented the commercial shop located in the precincts of the gurudwara for a rent of ₹ 10,000 per month per shop.

You can assume that the Trust is registered under GST and all the transactions are intra-State only. Conditions for availing ITC are fulfilled subject to the above-mentioned information.

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

17.1 Which of the following activities conducted by trust is exempt from GST?

- (a) Advancement of Yoga
- (b) Advancement of education
- (c) Both (a) and (b)
- (d) Neither of the activities

17.2 Determine the value of taxable supply in respect of donations received by the Trust?

- (a) ₹ 25,000
- (b) ₹ 75,000
- (c) ₹ 1,00,000
- (d) Nil

17.3 Compute the amount of input tax credit that can be claimed by the Trust?

- (a) ₹ 1,75,000 (b) ₹ 2,45,000
(c) ₹ 4,20,000 (d) Nil

17.4 Which of the following statements is/are correct under GST law in respect of gurudwara managed by MM Charitable Trust?

- (a) Renting of community hall is taxable while renting of commercial shop is exempt.
(b) Renting of community hall is exempt while renting of commercial shop is taxable.
(c) Both renting of community hall and renting of commercial shop are taxable.
(d) Both renting of community hall and renting of commercial shop are exempt.

Ans:

Question No.	Answer
17.1	(a) Advancement of Yoga
17.2	(b) ₹ 75,000
17.3	(d) Nil
17.4	(b) Renting of community hall is exempt while renting of commercial shop is taxable.
16.5	(a) (i)

18. Mr. Dhev is engaged in supply of tiles and marbles in the State of Telangana. He is not registered under GST. He commenced his business from July month.

He availed godown construction services for business from his brother in-law who was dependent on him. He also availed professional consultancy services for the purpose of business from his son who was a Chartered Accountant and his son was not dependent on him. Mr. Dhev did not pay anything for both the services as both of them were his relative / family member respectively.

On the basis of advice of his son, Mr. Dhev made the supply of tiles within his State only. He reached a turnover of ₹ 7 lakh as on 31st October. However, he planned to expand his business to other States since he received decent orders from other States also.

During the month of December, he received a consignment of tiles from Rajasthan through Prompt Carriers, a goods transport agency based in the State of Rajasthan.

Goods were dispatched by the supplier on 'to pay' basis for freight. Freight charges were ₹ 50,000 and the said GTA pays GST @ 12%. Mr. Dhev paid the invoice amount in the month of December itself. This was an inter-State transaction.

During the month of January, Mr. Dhev made his first inter-State supply to Tamil Nadu on 4th January. His turnover before making such supply was ₹ 15 lakh.

Value of such inter-state supply was ₹ 4,50,000, exclusive of taxes. Payment for the said inter-State supply was received on 28th February. Invoice was raised by Mr. Dhev on 25th January.

All the figures given above are exclusive of taxes wherever applicable.

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

18.1 In respect of services availed by Mr. Dhev, which of the following is a correct statement?

- (a) Godown construction service availed from his brother-in law free of cost is considered as a deemed supply
- (b) Professional service availed from his son free of cost is considered as a deemed supply
- (c) Neither of the services is a deemed supply
- (d) Both services are deemed supply

18.2 Upto which limit of aggregate turnover Mr Dhev can continue to supply goods without registration within his state, if he does not procure any goods/services on which tax is payable under reverse charge mechanism?

- (a) ₹ 20 lakh
- (b) ₹ 40 lakh
- (c) ₹ 10 lakh
- (d) ₹ 150 lakh

18.3 What is the tax liability for the freight charges?

- (a) ₹ 6000 of IGST under reverse charge
- (b) ₹ 6000 of IGST under forward charge
- (c) ₹ 3000 each under CGST and SGST under reverse charge
- (d) Nil as it is exempt

18.4 Which of the following statement is correct with respect to liability of Mr. Dhev to register under GST?

- (a) Mr. Dhev is liable to register in the month of December for receipt of GTA services.
- (b) Mr. Dhev is liable to register in the month of January for effecting inter-State outward supply of goods.

- (c) Mr. Dhev is liable to register only when his turnover exceeds the threshold limit irrespective of whether he is in receiving any GTA services or is effecting inter-State outward supply.
- (d) Mr. Dhev is not required to register as it is his first year of business.

18.5 What is the time of supply of goods made by Mr Dhev during January?

- (a) 4th January (b) 25th January
(c) 3rd February (d) 28th February

Ans:

Question No.	Answer
18.1	(b) Professional service availed from his son free of cost is considered as a deemed supply
18.2	(a) ₹ 20 lakh
18.3	(d) Nil as it is exempt
18.4	(b) Mr. Dhev is liable to register in the month of January for effecting inter-State outward supply of goods.
18.5	(a) 4th January

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

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

In the month of July, Mr. Raghav, a customer of the company, filed a law suit in the Court, against the company for not supplying goods of the value of ₹ 1,00,000. PTL Pvt Ltd. engaged Mr. Ram, an advocate, to represent it in Court for an agreed

consideration of ₹ 25,000. As per the terms of the contract, Mr. Ram issued an invoice on 5th July. However, consideration was not paid till February next year.

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

In relation to the above, answer the following questions:

19.1 With respect to “Buy One, Get One” offer, which of the following statements is true:

- (a) It will not be considered as supply at all since no consideration is involved in one of the items.
- (b) Supply of item for which consideration is charged is a supply under section 7 of the CGST Act, 2017 while supply of the other item supplied free of cost is not a supply.
- (c) These are two individual supplies where a single price is charged for the entire supply. Since a single price is charged, the same will always be taxed as a mixed supply.
- (d) These are two individual supplies where a single price is charged for the entire supply. Their taxability will depend upon as to whether the supply is a composite supply or a mixed supply.

19.2 Eligible input tax credit for the month of May (i) on the purchase of tempo traveller and (ii) on health insurance premium paid (assuming that all other conditions, for availing input tax credit have been complied with) is:

- (a) (i) CGST - Nil, SGST - Nil and (ii) CGST - Nil, SGST - Nil
- (b) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - Nil, SGST - Nil
- (c) (i) CGST - Nil, SGST - Nil and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000
- (d) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000

19.3 Which of the following statements is true in respect of the services of advocate availed by the company?

- (a) CGST- ₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt Ltd. ITC availed thereon is to be added to its output tax liability with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
- (b) CGST- ₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. ITC availed thereon is to be added to output tax liability of PTL Pvt Ltd. with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.

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

Ans:

Question No.	Answer
19.1	(d) These are two individual supplies where a single price is charged for the entire supply. Their taxability will depend upon as to whether the supply is a composite supply or a mixed supply.
19.2	(b) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - Nil, SGST - Nil
19.3	(c) CGST- ₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt. Ltd. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.

20. Mr. Kumar started interior designing practice from the month of January. His turnover upto the month of March was ₹ 12,50,000. On 30th June, his turnover exceeded ₹ 20,00,000 & reached to ₹ 20,05,000. Mr. Kumar applied for GST registration (as regular taxpayer) on 15th July and registration was granted to him on 25th July. On 16th July, he entered into a contract for designing the flat of Mr. Shyam. The service was completed on 22nd July and Mr. Kumar issued invoice on the same day for ₹ 6,00,000. On 5th July, Mr. Kumar purchased capital goods amounting to ₹ 4,50,000 and from 25th July to 31st July, he availed services amounting to ₹ 1,75,000 for the purpose of completing the service. On 1st August, Mr. Kumar got another contract for interior designing from Mr. Ram, which he accepted on 2nd August. The service was completed on 6th August and invoice was issued on 7th August for ₹ 5,00,000. Payment was received on 29th August. Note: All values are excluding taxes, unless specifically mentioned. Mr. Kumar makes only intra-State outward supplies and all purchases are also intra-State. Rates of tax are CGST - 9% and SGST- 9%.

In relation to the above, answer the following questions:

20.1 The effective date of registration for Mr. Kumar is-

- (a) 30th June (b) 15th July
(c) 25th July (d) 16th July

20.2 Mr. Shyam can issue a revised tax invoice till-

- (a) 23rd October (b) 8th September
(c) 25th September (d) 25th August

20.3 Eligible input tax credit available with Mr. Kumar for the month of July is-

- (a) CGST ₹ 40,500 & SGST ₹ 40,500
(b) CGST ₹ 15,750 & SGST ₹ 15,750
(c) CGST ₹ 56,250 & SGST ₹ 56,250
(d) CGST ₹ 36,000 & SGST ₹ 36,000

20.4 The time of supply of services provided by Mr. Kumar to Mr. Ram is-

- (a) 7th August
(b) 1st August
(c) 29th August
(d) 06th August

20.5 If instead of opting for regular scheme, Mr. Kumar opts to pay tax under section 10(2A) of the CGST Act, 2017, the tax liability for the month of July will be-

- (a) Nil
(b) CGST ₹ 54,000 & SGST ₹ 54,000
(c) CGST ₹ 18,000 & SGST ₹ 18,000
(d) CGST ₹ 78,150 & SGST ₹ 78,150

Ans:

Question No.	Answer
20.1	(a) 30th June
20.2	(d) 25th August
20.3	(c) CGST ₹ 56,250 & SGST ₹ 56,250 [ITC on both capital goods and input services is eligible]

20.4	(a) 7th August
20.5	(c) CGST ₹ 18,000 & SGST ₹ 18,000 [6 lakh * 3% each]

21. M/s Aditi & Co, a partnership firm registered under GST, is undertaking various Government projects.

The firm has let out on hire the following vehicles-

- (i) A motor vehicle to carry more than 15 passengers to a State Government Electricity Department
- (ii) An electric motor vehicle to carry more than 12 passengers to Local Municipal Corporation
- (iii) An electric motor vehicle to carry upto 12 passengers to State Transport Undertaking

The firm provided the following additional information for the month of October:

- (i) Works contract services were availed for construction of immovable property being plant and machinery, where value of GST component was ₹ 1,10,000.
- (ii) GST amounting to ₹ 70,000 was paid on account of demand of the Department due to fraud in returns filed.
- (iii) Goods valuing ₹ 10,00,000, (GST on the same ₹ 1,00,000) were received 180 days ago (invoice also issued on the date of receipt of supply) for which payment has been made till date to an extent of ₹ 4,00,000 towards value, ₹ 40,000 towards tax.

The firm made two independent outward supplies in which value of supply was understated in one case by ₹ 75,000 and overstated by ₹ 45,000 in the other case. The firm received certain supply of goods from registered persons on which tax was payable under reverse charge basis.

All the amounts given above are exclusive of taxes, wherever applicable. All transactions referred to above are intra-State. All the conditions for availing ITC have been fulfilled subject to the information given above.

From the information given above, choose the most appropriate answer for Q.1 to Q.5 given below:-

21.1 In respect of vehicles let out on hire by the firm, services that are exempt from GST are

- (i) Letting on hire a motor vehicle to State Electricity Department (>15 passengers)
- (ii) Letting on hire an electric vehicle to Local Municipality (> 12 passengers)
- (iii) Letting on hire an electric vehicle to State Transport Undertaking (<12 passengers)

- (a) (i) (b) (ii)
- (c) (i) and (iii) (d) (ii) and (iii)

21.2 Determine the amount of eligible ITC to be claimed by the firm for the month of October.

- (a) ₹ 70,000 (b) ₹ 1,10,000
- (c) ₹ 1,80,000 (d) Nil

21.3 Determine the amount of ITC to be added to the output tax liability.

- (a) ₹ 40,000 (b) ₹ 60,000
- (c) ₹ 1,00,000 (d) Nil

21.4 Which of the following is correct in respect of document to be issued by the firm for understatement and overstatement of invoice value?

- (i) Debit note is to be issued for ₹ 75,000.
- (ii) Credit note is to be issued for ₹ 75,000.
- (iii) Debit note is to be issued for ₹ 45,000.
- (iv) Credit note is to be issued for ₹ 45,000.

- (a) (i) & (iii) (b) (ii) & (iii)
- (c) (i) & (iv) (d) (ii) & (iv)

21.5 Which of the following statements is correct in respect of supply of goods received by the firm which are taxable under reverse charge?

- (i) Firm shall issue a payment voucher at the time of making payment to supplier.
- (ii) Firm shall issue invoice for supply of goods.
- (iii) Firm shall issue receipt voucher at the time of making payment to supplier.
- (iv) Firm is not required to issue any document in respect of such supply.

- (a) (i) (b) (i) & (ii)
- (c) (ii) & (iii) (d) (iv)

Ans:

Question No.	Answer
21.1	(b) (ii)
21.2	(b) ₹ 1,10,000 [works contract eligible for ITC for plant and machinery]
21.3	(b) ₹ 60,000 [out of 10 lakh, 6 lakh is yet to be paid and corresponding ITC reversal will be 60000]
21.4	(c) (i) & (iv)
21.5	(a) (i)

22. MM Charitable Trust is registered under section 12AA of the Income-tax Act, 1961. The trust conducted a three day residential yoga camp among people on the occasion of International yoga day for the advancement of yoga and charged ₹ 7,500 per person inclusive of stay and food. The trust also conducted programmes for the advancement of education of persons aged above 65 years in metro cities. A nominal fee was charged for the same.

The trust received following donations during the month of September:-

- (i) Solid Steels Pvt. Ltd. donated a RO water plant to the trust costing ₹ 75,000 and displayed its company name in the RO system installed at the premises of the trust as “Donated by Solid Steels Private Limited-trusted by all’.
- (ii) Mr. Prasanna, a lawyer donated chairs to the trust costing ₹ 25,000 and ‘Love all’ is printed on all chairs donated by him to the trust.

The following are the details of GST payment made by the firm -

- (i) GST of ₹ 1,75,000 was paid for the purchase of motor vehicle for transportation of needy persons (Seating capacity including driver is 13).
- (ii) GST of ₹ 2,45,000 was paid for works contract services availed from Super Builders for construction of Trust’s office building.

MM Charitable Trust also owns and manages a gurudwara. It rented the community hall located in the precincts of the gurudwara for a rent of ₹ 8,500 per day for a marriage function. It also rented the commercial shop located in the precincts of the gurudwara for a rent of ₹ 10,000 per month per shop.

You can assume that the Trust is registered under GST and all the transactions are intra - State only. Conditions for availing ITC are fulfilled subject to the above-mentioned information.

Based on the information given above, choose the most appropriate answer for the following questions [1 to 4]-

22.1 Which of the following activities conducted by trust is exempt from GST?

- (a) Advancement of Yoga (b) Advancement of education
(c) Both (a) and (b) (d) Neither of the activities

22.2 Determine the value of taxable supply in respect of donations received by the Trust?

- (a) ₹ 25,000 (b) ₹ 75,000
(c) ₹ 1,00,000 (d) Nil

22.3 Compute the amount of input tax credit that can be claimed by the Trust?

- (a) ₹ 1,75,000 (b) ₹ 2,45,000
(c) ₹ 4,20,000 (d) Nil

22.4 Which of the following statements is/are correct under GST law in respect of gurudwara managed by MM Charitable Trust?

- (a) Renting of community hall is taxable while renting of commercial shop is exempt.
(b) Renting of community hall is exempt while renting of commercial shop is taxable.
(c) Both renting of community hall and renting of commercial shop are taxable.
(d) Both renting of community hall and renting of commercial shop are exempt.

Ans:

Question No.	Answer
22.1	(a) Advancement of Yoga
21.2	(b) ₹ 75,000
21.3	(d) Nil
21.4	(b) Renting of community hall is exempt while renting of commercial shop is taxable

23. Vidhula Impex Ltd. is engaged in supplying sports goods. The company did not opt for registration under GST. The proper officer under GST, based on enquiry, finds that the concern is liable for registration and he registers the firm on temporary basis on 15th June, 2020.

After being granted the registration certificate, the company availed the following services for the purpose of its business-

- (i) Renting of motor vehicles from Blue Taxi Pvt. Ltd. where GST was charged @ 12%.
- (ii) Appointed Mr. Rajesh as Technical Director for advisory role in business and the payment was made based on the contract entered. However, he was not employee of the company.

During the course of its business, the company issued an invoice to a customer and erroneously charged higher value by ₹ 34,000. Such invoice was issued on 28th February, 2021.

Further, in the month of February 2021, the company also generated an e-way bill for inter-State transport of goods. However, immediately on generation of the e-way bill, the buyer cancelled the order before it is dispatched from the factory for delivery.

In the month of March 2021, since the company was incurring heavy losses, it applied for cancellation of GST registration on 15th March, 2021. The order for cancellation was made on 30th March, 2021 effecting cancelling the registration with effect from 15th March, 2021.

From the information provided above, choose the most appropriate answer for the following questions (1-5):

23.1 After the grant of temporary registration, Vidhula Impex Ltd. needs to apply for registration within _____ from the date of grant of temporary registration, if no extension of period is to be granted for such temporary registration.

- (a) 30 days
- (b) 90 days
- (c) 7 days
- (d) 15 days

23.2 In case of which of the following services, the company is liable to pay tax under reverse charge?

- (a) Renting of Motor Vehicles
- (b) Directorship services
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

23.3 Which document is required to be issued by the company in respect of the invoice issued on 28th February, 2021?

- (a) Debit note
- (b) Credit note
- (c) Bill of supply
- (d) Revised Tax invoice

23.4 The Company needs to file its Final return by _____.

- (a) 30th April, 2021 (b) 30th August, 2021
(c) 15th June, 2021 (d) 30th June, 2021

23.5 Which of the following statements is correct in respect of e-way bill generated for goods in the month of February for which order was cancelled?

- (a) Once generated, e-way bill cannot be cancelled.
(b) E-way bill can be cancelled within 24 hours of generation
(c) E-way bill can be cancelled within 48 hours of generation
(d) E-way bill can be cancelled within 72 hours of generation

Ans:

Question No.	Answer
23.1	(b) 90 days
23.2	(b) Directorship services
23.3	(b) Credit note
23.4	(d) 30th June, 2021
23.5	(b) E-way bill can be cancelled within 24 hours of generation

24. M/s. Delight Brothers, a partnership firm, is engaged in restaurant business. It is registered under the composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 for the current financial year. It's turnover in the State for the month of April was ₹ 12,00,000.

It received new orders in the month of May to run a mess facility for supplying food at:

- (i) Vishwas Public School, a higher secondary school;
(ii) Knowledge Institute of Technology, an engineering college, approved by AICTE and UGC; and
(iii) Frontline Hospital

It also provided catering services to a Coral limited company for their Annual General Meeting. Service was provided on 3rd July. But invoice was not issued by the firm to the company. However, payment was received on 25th July for which bank account was credited on 28th July. The turnover of restaurant business for the current financial year is ₹ 48,00,000.

24.5 Rate of GST applicable for service of repairing of air conditioners made by M/s Delight Brothers will be _____, assuming that it intends to pay the tax at the minimum rate available?

- (a) 1% (b) 5%
(c) 6% (d) 12%

Ans:

Question No.	Answer
24.1	(c) CGST & SGST of ₹ 30,000 each
24.2	(c) only (i)
24.3	(a) 3rd July
24.4	(c) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.
24.5	(c) 6%