

**Question 1**

XYZ Ltd., New Delhi, manufactures biscuits under the brand name 'Tastypicks'. Biscuits are supplied to wholesalers and distributors located across India on FOR basis from the warehouse of the company located at New Delhi. The company uses multiple modes of transport for supplying the biscuits to its customers spread across the country. The transportation cost is shown as a line item in the invoice and is billed to the customers with a mark-up of 2% on total amount of freight paid (inclusive of taxes).

Flour used for the production process is procured from vendors located in Madhya Pradesh on ex-factory basis. The company engages goods transport agencies (GTA) to transport the flour from the factories of the vendors to its factory located in New Delhi.

The company has provided the following data relating to transportation of biscuits and flour in the month of April 20XX:

- For sales within the NCR region (Rs 20,00,000), the company arranged a local mini- van belonging to an individual and paid him Rs 54,000.
- For sales to locations in distant States (Rs 1,78,00,000), the company booked the goods by Indian Railways and paid rail freight of Rs 3,17,000.
- For sales to locations in neighbouring States (Rs 55,00,000), the company booked the goods by road carriers (GTAs) and paid road freight of Rs 3,73,000. Out of the total sales to neighbouring States, goods worth Rs 10,00,000 were booked through a GTA which paid tax @ 12%. Freight of Rs 73,000 were paid to such GTA.
- For purchase of flour from Madhya Pradesh (Rs 25,00,000), the company booked the goods by a GTA and paid road freight of Rs 55,000 (GTA doesn't opt to pay GST under FCM).
- For purchase of butter from Punjab (Rs 15,00,000), the company booked the goods by a GTA and paid road freight of Rs 35,000 (GTA doesn't opt to pay GST under FCM).
- For local purchase of baking powder, the company booked the goods by a GTA in a single carriage and paid road freight of Rs 1,500 (GTA doesn't opt to pay GST under FCM).
- For transferring the biscuits (open market value - Rs 4,00,000) to one of its sister concerns in Rajasthan, the company booked the goods by a GTA and paid road freight of Rs 40,000.
  - (i) Based on the particulars given above, compute the GST payable on the amount paid for transportation by XYZ Ltd. when it avails the services of different transporters.
  - (ii) Compute the GST charged on transportation cost billed by the company to its customers.

Note: - Assume the rate of GST on transportation of goods and biscuits to be 5% and 12% respectively [except where any other rate is specified in the question].

(CA Final RTP Nov 18)

Answer:

- (i) Computation of GST payable on amount paid for transportation by XYZ Ltd. When it avails the services of different transporters

Particulars	Freight [Rs]	GST payable
Transportation of biscuits in a local mini-van belonging to an individual [Only the transportation of goods by road by a GTA is liable to GST. Therefore, transportation of goods by road otherwise than by a GTA is exempt from GST - Notification No. 12/2017 CT (R) & 9/2017 IT (R) Both dated 28.06.2017.]	54,000	Nil
Transportation of biscuits by Indian Railways [GST is payable on transportation of goods by rail]	3,17,000	15,850
Transportation of biscuits by GTA [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	3,00,000	15,000
Transportation of biscuits by GTA @ 12% [When the GTA pays tax @ 12%, tax is payable by the GTA under forward charge and not by the recipient under reverse charge - Notification No. 10/2017 IT (R) dated 28.06.2017.]	73,000	8,760
Transportation of biscuits by GTA @ 12% [When the GTA pays tax @ 12%, tax is payable by the GTA under forward charge and not by the recipient under reverse charge - Notification No. 10/2017 IT (R) dated 28.06.2017.]	73,000	8,760
Transportation of flour by GTA [Services provided by GTA by way of transport (in a goods carriage) of, inter alia, flour is exempt from GST vide NN. 9/2017 IT (R) dated 28.06.2017.]	55,000	Nil
Transportation of butter by GTA [Though services provided by GTA by way of transport (in a goods carriage) of, inter alia, milk is exempt from GST vide Notification No. 9/2017 IT (R) dated 28.06.2017, road transport of butter will not be exempted as butter is milk product and not milk. GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	35,000	1,750
Transportation of baking powder by GTA [Services provided by a GTA by way of transport in a goods carriage of goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed Rs 1,500, are also taxable under GST.]	1,500	75
Transportation of biscuits by GTA to sister concern [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	40,000	2,000
Total tax payable by XYZ Ltd. on availing services of different transporters		43,360

- (ii) Computation of GST charged on transportation cost billed by XYZ Ltd. to its customers Since XYZ Ltd. is supplying biscuits on FOR basis, the service of transportation of biscuits gets bundled with the supply of biscuits. Thus, the supply of biscuits and transportation service is a composite supply, chargeable to tax at the rate applicable to the principal supply (biscuits) i.e., 12% [Section 8(a) of the CGST Act read with the definition of 'composite supply' under section 2(30) of the CGST Act, 2017 and 'principal supply' under section 2(90) of the CGST Act, 2017],

Particulars	Freight paid [Rs] [A]	GST paid on freight [Rs] [B]	Freight billed (with mark-up @ 2% on [A] + [B]) [Rs]	GST charged @ 12% [Rs]
Transportation of biscuits in a local mini-van belonging to an individual	54,000	-	55,080	6,610
Transportation of biscuits by Indian Railways	3,17,000	15,850	3,39,507	40,741
Transportation of biscuits by GTA	3,00,000	15,000	3,21,300	38,556
Transportation of biscuits by GTA @ 12%	73,000	8,760	83,395	10,007
Total tax charged by XYZ Ltd. On transportation-cost billed to the customers*				95,914

\*Note: It has been assumed that there is no mark-up on transportation cost billed to sister concern (non-customer).

### Question 2

Jaskaran, a registered supplier of Delhi, has made the following supplies in the month of January, 20XX:

SN	Particulars	Amount*
(i)	Supply of 20,000 packages at Rs 30 each to Sukhija Gift Shop in Punjab [Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons]	6,00,000
(ii)	10 generators hired out to Morarji Banquet Halls, Chandigarh [including cost of transporting the generators (Rs 1,000 for each generator) from Jaskaran's warehouse to the Morarji Banquet Halls]	2,50,000
(iii)	500 packages each consisting of 1 chocolate and 1 fruit juice bottle given as free gift to Delhi customers on the occasion of Diwali [Cost of each package is Rs 12, but the open market value of such package of goods and of goods of like kind and quality is not available. Input tax credit has not been taken on the items contained in the package]	
(iv)	Catering services provided free of cost for elder brother's business inaugural function in Delhi. [Cost of providing said services is Rs 55,000, but the open market value of such services and of services of like kind and quality is not available.]	

\*excluding GST

You are required to determine the GST liability [CGST & SGST and/or IGST, as the case may be] of Jaskaran for the month of January, 20XX with the help of the following additional information furnished by him for the said period:

1. Penalty of Rs 10,000 was collected from Sukhija Gift Shop for the payment received with a delay of 10 days.
2. The transportation of the generators from Jaskaran's warehouse to the customer's premises is arranged by Jaskaran through a Goods Transport Agency (GTA) who pays tax @ 12%.
3. Assume that Elder brother is dependent on Jaskaran. Assume the rates of GST to be as under:

Goods/services supplied	CGST	SGST	IGST
Chocolates	9%	9%	18%
Fruit juice bottles	6%	6%	12%
Toy balloons	2.5%	2.5%	5%
Service of renting of generators	9%	9%	18%
Catering service	9%	9%	18%

(RTP NOV 2018) - updated

**Answer:**

Computation of GST liability of Jaskaran for the month of January, 20XX

Particulars	CGST (Rs)	SGST (Rs)	IGST (Rs)
Supply of 20,000 packages to Sukhija Gift Shop, Punjab [Note-1]			1,09,526 [6,08,475 × 18%]
Renting of 10 generators to Morarji Banquet Halls, Chandigarh [Note-2]			45,000 [2,50,000 × 18%]
500 packages given as free gift to the customers [Note-3]	Nil	Nil	Nil
Catering services provided free of cost for elder brother's business inaugural function in Delhi [Note-3]	5,445 [60,500 × 9%]	5,445 [60,500 × 9%]	
<b>Total GST liability (rounded off)</b>	<b>5,445</b>	<b>5,445</b>	<b>1,54,526</b>

Notes:

1. As per section 2(74) of the CGST Act, 2017, 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.  
Supply of a package containing chocolates, fruit juice bottles and a packet of toy balloons is a mixed supply as each of these items can be supplied separately and is not dependent on any other. Further, as per section 8(b) of the CGST Act, 2017, the mixed supply is treated as a supply of that particular supply which attracts the highest rate of tax. Thus, in the given case, supply of packages is treated as supply of chocolates [since it attracts the highest rate of tax]. Consequently, being an inter-State supply of goods,

supply of packages to Sukhija Gift Shop of Punjab is subject to IGST @ 18% each. Further, value of supply includes interest or late fee or penalty charged for delayed payment of any consideration for any supply in terms of section 15(2) (d) of the CGST Act, 2017. Thus, penalty of Rs 10,000 [considered as inclusive of GST] collected from Sukhija Gift Shop for the delayed payment will be included in the value of supply. The total value of supply is Rs 6,08,475 [Rs 6,00,000 + (Rs 10,000 x 100/118)].

2. Services by way of transportation of goods by road except the services of a Goods Transportation Agency (GTA) are exempt vide Notification No. 9/2017 IT (R) dated 28.06.2017. Since Jaskaran is not a GTA, transportation services provided by him are exempt from GST. However, since the generators are invariably hired out along with their transportation till customer's premises, it is a case of composite supply under section 2(30) of the CGST Act, 2017 wherein the principal supply is the renting of generator. As per section 8(a) of the CGST Act, 2017, the composite supply is treated as the supply of the principal supply. Therefore, the service of transportation of generators will also be taxed at the rate applicable for renting of the generator (principal supply). Consequently, being an inter-State supply of service, service of hiring out the generators to Morarji Banquet Halls of Chandigarh is subject to IGST @ 18% each.
3. As per section 7(l)(c) of the CGST Act, 2017, an activity made without consideration can be treated as supply only when it is specified in Schedule I of the CGST Act, 2017. Para 2. of Schedule I provide that supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business, are to be treated as supply even if made without consideration, However, since the question does not provide, that customers are related to Jaskaran, free gifts given to the customers cannot be considered as a supply under section 7. Consequently, no tax is leviable on the same. Further, the catering services provided by Jaskaran to his elder brother without consideration will be treated as supply as Jaskaran and his elder brother, being members of same family and dependent, are related persons in terms of explanation (a)(viii) to section 15 of the CGST Act, 2017 and said services have been provided in course/ furtherance of business. Value of supply of services between related persons, other than through an agent is determined as per rule 28 of the CGST Rules, 2017. Accordingly, the value of supply is the open market value of such supply; if open market value is not available, the values of supply of goods or services of like kind and quality. However, if value cannot be determined under said methods, it must be worked out based on the cost of the supply plus 10% mark-up. Thus, in the given case, value of catering services provided to the elder brother of Jaskaran is Rs 60,500 [Rs 55,000 x 110%]. Further, being an intra-State supply of services, catering services are subject to CGST and SGST @ 2.5% each.
4. As per NNo. 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 such GTA has not paid GST @ 12%. Since in the given case, Jaskaran has received services from a GTA who has paid GST @ 12%, reverse charge provisions will not be applicable.



### Question 3

All fit Laboratories Ltd. is a registered supplier of bulk drugs in Delhi paying tax under regular scheme. It manufactures bulk drugs and supplies the same in the domestic and overseas market. The bulk drugs are supplied within Delhi and in the overseas market directly from the company's warehouse located in South Delhi. For supplies in other States of India, the company has appointed consignment agents in each such State. However, supplies in Gurgaon (Haryana) and Noida (U.P.) are affected directly from South Delhi warehouse. The drugs are supplied to the consignment agents from the South Delhi warehouse.

All fit Laboratories Ltd. also provides drug development services to drug manufacturers located in India, including testing of their new drugs in its laboratory located in Delhi. The company has furnished the following information for the month of January, 20XX:

Particulars	Rs
Advance received towards drug development services to be provided to Orochem Ltd., a drug manufacturer, located in Delhi [Drug development services have been provided in February, 20XX and invoice is issued on 28.02.20XX]	5,00,000
Advance received for bulk drugs to be supplied to Novick Pharmaceuticals, a wholesale dealer of drugs in Gurgaon, Haryana [Invoice for the goods is issued at the time of delivery of the drugs in March, 20XX]	6,00,000
Supply of bulk drugs to wholesale dealers of drugs in Delhi	60,00,000
Bulk drugs supplied to Anchor Pharmaceuticals Inc., USA under bond [Consideration received in convertible foreign exchange]	90,00,000
Drug development services provided to Unipharma Ltd., a drug manufacturer, located in Delhi	6,00,000

You are required to determine the GST liability [CGST & SGST or IGST, as the case may be] of All fit Laboratories Ltd. for the month of January, 20XX with the help of the following additional information furnished by it for the said period:

- Consignments of bulk drugs were sent to Cardinal Pharma Pvt. Ltd. and Rochester Medicos - agents of All fit Laboratories Ltd. in Punjab and Haryana respectively. Cardinal Pharma Pvt. Ltd. and Rochester Medicos supplied drugs of like kind & quality under their invoices to the Medical Stores located in their respective States for Rs 60,00,000 and Rs 50,00,000 respectively.
- Bulk drugs have been supplied to Ronn Medicos - a wholesale dealer of bulk drugs in Gurgaon, Haryana for consideration of Rs 15,00,000. All fit Laboratories Ltd. owns 72% shares of Ronn Medicos Pvt. Ltd. Open market value of the bulk drugs supplied to Ronn Medicos Pvt. Ltd. is Rs 30,00,000. Further, Ronn Medicos Pvt. Ltd. is not eligible for full input tax credit.

Note:

- All the given amounts are exclusive of GST, wherever applicable.
- Assume the rates of GST to be as under:

Goods/services supplied	CGST	SGST	IGST
Bulk drugs	2.5%	2.5%	5%
Drug development services	9%	9%	18%

You are required to make suitable assumptions, wherever necessary.

(RTP Nov 19) - updated

Answer:

Particulars	CGST	SGST	IGST
Advance received for drug development services supplied to Orochem Ltd., a drug manufacturer, located in Delhi [Note - 1]	45,000 [5,00,000 x 9%]	45,000 [5,00,000 x 9%]	
Advance received for bulk drugs to be supplied to Novick Pharmaceuticals, a wholesale dealer of drugs in Gurgaon, Haryana [Note - 2]			Nil
Supply of bulk drugs to wholesale dealers of drugs in Delhi [Note - 3]	1,50,000 [60,00,000 x 2.5%]	1,50,000 [60,00,000 x 2.5%]	
Bulk drugs supplied to Anchor Pharmaceuticals Inc., USA [Note - 4]			Nil
Supply of drug development services to Unipharma Ltd., a drug manufacturer, located in Delhi [Note - 5]	54,000 [6,00,000 x 9%]	54,000 [6,00,000 x 9%]	
Supply of bulk drugs to consignment agents - Cardinal Pharma Pvt. Ltd. and Rochester Medicos of Punjab and Haryana [Note - 6]			4,95,000 [99,00,000 x 5%]
Supply of bulk drugs to Ronn Medicos of Gurgaon, Haryana [Note - 7]			1,50,000 [30,00,000 x 5%]
<b>Total GST liability</b>	<b>2,49,000</b>	<b>2,49,000</b>	<b>6,45,000</b>

Notes:

- Being an intra-State supply of services, supply of drug development services to Orochem Ltd. of Delhi is subject to CGST and SGST @ 9% each. Further, in terms of section 13(2) of the CGST Act, the time of supply of services is the earlier of the date of invoice or date of receipt of payment, if the invoice is issued within 30 days of the supply of service. In the given case, invoice is issued within 30 days of the supply of service. Therefore, time of supply of services will be date of receipt of advance and hence, GST is payable on the advance received in January, 20XX. .
- Being an inter-State supply of goods, supply of bulk drugs to Novick Pharmaceuticals of Gurgaon, Haryana is subject to IGST @ 5%. Further, in terms of section 12(2) of the CGST Act, the time of supply of goods is the earlier of the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment. However, NNo. 66/2017 CT dated 15.11.2017 specifies that time of supply of goods for the purpose of payment of tax is the date of issue of invoice/last date of issue of invoice. Thus, GST is not payable at the time of receipt of advance against supply of goods. The time of supply of the advance received for bulk drugs to be supplied to Novick Pharmaceuticals is the time of issue of invoice, which is in March, 20XX. Thus, said advance will be taxed in March, 20XX and not in January, 20XX.
- Being an intra-State supply of goods, supply of bulk drugs to wholesale dealers of drugs in Delhi is subject to CGST and SGST @ 2.5 % each.
- Section 2(5) of the IGST Act defines export of goods as taking goods out of India to a place outside India. In view of the said definition, supply of the bulk drugs to Anchor Pharmaceuticals Inc. of USA under bond is export of goods. Export of goods is a zero-rated supply [Section 16(1) of the IGST Act]. A zero-rated

supply under bond is made without payment of integrated tax [Section 16(3)(a) of IGST Act].

5. Being an intra-State supply of services, supply of drug development services to Unipharma Ltd. of Delhi is subject to CGST and SGST @ 9% each.
6. Value of supply of goods made through an agent is determined as per rule 29 of the CGST Rules. Accordingly, the value of supply of goods between the principal and his agent is the open market value of the goods being supplied, or at the option of the supplier, is 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer, where the goods are intended for further supply by the said recipient.

In the given case, since open market value is not available, value of bulk drugs supplied to consignment agents - Cardinal Pharma Pvt. Ltd. and Rochester Medicos will be Rs 99,00,000 [90% of (Rs 60,00,000 + Rs 50,00,000)]. Further, being an inter- State supply of goods, supply of bulk drugs to the consignment agents is subject to IGST @ 5%.

7. If any person directly or indirectly controls another person, such persons are deemed as related persons. [Clause (a)(v) of explanation to section 15 of the CGST Act], In the given case, since All fit Laboratories Ltd. owns 72% shares of Ronn Medicos, both are related persons.

Value of supply of goods between related persons (other than through an agent) is determined as per rule 28 of the CGST Rules. Accordingly, the value of supply of goods between related persons is the open market value of such goods and not the invoice value. Furthermore, since Ronn Medicos is not eligible for full input tax credit, value declared in the invoice cannot be deemed to be the open market value of the goods. Thus, open market value of the bulk drugs supplied to Ronn Medicos, i. e., Rs 30,00,000 is the value of supply of such goods. Further, being an inter-State supply of goods, supply of bulk drugs to Ronn Medicos is subject to IGST @ 5%.

#### Question 4.

Sukhdev is a mining engineer. He has crossed the threshold limit for registration under the GST law and is duly registered in the State of Maharashtra. He effects the following transactions in the month of March, 2019 and wants you to compute the tax payable in cash. He has filed bond/ LUT to claim benefits from zero-rated supplies. The following are the particulars furnished by him.

Sl.No	Particulars	Value of supply in Rs.
(a)	Sukhdev, being an operating member in mining and exploration services at Mumbai High, has provided certain services to the Joint Venture (JV) in which he is also a participant. He believes that the consideration received from the JV is 'Cost Petroleum' and not taxable.	12,00,000
(b)	He has purchased certain machinery from outside the State, to render services to the JV at Mumbai High.	6,00,000
(c)	He has obtained legal opinion from a local firm of advocates to enter into the contract with the JV, for providing services to it.	1,00,000
(d)	He has obtained accommodation from the State Government to locate his office close to the sea shore.	2,00,000
(e)	He gets a portion of the petroleum silt as part of the compensation while exploring the petroleum reserves in the Bombay High- which as per the contract with the Government is part of 'Cost Petroleum'.	6,00,000
(f)	He sells the petroleum silt to a SEZ Developer in Mumbai	6,80,000



(g)	Consideration is received towards transfer of tenancy rights, which according to Sukhdev is not liable to GST as it has suffered stamp duty.	8,00,000
(h)	On violation of the terms in production sharing agreement, Sukhdev has paid liquidated damages to the Government	3,00,000
(i)	He has been assigned the right to collect royalty on behalf of Maharashtra Government, as 'Excess Royalty Collection Contractor'. He has noticed that the mining lease holders have short paid 2,00,000 as IGST from what had been exempted to him under the assignment.	
(j)	He has sold self-fabricated machinery through his agent in Mumbai, that has been used for 2 years, the value of which is not available in the open market. The agent sells like kind & Quality to an unrelated customer in Mumbai.	10,00,000
(k)	Opening Balance and brought forward tax credits are as follows: - Electronic Cash Ledger - CGST - Electronic Credit Ledger - CGST - Electronic Credit Ledger - SGST - Electronic Credit Ledger - IGST .	12,000 18,000 12,000 60,000
(1)	Supply value is exclusive of taxes. Supply of services are taxable at CGST 9%, SGST 9% and IGST 18% and supply of goods are taxable at CGST 2.5%, SGST 2.5% and IGST 5%. Determine the tax payable in cash. Provide suitable notes where required.	

(CA final Nov 2019 - 14 Marks) - updated

Answer:

#### Computation of tax payable in cash

SN	Particulars	Amount	CGST (Rs)	SGST (Rs)	IGST (Rs)
A.	GST liability on outward supply				
(i)	Consideration for services provided as an operating member to the Joint Venture [The operating member is providing the mining and exploration service to the joint venture, and thus, the consideration received therefor is not cost petroleum and hence, is liable to tax.]	12,00,000	1,08,000	1,08,000	
(ii)	Compensation received in the form of petroleum silt, which, as per the contract with the Government, is part of cost petroleum [Cost petroleum is not a consideration for service to the Government and thus, is not taxable.]	6,00,000	Nil	Nil	
(iii)	Sale of petroleum silt to a SEZ developer [Supply to SEZ developer is a zero-rated supply and no tax is payable on the same if made under a bond/LUT.]	6,80,000			Nil

(iv)	Consideration for transfer of tenancy rights [Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable even though stamp duty has been paid on the same.]	8,00,000	72,000	72,000	
(v)	Sale of self-fabricated machinery [Since open market value of the machine is not available, the value will be 90% of the price charged for the supply of machinery by the agent to his unrelated customer.]	9,00,000	22,500	22,500	
	Total tax liability on outward supplies		2,02,500	2,02,500	
B.	GST liability on inward supplies under reverse charge				
(i)	Legal services provided by a firm of advocates to Sukhdev, i.e., a business entity	1,00,000	9,000	9,000	
(ii)	Renting of immovable property provided by the State Government to Sukhdev (a registered person)	2,00,000	18,000	18,000	
(iii)	Assignment, by the State Government, of the right to collect royalty from mining lease holders to the extent the exemption is not available				2,00,000
	Total tax liability on inward supplies under reverse charge		27,000	27,000	2,00,000
C.	Input tax credit				
(i)	Opening balance		18,000	12,000	60,000
(ii)	Inter-State purchase of machinery	6,00,000			30,000
(iii)	Legal services	1,00,000	9,000	9,000	
(iv)	Renting of immovable property	2,00,000	18,000	18,000	
(v)	Assignment of right to collect royalty				2,00,000
	Total ITC		45,000	39,000	2,90,000
	[ITC may be availed for making zero rated supply even if such a supply is an exempt supply. Sale of petroleum silt, being a nontaxable supply, is an exempt supply but since it is also a zero-rated supply, ITC can be availed for making such supply.]				

D.	Computation of tax payable in cash Total tax liability on outward supplies Less: ITC of IGST Less: ITC of CGST and SGST  Forward charge liability on outward supplies payable in cash after set off of ITC Reverse charge liability payable in cash without set off of ITC [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.]		2,02,500 1,26,500 45,000 (CGST) 31,000  27,000	2,02,500 1,63,500 39,000 (SGST)  27,000	2,00,000
	Total tax liability payable in cash [Since Rs 12,000 (CGST) is available in E-Cash Ledger as opening balance, additional Rs 46,000 (CGST) needs to be paid in cash.]		58,000	27,000	2,00,000
	Payment of liquidated damages to the Government [Services provided by the Govt by way of tolerating non-performance of a contract for which consideration in the form of liquidated damages is payable to the Government under such contract, is exempt from GST. Hence, no tax will be payable by Sukhdev on such input service.]	3,00,000	Nil	Nil	

**Note:**

In terms of section 49B of the CGST Act, 2017, full (100%) IGST credit of Rs 2,90,000 must be utilized first before using CGST or SGST credit. However, the said IGST credit can be set off against the CGST and SGST liability in any order and in any proportion. Thus, the final answer in each case would vary.

- (i) It has been assumed that the value of Rs 10 lakh at which the agent sells the self-fabricated machinery to unrelated customer is known to Sukhdev at the time he sells the machinery to the agent.
- (ii) It has been assumed that the supplier has opted to value the goods at 90% of the value charged by the agent to the unrelated customer.
- (iii) It has been assumed that aggregate turnover of Sukhdev in the preceding financial year exceeds Rs 20 lakh.

**Question 5.**

Skylark Pvt. Ltd., Noida (Uttar Pradesh) is engaged in various kinds of commercial activities. It manufactures taxable goods as also provides certain services. The company has branch office in New Delhi. The Head office at Noida and the branch office in New Delhi are registered under GST. The branch office at New Delhi is eligible for full input tax credit.

The company has reported a total turnover of Rs 256 crore (exclusive of GST) for the month of August 20XX. The following information is provided by the company in relation to such turnover:

- (i) The turnover includes Rs 45 crore from sale of securities which were purchased for Rs 30 crore in the month of January last year.
- (ii) The company supplied goods worth Rs 50 crore to ABC Ltd. in UK under a letter of undertaking (LUT). The total export proceeds are received in the month of August 20XX itself; Rs 30 crore in foreign currency and balance Rs 20 crore in Indian rupees.
- (iii) The company provided consulting services to Sherpa & Sons in Nepal for Rs 30 crore under a LUT. The entire consideration is received in Indian rupees in the month of August 20 itself, with the permission of RBI.
- (iv) The turnover includes supply of goods worth ₹ 10 crores to Shanghai Jianguo Trading Company Ltd., a company based in China. As per the sale contract, the goods were to be assembled at Shanghai Jianguo Trading Company Ltd.'s office in Gurugram, Haryana. The payment of the goods is received in convertible foreign exchange in the month of August 20XX itself.
- (v) Goods worth Rs 20 crores are supplied under a LUT to DEF Pvt. Ltd. located in a SEZ in the State of Uttar Pradesh.
- (vi) Goods worth Rs 40 lakhs were being procured from a vendor in Japan. While the goods were in transit, the company secured an order for the said goods for Rs 50 lakhs from a buyer in Thailand. Thus, the goods were directly sent to Thailand without entering India.
- (vii) The company owns three immovable properties in Noida. The first building is let out for running a printing press at Rs 10 lakh per month. The second building is let out for residential purpose to unregistered person at Rs 5 lakh per month. The third building is let out to a Cold Storage operator at Rs 5 lakh per month. The cold storage operator sub-lets the building as a warehouse to store potatoes.
- (viii) The remaining turnover comprised of taxable goods sold within the State and outside the State in the ratio of 3:2.

Total turnover of Rs 256 crore includes the turnover referred to in points (i) to (vii) above. In addition to above -

- (i) the company transferred its stock (taxable goods) from Noida to Delhi branch without any consideration; the value declared in the invoice is Rs 4.5 crore (exclusive of GST). The cost of production of such goods is Rs 10 crore. Such stock is sold to independent buyers at Rs 15 crore (exclusive of GST).
- (ii) the company had sent goods worth Rs 12 crore (exclusive of GST) to M/s Sharma Traders in Haryana on approval basis on 15th January, 20XX, 15th February 20XX & 15th March 20XX (Rs 4 crore each month). Goods sent during all the three months are approved in the month of September 20XX.

Compute the GST liability [CGST & SGST or IGST, as the case may be] of Skylark Pvt. Ltd., Noida for the month of August 20XX. Make suitable assumptions wherever required. Assume the rates of taxes to be as under:

Particulars	CGST	SGST	IGST
Goods	6%	6%	12%
Services	9%	9%	18%

(RTP May 20)

**Answer:**

Computation of GST liability of Skylark Pvt. Ltd, for the month of August 20XX

Sl. No	Particulars	Value (Rs in crores)	CGST @ 6% (Rs in crores)	SGST @ 6% (Rs in crores)	IGST@ 12% (Rs in crores)
	Goods				
(i)	Export of goods to ABC Ltd. in UK under a letter of undertaking (LUT) [Note 1]	50			Nil
(ii)	Supply of goods to Shanghai Jianguo Trading Company Ltd. [Note 2]	10			1.20
(iii)	Goods supplied to DEF Pvt. Ltd. located in a SEZ [Note 3]	20			Nil
(iv)	Sale within the State [Note 4]	60.18	3.6108	3.6108	-
(v)	Sale outside the State [Note 4]	40.12			4.8144
(vi)	Stock transfer from Noida to Delhi [Note 5]	4.5			0.54
(vii)	Goods sent for sale on approval basis on 15th February, 20XX [Note 6]	4.00			0.48
	Total tax liability on goods [A]		3.6108	3.6108	7.0344

	Services		CGST @ 9% (Rs in crores)	SGST @ 9% (Rs in crores)	IGST@ 18% (Rs in Crores)
(i)	Export of services to Nepal under a LUT [Note 7]	30			Nil
(ii)	Receipts from renting of buildings [Note 8]	0.15	0.0135	0.0135	
	Total tax liability on services [B]		0.0135	0.0135	
	Neither goods nor services				
(i)	Sale of securities [Note 9]	45	Nil	Nil	Nil
(ii)	Goods procured from vendor in Japan and supplied to buyer in Thailand [Note 10]	0.50			
	Total tax liability on goods and services [(A) + (B)]		3.6243	3.6243	7.0344



Note:

1. As per section 2(5) of the IGST Act, 2017, export of goods means taking goods out of India to a place outside India. Receipt of consideration in foreign exchange is not a prerequisite for export of goods. Export of goods is a zero-rated supply in terms of section 16(l)(a) of the IGST Act. A zero-rated supply is supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.
2. As per section 2(5) of the IGST Act, 2017, export of goods means taking goods out of India to a place outside India. Since, in the given case, the goods are being assembled in India (Gurugram, Haryana), the same are not exported.  
Hence, the place of supply thereof will be governed by section 10 of the IGST Act, 2017 which prescribes the provisions for determining the place of supply of goods other than supply of goods imported into or exported from India. As per section 10(l)(d) of the IGST Act, 2017, where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly. Therefore, in the given case, the place of supply will be Gurugram, Haryana.  
Since the location of the supplier (Uttar Pradesh) and the place of supply (Haryana) are in two different States, the same is an inter-State supply liable to IGST [Section 7(l)(a) of the IGST Act, 2017 read with section 5(1) of that Act].
3. As per section 7(5)(b) of the IGST Act, 2017, supply of goods and/or services to a special economic zone (SEZ) unit is treated to be a supply of goods and/or services in the course of inter-state trade or commerce. Therefore, supply of goods to a SEZ unit located within the same State shall be liable to IGST [Section 5(1) of the IGST Act, 2017],  
Supply of goods and/or services to a SEZ unit is a zero-rated supply in terms of section 16(l)(b) of the IGST Act, 2017. A zero-rated supply is supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.
4. Remaining turnover will be calculated as under  
Rs 256 crore - (Rs 45 crore + Rs 50 crore + Rs 30 crore + Rs 10 crore + Rs 20 crore + Rs 0.50 crore + Rs 0.10 crore + Rs 0.05 crore + Rs 0.05 crore) = Rs 100.30 crore  
Supply within the State - Rs 100.30 crore  $\times$   $\frac{3}{5}$  = Rs 60.18  
Supply outside the State - Rs 100.30 crore  $\times$   $\frac{2}{5}$  = Rs 40.12  
Supply within the State is intra-State supply in terms of section 8(1) of IGST Act, 2017 and thus, chargeable to CGST and SGST. Supply outside the State is interstate supply chargeable to IGST [Section 7(1) of IGST Act, 2017 read with section 5(1) of the said Act].
5. As per section 25(4) of the CGST Act, 2017, a person who has obtained 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'.  
Schedule I to the CGST Act, 2017 specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25 of CGST Act, 2017, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.  
In the given case-
  - the location of the supplier is in Noida (Uttar Pradesh); and
  - the place of supply is the location of such goods at the time at which the movement thereof terminates for delivery to the recipient i.e., Delhi, in terms of section 10(l)(a) of the IGST Act, 2017.

Therefore, the stock transfer by Noida office to Delhi branch is an inter-State supply as the location of the supplier and the place of supply are in two different States [Section 7(l)(a) of IGST Act, 2017], Thus, the supply is leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

Rule 28 of the CGST Rules, 2017 prescribes the provisions to determine the value of supply of goods or services or both between distinct or related persons, other than through an agent. Second proviso to the said rule lays down that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods or services. Therefore, the value of supply in this case will be Rs 4.5 crore and open market value and cost of production of the goods will be irrelevant.

6. As per section 31(7) of the CGST Act, 2017, 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 before or at the time of supply or six months from the date of removal, whichever is earlier.

In the given case, the time period of six months for goods sent on 15th February, 20XX expires on 15.08.20XX. Therefore, the invoice for the said goods shall be issued on 15.08.20XX and in terms of section 12(2)(a) of the CGST Act, 2017 read with Notification No. 66/2017 CT dated 15.11.2017, this date would also be the time of supply of such goods. Thus, such goods will be liable to tax in the month of August 20XX. Goods sent in the month of January would have been taxed in the month of July and goods sent in the month of March would be taxed in the month of September.

Here,

- the location of the supplier is in Noida (Uttar Pradesh); and
- the place of supply is the location of the goods at the time at which the movement thereof terminates for delivery to the recipient i.e., Haryana in terms of section 10(l)(a) of the IGST Act, 2017.

Since the location of the supplier (Uttar Pradesh) and the place of supply (Haryana) are in two different States, the same is an inter-State supply liable to IGST [Section 7(l)(a) of the IGST Act, 2017 read with section 5(1) of that Act].

7. The given case is an export of service as per section 2(6) of the IGST Act, 2017, as-
- (i) the supplier of service is located in India (Noida);
  - (ii) the recipient of service is located outside India (Nepal);
  - (iii) the place of supply of service is outside India (Place of supply of consulting service will be the location of recipient, i.e., Nepal);
  - (iv) the payment for such service has been received by the supplier of service in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India (Receipt of export consideration in Indian rupees is permitted by RBI in the given case); and
  - (v) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8.

Export of services is a zero-rated supply in terms of section 16(l)(a) of the IGST Act, 2017. A zero-rated supply is supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act

8. Letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a supply of service in terms of para 2(b) of the Schedule II to the CGST Act, 2017. Services by way of renting of residential dwelling for use as residence to unregistered person is exempt from tax [Notification No. 12/2017 CT (R) dated 28.06.2017], Therefore, rent of Rs. 10 lakhs received from letting out of building for printing press will be liable to tax and rent of Rs 5 lakh received from letting out of building for residential purposes will be exempt from tax. Further, services by way of loading, unloading, packing, storage or warehousing of agricultural produce is exempt from tax [Notification No. 12/2017 CT (R) dated 28.06.2017]. However, in the given case, the Cold Storage Operator and not Skylark Pvt. Ltd. is engaged in warehousing of agricultural produce. Therefore, the Cold Storage Operator providing warehousing services for potatoes, being an agricultural produce, will be eligible for such exemption and services provided by Skylark Pvt. Ltd., being services of renting of immovable property (Rs 5 lakh), will be liable to tax. In case of letting out of first and third buildings,
- the location of the supplier is in Noida (Uttar Pradesh); and
  - the place of supply is the location of the immovable property, i.e., Noida in terms of section 12(3)(a) of the IGST Act, 2017.
- Since the location of the supplier (Uttar Pradesh) and the place of supply (Noida) are in the same State, the same is an intra-State supply in terms of section 8(1) of the IGST Act, 2017 and is thus, liable to CGST and SGST.
9. GST is leviable on supply of goods and/or services [Section 9(1) of the CGST Act, 2017], Securities are specifically excluded from the definition of goods and services as provided under clause (52) and clause (102) respectively of section 2 of the CGST Act, 2017. Therefore, sale of securities will not be liable to GST.
10. Paragraph 7 of the Schedule III to CGST Act, 2017 provides that supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India (third country shipments) is treated neither as a supply of goods nor a supply of services. Thus, there is no GST liability on such sales. Further, since such goods do not enter India at any point of time, customs duty and IGST leviable on imported goods will also not be leviable on such goods

#### Question 6.

Sahu Parivar, pumps manufacturer in Vadodra (Gujarat) has provided following details for the month of May: -

1. As a staff welfare measure, Sahu Parivar has entered into an agreement with PNS Insurance Company to provide life insurance to its employees. PNS charged Rs. 35,00,000 for the same.
2. It has entered into an agreement with a travel company to provide home travel facility to its employees when they are on leave. Travel company charged Rs. 1,00,000 for such facility.
3. It has entered into an agreement with a fitness center to provide wellness services to its employees after office hours for a consideration amounting to Rs.80,000.
4. It has availed services of the works contractor to erect foundation for fixing the machinery to earth, in the factory. It paid Rs. 50,000 for the same.

5. It laid pipelines (from the water source outside the factory) upto the gate of the factory for the purpose of production facility. The cost incurred for the same is Rs. 4,00,000.
6. For the purpose of smooth and convenient mobile communication in its factory, It has installed telecommunication tower of a mobile company (with due permission) by incurring Rs. 2,00,000.

Note: All the above transactions are intra-State in nature.

Sahu Parivar has also entered into a contract with AP Refinery, Sambhra (Rajasthan) on 1st May to supply and install 16 pumps on FOR basis. The following information is provided in this regard:

List price per pump is Rs. 1,60,000, exclusive of taxes. One of the conditions of the contract is that Sahu Parivar should ensure a two stage third party inspection for the pumps during the manufacturing process. Cost of inspection of Rs. 24,000 (for 16 pumps) is directly paid by AP Refinery to testing agency. AP Refinery requires a special packing for the pumps and the cost of such special packing is Rs. 86,000 (for 16 pumps). Sahu Parivar arranges for erection and testing of the pumps supplied by it at AP Refinery's site. Cost of erection etc. is Rs. 24,000 (for 16 pumps). Goods are dispatched with tax invoice on 20th May and they reach the destination at Sambhra on 21st May. Lorry freight (for 16 pumps) of Rs. 16,000 has been paid by AP Refinery directly to the lorry driver.

Assume CGST, SGST and IGST rates to be 9%, 9% and 18% respectively. For the relevant month, the opening balance of ITC of IGST is Nil, CGST is Rs. 32,500 and SGST is Rs. 32,500.

All the given amounts are exclusive of GST, wherever applicable.

You are required to work out the net GST [CGST and SGST or IGST, as the case may be] payable from Electronic Cash Ledger of Sahu Parivar for the month of May after making suitable assumptions, if any.

(CA Final MTP May 21)

**Answer:**

Computation of net GST payable by Sahu Parivar for the month of May

Particulars	CGST (Rs)	SGST(Rs)	IGST(Rs)
Output tax liability [Working Note 1]			4,87,800
Less: ITC of CGST [Working Note 2]			(37,000)
Less: ITC of SGST has been utilized only after ITC of CGST has been utilized fully in terms of proviso to section 49(5)(c) [Working Note 2]			(37,000)
<b>Net GST payable from Electronic Cash Ledger</b>			<b>4,13,800</b>

**Working Note 1**

Computation of output tax liability of Sahu Parivar for the month of May

Particulars	Amount (Rs.)
List price of 16 pumps (Rs. 1,60,000 x 16)	25,60,000
Add: Amount paid by AP Refinery to testing agency [Note 1(i)]	24,000
Add: Special packing [Note 1(ii)]	86,000

Add: Erection and testing at site [Note 1(iii)]	24,000
Add: Freight [Note 1(iii)]	16,000
Value of taxable supply	27,10,000
IGST @ 18% [Note 2]	4,87,800

Notes:

- (1) As per section 15(2) of the CGST Act, 2017: -
- (i) 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 shall be included in the value of supply.  
Since, in the given case, arranging inspection was the liability of the supplier, the same should be included in the value of supply, charges for the same, however, have been paid directly to the third-party service provider by the recipient. Therefore, the value shall be included in taxable value.
  - (ii) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of supply.
  - (iii) 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 shall be included in the value of supply.  
Since, in the given case, the supply contract is on FOR basis, payment of freight is the liability of supplier but the same has been paid by the recipient and thus, should be included in the value of supply.
- (2) As per section 10(1) of the IGST Act, 2017, where the supply involves movement of goods, the place of supply is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, which in the given case is Sambhra (Rajasthan). Since the location of the supplier (Gujarat) and the place of supply (Rajasthan) are in two different States, the supply is an inter-State supply liable to IGST.

**Working Note 2**

Computation of ITC available with Sahu Parivar for the month of May

Particulars	CGST @ 2.5%	SGST @ 2.5%
Opening ITC	32,500	32,500
Services of PNS Insurance company to provide life insurance to employees [Note 1]	Nil	Nil
Services of travel company to provide home travel facility to employees Note 1]	Nil	Nil
Services of fitness center to provide wellness services to employees [Note 1]	Nil	Nil
Wok contract services availed for erecting foundation for fix-ing the machinery to the earth in the factory [Note 2]	4,500	4,500
Laying of pipeline up to the gate of factory from water source located outside the factory [Note 3]	Nil	Nil
Installation of telecommunication towers [Note 3]	NN	NH
Total ITC	37,000	37,000



**Notes: As per section 17(5) of the CGST Act, 2017**

- (1) ITC on life insurance is blocked unless it is used in case of sub-contracting or the same is provided under any statutory obligation. ITC on travel benefits extended to employees on home travel concession and membership of health and fitness center is blocked unless it is obligatory for an employer to provide the same to its employees under any law for the time being in force.
- (2) ITC on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service, is blocked. Hence, ITC on works contract services for construction of plant and machinery is allowed. Further, plant and machinery includes foundation and structural supports used to fix the machinery to earth.
- (3) ITC on goods and/ or services received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such and/ or services are used in course/ furtherance of business, is blocked. However, plant and machinery excludes pipelines laid outside the factory premises and telecommunication towers.

**Question 7.**

Kaushal Manufacturers Ltd., registered in Delhi, is a manufacturer and supplier of electronic home appliances. It is paying tax under regular scheme. It supplies the electronic home appliances in the domestic as well as overseas market. For supplies in other States of India, the company has appointed consignment agents in each such State, except Gurgaon, Haryana and Noida, Uttar Pradesh, where the goods are supplied directly from its Delhi warehouse.

In the month of January, consignments of electronic home appliances were sent to Cardinal Electricals Pvt. Ltd. and Rochester Technos - agents of Kaushal Manufacturers Ltd. in Punjab and Madhya Pradesh respectively. Cardinal Electricals Pvt. Ltd. and Rochester Technos supplied these electronic home appliances under their invoices to the stores located in their respective States for Rs. 40,00,000 and Rs. 70,00,000 respectively. Open market value of such appliances is not available.

Further, in January, electronic home appliances have been supplied to Ronn Technomart - a wholesale dealer of electronic home appliances in Noida, Uttar Pradesh for consideration of Rs. 23,00,000, from its Delhi warehouse. Kaushal Manufacturers Ltd. owns 75% shares of Ronn Technomart. Open market value of the electronic home appliances supplied to Ronn Technomart is Rs. 30,00,000. Further, Ronn Technomart is not eligible for full input tax credit. Kaushal Manufacturers Ltd. also provides repair and maintenance services to electronic appliance manufacturers located in India.

The company has also furnished the following information for the month of January:

Particulars	Rs.
Supply of electronic home appliances to wholesale dealers of such appliances in Delhi	84,00,000
Electronic home appliances supplied to Anchor Electricals Inc., USA under LUT [Consideration received in convertible foreign ex-change]	1,26,00,000
Repair and maintenance services provided to Unitech Ltd., an electronic appliance manufacturer, located in Delhi	8,40,000
Advance received towards repair and maintenance services to be provided to Orelec Ltd., an electronic appliance manufacturer, located in Delhi [Repair and maintenance services have been provided in February and invoice is issued on 28th February]	7,00,000

Advance received for electronic home appliances to be supplied to Novick Electricals, a wholesale dealer of such appliances in Gurgaon, Haryana [Invoice for the goods is issued at the time of delivery of the electronic appliances in March]	8,40,000
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You are required to determine the gross GST liability [CGST & SGST and/or IGST] of Kaushal Manufacturers Ltd. for the month of January.

Note:

- (i) All the given amounts are exclusive of GST, wherever applicable.  
(ii) Assume the rates of GST to be as under:

Goods/services supplied	CGST	SGST	IGST
Electronic home appliances	2.5%	2.5%	5%
Repair and maintenance services	9%	9%	18%

You are required to make suitable assumptions, wherever necessary.

(CA Final RTP Nov 21)

**Answer:**

Particulars	CGST	SGST	IGST
Supply of electronic home appliances to consignment agents - Cardinal Electricals Pvt. Ltd. and Rochester Technos of Punjab and Madhya Pradesh [Note - 1]			4,95,000 [99,00,000 x 5%]
Supply of electronic home appliances to Ronn Technomart of Noida, Uttar Pradesh [Note - 2]			1,50,000 [30,00,000 x 5%]
Supply of electronic home appliances to wholesale dealers of such appliances in Delhi [Note - 3]	2,10,000 [84,00,000 x 2.5%]	2,10,000 [84,00,000 x 2.5%]	
Electronic home appliances supplied to Anchor Electricals Inc., USA under LUT [Note - 4]			Nil
Supply of repair and maintenance services to Unitech Ltd., an electronic appliance manufacturer, located in Delhi [Note - 5]	75,600 [8,40,000 x 9%]	75,600 [8,40,000 x 9%]	
Advance received for repair and maintenance services supplied to Orelec Ltd., a electronic appliances manufacturer, located in Delhi [Note - 6]	63,000 [7,00,000 x 9%]	63,000 [7,00,000 x 9%]	
Advance received for electronic home appliances to be supplied to Novick Electricals, a wholesale dealer of electronic appliances in Gurgaon, Haryana [Note - 7]			Nil
<b>Total GST liability</b>	<b>3,48,600</b>	<b>3,48,600</b>	<b>6,45,000</b>

Notes:

- Value of supply of goods made through an agent is determined as per rule 29 of the CGST Rules, 2017. Accordingly, the value of supply of goods between the principal and his agent is the open market value of the goods being supplied, or at the option of the supplier, is 90% of the price charged for the supply of goods of like kind and quality by

the recipient to his unrelated customer, where the goods are intended for further supply by the said recipient.

In the given case, since open market value is not available, value of electronic home appliances supplied to consignment agents - Cardinal Electricals Pvt. Ltd. and Rochester Technos - will be Rs. 99,00,000 [90% of (40,00,000 + 70,00,000)]. Further, being an inter-State supply of goods, supply of electronic home appliances to the consignment agents is subject to IGST @ 5%.

2. If any person directly or indirectly controls another person, such persons are deemed as related persons. [Clause (a)(v) of explanation to section 15 of the CGST Act]. In the given case, since Kaushal Manufacturers Ltd. owns 75% shares of Ronn Technomart, both are related persons.

Value of supply of goods between related persons (other than through an agent) is determined as per rule 28 of the CGST Rules, 2017. Accordingly, the value of supply of goods between related persons is the open market value of such goods and not the invoice value. Furthermore, since Ronn Technomart is not eligible for full, input tax credit, value declared in the invoice cannot be deemed to be the open market value of the goods.

Thus, open market value of the electronic home appliances supplied to Ronn Technomart, i.e. Rs. 30,00,000 is the value of supply of such goods. Further, being an inter-State supply of goods, supply of electronic home appliances to Ronn Technomart is subject to IGST @ 5%.

3. Being an intra-State supply of goods, supply of electronic home appliances to wholesale dealers of said appliances in Delhi is subject to CGST and SGST @ 2.5 % each.

4. Section 2(5) of the IGST Act defines export of goods as taking goods out of India to a place outside India. In view of the said definition, supply of the electronic home appliances to Anchor Electricals Inc. of USA under LUT is export of goods.

Export of goods is a zero-rated supply [Section 16(1) of the IGST Act]. A zero-rated supply under LUT is made without payment of integrated tax [Section 16(3)(a) of IGST Act].

5. Being an intra-State supply of services, supply of repair and maintenance services to Unitech Ltd. of Delhi is subject to CGST and SGST @ 9% each.

6. Being an intra-State supply of services, supply of repair and maintenance services to Orelec Ltd. of Delhi is subject to CGST and SGST @ 9% each. Further, in terms of section 13(2) of the CGST Act, the time of supply of services is the earlier of the date of invoice or date of receipt of payment, if the invoice is issued within 30 days of the supply of service. In the given case, invoice is issued within 30 days of the supply of service. Therefore, time of supply of services will be date of receipt of advance and hence, GST is payable on the advance received in January.

7. Being an inter-State supply of goods, supply of electronic home appliances to Novick Electricals of Gurgaon, Haryana is subject to IGST @ 5%. Further, in terms of section 12(2) of the CGST Act, the time of supply of goods is the earlier of the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment.

However, Notification No. 66/2017 CT dated 15.11.2017 specifies that time of supply of goods for the purpose of payment of tax is the date of issue of invoice/last date when the invoice ought to have been issued under section 31.

Thus, GST is not payable at the time of receipt of advance against supply of goods. The time of supply of the advance received for electronic home appliances to be supplied to Novick Electricals is the time of issue of invoice, which is in March. Thus, said advance will be taxed in March and not in January.

**Question 8.**

MS Ltd. is a GST registered company. During the month of October, 2020, the company has undertaken the following transactions and wants you to work out the GST output liability, admissible input tax credit and the amount that will have to be paid in cash by the company to the Government before taking you as a Manager in the company. There is no carry forward amount in respect of any of the items to be considered for the purpose of calculations other than what is mentioned specifically below.

Rate of IGST can be taken as 18% /o, CGST 9% /o and SGST 9% on all goods and services except GTA service/transportation service and restaurant service for which CGST and SGST rate would be 2.50% each and IGST rate would be 5%. The amounts indicated for all the items are without including the CGST and SGST or IGST element. Whether a supply attracts IGST or CGST/SGST has to be determined on the basis of details given.

The company has indicated to you that the GST liability for October, 2020 for their main product alone is Rs. 54 lakh of CGST and SGST each and Rs. 72 lakh IGST and the eligible credit on the inputs and input services for October, 2020 is Rs. 1.45 crore IGST and Rs. 20 lakh each towards CGST and SGST which can be straightaway taken for calculations.

Company has provided you the other details which is not part of the above as under:

Sl No.	Details of the transaction
i.	During the month of October 2020, the company offered a special discount of 25% on a product, the sale of which it intended to discontinue from 1st December 2020 onwards and issued credit notes to the dealers. This product was lying in stock with the dealers and the discount offered to the customers was borne by the company by issuing the credit note. The amount reimbursed to the dealers for the discounts given to the customers in the month of October 2020 was Rs. 36,00,000 in the course of inter-State.
ii.	The company sold a van used for personal transport by auction. The van had been purchased at Rs. 3,20,000. The depreciated value at the time of sale was Rs. 1,40,000. No GST credit was taken. The van was sold for an amount of Rs. 1,50,000 during the month of October 2020 in the course of intra-State.
iii.	The company has a policy of raising invoices separately towards transportation cost of their products on their dealers at the time of invoicing for the products sold to them. The company is collecting GST at 5% on all transactions and the amount is collected as a percentage of the value of the goods supplied irrespective of the distance involved. The amount collected during the month of October 2020 towards transportation in intra- State transaction is Rs. 6 lakh and inter-State transactions is Rs. 4 lakh.
viii.	The whole-time director of the company was paid a salary of Rs. 5 lakh during the month. He was also paid Rs. 20,000 towards sitting fees for his participation in the meeting.
iv.	The security establishment of the company caught an employee who had stolen bearings of value Rs. 2.50 lakh during the month of October 2020. Bearings could not be recovered. But the company successfully recovered the cost from the employee. IGST credit of Rs. 45,000 had been taken by the company on these bearings.

V.	The company supplies food and beverages to the employees and all the items are priced at 10% of the actual cost to the company. During the month of October, 2020, the company had charged Rs. 50,000 to the employees. Assume that it is intra-State transaction.
vi.	During the month of October, 2020, the company purchased 10 mobile phones in its name and distributed to the employees to enable them to perform their duties more efficiently for the company. Total price of the phones was Rs. 1,20,000. At the end of the month, company sold these mobiles to employees and company recovered only Rs. 20,000 from the employees. Assume that it is intra-State transaction.
vii.	The company's registered office is located in a building which belongs to the local Municipality. The monthly rent is Rs. 1.50 lakh.

Give a brief note to support your treatment for the items wherever required.

Note: Company wants to pay minimum amount of SGST as far as possible.

(CA Final July 21 Exam)-updated

### Answer

Particulars	CGST (Rs. in lakh)	SGST (Rs. in lakh)	IGST (Rs. in lakh)
GST liability for main product	54	54	72
After-sales discount on a product [In the given case, discount given after effecting the supply is not in terms of an agreement that existed at the time of supply. Therefore, discount is not allowed as deduction from value of supply.]	Nil	Nil	
Sale of van used for personal transport by auction [The value of supply as well as applicable rate of tax to be paid in case of old and used motor vehicles can also be determined in terms of Notification No 8/2018 CT (R) dated 25.01.2018.]	0.135 [1.5 x 9%]	0.135 [1.5 x 9%]	
Transportation cost charged on the product [Supply of goods and transport service is a composite supply as the transportation cost is charged at a flat rate from all customers irrespective of the distance involved. Therefore, rate of principal supply (product) viz. 9% CGST and SGST each is charged on intra-State supply and 18% IGST is charged on inter-State supply.]	0.54 [6 x 9%]	0.54 [6 x 9%]	0.72 [4 x 18%]
Food and beverages supplied to the employees [Goods being provided to the related person (employees), open market value of the same [actual cost (50,000x100/10)] has been considered as value. CGST & SGST @ 9% each is payable on food items.]	0.45 [5.0x9%]	0.45 [5.0x9%]	



Supply of mobile phones to employees	0.108 [1.20x9%]	0.108 [1.20x9%]	
Total output tax liability [Supply being made to the related person (em-ployees), open market value of the same has been considered as value.] [Refer notes 1 & 2 below]	55.233	55.233	72.72
Less: ITC set off [Refer working note (1) below] [IGST credit is first utilized for payment of IGST liability and then for payment SGST liability followed by CGST liability since the SGST liability is to be kept at minimum.]	(16.597)	(55.233)	(72.72)
After exhausting IGST credit, CGST and SGST credit is to be utilized. ITC of CGST cannot be utilized for payment of SGST and vice versa.	(20.261)		
GST payable in cash [A]	18.375	Nil	Nil
GST under reverse charge payable in cash [Refer working note (2) below] [B] [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.]	0.153	0.153	
Total GST payable in cash = [A]+ [B]	18.528	0.153	

Working notes:

(1) Computation of ITC available with MS Ltd. for October 2020

Particulars	CGST (Rs. in lakh)	SGST (Rs. in lakh)	IGST (Rs. in lakh)
Eligible credit on inputs & input services for the month	20	20	145
Ball bearings stolen [ITC on stolen goods is blocked. Hence, ITC taken on stolen ball bearings needs to be re-versed.]			(0.45)
Mobile phones purchased for employees [ITC of goods used in course or furtherance of business is allowed.]	0.108 [1.2 x 9%]	0.108 [1.2 x 9%]	
Rent paid to Municipality	0.135 [1.5 x 9%]	0.135 [1.5 x 9%]	
Sitting fee paid to whole time director	0.018 [0.20 x 9%]	0.018 [0.20 x 9%]	
Total	20.261	20.261	144.55

(2) Tax payable under reverse charge

Particulars	CGST (Rs. in lakh)	SGST (Rs. in lakh)	IGST (Rs. in lakh)
Rent paid to Municipality [Tax on renting of immovable property services supplied by local authority to a registered person is payable under RCM]	0.135 [1.5 x 9%]	0.135 [1.5 x 9%]	
Sitting fee paid to whole time director [Services provided by employee to employer in the course of his employment are not a supply. Hence, salary paid to director is not taxable. However, sitting fee is a consideration for the services provided beyond course of employment and hence, is taxable. Further, tax on sitting fee paid to director is payable under reverse charge.]	0.018 [0.20 x 9%]	0.018 [0.20 x 9%]	
Total tax payable under reverse charge	0.153	0.153	

Note: In the above question, “\_\_\_\_\_ GST at 5% on all transactions and the amount is collected as a percentage of the value\_\_\_\_\_” may be read as “\_\_\_\_\_ GST at 5% on all transactions. The transportation cost is collected as a percentage of the value\_\_\_\_\_”.

**Additional notes:**

- It has been assumed that selling of mobile phones to employees at reduced rates does not form part of the employment contract. Further, mobile phones have been considered as inputs. However, it is also possible to consider mobile phones as capital goods. Since in the given case mobile phones (capital goods) are being removed after being used, a specified ‘amount’ determined in terms of section 18(6) of the CGST Act, 2017 shall be payable.
- Since mobile phones have been considered as inputs, purchase price of Rs. 1,20,000 for the mobile phones has been considered as its open market value.

**Question 9.**

Priya Infra Ltd., a registered supplier under GST in the State of Kerala, is engaged in the construction business. It provides the following information for the month of April, 2021:

S. N	Particulars	Amount (Rs.)
	OUTWARD SUPPLY:	
(i)	Transferred one load of tiles to its branch in Cochin, Kerala, from its head office at Trivandrum, Kerala. Both places are under the same GST registration.	7,50,000
(ii)	Provided pure labour services of construction of single commercial unit not forming part of any complex to a customer in Bengaluru (Karnataka).	15,00,000

(iii)	Supplies a consignment of marbles in the territorial waters to Classic Builders LLP. The said territorial waters is located at a distance of 11 nautical miles from the baseline of State of Ker-ala and 12 nautical miles from the baseline of State of Tamil Nadu.	6,00,000
(iv)	Received an advance for future supplies of goods and services from a customer in Kerala (of which 70% is related to future supplies of services).	7,00,000
(v)	Computer used for business purpose was given free of cost to an unrelated person based in Kerala, computer was purchased 2 years' back at cost of Rs. 88,500 (including GST of Rs. 13,500,) having a W.D.V. of Rs. 71,685 as on the date of sale. Open market value is Rs. 55,000 (excluding GST). No ITC is taken on this computer at the time of purchase.	Nil
	<b>INWARD SUPPLY:</b>	
(i)	Availed services of an arbitral tribunal In Trivandrum, Kerala to settle a case relating to RERA Act.	7,00,000
(ii)	Purchased construction materials from Baahu Steels Ltd., registered in the State of Andhra Pradesh	15,00,000
(iii)	Purchased a new truck from a dealer in Cochin, Kerala for transport of materials	12,00,000

The company provided the following additional information:

- Paid Rs. 6,00,000 as remuneration to an independent director based at Cochin during the month.
- The company claimed depreciation under the Income-tax Act, 1961 on the new truck purchased including all applicable taxes.
- E-invoice portal shows that Baahu Steels Ltd.'s GST number has been enabled for e-invoicing. However, the supplier did not issue e-invoice/ tax invoice with invoice reference number (IRN). The invoice was reflected in GSTR-2A.
- Turnover of Priya Infra Ltd. for the previous financial year was Rs. 180 lakh.
- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.
- All the amounts given above are exclusive of taxes wherever applicable.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST or IGST, as the case may be) for the month of April 2021. Reason for treatment needs to be given. (CA Final Dec 21)

**Answer:**

Computation of minimum net GST payable in cash by Priya Infra Ltd. for April 2021

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
GST payable under forward charge			
<b>Transfer of tiles to branch within Kerala</b> [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person]	-	-	-

Inter-State supply of pure labour services for construction of single commercial unit in Bengaluru [Services by way of pure labour contracts of construction of original works pertaining to a single residential, unit otherwise than as a part of a residential complex is exempt. Hence, such services in relation to a commercial unit shall be taxable.]			2,70,000 [15,00,000 X 18%]
Supply of consignment in territorial waters [Where the place of supply is in the territorial waters, the place of supply is deemed to be in the coastal State where the nearest point of the appropriate baseline is located. Therefore, place of supply will be in Kerala being nearer to base line and hence, supply will be intra-State supply]	54,000 [6,00,000 x 9%]	54,000 [6,00,000 x 9%]	-
Receipt of advance from customer in Kerala [Tax will be payable only on advance for services. In case of goods, tax is payable at the time of issuance of invoice and not at the time of receipt of advance.]	44,100 [7,00,000 x 70% x 9%]	44,100 [7,00,000 x 70% x 9%]	
Computer given free of cost to unrelated customer [Since ITC has not been taken on the computer, permanent transfer of the same without any consideration to an unrelated customer shall not amount to deemed supply in terms of Schedule I to the CGST Act, 2017. Further, since no ITC has been taken, question of reversal of ITC attributable to the remaining useful life of the computer does not arise.]	-	-	
Total output GST	98,100	98,100	2,70,000
Less: Input tax credit [Refer working note below] [CGST credit be first utilized for payment of CGST liability and then for payment of IGST liability in that order. Similarly, SGST credit be first utilized for payment of SGST liability and then for payment of IGST liability in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	98,100	98,100	18,900 (CGST)
	-	-	18,900 (SGST)
Net output GST payable in cash [A]	Nil	Nil	2,32,200
GST payable under reverse charge			
Tax on services provided by the arbitral tribunal is payable under reverse charge by the recipient of service.	63,000	63,000	

Tax on remuneration paid to director is payable under reverse charge by the recipient of the service.	54,000	54,000	
GST payable in cash under reverse charge [B] [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.]	1,17,000	1,17,000	
Minimum net GST payable in cash [A] + [B]	1,17,000	1,17,000	2,32,200

Working Note: Computation of ITC available with Priya Infra Ltd, for April 2021

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
<b>Services of an arbitral tribunal</b> [Services provided by an arbitral tribunal to a business entity with an aggregate turnover up to threshold limit of registration in the previous financial year are exempt from GST. Thus, services provided by the arbitral tribunal to Priya Infra Ltd., a business entity whose aggregate turnover in the previous financial year exceeds the applicable threshold limit for registration [viz. Rs. 20 lakh, being a supplier of goods and services in the State of Kerala] shall be liable to tax. Further, being services used in the course of furtherance of business, ITC shall be available thereon.]	63,000 [7,00,000 x 9%]	63,000 [7,00,000 x 9%]	
Purchase of materials from Baahu Steels Ltd. [An e-invoice without IRN is not treated as invoice and hence, without a valid document, ITC cannot be claimed on such inputs]	-	-	
Purchase of truck [Motor vehicle used for transportation of goods is eligible for credit. However, since depreciation has been claimed on applicable taxes as well, ITC of tax paid on purchase of such truck cannot be claimed.]	-	-	
Payment of remuneration to independent director based at Cochin [Services provided by employee to employer in the course of his employment are not a supply. However, independent director is not an employee of the company and hence, remuneration paid to him is taxable. Further, being services used in the course of furtherance of business, ITC shall be available thereon.]	54,000 [6,00,000 x 9%]	54,000 [6,00,000 x 9%]	
<b>Total ITC</b>	<b>1,17,000</b>	<b>1,17,000</b>	

**Question 10.**

Motopower Pvt. Ltd., registered under GST, is engaged in the manufacture of 5-seater luxury cars at its factories located in the States of Rajasthan, Uttar Pradesh and Gujarat. The company has obtained registration in each of these States. It also enters into contracts for providing these cars on rent to corporate clients wherein the cost of fuel is included in the value of supply.

The company reports the following details for a tax period pertaining to its factory located in Gujarat:

Payments	Rs. In lacs	Receipts	Rs. In lacs
Raw material	4.50	Sales	30
Rent paid	1.00	Car rental income	0.50
Consumables	1.50	Income from services provided to Gujarat Govt administration	2.50
Security services	0.70		
General insurance of cars manufactured	2.50		
Works contract services	1.60		
Audit fee	0.50		
Bank charges	0.10		
Membership of Automobile Association	0.10		

All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by the company.

Further, following additional details are furnished by the company in respect of the payments and receipts reported by it:

- (i) Raw materials worth Rs. 0.50 lakh, purchased from a registered supplier located in Gujarat, were destroyed due to fire in the factory and thus, could not be used in the manufacturing process. Remaining raw material has been procured from various vendors located in Maharashtra.
- (ii) Rent has been paid for the factory building located in Gujarat to its owner registered in Gujarat.
- (iii) Payment for security services (services provided by way of supply of security personnel) for the tax period has been made to Safe and Secure Solutions Pvt. Limited, a company located in Gujarat and not registered under GST.
- (iv) General insurance services have been availed from Divided Insurance Company Ltd. registered in Gujarat.
- (v) Works contract services, availed from Chitra Builders, Gujarat, have been used by the company for construction of a foundation on which machinery to be used in the production process is to be mounted permanently.
- (vi) Audit fee is paid to a firm of Chartered Accountants - M/s Pandya & Associates (registered in West Bengal with an aggregate turnover of Rs. 30 crores in the preceding financial year) - for conducting the statutory audit of the company in the preceding financial year. The firm raises an e-invoice without IRN (Invoice Reference Number) for said services.



- (vii) Bank charges are towards various services availed by the company during a month with regard to its current account maintained with Manimani Bank, registered in Gujarat. The bank issued a consolidated tax invoice for all such services at the end of the month containing the details of tax charged, description of services, total value, GSTIN of the bank and Motopower Pvt. Ltd.
- (viii) Automobile Association is registered in the State of Gujarat.
- (ix) The breakup of sales is as under:  
Sales in Gujarat - Rs. 14 lakh  
Sales in States other than Gujarat - Rs. 6 lakh  
Exports under Letter of Undertaking (LUT) - Rs. 10 lakh
- (x) Car rental income pertains to renting of cars to Jamaze Travels Ltd., registered in Gujarat and cost of fuel is included in the value of said supply. Further, consumables, procured from registered suppliers located in Gujarat, include diesel (excise and VAT paid) worth Rs. 0.75 lakh used for running the cars so rented out to Jamaze Travels Ltd. Assume that except diesel, no other input/input services is used in providing car renting service.
- (xi) Services provided to Gujarat Government administration are under a Health Training programme. 51% of the total expenditure for said programme is borne by Gujarat Government.
- (xii) The opening balance of ITC with the company for the tax period is:  
CGST - Rs. 0.50 lakh  
SGST - Rs. 0.26 lakh  
IGST - Rs. 0.35 lakh  
Compute the total ITC available with Motopower Pvt. Ltd. for the given tax period and net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by Motopower Pvt. Ltd. for the given tax period.

Notes-

- (A) CGST, SGST & IGST rates on all inward and outward supplies are 9%, 9% and 18% respectively, except on renting of cars wherein CGST, SGST & IGST rates are 2.5%, 2.5% and 5% respectively.  
It is important to note that credit of input tax charged on goods and services used in supplying the service of transport of passengers by any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, is not available except the credit of the input service in the same line of business.
- (B) The necessary conditions for availing ITC have been complied with by Motopower Pvt. Ltd., wherever applicable.

You are required to make suitable assumptions, wherever necessary.

(CA Final RTP Nov 22)

Answer:

Computation of ITC available with Motopower Pvt. Ltd, for the given tax period

S.N.	Particulars	Value of supply (₹)	ITC			
			CGST (Rs)	SGST (Rs)	IGST (Rs)	Total (Rs)
1.	Opening balance of ITC	-	50,000	26,000	35,000	1,11,000
2.	Raw Materials [Rs. 4,50,000 - Rs. 50,000] [Refer Note 1]	4,00,000		—	72,000	72,000
3.	Rent paid for the factory building [Refer Note 2]	1,00,000	9,000	9,000	—	18,000
4.	Consumables procured from suppliers in Gujarat [Rs. 1,50,000 - Rs. 75,000] [Refer Note 3]	75,000	6,750	6,750		13,500
5.	Security services [Refer Note 4]	70,000	Nil	Nil	Nil	Nil
6.	General insurance of cars manufactured [Re-fer Note 5]	2,50,000	22,500	22,500	—	45,000
7.	Works contract services [Refer Note 6]	1,60,000	14,400	14,400	—	28,800
8.	Audit fee [Refer Note 7]	50,000	Nil	Nil	Nil	Nil
9.	Bank charges [Refer Note 8]	10,000	900	900	—	1800
10.	Membership of * Automobile Association [Re-fer Note 9]	10,000	900	900	—	1,800
	Total ITC available for the tax period		1,04,450	80,450	1,07,000	2,91,900

Computation of net GST payable

Particulars	Value of supply	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)	Total (Rs.)
Intra-State sales in Gujarat	14,00,000	1,26,000	1,26,000	-	2,52,000
Inter-State sales other than Gujarat	6,00,000	-	-	1,08,000	1,08,000
Exports under LUT [Note 10]	10,00,000	Nil	Nil	Nil	Nil
Car rental income (Taxable @ 2.5% CGST and SGST each) [Note 11]	50,000	1,250	1,250	-	2,500
Income from services provided to Gujarat Government [Note 12]	2,50,000	22,500	22,500	-	45,000
Total output tax liability		1,49,750	1,49,750	1,08,000	4,07,500
Less: ITC available for being set off [Note 13, Note 14 and Note 15]		(1,04,450)	(80,450)	(1,07,000)	(2,91,900)
Net GST payable from Electronic Cash Ledger		45,300	69,300	1,000	1,15,600

Notes:

1. Credit of input tax paid on raw materials used in the course or furtherance of business is available in terms of section 16(1). However, ITC is not available on destroyed inputs in terms of section 17(5)(h).
2. ITC on rent paid is available as the said service is used in the course or furtherance of business in terms of section 16(1).
3. ITC on consumables, being inputs used in the course or furtherance of business, is available in terms of section 16(1). However, levy of GST on diesel has been deferred till such date as may be notified by the Government on recommendations of the GST Council [Section 9(2)]. Hence, there being no levy of GST on diesel, there cannot be any ITC since VAT & excise paid are not covered in the definition of input tax under section 2(62). Moreover, credit of input tax charged on goods and services used in supplying the service of transport of passengers by any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, is not available except the credit of the input service in the same line of business. Thus, ITC on diesel will not be available.
4. Tax on security services (services provided by way of supply of security personnel) provided by a non-body corporate to a registered person is payable under reverse charge. Since in the given case, security services have been provided by a body corporate - Safe and Secure Solutions Pvt. Limited to a registered person - Motopower Pvt. Ltd., GST on the same is payable under forward charge. However, since Safe and Secure Solutions Pvt. Limited is not registered under GST, it would not have charged GST on the said services and hence, no ITC is available.
5. ITC on motor vehicles for transportation of persons is allowed in terms of section 17(5) (a) provided such vehicles are further supplied by the supplier. ITC is allowed on general insurance services relating to motor vehicles, ITC on which is allowed [Section 17(5) (ab)].
6. Section 17(5)(c) blocks ITC in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Further, the term “plant and machinery” means, inter alia, machinery fixed to earth by foundation or structural support that are used for making outward supply and includes such foundation/ structural support. Thus, in view of the above- mentioned provisions, ITC is available in respect of works contract service availed by Motopower Pvt. Ltd. as the same is used for construction of plant and machinery which is not blocked under section 17(5)(c).
7. Audit fee are the services used in the course/ furtherance of business and thus, credit of input tax paid on such service will be available in terms of section 16(1). M/s Pandya & Associates is required to issue an e-invoice for audit services as e-invoicing is mandatory for the registered persons whose aggregate turnover in any of the preceding financial years from 2017-18 onwards exceed Rs. 20 crores. However, an e-invoice without IRN is not treated as an invoice as per rule 48(5) and hence, without a valid document, ITC cannot be claimed on such input services.
8. Bank charges are services used in the course/ furtherance of business and thus, credit of input tax paid on such service will be available in terms of section 16(1). However, ITC can be claimed only on the basis of valid documents. In case of a banking company, as per rule 54(2), a consolidated tax invoice issued for supply of services made during a month at the end of the month containing the details of tax charged, description of

- services, total value, GSTIN of the supplier and the recipient is deemed to be a tax invoice. Thus, ITC pertaining to the banking services received is allowed.
9. As per section 17(5)(b)(ii), ITC is blocked on membership of a club, health and fitness centre. The membership fee paid by a automobile company to Automobile Association is not covered under said section as it is distinct from membership of a club. Hence, ITC thereon is available.
  10. Export of goods is a zero-rated supply in terms of section 16(l)(a) of the IGST Act. A zero rated supply under LUT is made without payment of integrated tax [Section 16(3)(a) of the IGST Act],
  11. Tax on services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient is payable under reverse charge only when said service is provided by a non-body corporate to a body corporate and & an invoice charging GST @ 12% is not issued to service recipient. Since in the given case, said services are provided by a body corporate - Motopower Pvt. Ltd. to another body corporate - Jamaze Travels Ltd., GST is payable under forward charge by Motopower Pvt. Ltd. on the same.
  12. Services provided to the Central Government, State Government, Union territory administration under any training programme for which 75% or more of the total expenditure is borne by the Central Government, State Government, Union territory administration are exempt from GST. However, in the given case, since the total expenditure borne by the Gujarat Government is less than 75%, services provided to it by Motopower Pvt. Ltd. are liable to GST.
  13. Since export of goods is a zero-rated supply, apportionment of ITC is not required and instead, full credit will be available [Section 16 of the IGST Act read with section 17(2) of the CGST Act].
  14. As per section 49(5) read with rule 88A, ITC of-
    - (i) IGST is utilised towards payment of IGST first and then CGST and SGST in any proportion and in any order.
    - (ii) CGST is utilised towards payment of CGST and IGST in that order. ITC of CGST shall be utilized only after ITC of IGST has been utilised fully.
    - (iii) SGST is utilised towards payment of SGST and IGST in that order. ITC of SGST shall be utilized only after ITC of IGST has been utilised fully.
  15. Since the value of taxable supply other than zero-rated supply in the given tax period (Rs. 14 lakh + Rs. 6 lakh+ Rs. 0.50 lakh+ Rs. 2.50 lakh) does not exceed Rs. 50 lakh, provisions of rule 86B are not applicable and Motopower Ltd. can discharge its entire output tax liability for said period from the electronic credit ledger.
  16. CGST and SGST are chargeable on intra-State inward and outward supplies and IGST is chargeable on inter-State inward and outward supplies. Rate of CGST, SGST and IGST applied is 9%, 9% and 18%'except in case of renting of cars wherein the rate of CGST and SGST applied is 2.5% and 2.5% respectively.

**Question 11.**

The details of transactions of J Ltd., Vadodara (Gujarat), a registered taxable person, during the month of February, 2022, are as under:

S. No.	Particulars
1.	Purchased goods from a manufacturer in Maharashtra as a merchant exporter (on payment of 0.1% IGST) and exported the same directly to an importer of Spain under LUT. FOB value is Rs. 7,00,000. Invoice for the supply to J Ltd. was received on 5/2/22 and payment was made on 8/2/22.
2.	Imported goods from China with CIF value of Rs. 5,00,000. The goods were sold for Rs. 5,10,000 as high sea sales to an Indian party on 21/2/22.
3.	Purchased goods from a party in Taiwan. Sold the goods to a party in Tur-key without bringing the goods to India. Purchase value was Rs. 5,00,000 and the sale price was Rs. 7,00,000. J Ltd paid sales commission of Rs. 50,000 to Mrs. T, their agent in connection with this transaction. The transaction was completed in the third week of February. (The figures in rupees have been given after conversion though transaction was in con-vertible foreign currency).
4.	J Ltd. has agreed to provide technical services to Mr. K of Ahmedabad who is an unregistered person in connection with the manufacturing operations to be undertaken by him for a consideration of Rs. 5,00,000 and has re-ceived an advance of Rs. 1,00,000 for the same on 2/2/22.
5.	It has imported raw materials from China. CIF value of the goods for the purpose of Customs included Rs. 1,00,000 as ocean freight paid by J Ltd. The value for the purpose of levy of IGST worked out by Customs was Rs. 6,00,000. Clearance of the goods took place on 4/2/22.
6.	Locally purchased taxable raw material stored in the factory got spoiled due to rainwater in the factory and became unusable. J Ltd. claimed and received on insurance amount of Rs. 60,000 for the same. Value of the raw material at the time of receipt was Rs. 70,000. Raw material was pur-chased from a party in Gujarat on 3/2/22 and payment was made on 7/2/22.
7.	Company purchased a three-wheeler having capacity of 2 persons includ-ing driver (engine capacity 20CC) at a cost of Rs. 2,50,000 which is being used for transportation of staff of company from residence to factory and back. The vehicle was received on 5/2/22 and payment was made on the same date.
8.	It has paid inward transportation expense of Rs. 30,000 to Mr. Z, a tempo owner who has not issued any consignment notes. He has issued a consoli-dated bill only on 3/2/22 and payment was made on 4/2/22.
9.	It has supplied goods of value of Rs. 50,00,000 to V Ltd. Padra, Gujarat (in-cludes Rs. 10,00,000 supplied to SEZ unit of V Ltd).
10.	It has purchased goods from X Impex Ltd. Kadi, Gujarat for use as raw ma-terials in its factory. The value of the goods Rs. 30,00,000. Invoice is dated 2/2/2022.
11.	It has availed supply of manpower security services from Y Ltd. Vadodara, Gujarat, a registered taxable person. The amount paid is Rs. 1,00,000. The invoice was received on 1/2/2022 and payment was made on the same day.

Assume the CGST and SGST rates to be 9% each and IGST rate to be 18% except the supply received as a merchant exporter. Ignore compensation cess. J Ltd. had an opening balance of ITC of CGST of Rs. 20,000 and SGST of Rs. 20,000 as on 1/2/2022. In respect of all the inward supplies, suppliers have uploaded their invoices in respective Form GSTR-1 and the supplies are reflected in GSTR-2A/2B. All the figures given above are exclusive of GST, wherever applicable.

Work out the admissible ITC and GST liability [CGST, SGST or IGST, as the case may be] payable in cash, by J Ltd, Vadodara (Gujarat), for February, 2022.

Ensure that all the items in the table are covered in your answer. Provide supporting explanatory notes for your conclusion wherever required.

(CA Final Nov 22 - New addition)

**Answer:**

(i) Computation of admissible ITC for February, 2022

Particulars	Value	CGST (Rs)	SGST (Rs)	IGST (Rs)
Opening balance	-	20,000	20,000	-
Goods purchased as merchant exporter [Merchant exporter is eligible to take ITC of IGST paid @ 0.1%.]	7,00,000			700
Note: In the absence of the value of supply of goods purchased as a merchant exporter, FOB value of export of such goods has been taken as their purchase price for computing the ITC amount.				
Goods imported from China	Nil	-	-	-
[No ITC since tax is not payable. In case of high sea sales, IGST is paid by the last high sea sales buyer who files the bill of entry for home consumption.]				
Goods purchased from Tai-wan	Nil	-	-	-
[No ITC since tax is not payable as goods do not become part of the landmass of the country.]				
Sales commission paid to agent - Mrs. T [Since service provider - Mrs. T is an interme-diary in the given transaction, place of supply is location of Mrs. T, i.e. outside India. Thus, tax is not payable under re-verse charge on said services.]	50,000	-	-	-



Note: Since the transaction was undertaken in convertible for-ign exchange, it is logical to infer that Mrs. T is located out-side India.				
Imported raw material from China	6,00,000	-	-	1,08,000 [6,00,000 x 18%]
[Input tax, inter alia, includes IGST charged on import of goods.]				
Assumption: It has been assumed that the contract for im-port of goods from China is on CIF basis.				
Raw material spoiled	-	-	-	-
[ITC is blocked under section 17(5) on destroyed goods.]				
Note: Insurance amount received is an actionable claim. Thus, it is treated neither as supply of goods nor as supply of services.				
Three-wheeler purchased	2,50,000	22,500 [2,50,000 x 9%]	22,500 [2,50,000 x 9%]	-
[ITC on a three-wheeler with engine capacity of 20 cc is allowed as it is not a motor vehicle and is used in course or fur-therance of business.]				
Assumption 1: It has been as-sumed that purchase of three-wheeler is an intra-State supply. Alternatively, it is also possible to assume that purchase of three-wheeler is an inter-State supply. In that case, IGST of Rs. 45,000 will be available as ITC.				
Assumption 2: It has been as-sumed that the depreciation has not been claimed on GST paid on said capital goods, under the Income-tax Act, 1961.				
Inward transportation from Mr. Z	-	-	-	-

[Services of transportation of goods without issue of consignment note is not covered under services of GTA and hence exempt. Thus, no ITC is available.]				
Raw material purchased from X Impex Ltd., Gujarat –	30,00,000	2,70,000 [30,00,000 x 9%]	2,70,000 [30,00,000 x 9%]	-
[ITC on goods used in course or furtherance of business is allowed.]				
Manpower security services from Y Ltd.	1,00,000	9,000 [1,00,000 x 9%]	9,000 [1,00,000 x 9%]	
[Since security services are provided by a body corporate, tax on the same is not payable under reverse charge.]				
Total ITC available		3,21,500	3,21,500	1,08,700

(ii) Computation of GST liability payable in cash, by J Ltd.

Particulars	Value	CGST (Rs)	SGST (Rs)	IGST (Rs)
GST payable on outward supplies	7,00,000	-	-	Nil
Export of goods to Spain under LUT [No IGST is payable.]				
High sea sales of goods imported from China	Nil	-	-	-
[Neither treated as supply for goods nor as supply of ser-vices.]				
Goods purchased from Taiwan sold in Turkey without bringing into India	Nil	-	-	-
[Neither treated as supply for goods nor as supply of ser-vices.]				
Advance received for the technical services to be provided to Mr. K	1,00,000	9,000 [1,00,000 x 9%]	9,000 [1,00,000 x 9%]	-
[Tax on the services to be provided is payable at the time of receipt of advance.]				
Goods supplied to SEZ unit of V Ltd.	10,00,000	-	-	Nil

[Supply to SEZ unit is a zero-rated supply.]				
Assumption: It has been assumed that goods have been supplied to SEZ without payment of tax.				
Supply of goods to V Ltd., Gujarat	40,00,000	3,60,000 [40,00,000 x 9%]	3,60,000 [40,00,000 x 9%]	-
Total output tax		3,69,000	3,69,000	Nil
Less: ITC* [Credit of IGST can be utilized towards payment of CGST and SGST liability in any order and in any proportion. Credit of CGST and SGST can be utilized only after IGST credit has been fully utilized. Thereafter, credit of CGST and SGST is utilised for payment of CGST and SGST liability respectively. CGST credit cannot be utilized for payment of SGST and vice versa.]		54,350 (IGST)	54,350 (IGST)	
		3,14,650 (CGST)		
			3,14,650 (SGST)	
Net GST payable		Nil	Nil	Nil
Add: GST payable on Inward Supplies				
Imported raw material from China	6,00,000	-	-	1,08,000 [6,00,000 x 18%]
Total net GST payable in cash		Nil	Nil	1,08,000

\*Note: ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST. However, total amount of net GST payable in cash will be same in each case.

**Question 12.**

**DEC, 2021**

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 it's 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.	

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. (8 Marks)

**Solution:**

**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 <sup>1</sup> (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 <sup>2</sup>	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

<sup>1</sup>Interest on delayed payment collected is assumed to be inclusive of GST. Further, the invoice value has been taken as inclusive of GST for computing said penal interest. However, it is also possible to assume the interest to be exclusive of GST and to compute the same by taking the values as exclusive of GST (i.e. ₹ 5,00,000).

<sup>2</sup>The reversal provisions under rule 42 of the CGST Rules, 2017 have not been given effect to in the above answer on account of specific exclusion of the same via Study guidelines applicable for November, 2021 examination.

Legal consultancy services received(B) [Tax is payable under reverse charge on legal services received by a business entity <sup>3</sup> 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.

**Question 13.**

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

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

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

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

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

- (iii) In order to enhance their sales and to clear the stock of old models of air- conditioner, Jino Enterprises made combo offers to customers wherein, if a customer purchases an Air-conditioner along with a stabilizer, the same is offered at a combo price of 20,000/- as against the original price of \* 30,000/- (Air-conditioner 22,000 & stabilizer \* 8,000) if these are purchased separately. During October 22, Jino Enterprises had made inter-state supply of 10 numbers of such combo products.
- (iv) Purchased business class air tickets for intra state travel from Guwahati Airport, Assam to Dibrugarh Airport, Assam for its executive employees relating to business of the concern. Basic Air fare was 40,000/- and airlines charges GST @ 2.5% CGST, SGST each on basic freight, in case the same is applicable. Additional Information:
- (a) All the figures mentioned above are exclusive of taxes.
- (b) In respect of few of the invoices relating to F.Y. 2021-2022, involving ITC of CGST 20,000/- SGST of 20,000/- & IGST 80,000/- was not taken earlier. Jino Enterprises now want to avail credit in respect of such invoices in the current month.
- (c) The Rates of GST applicable on various supplies are as follows:

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

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

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

**Solution:**

**Computation of tax liability by Jino Enterprises for the month of October 2022**

S no.	Particulars	CGST	SGST	IGST
<b>OUTPUT TAX</b>				
1	Intra-state Supply of air-conditioners (Note 1)	30,000 (5,00,00*9%)	30,000 (5,00,00*9%)	-
2	Intra-state supply of repairing services (Note 2)	31,500 (3,50,000*9%)	31,500 (3,50,000*9%)	-
3	Inter-state supply of combo package of air-conditioners and stabilizers (Note 3)	-	-	36,000 (2,00,000*18%)
	<b>Total</b>	<b>61,500</b>	<b>61,500</b>	<b>36,000</b>
<b>INPUT TAX CREDIT</b>				
4	ITC on air tickets purchased for intra-state travel of executive employees (Note 4)	(1,000)	(1,000)	-
5	ITC on invoices pertaining to FY 2021-22 (Note 5)	20,000	20,000	80,000
	<b>Total</b>	<b>21,000</b>	<b>21,000</b>	<b>80,000</b>



**Computation of net GST payable in cash by Jino Enterprises for the month of October 2022**

Particulars	CGST	SGST	IGST
OUTPUT TAX	61,500	61,500	36,000
IGST ITC	(22,000)	(22,000)	(36,000)
CGST ITC	(21,000)	-	-
SGST ITC	-	(21,000)	-
<b>Minimum GST payable in cash</b>	<b>18,500</b>	<b>18,500</b>	<b>-</b>

**Notes:**

- Supply of air conditioners wherein delivery is provided along with amounts to composite supply, as the same is naturally bundled in the ordinary course of business. Hence, we shall take the rate of principal supply and hence the rate of CGST and SGST as applicable on air-conditioners (principal supply) i.e. 12% shall apply.
- Supply of repairing services wherein apart from service, the cost of spare parts/goods is also charged qualifies as a composite supply and here the principal supply is repairing service, hence the rate applicable on the service (principal supply) i.e., 18% each shall apply
- Supply of air conditioners and stabilizers at a single price of Rs. 20000 qualifies as a mixed supply as they are artificially bundled and is also quoted with a single price. In such case, the highest rate of tax as applicable is that of supply (stabilizers) i.e., 18%
- According to section 16(1), input tax credit can be availed on all the input supplies and capital goods used for business, provided it is not blocked u/s 17(5). Accordingly, ITC can be availed on air tickets purchased for travel of executive employees for the purpose of business.
- As per section 16(4), the latest date to avail ITC with respect to an invoice or debit note is earlier of 30th November of next FY or the actual date of furnishing returns for the relevant FY. Assuming that the annual returns for the relevant FY have not yet been filed, the ITC on invoices pertaining to FY 2021-22 is allowed.

**Question 14.**

Poorva Impex Ltd., a registered entity under GST in the State of Maharashtra is engaged in various supplies. It provides the following information for the month of April, 2023 :

S. No.	Particulars	Amount (₹)
	<b>OUTWARD SUPPLY:</b>	
(i)	Sold a future derivative contract at NSE (National Stock Exchange) which was due in the month of April. Said contract had no delivery option.	20,00,000
(ii)	Supplied 50 LED TVs at Hyderabad to the State Government of Telangana. 50 Stands mandatory required to mount the TV on wall were also supplied along with LED TV.	8,00,000 72,000
(iii)	Provided intra-State service as a Direct Selling Agent (D.S.A.) to Uday Small Finance Bank Limited for their retail loan products	5,00,000
(iv)	Passenger transportation service provided to general public by Company Owned Ferries between two islands in the state of Maharashtra. Purpose was to facilitate daily com.mutation of local people.	1,20,000

(v)	Supplied goods to its Agent in the state of Bihar. Open market value of the said goods-were ₹ 3,00,000. The said Agent is supplying goods of like kind and quality to his unrelated customer at ₹ 3,20,000.	-
	INWARD SUPPLY:	
(i)	Availed HR training services for all its employees from “BE HUMBAL”, a HR Firm registered under GST in Maharashtra. Training was held at a Resort in the State of Himachal Pradesh.	4,00,000
(ii)	Purchased processing machines from David & Co., registered under GST in the State of Gujarat. Machines were bought in “as is where is condition” at Gujarat to produce taxable items.	1,00,000
(iii)	Purchased five two-wheelers with engine capacity of 25 CC for usage of its employees both within and outside factory producing taxable products. Supply was made at Mumbai by a GST registered dealer at Tamil Nadu.	2,00,000

The company provided the following additional information:

- (i) Company wishes to choose the most beneficial option in respect of supply to Agent and branch transfer.
- (ii) Company transferred certain taxable items to its Kerala branch for distributing as free samples on the occasion of inauguration of said branch which yet to be registered. Value declared in the invoice for transfer was ₹ 2.50 Lakh whereas open market value of the same was ₹ 3.00 Lakh. Kerala branch yet not sold such kind of goods to any of the customer.
- (iii) Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services, except TV Stand for which the rate is 14%, 14% and 28% respectively.
- (iv) All the amount given above is exclusive of taxes wherever applicable.
- (v) Except specially written, all the inward supplies were used for taxable as well as exempted outward supplies.
- (vi) No inward supply used for non-business purpose.
- (vii) There was no opening balance of any ITC.

From the information given above, you are required to compute the eligible Input Tax Credit (ITC) available and net minimum GST liability payable in cash (CGST, SGST or IGST as the case may be) for the month of April, 2023 for the Poorva Impex Ltd., Maharashtra.

Reason for the treatment of each item needs to be given.

(Nov 23)

### Question 15.

In the above question, all other things remaining the same, compute the value of supply (most beneficial) made by Bangalore unit as well as the value of supply (most beneficial) made by Ahmedabad Retail Showroom, with respect to transfer of goods by these units to M/s. Equilibrium Sales, M/s. Paridhi Sales and M/s. Dhara Enterprises, if Super Lever Limited furnishes the following additional information for the month of October:

- (i) Bangalore unit has appointed M/s. Equilibrium Sales as its sole selling agent. M/s. Equilibrium Sales sells the electronic goods of Bangalore unit under the invoice issued in its own name. The Bangalore unit transferred the goods costing Rs. 7,25,000 to M/s. Equilibrium Sales on 20th October which were sold by M/s. Equilibrium Sales on 31st October at Rs. 7,65,000. On 20th October, another electronic goods' manufacturer supplied the goods of like kind and quality to M/s. Equilibrium Sales as the one supplied by the Bangalore unit at a price of Rs. 7,75,000.
- (ii) The Retail Showroom at Ahmedabad transfers goods costing Rs. 85,000 to its agent, M/s. Paridhi Sales on 12th October. M/s. Paridhi Sales sells such goods on 18th October at Rs. 5,00,000 under the invoice issued in the name of Retail Showroom at Ahmedabad. On 17th October, M/s Paridhi Sales has sold goods of like kind and quality as the one supplied by the Retail Showroom at Ahmedabad to an unrelated customer at Rs. 4,70,000.

The Retail Showroom at Ahmedabad also transfers goods costing Rs. 95,000 to its agent, M/s. Dhara Enterprises on 15th October. M/s. Dhara Enterprises sells such goods on 20th October at Rs. 1,00,000 under the invoice issued in its own name. On 19th October, M/s Dhara Enterprises has sold goods of like kind and quality as the one supplied by the Retail Showroom at Ahmedabad to an unrelated customer at Rs. 98,000.

Note: M/s. Equilibrium Sales, M/s. Paridhi Sales and M/s. Dhara Enterprises are not eligible for full input tax credit. Further, open market value of the goods is not available in any of the above cases.

(CA Final RTP Nov 22)

### Answer:

- (i) As per clause (c) of explanation to section 15, persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.  
Thus, in the given case, since M/s. Equilibrium Sales is a sole selling agent of Bangalore unit, both are related persons.  
Further, an activity/transaction qualifies as supply under GST only if it is undertaken for a consideration and is in course/furtherance of business. However, supply of goods between 'related persons' made in the course or furtherance of business qualifies as supply even if made without consideration [Section 7(l)(c) read with Schedule I].  
Furthermore, value of supply of goods between related persons (other than through an agent) is determined as per rule 28. Accordingly, the value of supply of goods between related persons will be determined as follows:
  - (a) the open market value of such supply;
  - (b) if open market value is not available, the value of supply of goods or services of like kind and quality;
  - (c) if value cannot be determined under the above methods, it must be worked out based on the cost of the supply plus 10% mark-up or by other reasonable means, in that sequence.

However, where the goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer.

Further, where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods.

Open market value of the goods is not available in the given case. Further, since M/s. Equilibrium Sales is not eligible for full input tax credit, value declared in the invoice cannot be deemed to be the open market value of the goods. Since M/s. Equilibrium Sales further supplies the goods, value of the goods will be lower of:

- (i) value of supply of goods or services of like kind and quality, i.e. Rs. 7,75,000 or
- (ii) 90% of the price charged for the supply of goods of like kind and quality by M/s. Equilibrium Sales to its unrelated customer, i.e. Rs. 6,88,500 [Rs. 7,65,000 x 90%].

Thus, the value of supply, in the given case, will be Rs. 6,88,500.

- (ii) An activity/transaction qualifies as supply under GST only if it is undertaken for a consideration and is in course/furtherance of business. However, supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal is considered as supply even if made without consideration provided the invoice for further supply is issued by the agent in his own name [Section 7(l)(c) read with Schedule I to the CGST Act, 2017]. Where the invoice is issued by the agent to the customer in the name of the principal, such agent is not an agent in terms of Schedule I.

Since M/s. Paridhi Sales sells the goods under the invoice issued in the name of Retail Showroom at Ahmedabad, it is not an agent in terms of Schedule I. Resultantly, transfer of goods by Retail Showroom at Ahmedabad to M/s. Paridhi Sales does not qualify as supply since it is made without consideration.

Further, since M/s. Dhara Enterprises sells the goods under the invoice issued in its own name, it falls within the purview of an agent in terms of Schedule I. Resultantly, transfer of goods by Retail Showroom at Ahmedabad to M/s. Dhara Enterprises qualifies as supply even though it is made without consideration.

Value of supply of goods made through an agent is determined as per rule 29. Accordingly, the value of supply of goods between the principal and his agent is the open market value of the goods being supplied, or at the option of the supplier, is 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer, where the goods are intended for further supply by the said recipient.

In the given case, since open market value is not available, value of the goods supplied to M/s. Dhara Enterprises will be Rs. 88,200 [90% of Rs. 98,000].

Thus, value of supply of Bangalore unit is Rs. 6,88,500 and of Retail Showroom at Ahmedabad is Rs. 88,200.