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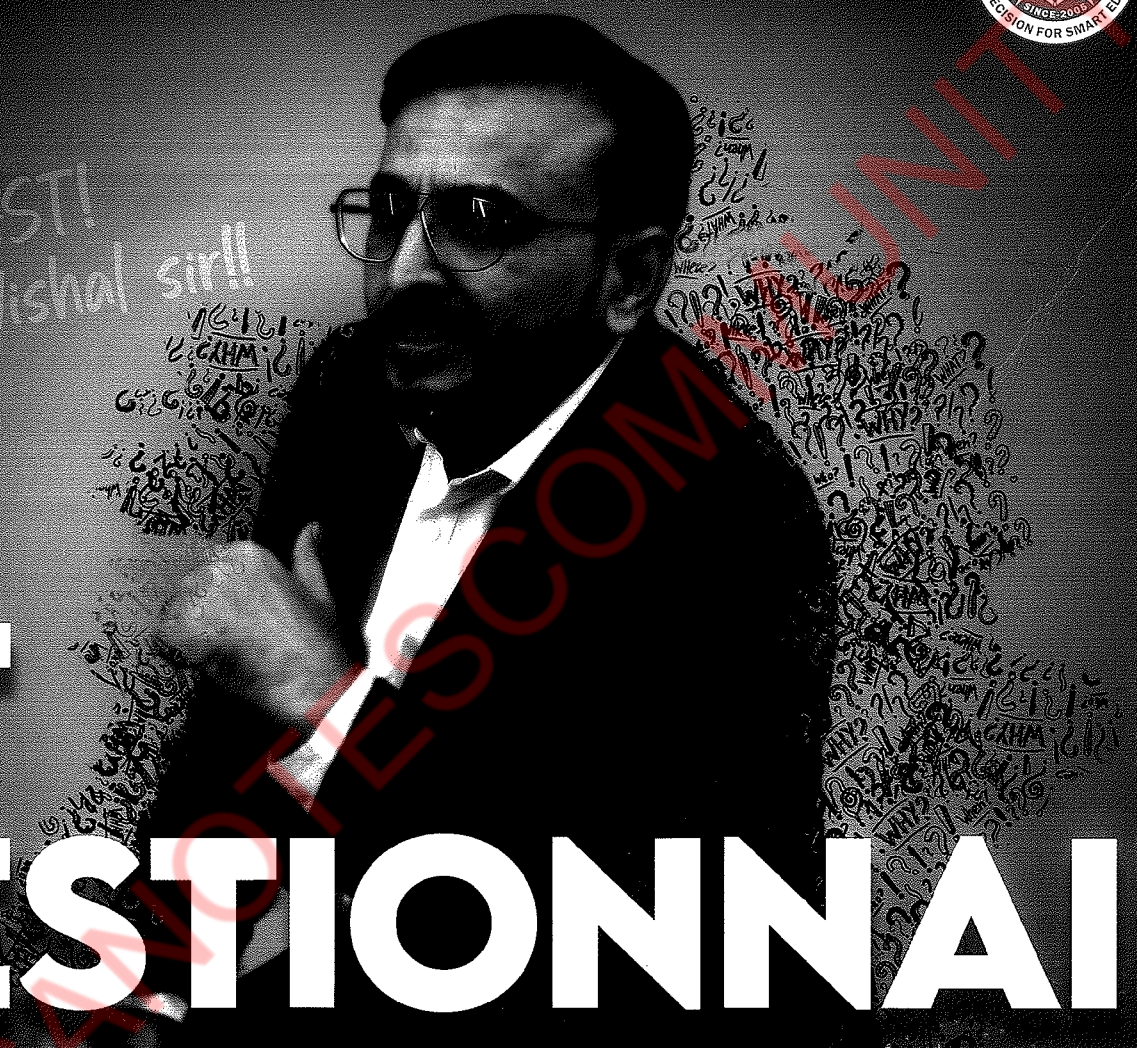

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CHAPTER - 1

INTRODUCTION OF GST

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Regular - L13 [2:45 min]

01. Introduction to Indirect Tax

CCP 01.01.01.00

Differentiate between Direct and Indirect taxes. [ICAI Study Material]

Answer :

Particulars	Direct Taxes	Indirect Taxes
Levied on	It is levied on income earned by activities conducted.	It is levied on product or services
Incidence of tax	It is borne directly by person paying tax to Government.	It is shifted to other person as the person paying tax to Government collects the same from ultimate consumer.
Nature	It is **progressive in nature** i.e. high rate of taxes for people with higher ability to pay.	It is **regressive in nature** as all the consumers equally bear the burden, irrespective of their ability to pay.
When it is paid?	It is paid after the income reaches in the hands of tax payer.	It is paid before goods/services reaches the tax payer.
Collection	Tax collection is difficult and it is on yearly basis.	Tax collection is relatively easier and collected at the time of sale / purchase of goods or rendering of services.
Examples	Eg. Income tax, wealth tax, etc.	Eg.Custom Duty, GST, Excise Duty, Service tax, Sales tax, etc.

CCP 01.01.02.00

Explain the salient features of indirect taxes. [ICAI Study Material]

Answer :

S.No.	Feature	Explanation
1	**An important & major source of revenue**	Indirect tax is major source of revenue for all Govts. in the world. In India, it contributes more than 50% of the total tax revenues of Central & State Governments.
2	**Tax on commodities & services**	It is levied on commodities at the time of supply, manufacture or purchase or sale or import/export thereof. Hence, it is also known as commodity taxation. It is also levied on provision of services.
3	**Shifting of burden**	Indirect tax paid by supplier is recovered from buyer by including the tax in the cost of commodity/ service & shifting tax burden in this way.
4	**No perception of direct pinch**	Since, Indirect tax is generally inbuilt in the price of commodity/service, most of the time tax payer pays the same without actually knowing that he is paying tax to Government.
5	**Inflationary**	Tax imposed causes an all-round price spiral. In short, indirect taxation directly affects the prices of commodities & services & leads to inflationary trend.
6	**Wider tax base**	Majority of products or services are subject to indirect taxes with low thresholds.
7	**Promotes social welfare**	High taxes are imposed on consumption of harmful products/sin goods such as alcoholic products, tobacco products, etc. This not only checks their consumption but also enables the State to collect substantial revenue.
8	**Regressive in nature**	The rich & poor have to pay the same rate of indirect taxes. This further increases the income disparities between the rich and the poor.

CCP 01.01.03.00

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

Answer : Deficiencies in the erstwhile indirect tax regime:-

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

02.Various Articles of The Constitution of India

CCP 01.02.04.00

Write a short note on various Lists provided under Seventh Schedule to the Constitution of India. [ICAI Study Material] [CA Inter MTP-Oct 21]

Answer: Seventh Schedule to Article 246 of the Constitution contains three lists which enumerate the matters under which the Union & the State Governments have the authority to make laws as follows:-

List-I (UNION LIST):-	It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws.
List-II (STATE LIST):-	It contains the matters in respect of which the State Government has the exclusive right to make laws.
List-III (CON-CURRENT LIST):-	It contains the matters in respect of which both the Central & State Governments have power to make laws.

03.Introduction to Goods & Services Tax

CCP 01.03.05.00

Explain the concept & principle of GST? . [ICAI Material]

Answer: The Concept & Principles of GST are as under:-

1	Value Added Tax	GST is a Broad-based value added tax levied on value added to goods &/or services at each stage of supply chain.
2	Destination based tax on consumption	GST is the revenue of that state which has jurisdiction over the place of consumption of goods &/or services which is also termed as place of supply.
3	Tax on business activity	GST is a tax on the consumption of products/services from business sources, and not on personal/ hobby activities.
4	Continuous Chain of tax Credits	It is available from producer's/service provider's point up to the retailer's/ consumer's level thus taxing only the value added at each stage of supply chain.
5	Burden borne by final consumer	Only the final consumer bears the GST charged by the last supplier in supply chain as at all the previous stages- set off benefits are available to the suppliers.
6	No cascading of taxes	As GST is charged only on value added at each stage, there is no cascading of taxes in this system & it avoids double taxation.

CCP 01.03.06.00

GST is a simplified tax structure. Justify the statement. [ICAI Study Material] [CA Inter MTP-Nov 21]

Answer: ***GST is a simplified tax structure because of following reasons:-***

i)	Multiple taxes are reduced under GST & this lead to simplification & uniformity in tax structure making it simpler.
ii)	Uniformity in laws, procedures and tax rates across the country makes doing business easier.
iii)	Common system of classification of goods and services across the country ensures certainty in tax administration across India.
(iv)	GST avoids cascading effect of taxes completely.

CCP 01.03.07.00

Discuss how GST resolved the double taxation dichotomy under previous indirect tax laws OR

Explain how GST is a cure for ills of existing indirect tax regime. [ICAI Study Material Content]

(Hint:- Dichotomy means contrast between 2 things)

Answer:

- ***Input Tax Credit (ITC):-*** ITC of CGST/ SGST/ UTGST/ IGST is available throughout the supply chain thus, taxing only the value added.
- ***A comprehensive tax structure:-*** GST covers both goods and services which solved many issues.
  - GST removed the cascading effect of CENVAT, service tax & VAT as it is simultaneously introduced at both Centre and State levels.
  - Now, Set off is available at all level i.e. to manufacturer, retailer, service provider.
- ***One Single tax:-*** Under GST regime, major indirect taxes have been subsumed in the ambit of GST reducing the multiplicity of taxes. The erstwhile concepts of manufacture/ sale of goods or rendering of services are no longer applicable since, GST is levied on "Supply of Goods and/or services".

CCP 01.03.08.00

List the advantages that GST accrues to the trade and industry. [ICAI Study Material]

Answer: ***GST accrues following advantages to the trade and industry:-***

i) Benefits to industry:-

- Several Central & State taxes are subsumed in GST giving relief to industry, trade and agriculture.
- Under GST, wide and comprehensive set-off is available of input tax credit.
- This resulted in widening of tax base and better tax compliance that lead to lowering of tax burden on an average dealer in trade and industry.

ii) Mitigation of ill effects of cascading:-

- Under GST, most of the Central & State taxes are subsumed into a single tax and set-off of prior-stage taxes are also allowed for the transactions across the entire value chain.
- This helps in mitigating the ill effects of cascading, improving competitiveness and improving liquidity of the businesses.

iii) Benefits to small traders and entrepreneurs:-

- GST increased the threshold for GST registration for small businesses & also provided them the benefit of composition scheme.
- Further, single registration is needed in one State. It has created a seamless national market across the country giving an opportunity to small enterprises to expand their national footprint with minimal investment.

CCP 01.03.09.00

Mention the various components under GST & also discuss them in brief.

Answer:

CGST:-	➲ It stands for Central Goods & Service tax which is levied & collected by **Central government on intra**-state supply of goods &/or services. ➲ It is governed by Central Goods & Services Tax Act, 2017.

SGST:-	➲ It stands for State Goods & Service tax which is levied & collected by **respective State Government on intra**-state supply of goods &/or services. ➲ It is governed by State Goods & Services Tax Act, 2017.
UTGST:-	➲ It stands for Union Territories Goods & Service tax which is levied & collected by **Central government on intra**-state supply of goods &/or services. ➲ It is governed by Union Territory Goods & Services Tax Act, 2017.
IGST:-	➲ It stands for Integrated Goods & Service tax which is levied & collected by only **Central government on inter**-state supply of goods &/or services. ➲ The tax so collected is then apportioned between Central Government & respective State Government where goods are consumed. ➲ It is governed by Integrated Goods & Services Tax Act, 2017.
GST Compensation Cess:-	➲ It is a compensation to States for loss of revenue on account of introduction of GST & is provided by Parliament, by law, on recommendation of GST Council for 5 years. ➲ It is levied by **Central government** on notified goods only- **on intra/inter state** supply. ➲ It is governed by GST (Compensation to states) Cess Act, 2017.

04. Various Taxes Subsumed/ Not subsumed under GST

CCP 01.04.10.00

Elaborate the principles that were borne in mind while subsuming various central, State and local levies, under GST. [ICAI Study Material]

Answer:

The various central, state & local taxes or levies were examined to identify their possibility of being subsumed under GST keeping the following principles in mind:-

i)	They should be primarily in the nature of indirect taxes, either on the supply of goods or on the supply of services.
ii)	They should be part of transaction chain which commences with import/ manufacture/ production of goods or provision of services at one end & the consumption of goods & services at the other.
iii)	Subsuming of taxes should result in free flow of tax credit in intra & inter-State levels. Taxes, levies & fees that are not specifically related to supply of goods & services should not be subsumed under GST.
iv)	Revenue fairness for both the Union and the States individually would need to be attempted.

CCP 01.04.11.00

List the Central and State levies which have been subsumed in GST in India. [ICAI MTP] [CA Inter Suggested Nov 18] [ICAI Study Material]

Answer:

Central levies subsumed	State levies subsumed
Central Excise Duty & Additional Excise Duties	VAT/ Sales tax
Service Tax	Entertainment Tax (except those levied by local bodies)
Excise Duty levied under Medicinal & Toilet Preparation Act	Taxes on lottery, betting & gambling
ACD (Additional custom duty)	Entry Tax (All forms) & Purchase Tax
Central Sales Tax	Luxury Tax
Central Surcharges & Cesses related to supply of goods & services	Taxes on advertisements
	State surcharges & Cesses related to supply of goods & services

CCP 01.04.12.00

What are the taxes that will continue post GST?

Answer: ***The taxes that will continue after GST are:-***

a. Basic Customs Duty

b. Export Duty

c. Stamp Duties & Property Tax

d. Electricity Duties

e. Entertainment tax levied by local bodies

f. Excise duty/ VAT/ CST on Alcohol for human consumption & Petroleum products.

CCP 01.04.13.00

Which are the commodities kept outside the purview of GST? [ICAI MTP] OR Supply of all goods and/or services is taxable under GST. Discuss the validity of the statement.

Answer: ***The statement is invalid due to the following reasons:-***

- Supplies of all goods &/or services are taxable under GST
  - **except** alcoholic liquor for human consumption.
- Supply of following would be taxable with effect from the date notified by Government on recommendations of the GST Council:-
  - petroleum crude,
  - high speed diesel,
  - motor spirit (petrol),
  - natural gas &
  - aviation turbine fuel.

CCP 01.04.14.00

Briefly explain the leviability of GST or otherwise on petroleum crude, diesel, petrol, Aviation Turbine Fuel (ATF) and natural gas. [ICAI Study Material]

Answer:

- At present, Petroleum crude, diesel, petrol, ATF and natural gas are not leviable to GST.
- GST will be levied on these products from a date to be notified on the recommendations of the GST Council.
- But, there is a levy of:-
  - Central excise duty on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas &
  - CST/ VAT on inter-State/intra-State sale of the same respectively.

CCP 01.04.15.00

ITC ltd. is a company manufacturing Cigarette and supplies it to the distributor Mr. Z for ₹ 2, 00,000 on which it charged excise as well as GST. Mr. Z further supplied it to the retailer Mr. R for ₹ 2, 20,000 charging GST. Explain whether treatment of taxes by ITC Ltd. & distributor Mr. Z is correct or not. OR Discuss the leviability of GST or otherwise on tobacco. [ICAI Study Material]

Answer:

- Tobacco is subject to GST as well as central excise duty as it is within the purview of GST i.e. GST is leviable on its' supply & Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India.
- Therefore, **treatment by ITC Ltd.** on supply of the tobacco & tobacco products after manufacturing it **is correct.** Recipient of supply (i.e. Mr. Z) can take ITC only of GST.
- In case of further supply by Mr. Z to retailer Mr. R, supply would be subject to GST only & not central excise because there is no manufacture therefore, **treatment by Mr. Z is also correct.**

05. Dual GST Model in India

CCP 01.05.16.00

Explain the concept of 'Dual GST' OR Discuss the dual GST model as introduced in India. [CA final Nov 17] [ICAI Study Material]

Answer: India adopted a Dual GST model in view of the federal structure of the

country where GST is imposed **concurrently by the Centre & States**, i.e. they both simultaneously tax goods & services as under:-

- Centre has power to levy IGST on inter-state supplies of goods &/or services.
- Central & States/UTs with state legislature simultaneously have power to levy CGST & SGST on Intra State supplies of goods &/or services.
- UTs without legislature have power to levy UTGST on Intra state supplies of goods &/or services.

GST extends to whole of India including the State of Jammu & Kashmir.

06.Article 279A:- GST Council & its' Recommendations

CCP 01.06.17.00

Write a short note on Goods and Services Tax (GST) Council. [ICAI RTP]

Answer:

- **Article 279A** of the Constitution empowers the President to constitute a joint forum of the Centre and States called GST Council.
- **Constitution of Council:-**
  - The Union Finance Minister is the Chairman of this Council,
  - Ministers in charge of Finance/ Taxation or any other Minister nominated by each of the States & UTs with Legislatures are members of council.
  - The Union Minister of State in charge of Revenue or Finance is also a member of council.
- **Function of Council:-** To **make recommendations** to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution, etc. The GST Council has decided the threshold exemption, composition threshold, GST rates, GST legislations including rules and notifications.

07. Special Category States

CCP 01.07.18.00

List the special category States as prescribed in Article 279A of the Constitution of India? [ICAI Study Material]

Answer: There are 11 Special Category States for which special provisions are made under GST, namely, States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh & Uttarakhand.

08. Common GST Portal/ Goods & Service Tax Network (GSTN)

CCP 01.08.19.00

What is GSTN?

Answer:

- GSTN stands for Goods and Services Tax Network (GSTN).
- It is a Special Purpose Vehicle that provide a shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders for implementation of GST.
- It is a non-Government, private limited company formed u/s 8 of the Companies Act, 2013 (not for profit companies).

CCP 01.08.20.00

Discuss the functions of Common GST portal/ GSTN? [ICAI Study Material]

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

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

The functions of Common GST portal/ GSTN include:-

- Facilitating registration
- Forwarding the returns to Central & State authorities
- Computation & settlement of IGST
- Matching of tax payment details with banking network
- Providing various MIS reports to the Central & the State Governments based on

the taxpayer return information
- Providing analysis of taxpayers' profile
- Running the matching engine for matching, reversal & reclaim of input tax credit
- For furnishing E-Way Bill
- For generation of E-Invoice

09.Credit system under Dual GST Model & Manner of Credit Utilization

CCP 01.09.21.00

Bring out the salient features of cross utilization of Input Tax Credit (ITC) under GST law? [CA final Nov 17]

Answer: Input Tax Credit (ITC) of IGST, CGST and SGST/UTGST is available throughout the supply chain but,

1. First use IGST credit to pay IGST.
   - remaining amount can be used to pay CGST & SGST/UTGST in any order and in any proportion.
2. Entire ITC of IGST is to be fully utilised first before the ITC of CGST or SGST/UTGST can be utilized.
3. CGST Credit shall first be utilized for payment of CGST.
   - Remaining amount will be utilized for payment of IGST.
4. SGST /UTGST credit shall first be utilized for payment of SGST/UTGST.
   - Remaining amount will be utilized for payment of IGST, that too only when credit of CGST is not available for payment of IGST.
5. CGST credit shall not be utilised to pay SGST/ UTGST.
6. SGST/ UTGST credit shall not be utilised to pay CGST.

CCP 01.09.22.00

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

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

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

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

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

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

Answer: Note 1: - Computation of total ITC

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

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

S. No.	Particulars	Taxable Value ₹	IGST @ 18% ₹	CGST @ 9% ₹	SGST @ 9% ₹
1	Intra-State taxable supply of goods	2,00,000	-	18,000	18,000
2	Inter-State taxable supply of goods	10,00,000	1,80,000	-	-
	Total GST Payable		1,80,000	18,000	18,000
3	Less : ITC (Note 1) IGST - 25,000		(25,000)	-	-

4	CGST – 65,000		(47,000)	(18,000)	x
5	SGST – 75,000		(57,000)	x	(18,000)
	Net GST payable		**51,000**	**Nil**	**Nil**

Note:-

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

Chapter 2
Charge of Tax & Concept of Supply

INDEX

01. Important Definitions

CCP 02.01.01.00

Define Taxable territory & Non-taxable Territory?

Answer: **i) As per Section 2(109), "Taxable territory"** means the territory to which the provisions of the GST Act apply (i.e. whole of territory of India).

ii) As per Section 2(79), "Non-taxable territory" means the territory which is outside the taxable territory.

Author's Comment (just for reference & not part of ans):-

Sec 2(56):- India means	a) **Territory** of India as referred to in article 1 of Constitution (The territory of the Union of India viz., state and the union territories). b) Its Territorial **Water**, seabed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as defined in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and Other Maritime Zones Act, 1976. c) The **air space** above its territory and territorial waters.
Note:-	INM = 1.85 KM, territorial waters = upto 12NM from baseline, Contiguous zone = upto 24NM & EEZ = 200NM

CCP 02.01.02.00

Define the following terms as per GST Acts:-

i) Goods & ii) Services

Answer:

i)	**Goods:-** As per section 2(52) of CGST Act, 2017, "Goods" - **means** every kind of movable property - **other than** money and securities but - **includes** actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.
ii)	**Services:-** As per section 2(102) of CGST Act, 2017, **"Services"** - **means** anything - **other than** goods, money and securities but - **includes** activities relating to:- • the use of money or • its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination **for which a separate consideration is charged.** **Explanation:-"services"** includes facilitating or arranging transactions in securities.

CCP 02.01.03.00

Explain the meaning of the term "recipient of supply of goods and/or services" under the CGST Act, 2017. [CA Inter MTP Oct 2020]

Answer:

- As per section 2(93) of CGST Act, **"Recipient"** of supply of goods &/or services means:-
  - (a) where a **consideration is payable** for supply of **goods &/or services,**
    - the person who is liable to pay that consideration,
  - (b) where **no consideration is payable** for the supply of **goods,**
    - the person to whom the goods are delivered or made available, or
    - to whom possession or use of the goods is given or made available, and
  - (c) where **no consideration is payable** for the supply of a **service,**
    - the person to whom the service is rendered, and
- **any reference** to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and
- **shall include** an **agent** acting as such on behalf of the recipient in relation to the goods or services or both supplied.

CCP 02.01.04.00

Explain the term "Deemed Distinct Person" & answer the following questions accordingly:-

a) Smart Pvt. Ltd. have a registered head office located in Bangalore (Karnataka). However, the registered branch of Smart Pvt. Ltd. is located in state of Gujarat. Will they fall under the ambit of deemed distinct person under the GST Act?

b) Shreya Ltd. is having a registered establishment in Goa. It has another establishment in Chandigarh. Will they be treated as establishments of distinct persons under the GST Act?

Answer:-

Legal Provision:-

- *As per **section 25(4)** of CGST Act, If **more than one registration** is obtained or is required to be obtained by a person in one or more State or Union territory, then for **each of such registration,** he shall be treated as distinct persons.*
- *As per **section 25(5)** of CGST Act, If **registration** is obtained or is required to be obtained by a person for **one establishment** in a State or Union territory & **has an establishment in another** State or Union territory, then such establishments shall be treated as establishments of distinct persons.*

Discussion & Conclusion:-

*a) In the given case, Smart Pvt. Ltd. is separately registered in State of Karnataka & Gujarat for its head office & branch respectively & thus, its' head office & branch **shall be treated as distinct persons.***

*b) In the given case, Shreya Ltd. have a registered establishment in Goa & have another establishment in Chandigarh. Thus, both the establishments **shall be treated as establishments of distinct persons.***

02. Levy of GST

CCP 02.02.05.00

Define 'intra-state supply' & 'inter-state supply' under GST law. Is it correct to say that inter-state supply attracts both CGST & SGST? [CA Final Nov 17-Old]

Answer:

- *If the location of supplier and the place of supply are in the same State/ Union territory, it shall be treated as an 'Intra State supply'.*
- *If the location of supplier and the place of supply are in:-*
  - ***two different States** or*
  - ***two different Union territories** or*
  - ***a State & a Union Territory***

  it shall be treated as an 'Inter State supply'.

  Import or export of goods &/or services are also treated as interstate supply.
- ***No,** it is not correct to say that inter-state supply attracts both CGST & SGST as inter-state supply attracts IGST. However, IGST is the sum total of CGST & SGST/UTGST.*

CCP 02.02.06.00

India wines has registered place of business in Pune, it is engaged in sale of wine & beer from its outlet to various dealers across Pune. Whether GST is applicable on such supply?

Answer: *As per **section 9(1) of CGST Act,** Supply of alcoholic liquor for human consumption is **not leviable to GST**, Thus, in this case, no GST shall be charged on value of such supply.*

03. Section 7:- Supply

CCP 02.03.07.00

When does a particular activity attract GST? Explain the scope.

Answer:

- *As per **section 9** of CGST Act, GST is leviable **on supply** of goods &/or services.*
- *As per **section 7(1)** of CGST act, **supply includes:-***

(a)	**All forms of supply** of goods &/or services such as sale, transfer, barter, exchange, licence, rental, lease, or disposal **made or agreed** to be made for a **consideration** by a person in the **course or furtherance of business.**
(aa)	The activities/ transactions by a person other than an individual to its members or constituents or vice-versa for cash, deferred payment or other valuable consideration & as per **Explanation to this section** such person and its members shall be deemed to be two separate persons & supply between them deemed to take place from one person to another.
(b)	**Import of services** for a consideration whether or not in course or furtherance of business &
(c)	The **activities** specified in Schedule I, made or agreed to be **made without a consideration.**

➢ Thus, if any transaction falls under the scope of sec 7(1) as above, it shall attract GST **except** for the following activities which **shall be treated neither as a supply of goods nor supply of services given u/s 7(2):-**

(a) Activities specified in Schedule III &

(b) Activities or transactions undertaken by Central Government, a State Government or any local authority in which they are **engaged as public authorities** which are **notified** by Government on recommendations of Council as follows:-:-

1) Any activity in relation to a **function entrusted to a Panchayat** under article 243G or **to a Municipality** under article 243W of Constitution.

2) **Granting of alcoholic liquor licence,** against consideration by the State Government in which they are engaged as public authorities.

CCP 02.03.08.00

"Exchange is a form of supply of goods or services or both, made or agreed to be made for a consideration by a person in the course or furtherance of business". Explain it with help of example. [ICAI RTP Jun 2018]

Answer:

➲ When two persons **mutually transfer the ownership of one thing for the ownership of another,** neither thing nor both things being money only, the transaction is called an exchange.

➲ Exchange offers on products like televisions, mobile phones, refrigerators, etc. **are leviable to GST.**

➲ **Example:-** Mr. X is a dealer of new cars. He sells new cars for ₹ 8,25,000 & agrees to reduce ₹ 1,25,000 on surrendering of old car. Mr. Y who intends to buy new car worth ₹ 8,25,000 agreed to exchange his old car with new car. Under GST law, it will be treated as Mr. Y has made supply of old car to dealer Mr. X and Mr. X has made supply of new car to Mr. Y. If Mr. Y is registered person, he will be liable to pay GST on ₹ 1,25,000. Whereas, Mr. X will be liable to pay GST on ₹ 8,25,000 irrespective of fact that whether Mr. Y is a registered person or not.

04. Section 7(1)(a):- Supply for consideration in the course or furtherance of business

CCP 02.04.09.00

Mention the necessary elements that shall constitute supply under CGST Act?

Answer: For any activity to qualify as a 'supply', the following elements are required to be satisfied:-

i) The activity involves supply of **goods &/or services.**

ii) The supply is for a **consideration except** for activities covered under Schedule I.

iii) The supply is made **in the course or furtherance of business.**

iv) The supply is made in the **taxable territory.**

05. Meaning of consideration/ Supply for consideration

CCP 02.05.10.00

'Consideration under GST law includes both monetary and non-monetary considerations.'

Discuss the correctness or otherwise of the statement with reference to the

definition of term 'consideration' provided under the CGST Act. [ICAI Study Material]

Answer:

- The statement is **correct.**
- As per the definition of 'consideration' provided under the CGST Act, "Consideration" in relation to supply of goods &/or services **includes:-**
  - a) Any payment in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods &/or services.
  - b) The monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both,
- **It excludes:-**
  - a) Any subsidy given by the Central Government or a State Government.
  - b) Deposit given for the supply shall not be considered as payment made unless the supplier applies it as consideration for the said supply.
- The consideration can be provided by the recipient or by any other person
- The **term money** under GST law not only **includes cash** (Indian as well as foreign currency) but also cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveler's cheque, money order, postal/electronic remittance or any such similar instrument recognized by RBI.
- Non-monetary consideration essentially means consideration in kind

CCP 02.05.11.00

Determine whether there is consideration in following cases & also state whether GST is chargeable:-

i)	Reliance JIO offers free mobile handset on payment of security deposit worth ₹ 1500/- which is fully refundable.
ii)	Isha, a customer purchases a gold necklace weighing 275 gms from PN Gadgil Jewel showroom. In exchange, she sells her old gold articles weighing 200 gms & pays differential amount in cash.
iii)	RC cricket association Chennai, gifts a motor bike to Rahul as inducement to join their cricket club.
iv)	XYZ ltd. is manufacturing fertilizers used for agriculture purpose. State govt. has given 30% subsidy on sale of such fertilizer.
v)	ABC and Co., a trading concern, has supplied the product X to Mr. Y at subsidized rate of ₹ 30,000 (Open market value of such goods is ₹ 45,000). The supplier of ABC and Co. has given the subsidy to it to compensate for the price difference.

Answer:-

i)	**No,** as security deposit given in this case is not applied by the supplier towards the mobile handset provided by it. Hence, GST will not be charged as there is **no supply** in absence of consideration.
ii)	In this case, there are **two supplies** as follows:- a) **Sale of gold necklace by Jeweller to the customer:-** ➢ It **falls under the ambit of 'supply'** as the sale of Jewellery by the Jeweller is in the course of his business. ➢ Consideration paid by customer is partly in kind for 200 gms & partly in money for 75 gms. ➢ GST shall be charged on value determined as per open market value for 275 gms of gold necklace. b) **Sale of old gold articles by customer to Jeweller:-** It is **out of the purview of 'supply'** as the sale by customer is not in the course of business. Hence, GST will not be charged.
iii)	**Yes,** as supply of motor **bike is in response to an offer to join (i.e. inducement to join)** the cricket club & thus, GST shall be charged.
iv)	**No,** Section 2(31) of CGST Act clearly states that "consideration" excludes the value of subsidy given by State Government. Thus, in the given case, **GST will be charged on value excluding subsidy.**
v)	**Yes,** Section 2(31) of CGST Act clearly states that "consideration" excludes the value of subsidy given by Central Government or State Government. But, in given case, subsidy is given by the supplier and not by Government. Hence, subsidy is treated as consideration & **GST will be charged on value including such subsidy.**

CCP 02.05.12.00

The temple of ancestral deity of Mr. Aman Goel and his family is located at Beri, Haryana. The temple is run by a charitable organisation registered under section 12AA of the Income Tax Act, 1961. The family has got unshakeable faith in their ancestral deity. Mr. Aman is a big entrepreneur having flourishing business of tiles in Gurugram. Upon the birth of their first child, he donated ₹ 10 lakh to the said temple for construction of a sitting hall in the temple. On the main door of the sitting hall, a name plate was placed stating "Donated by Mr. Aman Goel upon birth of his first child".

You are required to examine the leviability of GST on the donation received from Mr. Aman Goel? [CA Inter RTP May 2020].

Answer:-

Legal Provision:-

- *As per CBIC clarification, if a name plate or similar acknowledgement is placed in the premises of religious institution displaying donor's name just as an **expression of gratitude and public recognition of donor's act of philanthropy,** then there is no supply of service for a consideration (in the form of donation) & there is **no GST liability** on such consideration.*
- *But the **condition** is that the displaying of name is not aimed at giving publicity to the donor to advertise or promote his business.*
- *Here, Recipient of donation/ gift **has no obligation** (quid pro quo) to do anything i.e. supply a service.*

Discussion & Conclusion:- *In the given case,*

- *The payment made to a charitable organization has the character of gift or donation.*
- *As there is **no reference or mention of any business activity** of the donor so as to advertise it, the **purpose is also philanthropic** (i.e., it leads to no commercial gain) & thus, **not leviable to GST.***

CCP 02.05.13.00

Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of ₹ 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd. Examine whether this activity would amount to "supply" under GST law? [CA Inter May 22 Exam]

Answer:-

Legal Provision:-

- *An activity qualifies as supply under GST only if it is for a consideration and is in course/furtherance of business.*
- *Donations received by the charitable organizations are treated as consideration only when there's an **obligation on part of the recipient** of the donation **to do anything.***

Discussion & Conclusion:-

- *Since in the given case, the display of products sold by the donor – Glory Ltd. - in charitable organization's premises **aims at advertising/promotion of its business,** it is supply for consideration in course/furtherance of business and thus, **qualifies as supply** under GST law.*

06. Section 7(1)(aa):- Supply by person other than individual to its members

CCP 02.06.14.00

A Resident Welfare Association provides the service of depositing the electricity bills of the residents in lieu of some nominal charges. Whether this activity is treated as supply under the GST Act? [ICAI Study Material Examples]

Answer:-

Legal Provision:-

- *As per **section 2(17)** of CGST Act, 2017, Business includes provision of service by*

club or association or society to its members for a subscription or any other consideration.

- As per **Section 7(1)(aa)** of the said act, supply includes activity/ transaction supplied by a person other than an individual for its members for consideration. Explanation to this section states that such person and its members are deemed to be two separate persons & supply between them deemed to take place from one person to another.

Discussion & Conclusion:-

- In this case, Resident Welfare Association is a person other than an individual and it is providing service to its members by way of depositing the electricity bills of the residents in lieu of some nominal charges.
- Hence, this **transaction is treated as supply** u/s 7(1)(aa).

07. Section 7(1)(c) read with Schedule I:- Activities to be treated as supply even if made without consideration

CCP 02.07.15.00

Whether any activity can be treated as supply even if made without consideration in accordance with the provisions of GST? You are required to enumerate such activities, if any. [ICAI Study Material]

Answer:- **Section 7(1)(a)** of CGST Act stipulates that the supply of goods &/or services should be for a consideration and should be **in the course or furtherance of business.** But, **Section 7(1)(c)** states the Activities to be treated as supply **even if made without consideration** which are given under **Schedule I** as follows:-

Para	Activity/ Transaction
i)	**Permanent** transfer or disposal of business assets where input tax credit has been availed on such assets.
ii)	Supply of **goods &/or services** between:- - related persons or - distinct persons as specified in section 25, when made in the course or furtherance of business.
	However, **gifts not exceeding Rs. 50000 in value in a financial year** by an employer to an employee **shall not be treated as supply** of goods &/or services
iii)	**Supply of goods:-** a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal or b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal However, this para 3 is applicable only when agent issues invoice to customer in his own name.
iv)	**Import of services** by a person:- ➲ from a related person or ➲ from any of his other establishments outside India, in the course or furtherance of business.

CCP 02.07.16.00

Whether the following transactions are treated as supply?

(a) A retailer of clothes gives clothes from his business stock (on which ITC is taken) to his friend free of cost permanently.

(b) A dealer of air conditioners (on which ITC is not taken) permanently transfers an air conditioner from his stock in trade, for personal use at his residence.

Answer:- Legal Provision:-

- As per **Section 7(1)(c) read with para 1 of schedule I** of CGST Act, **permanent** transfer or disposal of business assets where ITC has been availed on such assets shall be treated as supply under GST even when there is no consideration is involved.
- So, if no ITC is availed on such business asset, then it will not be treated as supply under this para.

Discussion and Conclusion:-

(a) **Business assets also includes stock in trade.** Hence, in this case, permanent

transfer of business stock free of cost **shall be treated as supply** under para 1 of schedule 1 as the retailer claimed input tax credit on his purchase of that business stock.

(b) The transaction **will not constitute a supply** even though there is permanent transfer of stock in trade (business asset) as in this case, no input tax credit is taken on such stock in trade.

CCP 02.07.17.00

Sahab Sales, an air-conditioner dealer in Janakpuri, Delhi, needs 4 air conditioners for his newly constructed house in Safdarjung Enclave. Therefore, he transfers 4 air- conditioners [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply u/s 7 of the CGST Act, 2017.

Further, a Janakpuri resident, Aakash, approached Sahab Sales. He sold an air conditioner to Sahab Sales for ₹ 5,000. Aakash had bought the said air conditioner six months before, for his residence. Does sale of the air conditioner by Aakash to Sahab Sales amount to supply u/s 7 of the CGST Act, 2017? [RTP 2018]

Answer:-

Legal Provision:-

- **Section 7(1)(a)** of CGST Act states that the supply of goods and/or services should be for a **consideration** and should be **in the course or furtherance of business.**
- As per **Section 7(1)(c)** sread with Para 1 of Schedule 1 of CGST Act, 2017, Permanent transfer or disposal of business assets where input tax credit has been availed on such assets shall be treated as supply even when it is made without consideration.

Discussion & Conclusion:-

- In the given case, **permanent transfer of air conditioners** by Sahab Sales from its stock for personal use at its residence **would amount to supply** even though it is made without consideration as per para 1 discussed above.
- But, sale of air conditioner by Aakash to Sahab Sales **will not qualify as supply** under section 7. Although it is made for a consideration, but it is **not in the course or furtherance of business.**

CCP 02.07.18.00

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

Answer:-

Legal provision:-

- As per **section 7(1)(c)** read with **para 2 of schedule** 1 of CGST Act, 2017, Supply of goods &/or services between distinct person u/s 25 in the course or furtherance of business shall be treated as supply even when it is made without consideration.
- **Section 25(4)** of CGST Act, 2017 states that if **more than one registration** is obtained or is required to be obtained by a person in one or more State, then for **each of such registration,** he shall be treated as distinct persons.

Discussion & Conclusion:-

- In given case, factory & retail showroom of Raghubir Fabrics are registered in the States where they are located. So, both are treated as establishments of **distinct person u/s 25(4).**
- Although, no consideration is charged, supply of goods from factory to retail showroom **constitutes supply** as per para 2 of schedule 1 stated above **as it is in course or furtherance of business.**

CCP 02.07.19.00

On occasion of Diwali, Daksh gold pvt. ltd. distributes gift hamper to its employee worth ₹ 3,00,000. Does it qualify as supply? Would your answer be different, if gifts of ₹ 42,000 have been given to a employee?

Answer:-

Legal Provision:-

- As per **section 7(1)(c) read with Para 2 of Schedule I** of CGST Act, 2017, Supply of goods &/or services between related persons is treated as supply even if it is without consideration.
- **Proviso to para 2 of schedule I** states that if gifts given by employer to an employee are not exceeding ₹ 50,000 in value in a financial year, then it shall not be treated as supply of goods &/or services.
- As per **explanation to section 15**, employer and employee are deemed to be related persons.

Discussion & Conclusion:-

1) **Diwali gift** to employee worth ₹ **3,00,000 will qualify as supply** and such supply would be leviable to GST as the employer & employee are related and value of gift exceeds Rs 50000 in a financial year.
2) If **gift of ₹42,000** is given instead of ₹ 3,00,000, the same **will not qualify as supply.** This is because, the value of gift is not exceeding ₹ 50,000 in a financial year.

CCP 02.07.20.00

Gagan Engineering Pvt. Ltd., registered in Haryana, is engaged in providing maintenance and repair services for heavy steel machinery. For carrying out the repair work, Gagan Engineering Pvt. Ltd. sends its container trucks equipped with items like repair equipments, consumables, tools, parts etc. from Haryana workshop to its own repairing centres (registered under GST law) located in other States across India where the clients' machinery are being brought and are being repaired.

Discuss the leviability of GST on the inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. in Haryana to its own repairing centres located in other States across India. [ICAI Study Material]

Answer:-

Legal Provision:-

- **Section 25(4)** of CGST Act, 2017 states that if **more than one registration** is obtained or is required to be obtained by a person in one or more State, then for **each of such registration,** he shall be treated as distinct persons.
- **Section 7(1)(c)** read with **Para 2 of schedule I** of CGST Act, 2017 states that supply of goods and/or services between 'distinct persons' as specified in section 25, when made in the course or furtherance of business shall be **treated as supply even if made without consideration.**
- As per CBIC circular,

- **The inter-State movement of various modes of conveyance** including trucks, carrying goods &/or passengers or for repairs and maintenance, between **'distinct persons'** as specified in section 25(4), not involving further supply of such conveyance, may be treated **'neither as a supply of goods nor supply of service'** and therefore, **will not be leviable to IGST.**
- But, the applicable CGST/SGST/IGST shall **be leviable on repairs & maintenance** done for such conveyance.

Discussion & conclusion:-

- In the given case, inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. located in Haryana to its repair centres located in other States is **'neither a supply of goods nor supply of service'.**

CCP 02.07.21.00

Mr. Veer is a supplier of goods located in Mumbai has appointed Mr. Rudra to procure goods based on a specification given by him. As the same kind of goods are not available in the area of Mr. Veer, Mr. Rudra buys the specified goods on his behalf from M/s XYZ Ltd. For this activity, invoice is issued in the name of

principal.

i) Whether it is to be treated as a supply under GST?

ii) Would your answer differ if invoice is issued in name of an agent Mr. Rudra?

Answer:- Legal Provision:-

- **Section 7(1)(c) read with Para 3 of Schedule I** of CGST Act, 2017 states that supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal, shall be treated as supply even if made without consideration.
- As per CBIC clarification, if **invoice** for further supply is **being issued by agent in his own name**, then this activity is treated as supply under para 3 Schedule I, otherwise not.

Discussion:-

- In the given case, Mr. Rudra (Agent) is appointed just to procure the goods on behalf of Mr. Veer (Principal) and **he is issuing invoice also in name of Mr. Veer (Principal).**
- He has not involved himself in the supply or receipt of goods in any way.
- Hence, **Mr. Rudra is not an agent** of Mr. Veer for the purpose of para 3 of schedule I.

Conclusion:-

i) **No**, it is **not to be treated as a supply** as per para 3 of Schedule I. This is because Mr. Rudra (Agent) is issuing invoice in name of the Mr. Veer (Principal).

ii) **Yes**, if invoice is in the name Mr. Rudra (Agent), then this transaction **will be treated as supply** as per para 3 of Schedule I.

CCP 02.07.22.00

M/s M Ltd. being a garment manufacturer, appoints Mr. Ram as an agent, who stores garments manufactured by M Ltd. and sends to dealers whenever M Ltd. asks Mr. Ram to do so. Mr. Ram issues his own invoice. Is it a supply? Justify. [ICAI RTP Jun 2018]

Answer:-

Legal Provision:-

- **Section 7(1)(c)** read with **Para 3 of Schedule I** of CGST Act, 2017 states that supply of **goods** by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal shall be **treated as supply even if made without consideration.**
- As per CBIC clarification, if **invoice** for further supply is **being issued by agent in his own name**, then this activity would be treated as supply under para 3 Schedule I, otherwise not.

Discussion & Conclusion:-

- **Yes.** Transfer of garments from M Ltd. to Mr. Ram **is taxable supply under GST &** GST will be levied.
- This is because, Mr. Ram (Agent) is issuing invoice in his own name for further supply of goods on behalf of M/s M ltd.
- Thus, this transaction is getting covered under para 3 of schedule I as discussed above.

08. Section 7(1)(b):- Import of service for consideration read with para 4 of Schedule I

CCP 02.08.23.00

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

Discuss the taxability of import of services under GST. [ICAI- RTP]

Answer:-

- As per **section 7(1)(b)** of CGST Act, 2017, Importation of services for a consideration whether or not in the course or furtherance of business is to be considered as supply.
- Thus, if services are imported for a consideration, then they are taxable in both situations i.e. when importation is in the course or furtherance of business & even

when it is not.

- **Para 4 of Schedule I** of CGST Act states that Importation of services by a person without consideration is deemed as supply provided the following two conditions are satisfied:-
  - (a) Such import is from related person or from his establishments located outside India &
  - (b) Such import is in the course or furtherance of business.
- In case any or both of the above two conditions is/are not satisfied, the import of services without consideration shall not be deemed as supply.

CCP 02.08.24.00

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

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

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

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

[Note:- It has been most logically assumed that miss Unnati is wholly/mainly dependant on Miss Pragati] [CA IPCC May 18 Exam -Old] [Similar question in CA IPCC RTP Nov 18, ICAI Study Material & CAI May 22 Exam]

Answer:-

Legal Provision:-

- As per **section 7(1)(b)** of CGST Act, Supply includes import of services for a consideration whether or not it is in the course or furtherance of business.
- Further, as per **para 4 of schedule I** of CGST Act, import of services by a person from a related person located outside India, without consideration is treated as supply if it is provided in course or furtherance of business.

Discussion & Conclusion:-

1) In the first case, Mrs. Pragati imported service for personal purpose **for a consideration** & thus, it **would amount to supply** u/s 7(1)(b) even though it is not in course or furtherance of business.
2) In second case, import of service **without consideration** by Mrs. Pragati from her real sister - Miss Unnati **[real sister being member of the same family & wholly/mainly dependent is a related person]** will **not be treated as supply** as it is not in course or furtherance of **business.**
3) In the third case, import of service without consideration by Mrs. Pragati from her sister - Miss Unnati (related person) **will be treated as supply** if she receives legal advice for her **business**, i.e. in course or furtherance of business.

CCP 02.08.25.00

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

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

(b) i) Raman is an Electronic Commerce Operator in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.

ii) Would your answer be different in the above case, if Raman has taken advice in respect of his business unit in Chennai? [ICAI Study Material]

Answer:-

(a)	**Section 7(1)(a)** of the CGST Act, states that **supply** - must be made **for a consideration except** the activities specified in Schedule I and - must be **in the course or furtherance of business.** In the given case, since, both these elements are missing, donation of clothes and toys to children living in slum area would **not amount to supply** u/s 7 of CGST Act.

(b) i) **legal provision:-**

- **Section 7(1)(c) read with Para 4 of Schedule I** of CGST Act, states that if services are imported by a person from a related person located outside India without consideration & that too in the course or furtherance of business, then it is **treated as supply.**
- **Explanation to section 15** states that **members of the same family** are deemed to be "**related persons**".
- Further, as per **section 2(49)**, brother is treated **member of same family** only when he is wholly or mainly dependent on the said person.

Discussion & Conclusion:-

- In the given case, Raman has received **free of cost legal services** from his brother who is a **well-known lawyer** settled in London and is **not wholly/mainly dependent** on Raman.
- So, as per section 2(49) & Explanation to section 15 above, Raman & his brother are not related as they are not treated as family.
- Further, Raman has taken legal advice from him in **personal matter & not in course or furtherance of business.**
- Thus, the services provided by Raman's brother to him would **not be treated as supply** u/s 7 of the CGST Act read with para 4 of Schedule I.

ii) **No,** if Raman has taken advice for his business unit, services provided by Raman's brother to him would **still not be treated as supply.** This is because, though services are provided in course or furtherance of business but it is **not received from related person** as discussed in answer i).

09. Section 7(2) read with Schedule III:- Activities treated neither as supply of goods nor supply of services

CCP 02.09.26.00

Enumerate the activities or transactions which shall be treated neither as a supply of goods nor a supply of services. [ICAI MTP] or
List down the activities/transactions specified under schedule III of the GST Act as non- supplies or 'Negative List'. [CA IPC July 21 Exam]

Answer:-

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

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

CCP 02.09.27.00

Determine whether following activities fall under the purview of supply as per section 7 of CGST Act, 2017:-

i) Mr. Raj hires an ambulance for transport facility of a deceased person to

performing funeral rituals.

ii) Mr. S enters into an agreement for sale of land to Mr. R for a consideration.

iii) M/s ABC developers sold fully furnished building to Mr. Sagar for a valuable consideration.

Answer:-

i) As per **section 7(2) read with para 4 Schedule III** of CGST Act, Services of funeral including transportation of the deceased shall be treated neither as a supply of goods nor a supply of services. Thus, there is no levy of GST on such activity as **it is out of scope of supply.**

ii) As per section 7(2) read with para 5 Schedule III of CGST Act, Sale of land shall be treated neither as a supply of goods nor a supply of services. Thus, there is no levy of GST on such activity as it is out of scope of supply.

iii) As per **section 7(2) read with para 5 Schedule III** of CGST Act, subject to paragraph 5(b) of Schedule II, Sale of building shall be treated neither as a supply of goods nor a supply of services.

Paragraph 5(b) of Schedule II states that where the entire consideration has been received after issuance of completion certificate or after its first occupation,

whichever is earlier, then it is not a supply at all.

Thus, there shall be no levy of GST on such activity as **it is out of scope of supply.**

CCP 02.09.28.00

Sarvanna & Sons wishes to start supplying alcoholic liquor in the State of Tamil Nadu. Therefore, it applies for licence to the Tamil Nadu Government for selling liquor for which the State Government has charged specified fee from it. Examine whether the grant of alcoholic liquor licence by the Tamil Nadu Government to Sarvanna & Sons qualifies as supply. [ICAI Study Material]

Answer:-

- Services of **granting** of **alcoholic liquor license** by the **State Governments** have been **notified u/s 7(2)(b)** of CGST Act which shall be neither treated as a supply of goods nor as a supply of service.
- This licence is granted **against consideration** i.e. licence fee or application fee or or any other fee.
- This special benefit is given only for granting of licence to sell liquor as notified above and not for any other licences or privileges i.e. other licences or privileges given by government are treated as supply & liable to GST.
- Thus, in the given case, the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons is **neither a supply of goods nor a supply of service.**

10. Section 7(1A) & 7(3) read with Schedule II:- Activities to be treated as supply of goods or supply of services (Classification as 'supply of goods' or 'supply of services')

CCP 02.10.29.00

Is it required to distinguish whether a particular supply involves supply of goods or services or both?

Answer:

Yes, it is required to distinguish whether a particular supply involves supply of goods or services or both due to following reasons:-

i) Time of supply:- Section 12 & 13 of CGST Act, 2017 provides different provision to determine time of supply of goods & services respectively. Therefore, distinction of supply between goods, services or both is required.

ii) Place of supply:- Similarly Section 10, 11, 12 & 13 of IGST Act, 2017 provides different provision to determine place of supply for supply of goods & services. Therefore, distinction of supply between goods, services or both is required.

iii) Rate of Supply:- Rate of supply for goods or services or both is different. Therefore, for determination of rate of supply, distinction of supply between goods, services or both is required.

CCP 02.10.30.00

Transfer of title and/or possession is necessary for a transaction to constitute supply of goods. Examine. [ICAI Study Material][CA IPC Jan 21 Exam]

Answer:-

- ***Section 7(1)(a)*** *of CGST Act, 2017 states that* ***supply include*** *sale, transfer, barter, exchange, lease, license, rental or disposal for a consideration in the course or furtherance of business.*
- *Once, a transaction is treated as supply, it is classified of goods or services u/s 7(1A) read with schedule II.*
- *As per* ***Para 1 of schedule II****, activities are classified as follows:-*
  - *a) If both title and possession are transferred in a transaction, it shall be treated as supply of goods.*
  - *b) If title is not transferred but possession is given in a transaction, it shall be treated as supply of service.*
  - *c) If possession is transferred immediately but title is transferred at a future date in a transaction like sale on approval basis or hire purchase arrangement, it shall be treated as supply of goods.*
- *Thus, transfer in title irrespective of the transfer of possession is necessary to constitute supply of goods.*

CCP 02.10.31.00

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

(i) Works contract services

(ii) Temporary transfer of permitting use or enjoyment of any intellectual property right

(iii) Sale of personal car to dealer. [CA Inter Suggested Nov 18 Old]

Answer:-

(i) Supply of services

(ii) Supply of services

(iii) It is not a supply as it is ***not*** *made by the individual* ***in the course or furtherance of business.***

CCP 02.10.32.00

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

(a) Renting of immovable property.

(b) Goods forming part of business assets are transferred or disposed of by/under directions of person carrying on the business.

(c) Transfer of right in goods without transfer of title in goods.

(d) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.

(e) Any treatment or process which is applied to another person's goods.

(f) Transfer of title in goods. [ICAI Study Material]

Answer:-

(a) Supply of Services	*(b) Supply of Goods*
(c) Supply of Services	*(d) Supply of Goods*
(e) Supply of Services	*(f) Supply of Goods*

CCP 02.10.33.00

M/s. ABC Ltd. provides the following information relating to information technology software. Compute the value of taxable supply of service and GST liability (Rate of CGST 9% and SGST 9%).

1. Development and Design of information technology software: ₹ 15 lakhs;

2. Sale of pre-packaged software, which is put on media: ₹ 52 lakhs. [ICAI RTP Jun 2018]

Answer:-

(1) It will be treated as supply & as per ***para 5(d) of schedule II*** *of CGST Act, it will be classified as* ***supply of service.***

Particulars	₹ in lakhs
Value of Taxable supply of service	15
CGST @ 9% of Rs. 15 Lakhs	1.35
SGST @ 9% of Rs. 15 Lakhs	1.35

(2) It will be treated as supply & as per **para 5(d) of schedule II** of CGST Act, it will be classified as **supply of goods**

Value of Taxable supply of goods	52
CGST @ 9% of Rs. 52 Lakhs	4.68
SGST @ 9% of Rs. 52 Lakhs	4.68

CCP 02.10.34.00

State Government has exclusive power to notify a transaction to be supply of goods or services." Discuss the correctness of the statement. [CA Final 2018]

Answer:-

- The said statement is **not correct.**
- State Government can notify a transaction to be supply of goods or services **but only on the recommendations of the GST Council.**
- Further, Central Government or State Government, **both on the recommendations of the GST Council,** can notify an activity to be:-
  - supply of goods and not supply of services or
  - supply of services and not supply of goods or
  - neither a supply of goods nor a supply of services.

II. Section 8:- Composite Supply & Mixed Supply

CCP 02.11.35.00

Determine whether the following supplies amount to composite supplies:-

(a) A hotel provides 4 days-3 nights package wherein the facility of breakfast and dinner is provided along with the room accommodation.

(b) A toothpaste company has offered the scheme of free Soap along with the toothpaste. [ICAI Study Material]

Answer:-

Legal Provision:-

As per **section 2(30)** of CGST Act, **"Composite supply"** -

- Consists of two or more taxable supplies of goods &/or services,
- Such supplies are naturally bundled,
- Such supplies are supplied in conjunction with each other,
- They are supplied in the ordinary course of business &
- Have one supply as principal supply.

Discussion & Conclusion:- In view of the same,

(a) Since, supply of breakfast and dinner with the accommodation in the hotel are naturally bundled, said supplies qualify as 'composite supply'.

(b) Since, supply of soap along with the toothpaste are **not naturally bundled**, said supplies **do not qualify** as 'composite supply'.

CCP 02.11.36.00

Manikaran, a registered supplier of Delhi, has supplied 20,000 packages at ₹ 30 each to Mukhija Gift Shop in Punjab. Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons. Determine the rate(s) of GST applicable in the given case assuming the rates of GST to be as under:-

Goods/services supplied	GST Rate
Chocolates	18%
Fruit juice bottles	12%
Toy balloons	5%

[ICAI Study material]

Answer:-

Legal Provision:- As per **section 2(74)** of CGST Act, **"Mixed supply"** -

- Consist of two or more individual supplies of goods &/or services,
- They can be supplied independently, still supplied together by the taxable person,
- Supplied for a single price &

- Is not naturally bundled i.e. it is not a composite supply.

Discussion & Conclusion:-

- 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 (i.e. **not naturally bundled**) & also a single price is charged for the package..
- Further, as per section 8(b), 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 as it attracts the highest rate of tax & the rate of GST applicable on the package of ₹ 6,00,000 (20,000 × ₹ 30) is **18%.**

CCP 02.11.37.00

Dumdum Electronics has sold the following electronic items to Akbar Retail Store.

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

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

Answer:-

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

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

CCP 02.11.38.00

Explain the composite supply & mixed supply. If a trader launches a package sales for marriage containing double bed, refrigerator, washing machine, wooden wardrobe at a single rate. He is issuing invoice showing value of each goods separately. Whether this is case of mixed supply or composite supply. Explain. [CA Inter Jul 21 Exams]

Answer:-

Legal Provision:-

- As per **section 2(30)** of CGST Act, **"Composite supply"**-
  - Consists of two or more taxable supplies of goods &/or services,
  - Such supplies are naturally bundled,
  - Such supplies are supplied in conjunction with each other,
  - They are supplied in the ordinary course of business &
  - Have one supply as principal supply.
- As per **section 2(74)** of CGST Act, **"Mixed supply"**-
  - Consist of two or more individual supplies of goods &/or services,
  - They can be supplied independently, still supplied together by the taxable person,
  - Supplied for a single price &
  - Is not naturally bundled i.e. it is not a composite supply.

Discussion & Conclusion:-

- Items such as double bed, refrigerator, washing machine & wooden wardrobe are not naturally bundled &

- *The invoice for the supply shows separate values for each item i.e., the package is not supplied for a single price.*
- *Thus, supply of such items as a package will **neither constitute a composite supply nor a mixed supply.***
- *Thus, the various items of the package will be **treated as being supplied individually.***

CHAPTER - 3

REVERSE CHARGE AND Payment by ECO

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01. General Questions on Reverse Charge

CCP 03.01.01.00

What does reverse charge mean & Who is responsible to pay taxes under the GST Law?

Answer:

Meaning of reverse charge:-

As per section 2(98) of CGST Act, 2017, "Reverse charge" means **the recipient** of supply of goods &/or services **is liable to pay GST** instead of supplier u/s 9(3) or 9(4) of CGST Act.

The person responsible to pay taxes under the GST Law:-

Generally, the **supplier** of Goods &/or Services is liable to pay taxes under the GST Law. However, the **following are certain exceptions:-**

(a) **Reverse Charge:-**

Under reverse charge mechanism, the recipient is liable to pay GST in the following cases:-

- Supply of goods &/or services notified by the Government on the recommendations of the GST Council **u/s 9(3)** of CGST Act
- Supply of specified categories of goods &/or services by an unregistered supplier to specified class of registered persons, as notified by the Government on recommendation of GST Council **u/s 9(4)** of CGST.

CCP 03.01.02.00

In accordance with the reverse charge provisions under GST Act, give answers to following with reason:-

(i) Is GST on reverse charge basis payable on inter-State supply also?

(ii) Is reverse charge applicable on supply of goods also or is it only on supply of services?

(iii) In case supplier eligible to threshold exemption, is reverse charge applicable?

Answer:

(i) **Yes,** as the provisions relating to reverse charge are also applicable in case of inter-state supply as per **section 5(3) and 5(4)** of the IGST Act.

(ii) **Yes,** as the government have notified supply of goods as well as services for payment of tax on reverse charge basis.

(iii) **Yes,** Supplier may not have paid the tax due to threshold benefit but this does not excuse recipient from the liability which is arising under reverse charge mechanism u/s 9(3)/ 9(4) of CGST Act.

02. Section 9(3):- RCM for notified supply of goods or services (RCM for notified supply of goods N.A. at inter level)

Legal Services by Advocates

CCP 03.02.03.00

V'Smart Pvt. Ltd., Pune had appointed a senior advocate Ms. Pooja for representation of company's legal matter at Delhi. Determine who is liable to pay the GST? Would your answer differ if V'Smart Pvt. Ltd. appoints local advocate Mr. Sagar who further appoints Ms. Pooja for representation?

Answer:

Legal Provision:-

- As per section 9(3) of CGST Act,2017, if **legal services** are provided by an **individual advocate including a senior advocate** to any **business entity** located in the taxable territory, then the GST is payable on reverse charge basis by recipient.
- Legal services include representation made on legal matters.

Discussion & Conclusion:-

i) In the given case, Pooja is a senior advocate providing representational service to a business entity i.e., V'Smart Pvt. Ltd., Pune. Therefore, **V'Smart Pvt. Ltd. is be liable** to pay GST under **reverse charge** for services provided by Ms. Pooja.

ii) **No** because the liability to pay GST will be on **V'Smart Pvt. Ltd.** only eventhough Ms. Pooja is appointed through another local advocate Mr. Sagar.

Services by Government

CCP 03.02.04.00

"Under the GST law, taxes on taxable services supplied by the Central Government or the State Government to a business entity in India are payable by recipient of services".

State the exceptions of the above statement (CA Inter May 22 Exam)

Answer:-

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

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

Services by Director

CCP 03.02.05.00

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

(i) Mr. Priyam is an independent director of Sun Moon Company Private Limited and not an employee of the company.

(ii) Mr. Priyam is an executive director, i.e. an employee of Sun Moon Company Private Limited. Out of total remuneration amounting to ₹ 1,25,000, ₹ 60,000 has been declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, ₹ 65,000 has been declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services. [CA Inter RTP May 21]

Answer -

i.	**Legal Provision:-** ➲ As per **Para 1 of Schedule III** of the CGST Act, services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. ➲ As per **section 9(3)** of CGST Act, if services are provided by director to the company located in taxable territory, then the company is liable to pay tax under reverse charge. **Discussion & Conclusion:-** ➲ Mr. Priyam, being an Independent director, is not an employee of the company. ➲ Hence, remuneration paid to them as consideration for providing services are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable. ➲ Thus, **GST is applicable in this case and Sun Moon Company Private Limited is liable to pay GST.**
ii.	**Legal Provision:-** ➲ As per **section 9(3)** of CGST Act, if services are provided by director to the company located in taxable territory, then the company is liable to pay tax under reverse charge. ➲ As per CBIC Clarification, if director's **remuneration is declared as salaries** in books of a company and subjected to TDS u/s **192** of the Income-tax Act (IT Act), then **that is not taxable** being consideration for services by an employee to employer in course of or in relation to his employment as per **para 1 of Schedule III.**

- Further, **director's remuneration** which is declared separately other than salaries in company's accounts and subjected to **TDS u/s 194J** of IT Act as fees for professional or technical services are **outside the scope of Schedule III and is therefore, taxable.**

Discussion & Conclusion:-

- In this case, **salary of Rs. 60000 is not taxable** as it gets covered under **para 1 of Schedule III.**
- Further, **Rs. 65,000 declared separately other than salaries** by Sun Moon Company Private Limited's is a consideration for professional services which **is outside the scope of Schedule III and is therefore, taxable.**
- The **recipient** of services i.e. the Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on **reverse charge basis.**

CCP 03.02.06.00

Arpan Singhania is a director in Narayan Limited.

The company paid him the sitting fee amounting to ₹ 25,000, for the month of January.

Further, salary was paid to Arpan Singhania amounting to ₹ 1.5 lakh for the month of January on which TDS was also deducted as per applicable provisions under Income-tax law.

Tapasya & Associates, in which Arpan Singhania is a partner, supplied certain professional services to Narayan Limited in the month of January for an amount of ₹ 2 lakh.

Discuss the person liable to pay tax in each of the supplies involved in the given case. [ICAI Study Material]

Answer:-

Legal Provision:- As per reverse charge notification, if services are supplied by **director** of a company to the said company located in the taxable territory, then GST is payable on reverse charge basis by recipient.

Discussion & Conclusion:-

i) Sitting Fee paid to director:-

- Here, Narayan Limited (i.e. Company) paid sitting fee ₹ 25,000 to its director- Arpan Singhania.
- Thus, Narayan Limited is liable to pay GST under reverse charge

ii) Salary paid to director:-

- As per CBIC circular, if director's remuneration is declared as Salaries in books of company & subjected to TDS u/s 192 of Income-tax Act, then that is not taxable under GST because it is the consideration for services by an employee to employer in the course of or **in relation to his employment as per Para 1 of Schedule III.**
- Therefore, the salary received by Arpan Singhania of ₹ 1.5 lakh is **not liable to GST.**

iii) Services provided by Tapasya & Associates:-

- In this case, the fact that Arpan Singhania is a partner in Tapasya & Associates and also a director in Narayan Limited **does not have any impact on the taxability** of professional services supplied by Tapasya & Associates to Narayan Limited.
- Therefore, **Tapasya & Associates** (i.e. the supplier) is liable to pay GST on **such services** under **forward charge.**

Services by Recovery Agent

CCP 03.02.07.00

Yes Bank, located in Nagpur, appointed Mr. Mahesh as a recovery agent for collecting outstanding balance amount of loan from one of its customer. Mr. Mahesh provided this service to Yes Bank for which it charged a fee. Determine the tax implications as per CGST Act.

Answer:-

- As per **section 9(3) of CGST Act,** if services are supplied by a **recovery agent to a banking company,** then GST is payable on reverse charge basis by recipient.
- In the given case, **Yes Bank shall be liable** to pay GST under **reverse charge** for services provided by Mr. Mahesh as a recovery agent.

Service of transfer/ permitting the use/ enjoyment of a Copyright relating to original literary works

CCP 03.02.08.00

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

[CA Inter RTP May 2020] [CA Inter Jan 21 Exam -similar Question]

Answer:- **Yes,** the view of Mr. Vicky Frankyn **is correct.**

Legal Provision:-

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

Discussion & Conclusion:-

- In the given case, Mr. Vicky temporarily transferred copyright relating to original literary works of his new book to the publisher – SBP.
- Therefore, the publisher – **SBP** is liable to pay tax under **reverse charge.**
- However, since **SBP has completely refused to deposit the tax** on the given transaction, Mr. Vicky Frankyn **has an option** to pay tax under **forward charge** provided he fulfils the following **conditions:-**

(i) He has **taken registration** under the GST law.

(ii) He has **filed a declaration,** in the prescribed form,

- that he **exercises the option** to pay tax on the said service under **forward charge** and,
- to comply with all the provisions of GST law as they apply to a person liable for paying the tax for supply of any goods &/or services &
- that he shall **not withdraw** the said option **within a period of 1 year** from the date of exercising such option.

(iii) He makes a **declaration on the invoice** issued by him in prescribed form to the publisher.

Services by Individual Direct Selling Agents

CCP 03.02.09.00

Mr. Vishal wants a loan of ₹ 10,00,000. For this, he has taken the service of an individual, Mr. Rudra, who is a Direct Selling agent of HDFC bank. Bank pay the commission to Mr. Rudra @2% of loan granted to Mr. Vishal for giving a customer to the bank. Who is liable to pay GST in this case? Also calculate the amount of GST payable, if GST rate is 18%.

Answer:-

Legal Provision:-

As per **section 9(3)** of CGST Act, if services are provided **by** an **individual** Direct Selling Agent (DSA) **other than** body corporate, partnership or limited liability partnership firm to

- any banking company or
- non-banking financial company,

located in a taxable territory, then the GST is payable on reverse charge basis by recipient.

Discussion & Conclusion:-

- In the given case, Mr. Rudra is an **individual** who is providing services of direct selling agent to a **banking company** i.e. HDFC Bank.
- Therefore, the **HDFC bank** (i.e. the recipient) is liable to pay GST under **reverse charge.**
- **Calculation of GST payable:-**

Particulars	Amount in ₹
Loan Amount	10,00,000
Commission paid by bank to Rudra (Rs. 10,00,000 * 2%)	20,000
GST Payable @18% (Rs. 20,000 * 18%)	**3,600**

Services of Supplying Security Personnel

CCP 03.02.10.00

The Professionals Security-Pune is a firm of security agency providing services by way of supply of security personnel to following categories of persons:-

i) XYZ Pvt. Ltd. (a company registered under CGST Act, 2017), valuing ₹ 10 lakhs.

ii) Sindh Co-operative Credit Society, Mumbai, which is unregistered under CGST Act, 2017, ₹ 8 lakhs.

iii) Mr. Altaf, from Gujarat (registered under section 10 of CGST Act, 2017), value of ₹ 2 lakhs.

iv) Service provided to Star Industries Ltd., USA, value being ₹ 7 lakhs.

Determine the taxable value as well as the tax liability of The Professionals Security-Pune, assuming CGST @ 9%, SGST @ 9% and IGST @ 18%.

Answer: Determination of taxable value of the Professionals Security-Pune:-

Sr. No.	Recipient of service	Taxable under	Taxable value in ₹	Refer note
i.	XYZ Pvt. Ltd. (Registered person)	Reverse Charge	-	1
ii.	Sindh Co-operative Credit Society, (Un-registered person)	Forward Charge	8 lakhs	1
iii.	Mr. Altaf, Gujarat (Registered u/s 10 of CGST Act)	Forward Charge	2 Lakhs	2
iv.	Star Industries Ltd., USA	Forward Charge	7 Lakhs	4
	Total taxable value		**17 lakhs**	

Notes:-

1. As per section 9(3) of CGST Act, 2017, If security services (services provided by way of supply of security personnel) are provided by **any person other than a body corporate** to a **registered person** located in the taxable territory, then GST is payable on reverse charge basis by recipient.
2. **The following are the exceptions to the service covered under reverse charge in note 1 above:-**
   - a registered person paying tax under section 10 of the said Act i.e. composition scheme.
3. RCM will apply only if service provided to registered person **located in taxable territory.** As Star Industries is located in USA which falls **outside the taxable territory, The Professionals Security- Pune** will be liable to pay tax under **forward charge.**

Determination of Tax liability of The Professionals Security - Pune is as follows:-

Sr. No.	Particulars	₹ in Lakhs	IGST @ 18%	CGST @ 9%	SGST @ 9%
1	Intra State Supply	8	-	72,000	72,000
2	Inter State Supply	2	36,000	-	-

3	Export	7	-	-	-
	Total Tax Laibility		**36,000**	**72,000**	**72,000**

Note:- If supplier satisfies the conditions , then it can avail benefit of zero-rated supply for export to Star Industries Ltd. USA & no GST would be payable.

03. Section 9(3)-Common Questions for all services

CCP 03.03.11.00

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

(I) Mr. Raghu provided sponsorship services to WE-WIN Cricket Academy, an LLP.

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

[CA Inter Suggested Nov 19] [CA Inter - Nov 18 Exam] [ICAI Study Material]

Answer:-

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

CCP 03.03.12.00

State, with reason, the person liable to pay GST in each of following independent cases:-

Assume recipient is located in taxable territory.

(I) Rental income received by Tamil Nadu State Government from renting an immovable property to Mannappa Pvt. Ltd. (Turnover of the company was ₹ 22 lakhs in the preceding F. Y.) [ICAI Study Material- but with Central Govt. instead of State Govt.]

(ii) Legal Fees received by Mr. Sushrut, a senior advocate, from M/s. Tatva Trading Company having turnover of ₹ 50 lakhs in preceding financial year. [ICAI Study Material – with advocate instead of senior advocate]

[CA Inter Old - May 18 Exam]

Answer:-

i	**Legal Provision:-** As per section 9(3) of CGST Act, if service of renting of immovable property is provided by the Central Government, **State Government**, Union Territory, or local authority to **any registered person** located in the taxable territory, then GST is payable under reverse charge by recipient. **Discussion & Conclusion:-** ➲ In the given case, Mannappa Pvt. Ltd. is **registered** under GST as the turnover of the company was ₹ 22 lakhs in the preceding financial year which is exceeding threshold limit for registration u/s 22 of CGST Act. ➲ So, here, the **State Government** of Tamil Nadu provided **service of renting of immovable property** to a registered person located in taxable territory. Therefore, **Mannappa Pvt. Ltd.** is liable to pay GST under **reverse charge.**

ii	**Legal Provision:-** As per section 9(3) of CGST Act, if legal services are supplied by a senior advocate to any business entity located in the taxable territory, then GST is payable on reverse charge basis by recipient. **Discussion & Conclusion:-** ➲ In the given case, Mr. Sushrut is a **senior advocate** & he is supplying **legal services** to M/s. Tatva Trading Company i.e. a business entity. ➲ Thus, **M/s. Tatva Trading Company** is liable to pay GST under reverse charge.

CCP 03.03.13.00

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

(a) Services supplied by a recovery agent to a car dealer.

(b) Security services (services provided by way of supply of security personnel) provided to a registered person. [ICAI Study Material]

Answer:-

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

CCP 03.03.14.00

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

(I) 'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law.

(ii) Mr. Kamal Jain, an unregistered famous author, received ` 20 lakh of consideration from PQR Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. [CA Inter Nov 20 Exam]

Answer:-

i	**Legal Provision:-** As per section 9(3) of CGST Act, in case of a GTA service, ➢ where GST is payable @ 5% without ITC and recipient is one of the specified recipients, tax is payable under reverse charge by the recipient of service & ➢ where GST is payable @ 12% with ITC, tax is payable under forward charge by the supplier of service. Discussion & Conclusion:- ➲ In the given case, GTA is paying IGST @12%. ➲ Also, the recipient of service is other than specified recipient, i.e., unregistered sole proprietorship firm. ➲ Therefore, GST is payable by "Veer Transport", a registered GTA under forward charge. **Note:-** GTA service is exempt from GST in this question as recipient is other

	than specified recipient, i.e., unregistered sole proprietorship firm. But, this exemption is ignored as the question specifically requires the students to ignore the exemptions available, if any.
ii	**Legal Provision:-** ➲ As per **section 9(3)** of CGST Act, if services are supplied by an author by way of transfer of a copyright covered under **section 13(1)(a)** of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory, then GST is payable on reverse charge basis by recipient. ➲ The Author can pay tax under forward charge if the author is a registered person. **Discussion & Conclusion:-** ➲ In the given case, the author is an unregistered person. ➲ So, the option of paying tax under forward charge is not available to him. ➲ Therefore, PQR Publications Ltd. (i.e. the recipient) is liable to pay GST under reverse charge.

CCP 03.03.15.00

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

(a) Services provided by an arbitral tribunal to any business entity.

(b) Sponsorship services provided by a company to an individual.

[ICAI Study Material]

Answer:-

a.	**Legal Provision:-** As per **section 9(3)** of CGST Act, if services are provided or agreed to be provided by an **arbitral tribunal to any business entity** located in the taxable territory, then GST is payable under reverse charge by recipient. **Discussion & Conclusion:-** Therefore, in the given case, **the business entity** is liable to pay GST under **reverse charge** .
b.	**Legal Provision:-** As per **section 9(3)** of CGST Act, if sponsorship services are provided by **any person to any body corporate or partnership firm** located in the taxable territory, then GST is payable under reverse charge by recipient. **Discussion & Conclusion:-** ➲ In the given case, sponsorship services have been provided to an **individual.** ➲ Thus, the **reverse charge** provisions **will not be attracted** here. ➲ So, company i.e. the **supplier** is liable to pay GST under **forward charge.**

CCP 03.03.16.00

From the following information, determine the person liable to pay GST given that both Supplier and Recipient are located in India:-

1	Mr. Atul is an agent of Life Insurance Co. The insurance company pays commission (excluding tax) ₹ 6 Lakh to him. Mr. Atul claims that no GST is leviable on services provided by him as his value of taxable service does not exceed ₹ 20 lakhs.
2	XYZ Ltd. availed services of Vimal Goods transport agency for transportation of goods by road from factory located in New Delhi to its Jaipur depot and paid freight of ` 1,00,000.
3	Ranka Jewellers Ltd. paid ₹ 50 lakhs for sponsorship of Miss India beauty pageant.
4	Legal services provided by VHB & Co., a partnership firm of Advocates, New Delhi to Tata Motors Ltd, Mumbai for ₹ 70,00,000.
5	Infrastructural support services provided by Government to a business entity for ₹ 14 Lakh
6	Renting of immovable property services provided by Government to unregistered business entity for Rs. 18 Lakhs.

Answer:-

1	**Legal Provision:-** As per **section 9(3)** of CGST Act, if services are supplied by an **insurance agent** to **any person carrying on insurance business** located in the taxable territory, then GST is payable on reverse charge basis by recipient.

	Discussion & Conclusion:- ➲ In the given case, **Mr. Atul's claim** that his turnover does not exceeds Rs. 20 Lakhs **has no relevance** here, because under reverse charge threshold limit of registration is not available & there is compulsory registration required u/s 24 of CGST Act. ➲ Therefore, **Life Insurance Company** is liable to pay GST under **reverse charge**
2	**Legal Provision:-** As per **section 9(3)** of CGST Act, in case of a GTA service, ➲ where GST is payable @ 5% without ITC and recipient is one of the specified recipients, tax is payable under reverse charge by the recipient of service & ➲ where GST is payable @ 12% with ITC, tax is payable under forward charge by the supplier of service. **Discussion & Conclusion:-** ➲ In the given case, it is assumed that GTA is paying GST @5%. ➲ Also, the XYZ Ltd. who is the recipient of service is a specified recipient, i.e., a body corporate established by or under any law liable to pay freight. ➲ Therefore, XYZ Ltd. is liable to pay GST under reverse charge.
3	**Legal Provision:-** As per **section 9(3)** of CGST Act, if sponsorship services are provided by **any person to any body corporate or partnership firm** located in taxable territory, then GST is payable on reverse charge basis by recipient. **Discussion & Conclusion:-** ➲ In the given case, sponsorship services are provided to Ranka Jewellers Ltd. i.e. a body corporate. ➲ Therefore, **Ranka Jewellers Ltd.** is liable to pay GST under **reverse charge.**
4	**Legal Provision:-** As per **section 9(3)** of CGST Act, if **legal services** are provided by a **firm of advocates** to any **business entity** located in the taxable territory, then the GST is payable on reverse charge basis by recipient.

	Discussion & Conclusion:- ➲ In the given case, VHB & Co. is a **partnership firm of advocates** & provides legal service to a business entity - Tata Motors Ltd. ➲ Therefore, **Tata Motors Ltd.** is liable to pay GST under **reverse charge.**
5	**Legal Provision:-**As per **section 9(3)** of CGST Act, if **any service**, other than those covered under exception, are provided by **the Government to business entity** located in a taxable territory, then GST is payable under **reverse charge** by recipient. **Discussion & Conclusion:-** ➲ In given case, the government provides the Infra structural support services to business entity. ➲ The Infra structural support services **are not covered under exceptions** to services under reverse charge. ➲ Therefore, the **business entity** is liable to pay GST under **reverse charge.**
6	**Legal Provision:-** ➲ As per section 9(3) of CGST Act, if service of renting of immovable property is provided by Central Government or State Government or Union Territory or local authority to **any registered person** located in the taxable territory, then GST is payable under **reverse charge** by recipient. ➲ If recipient is **unregistered**, then the supplier of service will pay under **forward charge.** **Discussion & Conclusion:-** ➲ In this case, this service is provided by the **government** to an **unregistered business entity.** ➲ Thus, the supplier i.e. the Government is liable to pay GST under **forward charge.**

04.Section 9(5)- Liability of Electronic Commerce Operator (ECO)

CCP 03.04.17.00

Does the tax liability u/s 9(5) comes within the scope of reverse charge? Can any person other than the supplier or recipient be liable to pay tax under GST?

Answer:-

- **No**, this is because:-
  - The definition of reverse charge given in **section 2(98)** of CGST Act refers only to section 9(3) and 9(4) of the said act.
  - It has **no reference to section 9(5)**.
  - Tax payment by ecommerce operator in case of specified services under section 9(5) **would not be a case of reverse charge** as the ecommerce operator facilitates the supply through the digital network and collects payment from recipient and passes it on to supplier.
- **Yes, E-Commerce Operator** is not a supplier / recipient but he **is liable to pay tax u/s 9(5)** for the supply of notified categories of services.

05. Renting on residential Dwelling

CCP 03.05.18.00

Mr. Ram has 4 flats & 2 shops in Pune. He has given all flats & Shops on rent as follows:-

a) Flat 1 is given on rent to Mr. B (Salaried person) for his residence purpose

b) Flat 2 is given on rent to XYZ Ltd. (reg. in GST) company is using as guest house for residence purpose

c) Flat 3 is given on rent to Mr. C a CA(unregistered person), who is using it for official purpose

d) 2 commercial shops are given on rent to partnership firm for running Garments business.

Determine tax payable in each case.

Answer:-

Legal Provision:- As per **Sec 9(3)**, services supplied by way of renting of residential dwelling by any person to a registered then under reverse charge registered person is liable to pay tax.

Also as per **exemption N/N 12/2017**, services by way of renting of residential except where the residential dwelling is rented to a register person is exempt from tax.

Discussion:-

a) Renting of Flat -1 to Mr. B, a salaried un-registered person is exempt from payment of GST.

b) Renting of flat -2 to XYZ Ltd. a registered person for use of guesthouse is liable to GST under reverse charge & XYZ Ltd. is liable to pay tax.

c) Exemption is available only if flat is given on rent only for residence purpose. In given case, eventhough Mr. C is un-registered person but he is using flat for official purpose hence renting service is taxable under forward charge & Mr. Ram is liable to pay tax.

d) Exemption is not available to renting of commercial place & also in this case there is no provision of reverse charge. Hence Mr. Ram is liable to pay tax on renting of 2 commercial shops under forward charge.

CHAPTER - 4

COMPOSITION SCHEME

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01. Introduction to Composition Levy u/s 10

CCP 04.01.01.00

What is composition levy as per section 10 of CGST Act? Also state the threshold limit for opting to pay tax under this scheme.

Answer:

Eligibility of scheme:-

- The composition levy is an alternative method of levy of tax designed for small taxpayers.
- The option to pay tax under this scheme is available u/s 10(1)/ 10(2A) of CGST Act to a registered person whose aggregate turnover in preceding financial year was not exceeding:-
  - **a) Under section 10(1) of CGST Act:-**
    - Rs. 1.5 Cr in **other than** special category states but **including** Assam, Himachal Pradesh and Jammu & Kashmir &
    - Rs. 75 lakhs in special category states **except** Assam, Himachal Pradesh & Jammu & Kashmir.
  - **b) Under section 10(2A) of CGST Act:-**
    - Rs. 50 lakhs for person who are ineligible to opt u/s 10(1).
- The benefit of composition scheme can be availed up to the turnover of ₹1.5 Cr / ₹75 / ₹50 lakh as the case may be in the current financial year.

Objective:- To **bring simplicity & reduce compliance cost** for the small taxpayers

Optional Scheme :- This scheme is optional and the eligible person opting this scheme can pay tax at a **prescribed percentage of his turnover** every quarter, instead of paying tax at normal rate.

02. GST Rates Under Composition Levy u/s 10

CCP 04.02.02.00

What are the tax rates applicable to a registered person u/s 10(1) & 10(2A) composition scheme?

Answer: The registered persons who are eligible for composition scheme under **section 10(1) & Section 10(2A) read with Rule 7** of CGST Act shall pay tax at the rates specified in below table:-

Sr. No.	Category of registered persons	CGST Rate	SGST/ UTGST Rate	Total Tax Rate	Tax as a %
U/s 10(1) of CGST Act, 2017:-					
1.	Manufacturers, other than manufacturers of notified goods (ice cream, pan masala, tobacco etc.)	0.5%	0.5%	1%	The turnover in the State/Union territory
2.	Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II [referred to as "Restaurant service"]	2.5%	2.5%	5%	The turnover in the State/Union territory
3.	Other supplier eligible for composition levy u/s 10 (i.e. traders not being manufacturers)	0.5%	0.5%	1%	The turnover of **taxable** supplies of goods & services in the State/ Union territory
U/s 10(2A) of CGST Act, 2017:-					
4.	Registered person eligible to opt for composition levy for services u/s 10(2A)	3%	3%	6%	The turnover in the State/Union territory

03. Section 2(6):- Aggregate Turnover for the purpose of Composition Levy

CCP 04.03.03.00

How to compute 'Aggregate Turnover' to determine eligibility for composition scheme?

Answer:- As per **section 2(6) read with explanation 1 to section 10** of CGST Act, Aggregate Turnover for the purpose of composition scheme shall:-

Include:-

- Value of all outward supplies of goods &/or services in following **4 categories**:-
  - Taxable supplies
  - Exempt supplies (wholly exempt, nil rated & Non-taxable)
  - Exports
  - Inter-State supplies

  (For persons having **same PAN**, aggregate turnover is to **be computed on all India basis.)**
- Value of supplies made by registered person from **1st April of a Financial Year** upto the date when he becomes **liable for registration** under GST Acts.

Exclude:-

- CGST/ SGST/ UTGST/ IGST/ Cess
- Value of inward supplies on which tax is payable by a person under **reverse charge.**
- Value of exempt supply of services of extending **deposits, loans or advances** where the consideration is by way of **interest or discount.**

This definition includes non-taxable supply, inter-state outward supply & export supply, but if **such supplies are made in current financial year** then, this levy shall be **withdrawn immediately** though Aggregate turnover is below the threshold limit for this scheme.

Author's Note (not part of ans):- The definition of aggregate turnover u/s 2(6) is applicable for the entire GST act and hence, it is used for all chapters. But, for composition levy, definition of agg. turnover needs to be considered as given in ans.

CCP 04.03.04.00

Zen Pvt. Ltd. is a dealer in goods having registered office at Noida, Uttar Pradesh and shops are located at Noida, Uttar Pradesh and Chennai, Tamil Nadu.

Details of various supplies both inward & outward undertaken by them during June 20XX quarter are given in the table below :-

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

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

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

Answer:-

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

Sr. No.	Particular	Amount (₹) [excluding GST]	Reason / Assumptions
i	Export of goods to China from Noida	20,00,000	Includible in the aggregate turnover & It is assumed that exports are made without payment of tax.
ii	Goods supplied to SEZ located at Delhi from Noida	15,00,000	Includible in the aggregate turnover & it is assumed that supply of goods to SEZ are made without payment of tax
iii	Supply of goods directly to customer from location of job worker	1,90,476 (₹2,00,000 x 100/105)	Includible in the aggregate turnover of Zen Pvt. Ltd & IGST be excluded from same

iv	Sales from Chennai Shop (Inter State)	10,47,619 [₹ 11,00,000 × 100/105]	Includible in the aggregate turnover. Further, IGST be excluded from the same
v	Local sales at Noida (Intra State)	23,80,952 [₹ 25,00,000 × 100/105]	Includible in the aggregate turnover & CGST and SGST be excluded from the same
vi	Services of transport availed	Nil	Inward supplies are not included in aggregate turnover
vii	Commission paid to Sales Executive	Nil	Inward supplies are not included in aggregate turnover
	Total aggregate turnover	71,19,047	

04. Composition levy u.s 10(1) & 10(2)

Eligibility based on Aggregate Turnover:-

CCP 04.04.05.00

Mr. Zafar of Assam, provides the following information for the preceding financial year 20XX-YY. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not for the F.Y. 20YY-22.

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

[CA Inter Nov 19 Exam New]

Answer:-

Legal Provision:-

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

Discussion & Conclusion:-

- Computation of aggregate turnover of Mr. Zafar for F.Y. 20XX-YY for eligibility of composition levy:

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

- In the given case, the aggregate turnover of Mr. Zafar is Rs. 95 lakhs in preceding financial year 20XX-YY which is not exceeding Rs. 1.5 Crore.
- Therefore, Mr. Zafar is **eligible to opt for** composition scheme u/s 10(1) financial year 20YY-2022 assuming that he is not engaged in making any inter State outward supply of goods or services in financial year 20YY-2022.

Note (just for understanding & not part of the ans):- Condition of **section 10(2) are not applicable for Previous year,** it is applicable only in the current year to check whether person is eligible for composition scheme or not.

Marginal service allowed u/s 10(1) & 10(2):-

CCP 04.04.06.00

M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Their aggregate turnover in the preceding financial year by way of supply of appliances was ₹ 120 lakh. The firm also expects to provide repair and maintenance service of such appliances from the current financial year.

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

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

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

Answer:-

Legal Provision:-

- As per **section 10(1)** of CGST Act, a registered person can opt to pay tax under composition scheme, if **aggregate turnover in preceding financial year was not exceeding** Rs. 1.5 Crore in **other than** special category states but **including** Assam, **Himachal Pradesh** & Jammu & Kashmir.
- This scheme can be availed by a supplier making intrastate supply of goods and restaurant service.
- As per Second **proviso to section 10(1) of CGST Act,** A person who opts to pay tax u/s 10(1) may supply services (other than those referred to in clause (b) of paragraph 6 of Schedule II i.e. Restaurant service) in current financial year, of value not exceeding the higher of:-
  - 10% of turnover in a State or UT in the preceding financial year or
  - ₹ 5 Lakhs.

Discussion & Conclusion:-

i) In the given case, M/s United Electronics **can opt for composition scheme** u/s 10(1) & 10(2) for the current financial year as its aggregate turnover is Rs. 120 lakhs which is not exceeding Rs. 1.5 crore in the preceding financial year and it is not engaged in inter- State outward supplies.

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

Computation of tax in C.F.Y. under composition levy u/s 10(1) & 10(2) (involves calculation of marginal service, impact of interest on loan, etc.):-

CCP 04.04.07.00

M/s XYZ Pvt. Ltd., a manufacturer, having the only registered place of business in the state of Maharashtra. Determine the eligibility to opt for composition scheme and also compute tax liability of M/s XYZ Pvt. Ltd. on the basis of following information assuming that total value of service provided by the company in Preceding Financial Year (PFY) is within the allowed limit of section 10(1) except interest and restaurant service:-

Sr. No.	Particulars	PFY 20XX-YY (₹ in lakhs)	Ist Qtr. 20YY-22 (₹ in lakhs)
1	Value of taxable supply of goods	90	20
2	Value of exempt supply of goods	20	5
3	Value of taxable supply of service	5	1
4	Value of exempt supply of Service	3	0.5
5	Value of restaurant & catering services	15	1.5
6	Interest on loan/advances /deposits	4	1.2

Calculate GST payable under composition scheme for Ist quarter of Current Financial Year (CFY) 20YY-22.

Answer:-

Legal Provision:-

- As per section 2(6) of CGST Act, Aggregate Turnover means aggregate value of all Taxable supplies, Exempt supplies (wholly exempt, nil rated & Non-taxable), Exports, Inter-State supplies of persons having **same PAN**, to **be computed on all India basis but It excludes:-**
  - CGST/ SGST/ UTGST/ IGST/ Cess &
  - Value of **inward supplies** on which tax is payable by a person under **reverse charge.**
- As per **Second proviso to section 10(1)**, A person who opts to pay tax u/s 10(1) may supply services (other than Restaurant service) in current financial year, of value **not exceeding** the **higher** of:-
  - 10% of turnover in a State or UT in the preceding financial year or
  - Rs. 5 Lakhs.
- The value of exempt services of extending deposits, loans or advances where the consideration is interest or discount **shall not be taken into account** to determine:-
  - aggregate turnover,
  - value of turnover in a State or Union territory for calculating marginal service allowed, **&**
  - tax payable under composition scheme.

Calculations:-

a) Calculation of aggregate turnover of PFY 20XX-YY under composition scheme M/s XYZ Pvt. Ltd:-

Particulars	₹ in lakhs
Value of taxable supply of goods	90.00
Value of exempt supply of goods	20.00
Value of taxable supply of service	5.00
Value of exempt supply of service	3.00
Value of supply of restaurant & catering service	15.00
Aggregate Turnover	**133.00**

As aggregate turnover of PFY does not exceed 1.5Cr in Maharashtra, M/s XYZ Pvt. Ltd. **is eligible for composition levy.**

b) Calculation of value of supply of service to be allowed in CFY:-

- Company have registered place of business in Maharashtra only. Thus, aggregate turnover = turnover in state.
- Value of supply of service allowed is ₹ 13.3 lakhs (i.e., 10% of 133 lakhs or ₹ 5 lakhs, whichever is higher).
- Actual supply of service in CFY [i.e., taxable supply + exempt supply] other than restaurant services is ₹ 1.5 lakhs (i.e., Rs. 1 lakhs + Rs. 0.5 lakhs), which is within limit allowed.

c) Calculation of GST Payable on supply of goods and services except restaurant service:-

S.No.	Particulars	Amonut on ₹
1	Value of taxable supply of goods	20,00,000
2	Value of exempt supply of goods	5,00,000
3	Value of taxable supply of service	1,00,000
4	Value of exempt supply of service	50,000
Turnover in State		**26,50,000**
CGST @ 0.5%		13,250
SGST @ 0.5%		13,250
Total		**26,76,500**

d) Calculation of GST Payable on restaurant service:-

Particulars	Amount in Rs.
Value of supply	1,50,000
CGST @ 2.5%	3,750
SGST @ 2.5%	3,750
Total	**1,57,500**

Note:- Manufacturer shall pay composition tax @ 1% (i.e., CGST & SGST @0.5% each) of turnover in state which also includes nil rate & wholly exempt supply whereas tax rate is 2.5% each CGST & SGST for restaurant & catering service.

Sec 10(1) read with Sec 10(2):- Conditions for Composition Scheme

CCP 04.04.08.00

Enumerate the persons who are not eligible to opt for Composition Scheme under section 10(2) of the CGST Act, 2017. [CA Inter Exam- May 19 New]

Answer:-

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

a)	He is engaged in supply of services (**other than** those referred to in clause (b) of paragraph 6 of Schedule II), **exceeding the higher of:-** ➲ 10% of turnover in state or Union territory in preceding financial year or ➲ Rs. 5 lakhs.
b)	He is engaged in supply of goods or services **not leviable to tax** under GST law.
c)	He is engaged in **inter-State outward supplies** of goods or services.
d)	He is engaged in supply of goods or services **through an electronic commerce operator,** who is required to collect tax at source u/s 52.
e)	He is a manufacturer of **notified goods**, i.e., Ice cream and other edible ice, whether or not containing cocoa; Fly ash bricks; Fly ash aggregates; Fly ash blocks Pan Masala; Bricks of fossil meals or similar siliceous earths Aerated Water; Building bricks Tobacco and Manufactured tobacco substitutes; Earthen or roofing tiles
f)	He is a **casual taxable person** or a **non-resident taxable person.**

CCP 04.04.09.00

What are the goods notified by Government on the recommendation of the council whose manufacturer in ineligible to opt for composition scheme u/s 10(2)(e) of CGST Act, 2017?

Are all these goods notified u/s 10(2A) also? If no, then mention goods notified u/s 10(2A).

Answer:-

➤ The following are the **goods notified** by Government on the recommendation of the council whose **manufacturer** is **ineligible** to opt for composition scheme u/s 10(2)(e):-

Ice cream and other edible ice, whether or not containing cocoa	Fly ash bricks; Fly ash aggregates; Fly ash blocks
Pan Masala	Bricks of fossil meals or similar siliceous earths
Aerated Water	Building bricks
Tobacco and Manufactured tobacco substitutes	Earthen or roofing tiles

➤ **No,** only few goods are notified u/s 10(2A) of CGST Act, 2017 which are:-

- Ice cream and other edible ice, whether or not containing cocoa, Pan Masala, Aerated Water & Tobacco and Manufactured tobacco substitutes.

CCP 04.04.10.00

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

Note:- Assume that Sultan & Sons is not engaged in manufacture of goods as notified under section 10(2)(e). [ICAI Study Material]

Answer:-

In the given case, the **view taken by the accountant** of Sultan & Sons **is not valid in law.**

Legal Provision:-

- As per **section 10(1) of CGST Act,** a registered person can opt to pay tax under composition scheme, if **aggregate turnover in preceding financial year** was **not exceeding** Rs. 1.5 Crore other than special category states but including Assam, Himachal Pradesh & Jammu & Kashmir.
- As per **section 10(2)(b) & 10(2)(c) of CGST Act,** such person must not be engaged in making any supply of goods which are not leviable to tax under this Act and must not be engaged in making any inter-State outward supplies of goods respectively, for being eligible to pay tax under said scheme.

Discussion & Conclusion:-

- In the given case, the aggregate turnover of Sultan & Sons in the preceding financial year is Rs. 130 lakhs which is **not exceeding 150 lakhs** (i.e., Rs. 1.5 Crore) in Maharashtra.
- It is engaged in making only intra-State outward supply of goods.
- Product P supplied by it is taxable and Product Q supplied by it is leviable to tax but for the time being is exempted by way of notification.
- Therefore, **it is eligible for composition levy under section 10(1) & 10(2)** in the current financial year.

Sec 10(1) read with Proviso to sec 10(2):- Applicability to all Registrations under same PAN

CCP 04.04.11.00

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

[ICAI Study Material] [CA Inter MTP Oct 21]

Answer:-

Legal Provision:-

- As per **section 10(1) of CGST Act,** a registered person can opt to pay tax under composition scheme, if **aggregate turnover in preceding financial year was not exceeding:-**
  - Rs. 1.5 Crore in other than special category states but including Assam, Himachal Pradesh & Jammu & Kashmir.
- As per **proviso to section 10(2),** all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme u/s 10(1). If any of them opts for normal scheme, then all such other persons also become ineligible for composition scheme.

Discussion & Conclusion:-

- In the given case, the aggregate turnover of Subramanian Enterprises for both the places of business in Delhi is Rs. 120 Lakhs which is not exceeding Rs. 1.5 Cr in the preceding financial year.
- Thus, it is eligible for composition levy in the current financial year **u/s 10(1) & 10(2).**
- Further, Subramanian Enterprises **can go for any one** of the following **two options:-**
  - either opt for composition levy for both the places of business or
  - opt for normal levy for both the places of business.

CCP 04.04.12.00

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

You are required to answer the following:-

(1) Is Mr. X eligible for composition scheme?

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

[CA Inter Suggested Nov 18 Old]

Answer:-

Legal Provision:-

- As per **section 10(1) of CGST Act,** a registered person can opt to pay tax under composition scheme, if **aggregate turnover in preceding financial year was not exceeding** Rs. 1.5 Crore **other than** special category states but including Assam, Himachal Pradesh & Jammu & Kashmir
- As per **Second proviso to section 10(1)**, A person who opts to pay tax u/s 10(1) may supply services (other than Restaurant service), of value **not exceeding the higher of:-**
  - 10% of turnover in a State or Union territory in the preceding financial year or
  - Rs. 5 Lakhs.

Discussion & Conclusion for (1):-

- In given case, as Mr. X is engaged in supply of consultancy service along with sale of goods with the **Aggregate turnover** of preceding financial year is **Rs. 85 lakhs** which does not exceed Rs. 1.5 Crore.
- Thus, Mr. X **is eligible** to opt for composition scheme **u/s 10(1)**, if value of supply of service to be provided in current financial year does not exceeds marginal limit allowed of Rs. 8.5 lakhs [i.e. higher of 10% * (₹70 lakhs + ₹15 lakhs) or ₹5 lakhs].

Discussion & Conclusion for (2):-

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

05. Composition levy u/s 10(2A):-

Conditions to opt for Composition Scheme u/s 10(2A):-

CCP 04.05.13.00

Explain in brief the conditions to be fulfilled by a registered person under GST law for availing the option to pay concessional tax @ 3% (effective rate 6%) under GST as per the provisions of Sec 10(2A). [CA Inter Nov 19 Exam New]

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

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

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

CCP 04.05.14.00

Vansh Traders, a registered supplier, is providing restaurant services in Manipur. It has turnover of ₹ 55 lakh in the preceding financial year 20XX-YY. It has started providing intra- State event management services in the current financial year 20YY-22 and discontinued rendering restaurant services.

(i) With reference to the provisions of the CGST Act, 2017, examine whether Vansh Traders can opt for the composition scheme under section 10 of the CGST Act, 2017 in the current financial year?

(ii) Is Vansh Traders eligible to avail benefit of concessional payment of tax

under Sec 10(2A)? [CA IPC Jan 21 Exam] [ICAI Study Material with some variation]

Answer:-

Legal Provision:-

- A registered person who is **exclusively** engaged in providing services **other than restaurant services** is **not eligible** for the composition scheme u/s 10(1) & 10(2) of the CGST Act, 2017.
- Such person **is eligible for composition scheme u/s 10(2A)** of the CGST Act, 2017, provided his aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.

Discussion & Conclusion:-

- In the given case, Since Vansh Traders is engaged **exclusively in supply of services other than restaurant services** (viz. event management services) in the **current financial year** 20YY-22, it is not eligible for composition scheme **u/s 10(1) & 10(2)** in said FY.
- Further, since its aggregate turnover in the preceding financial year 20XX-YY exceeds ₹ 50 lakh, **it cannot opt for the composition scheme u/s 10(2A)** also in the current financial year 20YY-22.

Calculation of tax in C.F.Y. u/s 10(2A):-

CCP 04.05.15.00

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

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

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

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

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

Answer:-

Legal Provision:-

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

Discussion & Conclusion:-

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

CCP 04.05.16.00

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

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

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

[CA Inter RTP May 2020] [CA Inter RTP May 21-Similar Question]

Answer:-

(a) Legal Provision:-

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

Calculation:-

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

Period	Tax Rate	Turnover(₹)	Tax Liability (₹)
Quarter I	Since, aggregate turnover did not exceed ₹ 20 lakh, it was not required to obtain registration u/s 22 of CGST Act. Hence, no tax was required to be paid.	20 Lakhs	Nil
Quarter II	Effective rate is 6% (CGST @3% + SGST/ UTGST @3%]	30 Lakhs [50L-20L]	180000
October 20XX	Normal rate of GST of 18% is to be applied	20 Lakhs [70L-50L]	360000
Total Tax Payable			**5,40,000**

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

CCP 04.05.17.00

Hyundai Service Centre, registered under GST in the state of Maharashtra, provides car servicing to various customers at intra-state level. The turnover of preceding financial year (PFY) was ₹ 45 lakhs and turnover of 1st quarter of current financial year (CFY) was ₹ 48 lakhs which includes ₹ 30 lakhs from provision of service and ₹ 18 lakhs from sale of goods (spare parts).

i) State whether Hyundai Service Centre can opt for composition scheme in CFY.

ii) Determine the tax liability under Section 10(2A).

(Normal tax rates for goods - 12%, for services - 18%, & tax rate under composition scheme - 6%).

Answer:-

Legal Provision:-

- As per **section 10(1)** of CGST Act, if a registered person is solely/dominantly

engaged in providing services other than restaurant services, such person is not eligible for composition levy u/s 10(1).

- As per **section 10(2A)** of CGST Act, if a registered person is not eligible to opt to pay tax u/s 10(1) & (2) & has aggregate turnover in preceding financial year not exceeding Rs. 50 Lakhs, then such person can opt to pay tax under composition scheme under section 10(2A).
- U/s 10(2A) scheme, supplies will be liable to GST @6% (i.e. CGST @3% & SGST @3%) of the turnover in state from 1st April in current financial year upto the time when the aggregate turnover of current financial year reaches Rs. 50 Lakhs & thereafter at normal tax rates.

Discussion & Conclusion (i):-

- In the given case, Hyundai Service Centre is **not eligible** to opt for composition scheme **u/s 10(1)** as it is predominantly supplying car servicing along with goods.
- The aggregate turnover is Rs. 45 lakhs in preceding financial year which does not exceed ₹ 50 lakhs & thus, **it is eligible** to opt for composition scheme in current financial year **u/s 10(2A)**.

Discussion & Answer for (ii):-

- As the aggregate turnover of Hyundai Service Centre in 1st quarter of current financial year was ₹ 48 lakhs, it is eligible for levying GST @6 % on entire turnover of ₹ 48 lakhs as there is no restriction on supply of goods as per section 10(2A) along with supply of services.
- The Tax Liability of Hyundai Service Centre for the 1st quarter of CFY is as follows:-

Particulars	Turnover of goods (Rs.)	Turnover of Service (Rs.)
Value of Supply	18,00,000	30,00,000
CGST@3%	54,000	90,000
SGST@3%	54,000	90,000
Total GST Payable	**1,08,000**	**1,80,000**

Author's Note (not part of ans):-

If transactions are B2C, then it is advisable that person must opt for composition scheme.

06. Combine Questions on Sec 10(1), 10(2) & 10(2A)

CCP 04.06.18.00

Determine whether the supplier in the following cases are eligible for composition levy 10(1)/10(2A), provided their turnover in preceding financial year does not exceed ₹ 1.5 Crore:-

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

ii) Can a person paying tax under composition scheme make supplies of goods to SEZ?

iii) Ketu is a manufacturer of Building Bricks in State of Maharashtra. His turnover for the year does not exceed ₹ 1.5 Crore. He wants to register for composition scheme u/s 10(1). Is he eligible? [ICAI Study Material with some variation]

Answer:-

i)	**Legal Provision:-** As per **sections 10(2)(c) & 10(2A)** of CGST Act, Supplier who is engaged in making any **inter-State outward supplies of goods or services** is not eligible to opt for composition scheme u/s 10(1) & 10(2A) respectively. **Discussion & Conclusion:-** In the given case, Sugam Manufacturers supplies goods in neighbouring States. Thus, It is **not eligible** for composition levy **u/s 10** as it is making outward inter-state supply.
ii)	**Legal Provision:-** As per **sections 10(2)(c) & 10(2A)** of CGST Act, Supplier who is engaged in making any inter-State outward supplies of goods or services is not eligible to opt for composition scheme u/s 10(1) & 10(2A) respectively. **Discussion & Conclusion:-** In the **given case, supply of goods to SEZ from** domestic tariff area will be treated as inter-State supply as per section 7 of IGST Act.

	➲ Thus, person making such supplies is **not eligible** to opt for composition levy **u/s 10.** ➲ Further, for making supplies of goods to an SEZ unit, a person needs to **take registration as a regular taxpayer**
iii)	**Legal Provision:-** ➲ As per **section 10(2)(e)** of CGST Act, a registered person manufacturing notified goods, one of which is Building Bricks, is not eligible to opt for composition scheme u/s 10(1). **Discussion & Conclusion:-** ➲ In given case, Ketu is a **manufacturer** of Building Bricks which is a **notified good** u/s 10(2)(e). ➲ Therefore, he is **not eligible to opt** for composition levy scheme u/s 10, **even if** his aggregate turnover does not exceed ₹ 1.5 crore.

CCP 04.06.19.00

Mr. Amar is running a consultancy firm and also a readymade garment showroom which are registered under same PAN. Turnover of the showroom is ₹ 35 lakhs and Receipt of the consultancy firm is ₹ 15 Lakhs in the current financial year.

a) Whether Mr. Amar is eligible for Composition Scheme u/s 10 of CGST Act (Assume turnover in state of preceding financial year is ₹ 10 Lakhs)?

b) If instead of consulting agency, Mr. Amar is running a Restaurant, whether he is eligible for composition?

c) If the turnover of Garment showroom is ₹ 1.5 Cr in the preceding financial year and there is no consultancy firm, whether he is eligible for Composition?

Answer:-

Legal Provision:-

➲ As per **section 10(1) read with second proviso thereto,**

- a person providing Restaurant service can opt for composition scheme without any limit for supplying such service &
- person who opts to pay tax u/s 10(1) may supply services (other than Restaurant service) in current financial year, of value **not exceeding higher of:-**
  - 10% of turnover in a State or UT in the preceding financial year or
  - Rs. 5 Lakhs.

➲ As per **section 10(2)(a)** of CGST Act, if any person is engaged in supply of services except as allowed above, then such person is ineligible for composition levy u/s 10(1).

➲ As per **section 10(2A)** of CGST Act, if a registered person is not eligible to opt to pay tax u/s 10(1) & (2) & has aggregate turnover in preceding financial year not exceeding Rs. 50 Lakhs, then such person can opt to pay tax under composition scheme under section 10(2A).

Discussion & Conclusion:-

a) **No,** Mr. Amar is **not eligible** for composition scheme **u/s 10(1)** because:-

- he is supplying consultancy service of Rs 15 lakhs in current financial year
- which is more than the limit allowed Rs. 5 Lakhs (i.e., 10% of Rs. 10 lakhs or Rs. 5 lakhs, whichever is higher)

But, Mr. Amar **can opt** for composition scheme **u/s 10(2A)** as his aggregate turnover in preceding financial year Rs. 10 Lakhs which is not exceeding Rs. 50 Lakhs.

b) **Yes,** as Mr. Amar is providing Restaurant services which **are eligible** for **composition scheme u/s 10(1) read with second proviso to section 10(1)** without any limit for providing such service and hence, not becoming ineligible u/s 10(2)(a) also.

c) **Yes,** Mr. Amar, being a trader, **is eligible** for composition scheme **u/s 10(1)** and his aggregate turnover also is not exceeding ₹ 1.5 Crore in the preceding financial year.

07. Penalty u/s 10(5)

CCP 04.07.20.00

Mr. Zaid, registered in Himachal Pradesh, is engaged in making inter-State outward supplies of apparels. The aggregate turnover of Mr. Zaid in the financial year 20XX-YY is 70 lakh. He opted for composition levy in the year 20YY-22 and paid tax for the quarter ending June, 20YY under composition levy. The proper officer has levied penalty on Mr. Zaid in addition to the tax payable by him. You are required to examine the validity of the action taken by proper officer. [CA Final Nov 18 exam] [ICAI Material].

Answer:-

The action taken by proper officer is valid in law.

Legal Provision:-

- As per **section 10(1)** of CGST Act, a registered person can opt to pay tax under composition scheme, if **aggregate turnover in preceding financial year was not exceeding** Rs. 1.5 Crore in other than special category states but **including** Assam, **Himachal Pradesh** & Jammu & Kashmir.
- Further, as per **section 10(2)(c)**, a registered person is eligible to opt for composition levy if he is not engaged in making any inter-state outward supplies of goods or services.
- As per Section 10(5), if a taxable person has paid tax under the composition scheme though he was not eligible for the scheme, then the person would be liable to penalty in addition to tax payable by him to be **determined as per section 73 or 74** of CGST Act.

Discussion:-

- In the given case, Mr. Zaid is engaged in **making inter-State outward supplies of goods.**
- So, **he is not eligible** to opt for composition levy u/s 10(2)(c) irrespective of aggregate turnover in the preceding financial year. Still, he paid tax for quarter ending June, 20YY under composition levy.

Conclusion:-

- So, the action taken by proper officer to levy penalty u/s 10(5) on Mr. Zaid in addition to tax payable by him is **valid in law.**

> **Author's Note (not part of ans):-** in Question, the words "**is engaged** in making inter-State outward supplies" can be interpreted as the person is engaged in interstate outward supply in current financial year also.

08 Procedural Questions on composition levy

CCP 04.08.21.00

The due date for payment of tax by a person paying tax under section 10 of the CGST Act, 2017, i.e., a composition supplier is aligned with the due date of return to be filed by the said person. Discuss the correctness or otherwise of the statement. [CA Inter RTP Nov 2020]

Answer:-

- The statement is **not correct.**
- Every registered person who is paying tax u/s 10 of CGST Act (i.e., a composition supplier) is required to file **a return in Form GSTR-4 annually by 30th April** of the succeeding financial year
- However, a composition supplier is required to pay tax on a quarterly basis.
- A **quarterly statement** for payment of self-assessed tax in GST CMP-08 is required to be furnished by **18th day** of the month succeeding such quarter.
- Therefore, though the **return** is to be furnished **annually, payment** of tax needs to be made on a **quarterly basis,** by a composition supplier.

CCP 04.08.22.00

A person availing composition scheme, under sub-sections (1) & (2) of section 10, in Haryana during a financial year crosses the turnover of Rs. 1.5 Crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March? [CA Inter MTP Oct 21] [ICAI

Study Material]

Answer:-

- **No.** As per **section 10(3) of CGST Act,** the option availed of by a registered person u/s 10(1) **lapses with effect from the day** on which his aggregate turnover during a financial year **exceeds the threshold limit** as specified u/s 10(1) of Rs. 1.5 Crore.
- Once he crosses the threshold, he is required to **file an intimation for withdrawal** from the scheme in prescribed form **within 7 days** of the occurrence of such event.
- After filing such intimation, he may furnish a statement in prescribed form **within a period of 30 days from the date from which the option is withdrawn** containing details of:-
  - stock of inputs and
  - inputs contained in semi-finished or finished goods held in stock by him

on the date on which the option is withdrawn.

CCP 04.08.23.00

Explain the following in accordance with provisions of GST Act pertaining to composition scheme u/s 10:-

i) Whether the composition scheme u/s 10 is optional or compulsory?

ii) Can composition tax be collected from customers?

iii) Can a registered person, who purchases goods &/or services from a taxable person paying tax under composition scheme, avail credit of tax paid on purchases made from such person?

iv) Can a person who has opted to pay tax under the composition scheme avail Input Tax Credit on his inward supplies?

v) Can a person paying tax under the composition scheme issue a tax invoice under GST?

Answer:-

1)	Composition scheme u/s 10 **is optional** provided the eligibility criterion & all conditions to opt the scheme are satisfied.
2)	**No,** as per **section 10(4)** of CGST Act, a person paying tax under composition scheme shall not collect any tax from the recipient on supplies made by him as he cannot issue tax invoice.
3)	**No,** this is because:- - As per **section 10(4)** of CGST Act, the composition dealer cannot collect tax from recipient on supplies made by him as he cannot issue tax invoice. - Thus, the registered person making purchases from a composition supplier cannot avail credit of tax paid as no tax is charged to him by the said person. - As per **section 17(5)** also, the input tax credit is blocked for inward supply from the person paying tax under composition scheme u/s 10.
4)	**No,** as per **section 10(4)** of CGST Act, any taxable person opting to pay tax under the composition scheme u/s cannot avail any input tax credit on his inward supplies.
5)	**No,** the person paying tax under composition scheme of GST shall issue bill of supply instead of tax invoice.

CCP 04.08.24.00

In accordance with the provisions of GST Act, Give answers to the following questions pertaining to composition scheme:-

i) Can a person making application for fresh registration under GST opt for composition levy at the time of making application for registration?

ii) Can the option to pay tax under composition levy be exercised at any time of the year by a registered person?

iii) Can a person having branches registered separately under same PAN opt to pay tax under composition scheme for any one of its branches while

paying tax for others at normal rates? Or

Will a taxable person be eligible to opt for composition scheme only for 1 out of 3 business verticals? Or

Can a person having registration in multiple states opt for payment of tax under composition levy only in one state and not in other state?

Answer:-

1)	➲ **Yes,** *a Person* ***can avail the option*** *to pay tax under the composition scheme at the time of making application for registration.* ➲ *For this, the details are to be filed in Part B of FORM GST REG-01.* ➲ *This* ***form will be considered as intimation*** *to pay tax under the composition scheme u/s 10 of CGST Act.*
2)	➲ **No,** *the* ***person who is already registered*** *under GST Act can opt to pay tax under composition scheme u/s 10* ***prior to the commencement of the relevant financial year*** *for which said option is to be exercised.* ➲ *For this, an* ***intimation*** *is to be filed in Form GST CMP-02 on the GST Common Portal electronically.* ➲ *However, the composition scheme shall be availed from beginning of the financial year only for which the intimation is given.* ➲ *But, if a* ***person applied for registration in between the year****, then he can opt for composition scheme by filling the details in Part B of FORM GST REG-01.*
3)	➲ **No,** *a registered person shall not be eligible to opt for the composition scheme u/s 10 unless all such registered persons (i.e., branches having separate registration under a single PAN) opt to pay tax under composition scheme.* ➲ *This scheme would* ***be applicable to all registrations separately held by person with same PAN***

CHAPTER - 5

Time of Supply

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01. General Questions on Time of Supply (TOS)

CCP 05.01.01.00

Explain the significance of time of supply under GST law. [ICAI Material]

Answer:-

- GST is **leviable on supply** of goods &/or services.
- Time of supply indicates the **point in time when the liability to pay tax arises.**
- Though, the liability to pay the tax arises at the time of supply, the **payment** of the same can be paid to Government by the due date prescribed with reference to the said 'time of supply'.
- There are **separate provisions** for time of supply for **goods and services** under **section 12 and 13** of the CGST Act respectively.

CCP 05.01.02.00

The time of liability to pay GST is independent of the time of supply of goods/ services. Discuss the correctness of the statement?

Answer:

- The said statement is **not correct.**
- **Liability to pay GST arises at the time of supply** of goods as explained in Section 12 and at the time of supply of services as explained in Section 13 of CGST Act.
- The time of supply is generally the earliest of one of the three events, namely receiving payment, issuance of invoice or completion of supply.
- Different situations are envisaged and different tax points have been explained in the aforesaid sections.

02. Sec 12(2):- TOS of goods under Forward Charge read with N/No. 66/2017

CCP 05.02.03.00

What will be the time of supply of goods, generally?

Answer:

- As per **section 12(2)** of the CGST Act, 2017 **read with notification 66/2017,** the time of supply of goods shall be **earlier** of the following dates:-
  - a) Date of issue of invoice or
  - b) last date to issue the invoice u/s 31. (i.e. Date of removal or Date of delivery or Date of making goods available).
- As per **notification 66/2017**, the time of supply of goods is **not on advanced received &** this is applicable to all registered persons **except** composition supplier.

CCP 05.02.04.00

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

What is the time of supply of the shoes for the purpose of payment of tax? [ICAI Study Material]

Answer: ***Legal Provision:-***

- As per **section 12(2)** of the CGST Act, 2017 **read with notification 66/2017**, the time of supply of goods shall be **earlier** of the following dates:-
  - a) Date of issue of invoice or
  - b) last date to issue the invoice u/s 31.
- As per **N/N 66/2017**, the time of supply of goods is **not on advanced received** & this is applicable **to all registered persons except** composition supplier.
- Further, u/s 31(1), if supply involves movement of goods, a registered person is required to issue a tax invoice before or at the time of removal of goods for supply to the recipient.

Discussion & Conclusion:-

- In this case, invoice is issued before the removal of the goods (i.e. collection of goods by customer) & is thus, within the time limit prescribed u/s 31(1).
- Therefore, **the time of supply** for payment of tax is date of issue of invoice, which is **2nd December.**

CCP 05.02.05.00

Investigation shows that 150 cartons of ceramic capacitors were dispatched on 2nd August but no invoice was raised and the transaction (dispatch of cartons) were not entered in the accounts. There was no evidence of receipt of payment. What is the time of supply of 150 cartons for the purpose of payment of tax? [ICAI Study Material]

Answer:- Legal Provision:-

- As per **section 12(2)** of the CGST Act, 2017 read with notification 66/2017, the time of supply of goods shall be **earlier** of the following dates:-
  - a) Date of issue of invoice or
  - b) last date to issue the invoice u/s 31.

Discussion & Conclusion:-

- In this case, since the invoice has not been issued, the time of supply for the purpose of payment of tax will be the last date on which the invoice is required to be issued.
- The invoice for supply of goods must be issued on or before dispatch of goods, i.e. on 2nd August.
- Therefore, the **time of supply of goods will be 2nd August.**

03. Sec 12(3):- TOS of goods under Reverse Charge

CCP 05.03.06.00

Determine the time of supply of goods in the following independent cases assuming that GST is payable under reverse charge:- [ICAI Study Material]

Sr. No	Date of receipt of goods	Date of payment by recipient of goods	Date of issue of invoice by supplier of goods
1	July 1	August 10	June 29
2	July 1	June 25	June 29
3	July 1	Part payment made on June 30 & balance amount paid on July 20	June 29
4	July 5	Payment entered in recipient's books of account on June 28 & debited in recipient's bank account on June 30	June 1
5	July 1	Payment entered in recipient's books of account on June 30 & debited in recipient's bank account on June 26	June 29
6	August 1	August 10	June 29

Answer:-

Legal Provision:-

As per **section 12(3)** of CGST Act, 2017, if **supply of goods is taxable under reverse charge**, then the time of supply of goods shall be **the earliest** of the following dates:-

a) Date of **receipt of goods** or

b) Date of payment which shall be earlier of following:-

- date entered in the books of account of the recipient or
- date on which the payment is debited in his bank account.

c) Date immediately **following 30 days** from date of issue of invoice by the supplier.

(Here, date of invoice is relevant only for calculating thirty days from that date.)

Determination of time of supply of goods under reverse charge:-

Sr. No	Date of receipt of goods	Date of payment by recipient of goods	Date of issue of invoice by supplier of goods	31st day from date of Invoice	Time of Supply of Goods u/s 12(3) [Earlier of (1), (2) & (3)]
	(1)	(2)		(3)	
1	July 1	August 10	June 29	July 30	July 1
2	July 1	June 25	June 29	July 30	June 25

3	July 1	Part payment made on June 30 & balance amount paid on Jul 20	June 29	July 30	June 30 for part payment & July 1 for balance amount
4	July 5	Payment entered in recipient's books of account on June 28 & debited in his bank account on June 30	June 1	July 2	June 28
5	July 1	Payment entered in recipient's books of account on June 30 & debited in his bank account on June 26	June 29	July 30	June 26
6	August 1	August 10	June 29	July 30	July 30

CCP 05.03.07.00

(i) Determine the time of supply from the given information

May 4	Supplier invoices goods taxable on reverse charge basis to Bridge & Co.
May 12	Bridge & Co receives the goods
May 30	Bridge & Co makes the payment

(ii) What would be your answer in case, the goods are received on June 12.

Answer:

Legal Provision:-

As per section 12(3) of CGST Act, 2017, if **supply of goods is taxable under reverse charge**, then the time of supply of goods shall be **the earliest** of the following dates:-

a) Date of **receipt of goods** or

b) **Date of payment** which shall be **earlier** of following:-

- date entered in the books of account of the recipient or
- date on which the payment is debited in his bank account.

c) Date immediately **following 30 days** from date of issue of invoice by the supplier. (Here, date of invoice is relevant only for calculating thirty days from that date.)

Discussion & Conclusion:-

1) In 1st case, **May 12 will be the time of supply** of goods taxable under reverse charge being **earlier** of:-

- Date of **receipt of goods** i.e. May 12 or
- Date of **payment** made i.e. May 30 or
- June 4 being 31st day from date of invoice which is May 4.

2) In 2nd case, **May 30 will be the time of supply** being the earliest of dates as per section 12(3).

04. Sec 13(2):- TOS of Services under Forward Charge

CCP 05.04.08.00

How to ascertain the time of supply of services under forward charge & what will be the date of receipt of payment for the purpose of the same?

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

	Cases	Time of Supply
a)	If the invoice is issued within the period prescribed u/s 31:-	Time of supply shall be **earlier** of:- ➲ the date of issue of invoice by the supplier or ➲ the date of receipt of Payment.
b)	If the invoice is not issued within the period prescribed u/s 31:-	Time of supply shall be **earlier** of:- ➲ the date of provision of service or ➲ the date of receipt of payment.
c)	In case, where the provisions of clause (a) or (b) do not apply	The time of supply shall be :- ➲ the date on which the recipient shows the receipt of services in his books of account.

➲ As per **explanation to section 13(2)** of CGST Act, the **date of receipt of payment shall be earlier** of:-

➢ the date on which the payment is **entered in the books of account** of the supplier or

➢ the date on which the payment is **credited to his bank account.**

➲ As per section 31(2) of CGST Act, normally, a registered person supplying taxable services shall issue a tax invoice **within 30 days** from the date of supply of service & in case of banking & FI, it should be within 45 days.

CCP 05.04.09.00

Determine the time of supply of services and the corresponding due date of e-payment of GST in each of following independent cases for person not paying tax under QRMP Scheme:-

Sr. No.	Date of completion	Date of Invoice	Date on which payment is received
1	10.04.20XX	05.05.20XX	20.05.20XX
2	10.04.20XX	05.05.20XX	25.04.20XX
3	10.04.20XX	05.05.20XX	25.04.20XX(Part)and 20.05.20XX (remaining)
4	10.04.20XX	05.05.20XX	06.04.20XX(Part)and 09.04.20XX (remaining)
5	10.04.20XX	16.05.20XX	05.04.20XX(Part)and 14.05.20XX (remaining)

Answer: Legal Provision:-

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

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

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

Determination of the time of supply of services and the corresponding due date of e-payment of GST:-

Sr. No.	Date of Completion of service	last Date of issue Invoice u/s 31	Date of Invoice	Date of receipt of payment	Time of Supply	Due date of monthly GST Payment
1	10.04.20XX	10.05.20XX	05.05.20XX	20.05.20XX	05.05.20XX	20.06.20XX
2	10.04.20XX	10.05.20XX	05.05.20XX	25.04.20XX	25.04.20XX	20.05.20XX
3	10.04.20XX	10.05.20XX	05.05.20XX	25.04.20XX (Part) & 20.05.20XX (remaining)	25.04.20XX (Part) & 05.05.20XX (remaining)	20.05.20XX (Part) & 20.06.20XX (remaining)
4	10.04.20XX	10.05.20XX	05.05.20XX	06.04.20XX (Part) & 09.04.20XX (remaining)	06.04.20XX (Part) & 09.04.20XX (remaining)	20.05.20XX (For part & remaining both)
5	10.04.20XX	10.05.20XX	16.05.20XX	05.04.20XX (Part) & 14.05.20XX (remaining)	05.04.20XX (Part) & 10.04.20XX (remaining)	20.05.20XX (For part & remaining both)

CCP 05.04.10.00

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

(1) The provision of service was completed on 1st August, 20XX and payment was received on 28th September, 20XX.

(2) The provision of service was completed on 14th August, 20XX and payment was received on 28th September, 20XX.

(3) Mr. A made the payment on 3rd August, 20XX where provision of service was remaining to be completed at that time.

(4) Mr. A made the payment on 15th September, 20XX where provision of service was remaining to be completed at that time. [CA Inter Nov 18 Exam] [ICAI Study Material]

Answer:

Legal Provision:-

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

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

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

Discussion & Conclusion:- In accordance with aforesaid provisions, time of supply is:-

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

CCP 05.04.11.00

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

Answer:

Legal Provision:-

➲ As per **section 13(2)(b) of CGST Act, 2017**, if **invoice is not issued within the time** prescribed u/s 31 for supply of services, then the **time of supply** of such services shall be **earlier** of:-

- ➢ the date of provision of service or
- ➢ the date of receipt of payment.

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

Discussion & Conclusion:-

➲ In the given case, the advance payment was received on 5th January and the service was provided on 23rd April.

➲ However, **no invoice was issued** even after the expiry of prescribed period for issue of invoice.

➲ Therefore, the **time of supply of service** is **5th January** which is the **date of receipt of payment.**

CCP 05.04.12.00

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

Answer:

Legal Provision:-

➲ As per **section 13(2)(b) of CGST Act, 2017**, if **invoice is not issued within the time** prescribed u/s 31 for supply of services, then **the time of supply** of such services shall be **earlier** of:-

- ➢ the date of provision of service or
- ➢ the date of receipt of payment.

➲ As per **section 31(2)**, generally, the tax invoice shall be issued within 30 days of

supply of service & in case of banking & FI, it should be within 45 days.

Discussion & Conclusion:-

- In this case, the service is provided on 5th September but the invoice is not issued within the prescribed time limit of 30 days of supply of service.
- Therefore, **5th September** will be the **time of supply which is the date of provision of service, being earlier than the date of payment.**

CCP 05.04.13.00

Determine the time of supply from the following particulars: (ICAI Material)

6th May	Booking of convention hall, sum agreed ₹15000, advance of ₹3000 received
15th September	Function held in convention hall
27th October	Invoice issued for ₹ 15000, indicating balance of ₹ 12000 payable
3rd November	Balance payment of ₹ 12000 received

Answer: Legal Provision:-

- As per **section 13(2)(b)** of CGST Act, 2017, if invoice is not issued within the time prescribed u/s 31 for supply of services, then **the time of supply** of such services shall be **earlier** of:-
  - the date of provision of service or
  - the date of receipt of payment.
- As per **section 31(2)**, generally, the tax invoice shall be issued within 30 days of supply of service & in case of banking & FI, it should be within 45 days.

Discussion & Conclusion:-

- In given case, invoice is not issued within the prescribed time limit of 30 days of supply of services
- Therefore, as per **section 13(2)(b)**, the time of supply of service is:-
  - **6th May** for **advance received ₹ 3,000** because this date of advance payment of ₹ 3000 is earlier than the date of provision of service i.e. 15th September.
  - **15th September** for the **balance ₹ 12,000** because this date of provision of service is earlier than the date of payment of balance amount i.e. 3rd November.

CCP 05.04.14.00

Investigation shows that ABC & Co. carried out service of cleaning and repairs of tanks in an apartment complex, for which the Apartment Owners' Association showed a payment in cash on 4th April to them against work of this description. The dates of the work are not clear from the records of ABC & Co. ABC & Co have not issued invoice or entered the payment in their books of account. [ICAI Study Material]

Answer:

Legal Provision -

- As per **section 13(2)(c)** of CGST Act, 2017 if time of supply of service cannot be determined **u/s 13(2)(a) & 13(2)(b)**, then the time of supply shall be:-
  - date on which the recipient shows the receipt of services in his books of account.

Discussion & Conclusion:-

- In the given case, time of supply **cannot be determined as per section 13(2)(a)/(b)** as neither the invoice has been issued nor the date of provision of service is available & the date of receipt of payment in the books of the supplier is also not available.
- Now, the time of supply as per **section 13(2)(c)** shall be the **date on which the recipient of service shows receipt of the service in his books of account.**
- Thus, the **time of supply will be 4th April** which is the date on which the Apartment Owners' Association records the receipt of service in its books of account

05. Proviso to Sec 13(2):- TOS of Services for excess amount received upto Rs 1000

CCP 05.05.15.00

Mr. X took telecommunication service from BSNL. For the month of January, 20XX, the bill amount was ₹ 5,000. He made a payment of ₹ 5,500 with an instruction to adjust the excess payment against next month's bill, and hence the same was adjusted by BSNL in case of his next month bill payable on 05/03/20XX (invoice issued on same date). Determine the time of supply with regard to such excess payment in light of the GST law. What would be your answer, if Mr. X make payment of ₹ 6,500?

Answer:- Legal Provision:-

➲ As per proviso to **section 13(2)** of CGST Act, if supplier of taxable services receives upto Rs 1000/- in **excess** of the **amount indicated in the tax invoice**, then the supplier has the option to take the date of issue of invoice for such excess amount as the time of supply for such excess.

Discussion & Conclusion:-

(i) If Mr. X makes the payment of ₹ 5,500:-

➲ In the given case, **excess amount paid is ₹ 500** (which is not exceeding ₹ 1000) as the January, 20XX bill was for ₹ 5000 & payment made ₹ 5500.

➲ Therefore, **time of supply** of such excess amount is **05/03/20XX i.e. date of invoice for such excess as per proviso to section 13(2).**

(ii) If Mr. X makes the payment of ₹ 6,500:-

➲ Here, the excess payment is ₹ 1500 which exceeds Rs. 1000.

➲ In such case, above **proviso is not applicable.**

➲ Therefore, as per section 13(2), the **time of supply shall be the date of receipt** of such excess advance amount.

06. Sec 13(3):- TOS of Services under Reverse Charge

CCP 05.06.16.00

Determine the time of supply in the following cases assuming that GST is payable under reverse charge:- [ICAI Material] [CMA Mock test June 2018]

S. No.	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services
	(1)	(2)
(i)	August 10	June 29
(ii)	August 10	June 1
(iii)	Part payment made on June 30 and balance amount paid on September 1	June 29
(iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1
(v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29

Answer: Legal Provision:- As per **section 13(3)** of CGST Act, 2017, if **supply of services is taxable under reverse charge**, then the time of supply of services shall be the earliest of the following dates:-

a) **Date of payment** which shall be **earlier** of following:-

➲ date entered in the books of account of the recipient or

➲ date on which the payment is debited in recipient's bank account.

b) Date immediately **following 60 days** from date of issue of invoice by the supplier.

(Here, date of invoice is relevant only for calculating sixty days from that date.)

Determination of the time of supply of services taxable under reverse charge:-

Sr. No.	Date of payment by recipient of services	Date of issue of invoice by supplier of services	61st day from date of Invoice	Time of Supply of Services u/s 13(3)
	(1)		(2)	[Earlier of (1)&(2)]
i	August 10	June 29	August 29	August 10
ii	August 10	June 1	August 1	August 1
iii	Part payment made on June 30 & balance amount paid on September 1	June 29	August 29	June 30 for Part payment and August 29 for balance amount
iv	Payment is entered in the recipient's books of account on June 28 & debited in recipient's bank account on June 30	June 1	August 1	June 28

v	Payment is entered in the recipient's books of account on June 30 and debited in recipient's bank account on June 26	June 29	August 29	June 26

CCP 05.06.17.00

Kabira Industries Ltd engaged the services of a transporter for road transport of a consignment on 17th June and made advance payment for the transport on the same date, i.e., 17th June. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July. Invoice was received from the transporter on 22nd July.

What is the time of supply of the transporter's service? (ICAI Material)

Answer:

Legal Provision:-

- As per **section 9(3)** of CGST Act, if services are provided by Goods Transport Agency **(GTA)** for transportation of goods **by road** to **any Body Corporate (which includes company)** established by or under any law, then GST is payable on reverse charge basis by such Body Corporate.
- As per **section 13(3)** of CGST Act, 2017, the time of supply of service taxable under reverse charge is **earlier** of the following:-

a) **Date of payment** made by the recipient.

b) Date immediately **following 60 days** from date of issue of invoice by the supplier.

(Here, date of invoice is relevant only for calculating sixty days from that date)

Discussion & Conclusion:-

- In the given case, the date of payment (i.e. 17th June) precedes 61st day (i.e. 21st September) from the date of issue of invoice by the supplier of service.
- Hence, the **time of supply of service as per section 13(3) shall be 17th June** which is the date of payment in this case.

Assumption:- It is assumed that GTA has not paid GST @12% i.e. GST is payable @ 5%.

CCP 05.06.18.00

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

(i) 6-10-20XX, or

(ii) 17-12-20XX (CA Inter GST Nov 19 Exam New)

Answer:-

Legal Provision:-

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

a) **Date of payment** made by the recipient.

b) Date immediately **following 60 days** from date of issue of invoice by the supplier.

Discussion & Conclusion:-

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

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

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

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

- **05.09.20XX** is the time of supply for payment of **Rs. 50000** as this is earlier than the 61st day (i.e. 16.02.20XX) from date of issue of invoice.

➤ **12.12.20XX** is the time of supply for payment of **Rs. 150000** as this is earlier the 61st day (i.e. 16.02.20XX) from date of issue of invoice.

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

07. Common Questions on Sec 12 & Sec 13

CCP 05.07.19.00

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

A. Job work of engineering goods:-

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

B. Supply of engineering goods:-

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

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

Answer:-

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

- Job work is treated as supply of services.
- As per **section 13(2)(a)** of CGST Act, 2017, if invoice is issued within the time prescribed u/s 31 (i.e. within 30 days) for supply of services, then the **time of supply** of such services shall be earlier of:-
  a) the date of issue of invoice by the supplier or
  b) the date of receipt of payment
  (to the extent the invoice/payment covers the supply of services).
- Thus, the time of supply for advance of ₹ 1,50,000 received for the supply of job work services is **03.03.20XX** and for balance payment of ₹1,00,000 is **11.03.20XX.**
- Value of supply is ₹ 2,50,000.

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

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

CCP 05.07.20.00

(i) An order is placed to T & Co., Sholapur on 18th August, 20XX for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 20XX and after completion of the order issued the invoice on 15th September, 20XX. The payment against the same was received on 30th September, 20XX. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations.

(ii) HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May, 20XX. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July, 20XX. Invoice was received from the transporter on 20th

June, 20XX and payment was made on 25th August, 20XX.

What is the time of supply of the transporter's service? [CA Inter Dec 21 Exam]

Answer:

(i)

Legal Provision:-

- As per **section 12(2)** of CGST Act, 2017 **read with notification 66/2017**, the time of supply of goods shall be **earlier** of the following dates:-
  - a) Date of issue of invoice or
  - b) last date to issue the invoice u/s 31.
  - (As per **notification 66/2017**, the time of supply of goods is **not on advanced received**).
- As per **section 31(1)**, the registered person is required to issue invoice before or at the time of delivery of goods or making goods available to the recipient.

Discussion & Conclusion:-

- In given case, last date to issue invoice is the date of delivery of fabrics i.e. 4th September, 20XX which precedes the date of invoice i.e. 15th September, 20XX.
- Thus, the **time of supply is 4th September, 20XX.**

(ii)

Alternative 1:- Assuming that services of transportation of goods by road have been provided by a GTA which has not paid GST @ 12%; i.e. GST is payable @ 5%.

Legal Provision:-

- As per **section 9(3)** of CGST Act, 2017, if service of transportation of goods by road is provided by GTA to a body corporate (which includes company), then GST is payable under reverse charge by body corporate.
- As per **section 13(3)** of CGST Act, 2017, the time of supply of service taxable under reverse charge is earlier of the following:-
  - a) **Date of payment** made by the recipient.
  - b) Date immediately **following 60 days** from date of issue of invoice by the supplier.

Discussion & Conclusion:-

- Thus, in the given case, time of supply is earlier of:-
- 25th August, 20XX i.e. the date of payment or
- 20th August, 20XX (61st day from 20th June which is the date of invoice)
- Therefore, the time of supply is 20th August, 20XX.

Alternative 2:- Assuming that services of transportation of goods by road have been provided by a GTA which has paid GST @ 12%. Thus, GST is payable under forward charge.

Legal Provision:-

- As per **section 9(3)** of CGST Act, 2017, if GTA pays GST @ 12%, then RCM is not applicable, then GTA is liable **forward charge** to pay tax.
- As per **section 13(2)(a)** of CGST Act, 2017, if invoice is issued within the time prescribed u/s 31 (i.e. within 30 days) for supply of services, then the **time of supply** of such services shall be **earlier** of:
  - a) the date of issue of invoice by the supplier or
  - b) the date of receipt of payment.

Discussion & Conclusion:-

- In the given case, the date of invoice is 20th June, 20XX which is before provision of services and the date of receipt of payment is 25th August, 20XX.
- Therefore, **the time of supply is 20th June, 20XX.**

CCP 05.07.21.00

GST is payable on advance received for supply of goods and services taxable under forward charge.

Do you agree with the statement? Support your answer with legal provisions. [ICAI Study Material]

Answer:

- **The statement is not correct.**
- While GST is payable on advance received for supply of services taxable under forward charge, the same is not payable in case of advance received for

supply of goods taxable under forward charge.

- As per **section 13(2)** of CGST Act, 2017, the **time of supply of services** under forward charge is:-

	Cases	Time of Supply
a	If the invoice is issued within the period prescribed u/s 31:-	Time of supply shall be **earlier** of:- ☞ the date of issue of invoice by the supplier or ☞ the date of receipt of Payment.
b	If the invoice is not issued within the period prescribed u/s 31:-	Time of supply shall be **earlier** of:- ☞ the date of provision of service or ☞ the date of receipt of payment.

- Thus, if supplier of services receives any payment before the provision of service or before the issue of invoice for the same, time of supply gets fixed at that point in time & liability to pay tax arises on such payment which can be paid by the due date prescribed with reference to such time of supply.
- As per **section 12(2)** of CGST Act, 2017 **read with notification 66/2017**, the **time of supply of goods** taxable under forward charge shall be **earlier** of following dates:-
  a) Date of issue of invoice or
  b) last date to issue the invoice u/s 31.
- Therefore, in case of goods, tax is not payable on receipt of advance payment.

08. Sec 12(4)/13(4) : TOS in case of vouchers

CCP 05.08.22.00

Meal coupons are sold to a company on 9th August for being distributed to the employees of the said company. The coupons are valid for six months and can be used against purchase of food items. The employees use them in various stores for purchases of various edible items on different dates throughout the six months. What is the date of supply of the coupons? [CA IPC MTP Aug 2018] [ICAI Study material]

Answer: Legal Provision:-

As per **section 12(4)** of CGST Act, 2017, time of supply of **vouchers** issued by supplier of **goods** shall be:-

a) the date of issue of voucher, if the supply is identifiable at that point; or

b) the date of redemption of voucher, in all other cases.

Discussion & Conclusion:-

- In the given case, **supply is not identifiable** at the time of issue of coupon.
- This is because coupons can be used for a variety of food items, which are taxed at different rates & thus, supply cannot be identified at the time of purchase of the coupons.
- Therefore, the **time of supply** of coupons shall be **date of redemption of coupons** by employees.

CCP 05.08.23.00

From the following information, determine the time of supply of services where supply is by issue of voucher valid for one year and are issued after supply of first service:-

Date of First Service: 01.01.20XX

Date of Issue of Voucher: 01.01.20XX

Date of Redemption of Voucher: 31.8.20XX

Last date for acceptance of voucher: 31.12.20XX [ICAI Study Material]

Answer: Legal Provision:-

As per **section 13(4) of CGST Act**, 2017, time of supply of **vouchers** issued by supplier of **services** shall be:-

a) the date of issue of voucher, if the supply is identifiable at that point; or

b) the date of redemption of voucher, in all other cases.

Discussion & Conclusion:-

- In the given case, voucher is issued after supply of first service & therefore, it is assumed that supply is identifiable at that point.
- Thus, as the supply is identifiable at the time of issue of voucher, the **time of supply is the date of issue of voucher i.e. 01.01.20XX.**

09. Sec 12(5)/13(5): TOS in Residual Cases

CCP 05.09.24.00

An income-tax and money laundering case against Mr. XYZ, working in a multinational company, reveals a large volume of undisclosed assets, which he claims as service income. On this basis, the GST authorities investigates the GST liability. Dates of provision of service, whether in the first half or the second half of the financial year being scrutinised by income-tax authorities, are not known. Mr. XYZ voluntarily pays GST during the investigation. What is the time of supply of the services?

Answer:

Legal Provision:-

- As per **section 13(5)** of CGST Act, 2017, where it is **not possible** to determine the time of supply under **section 13(2), 13(3) and 13(4)**, then:-
  - a) **In a case where a periodical return has to be filed:-** Time of supply shall be the date on which such return is to be filed (i.e. Due date for filing of periodical return) or
  - b) **In any other case:-** The time of supply shall be the date on which the tax is paid.

Discussion & Conclusion:-

- In the given case, it is **not possible to determine the time of supply using:-**
  - date of invoice,
  - date of provision of service,
  - date of receipt of payment &
  - date of receipt of services in the books of account of the recipient.
- On the other hand, Mr. XYZ, being an employee in a multi-national company, is **not a registered person** and hence, the **periodical return is also not to be filed.**
- Therefore, the **date of payment of GST** by Mr. XYZ will be the **time of supply u/s 13(5).**

10. Sec 12(6)/13(6): TOS for Enhancement in value on account of interest/ late fee/penalty on delayed payment of consideration

CCP 05.10.25.00

Mr. X supplied goods for ₹ 50,000 to its customer Miss Diyana on 1st January on the condition that payment for the same will be made within a week. However, Miss Diyana made payment for the said goods on 2nd February and thus, paid interest amounting to ₹ 2,000. What is the time of supply with regard to addition in the value by way of interest in lieu of delayed payment of consideration?

Answer:

Legal Provision:-

- As per section 12(6) of CGST Act, 2017, the time of supply for the **addition in value** of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date of receipt of such addition in value by supplier.

Discussion & Conclusion:-

- Thus, in the given case, the **time of supply of interest** would be the date on which the supplier has received such additional consideration, i.e. **2nd February.**

Chapter 6

Value of Supply

INDEX

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01. Sec 15(2):- Additions to Transaction Value

CCP 06.01.01.00

Can any addition be made to the contracted price when 'Transaction Value' is acceptable?

Answer: **Yes,** As per **section 15(2)** of CGST Act, 2017, the following **inclusions** shall be made **to the transaction value** determined as per section 15(1):-

a) any taxes, duties, cesses, fees and charges levied under any law other than the GST law, if charged separately by the supplier.

b) any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient & also not included in the price actually paid or payable for the goods &/or services.

c) incidental expenses, including commission and packing, charged by the supplier to the recipient, and any amount charged for anything done by the supplier in respect of the supply until delivery of goods or supply of services.

d) interest or late fee or penalty for delayed payment of any consideration for any supply &

e) subsidies directly linked to the price excluding subsidies provided by the Central Government & State Government.

Sec 15(2)(a): Taxes, duties, Cess, Fees and Charges other than GST

CCP 06.01.02.00

Determine whether the following taxes and their value shall be included in the value of supply as per section 15 of CGST Act for levy of GST:-

i) Mr. R recovers rent for premises of ₹15,000 and a house tax of ₹1000 per month.

ii) Contract price of supply of goods is ₹14,000 inclusive of GST is 18%.

iii) An Indian company is required to pay ₹ 1,00,000 to a German company for technical knowhow. It deduced ₹ 10,000 as income tax at source and paid ₹ 90,000 to the German company.

Answer:

Legal Provision:- As per **section 15(2)(a)** of CGST Act, 2017, the value of supply shall **include** any taxes, duties, cesses, fees and charges levied under any law **other than the GST law (i.e. other than CGST, SGST, UTGST, IGST & GST Compensation Cess)**, if charged separately by the supplier.

Discussion & Conclusion:- Thus, the treatment and valuation in various cases asked shall be as under:-

i)	The **Value of supply** shall be **Rs. 16000** which is including the house tax (i.e. Rent ₹ 15,000 + House tax ₹ 1000).
ii)	Contract Value is ₹ 14,000 including GST @18%. **GST charged** shall be worked out **as per Rule 35** of CGST Rules i.e. ₹14,000 * 18/118 = ₹2136. Thus, the **value of supply** for GST will be ₹**11864.** **Author's Note:-** we can show value of supply excluding GST as Rs. 14,000 * 100/118 = Rs.11,864
iii)	The **value of taxable supplies** on which the Indian company will pay GST under **reverse charge** shall be ₹ **100000** which is including TDS under income tax act.

Sec 15(2)(b): Payment made to third party

CCP 06.01.03.00

XYZ Ltd. sells plant & machinery installed at its factory on 'as is whereas basis at ₹ 2,00,000. In order to remove machinery from the factory, the buyer incurs dismantling charges of ₹ 3000, which are paid to third party. Determine the value of supply as per GST Act.

Answer:

Legal Provision:-

As per **section 15(2)(b) of CGST Act, 2017,** the value of supply shall include any

amount that the supplier is liable to pay in relation to such supply but
- which has been incurred by the recipient of the supply and
- not included in the price actually paid or payable for the goods &/or services.

Discussion & Conclusion:-

- In given case, XYZ Ltd. sells the plant & machinery on 'as is whereas basis' where the dismantling charges are directly incurred by buyer without the supplier having any liability of the same.
- Thus, dismantling charges shall not be included in transaction value ₹ 2,00,000 of XYZ Ltd.
- Thus, the value of supply shall be ₹ 200000 in this case & the dismantling charges ₹ 3,000 shall be separately treated in the invoice of third party and not in the invoice of supplier.

CCP 06.01.04.00

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

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

Legal Provision:-

- Section 15(2)(c) of CGST Act, specifies that amount charged for anything done by supplier in respect of supply at the time of or before delivery of goods or supply of services shall be included in value of supply.

Discussion & Conclusion:-

- In the given case, Since AKJ Foods Pvt. Ltd. does the testing on customer's request before the delivery of goods, the charges therefore will be included in the value of the consignment.
- The **testing fee should be added to the price** to arrive at value of the consignment.

CCP 06.01.05.00

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

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

Will your answer change if residence of Ms. Leena is 50 km away from showroom? [ICAI Study Material]

Answer:

Legal Provision:-

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

- incidental expenses, including commission and packing, charged by supplier to recipient &
- any amount charged for anything done by the supplier in respect of the supply **until delivery of goods or supply of services.**

Discussion & Conclusion:-

- In the given case, the showroom is not charging any amount towards freight from Ms. Leena but incurring the same out of its own pocket.
- Thus, the same shall **not be added to value** & the **value of supply will be ₹ 2,00,000** in this case.
- However, the answer will change in the second case when the showroom will charge ₹ 300 for freight [(50km – 20 km) x ₹ 10] from Ms. Leena.
- In this second case, the supply will be a **composite supply where the principal supply being the supply of furniture** and **value** thereof will be ₹ **2,00,300.**

Sec 15(2)(d): Interest, late fee or penalty for delayed payment of consideration

CCP 06.01.06.00

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

Answer:

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

Legal Provision:-

- As per **section 15(1)** of CGST Act, 2017, value of supply is the transaction value (i.e. price actually paid or payable) where price is sole consideration for supply & supply is made to unrelated person.
- As per **section 15(2)(d)** of CGST Act, 2017, the value of supply shall include **Interest or late fee or penalty for delayed payment** of any consideration for supply.
- Such interest is added to transaction value on receipt basis & **not on notional basis.**

Discussion & Conclusion:-

- In given case, Mezda Banners waived the interest payable for delay of two days & thus, it did not actually receive that notional interest.
- Once waived, the interest is not payable and is therefore, **not to be added to the value.**

CCP 06.01.07.00

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

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

Answer:-

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

- Thus, interest charged by M/s. Bela will be included in the value of goods supplied by it.

Sec 15(2)(e): Subsidies by private enterprises

CCP 06.01.08.00

A philanthropic association makes a substantial donation each year to a reputed private management institution to subsidize the education of low income group students who have gained admission there. The fee for these individuals is reduced thereby, coming to ₹ 3 lakh a year compared to ₹ 5 lakh a year for other students. What would be the taxable value of the service of coaching and instruction provided by the institution? [ICAI Study Material]

Answer:

Legal Provision:-

- As per **section 15(2)(e)** of CGST Act, 2017, the value of supply shall **include** Subsidies directly linked to the price **excluding** subsidies provided by the Central Government & State Government.

Discussion & Conclusion:-

- In this case, the subsidy is **not given by Government** but by a philanthropic association to subsidize the education & is **directly linked** to the fee charged.
- Thus, **subsidy is to be added back to the price** to arrive at the taxable value, i.e. ₹5 lakh in a year.

CCP 06.01.09.00

Sharp Minds Institute provides coaching for engineering entrance examinations. Monthly fee charged by the Institute from a student is ₹ 10,000. The Institute is known for its commitment to provide education to underprivileged children. It trains 10 students every year for entrance examinations free of cost. The Institute has received ₹ 3,00,000 as coaching fees during a month. Nav Jeevan, an NGO working in the area of education for underprivileged children, has given a subsidy of ₹ 10,000 (in lumpsum) during the month to the Institute as it is serving the cause of underprivileged children. Determine the value of supply of education services made by Sharp Minds Institute during the month. [ICAI Study Material]

Answer:

Legal Provision:-

- As per **section 15(2)(e)** of CGST Act, 2017, the value of a supply includes subsidies directly linked to the price, excluding subsidies provided by the State Governments and the Central Government.

Discussion & Conclusion:-

- In the given case, though the subsidy is given by a **non-Government body**, the same is **not includible** in the value as it is given **in lumpsum and not directly linked to the price** of the supply being valued.
- Therefore, the **value of supply** made by Sharp Minds during the month **is ₹ 3,00,000.**

02. Sec 15(3): Deduction of Discount

CCP 06.02.10.00

Whether discounts given to a customer be allowed as a deduction from transaction value?

Answer: **Yes,** As per **section 15(3)** of CGST Act, 2017, the following two types of discounts would be excluded from the transaction value:-

i) **Discount given before or at the time of Supply:-**
It is allowed as a deduction if such discount has been duly recorded in the invoice issued in respect of such supply.

ii) **Discount given after effecting Supply/ Post-Supply Discount:-**
It is allowed as a deduction if:-
- such discount is given as per **agreement** entered into at or before the time of such supply,
- it is specifically **linked to relevant invoices &**
- the recipient of supply **reverses the Input tax credit** which is attributable to such discount on the basis of document issued by the supplier.

CCP 06.02.11.00

Crunch Bakery Products Ltd. sells biscuits and cakes through its dealers, to whom it charges the list price minus standard discount and pays GST accordingly. When goods remain unsold with the dealers, it offers additional discounts on the stock as an incentive to push the sales. Can this additional discount be reduced from the price at which the goods were sold and concomitant tax adjustments made? [ICAI Study Material]

Answer:

Legal Provision:- As per **section 15(3)** of CGST Act, 2017, the **discount given after effecting Supply shall be deducted from transaction value if:-**

- such discount is given as per **agreement** entered into at or before the time of such supply,
- it is specifically **linked to relevant invoices &**
- the recipient of supply **reverses the Input tax credit** on such discount on the basis of document issued by the supplier.

Discussion & Conclusion:-

- In the given case, Crunch bakery products Ltd. has given additional discount **after** supply of goods which was not agreed at the time of supply.
- Therefore, such discounts cannot be reduced from the price on which tax had been paid.

03 . Explanation to section 15:- Related Persons

CCP 06.03.12.00

When will the recipient and supplier be treated as related person?

Answer: As per **explanation to section 15** of CGST Act, 2017, **persons shall be deemed to be "related persons" if:-**

(i) Such persons are officers or directors of one another's businesses

(ii) Such persons are legally recognised partners in business

(iii) Such persons are employer and employee

(iv) Any person directly or indirectly owns, controls or holds twenty-five percent or more of the outstanding voting stock or shares of both of them

(v) One of them directly or indirectly controls the other

(vi) Both of them are directly or indirectly controlled by a third person

(vii) Together they directly or indirectly control a third person or

(viii) They are members of the same family

(ix) They are associated in the business of one another where one is the sole agent/ sole distributor/ sole concessionaire of the other.

04.Combined Questions on section 15:-

CCP 06.04.13.00

Determine the value of taxable supply from the following information in accordance with the provisions of section 15 of the CGST Act 2017:-

Particulars	Amount in RS
Contract Value of goods inclusive of GST @ 12%	9,50,000
The above value of goods includes the following charges:-	
-Packing & Handling charges	15,000
-Assembling & Pattern making charges	22,000
-Testing charges	11,000
Transport charges paid by recipient on behalf of supplier has not been included in the contract value	7,500

Answer: Computation of Value of Taxable supply:-

Particulars	RS.	Remark
Total Contract price of goods	9,50,000	It is inclusive of GST, Packing & Handling charges, Assembling & Pattern making charges & Testing charges as given in Question.
Less:- GST @ 12% [Rs.9,50,000 *12/112]	(1,01,786)	It is not includible in value u/s 15(2)(a) of CGST Act, 2017.
Add:- Transport charges	7,500	Supplier's liability being incurred by recipient and not included in price, is includible in value u/s 15(2)(b) of CGST Act, 2017.
Value of taxable Supply	**8,55,714**	Refer Note below

Notes:-

- As per **section 15(2)(c)** of the CGST Act, value of supply shall **include**
  - incidental expenses, including commission and packing, charged by supplier to recipient **&**
  - any amount charged for anything done by the supplier in respect of the supply **until delivery of goods or supply of services.**
- Hence, Packing & Handling charges, Assembling & Pattern making charges & Testing charges **are not deducted** from total contract price **as they already included in value.**

CCP 06.04.14.00

Samriddhi Advertisers conceptualized and designed the advertising campaign for a new product launched by New Moon Pvt. Ltd. for a consideration of ₹ 5,00,000. Samriddhi Advertisers owed ₹ 20,000 to one of its vendors in relation to the advertising service provided by it to New Moon Pvt. Ltd. Such liability of Samriddhi Advertisers was discharged by New Moon Pvt. Ltd. New Moon Pvt. Ltd. delayed the payment of consideration and thus, paid ₹ 15,000 as interest.

Determine the value of taxable supply made by Samriddhi Advertisers [Applicable Rate=18%] [ICAI Study Material]

Answer:-

Determination of the value of taxable supply made by Samriddhi Advertisers:-

Particulars	Amount in RS
Advertising service charges	5,00,000
Payment made by New Moon Pvt. Ltd. to vendor of Samriddhi Advertisers [Note 1]	20,000
Interest for delay in payment of consideration [Rs.15,000 x 100/118] [Round off][Note 2]	12,712
Value of taxable supply	**5,32,712**

Notes:-

1. Supplier's liability being incurred by recipient & also not included in price charged is **includible** in value as per **section 15(2)(b)** of CGST Act, 2017.
2. The interest for delay in payment of consideration **will be includible** in the value of supply as per **section 15(2)(d)** of CGST Act but, the time of supply of the same will be the date when such interest amount is actually received as per section 13(6).
   - Such interest received shall be inclusive of GST and the value shall be computed by backward calculation i.e. [Int/(100+tax)*100].

Alternative Ans by ICAI:-

- It is also possible to assume interest to be exclusive of GST & so, value of supply will be ₹ 5,35,000.
- If in any Question, interest on delay in payment of consideration is there but tax rate is not given, then take assumption that interest & other amounts in Question are exclusive of GST.

CCP 06.04.15.00

M/s. Flow Pro, a registered supplier, sold a machine to BP Ltd. It provides the following information in this regard:-

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

(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

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

Determine the value of taxable supply made by M/s Flow Pro to BP Ltd. [CA Inter MTP Oct 21] [ICAI Study Material]

Answer: Computation of value of taxable supply made by M/s. Flow Pro to BP Ltd.

Particulars	Amount (₹)	Remark
Price of the machine	25,000	Since **subsidy** is received from **State Government**, the same is not includible in the value of supply as per **section 15(2)(e)** of CGST Act
Third party inspection charges	5,000	Amount that supplier is liable to pay for supply but is incurred by recipient & not included in the price for the goods, is **includible** in value of supply as per **section 15(2)(b)** of CGST Act
Freight charges for delivery of the machine	2,000	Since arranging freight is the liability of supplier, it is a case of composite supply and thus, **freight charges are added in the value of** principal supply as per **section 15(2)(c)** of CGST Act
Total	**32,000**	
Less: Discount @ 2% on ₹ 25,000 being price charged to BP Ltd.	500	Discount given before or at the time of supply if duly recorded in invoice **is deductible** from the value of supply as per **section 15(3)(a)** of CGST Act
Value of taxable supply	**31,500**	

CCP 06.04.16.00

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

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

Additional information:-

(I) SQM Ltd. normally gives an interest-free credit period of 30 days for payment, after that it charges interest @ 1% p.m. or part thereof on list price. ACD Ltd. paid for the supply after 45 days, but SQM Ltd. waived the interest payable.

(ii) SQM Ltd. received ₹ 50,000 as subsidy, from one non-government organization (NGO) on sale of such machine. This subsidy was not linked to the price of machine and also not considered in list price of ₹ 9,50,000.

(iii) ACD Ltd. deducted discount of ₹ 15,000 at the time of final payment, which was not as per agreement.

(iv) SQM Ltd. collected ₹ 9,500 as TCS (tax collected at source) under the provisions of the Income Tax Act, 1961.

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

Note:- Correct legal provision should form part of your answer. [CA Inter Nov 20 Exam]

Answer:-

Computation of value of taxable supply:-

Sr. No.	Particulars	Amount (₹)
	List price (exclusive of taxes and discount)	9,50,000
(I)	Municipal taxes [Note-1]	45,000

(ii)	Outward freight charges [Note-2]	65,000
	Value of taxable supply	**10,60,000**

Notes:-

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

CCP 06.04.17.00

Shri Krishna Pvt. Ltd., a registered dealer, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd. in the course of Intra State:-

Sr. No.	Particulars	Amount in RS
(i)	Price of the goods	1,00,000
(ii)	Municipal Tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidies received from Shri Ram Trust (As the products is going to be used by blind association)	50,000
(v)	Late fees for delayed payment (Though, Shri Balram Pvt. Ltd. made late payment but these charges are waived by Shri Krishna Pvt. Ltd.)	1,000
(iv)	Shri Balram Pvt. Ltd. paid weightment charges to Radhe Pvt. Ltd. (on behalf of Shri Krishna Pvt. Ltd.)	2,000

According to GST Law, determine the value of taxable supply made by Shri Krishna Pvt. Ltd. Items given in Point (ii) to (vi) are not considered while arriving at the price of the goods given in point no. (1).

[ICAI Study Material] [CA Inter MTP Oct 2020] [CA Inter MTP Nov 21]

Answer:-

Computation of value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.:-

Particulars	Amount (₹)	Remark
Price of the goods	1,00,000	
Municipal Tax	2,000	**Taxes other than** those levied under **GST** law are **Includible in value** as per **section 15(2)(a)** of CGST Act, 2017
Inspection charges	15,000	Being **incidental expenses,** the same are includible in the value as per **section 15(2)(c)** of the CGST Act, 2017
Subsidy received from Shri Ram Trust	50,000	Since subsidy is received from a **non-Government body,** and subsidy is **directly linked** to price the same is **includible** in the value as per **section 15(2)(e)** of the CGST Act, 2017
Late fees for delayed payment	Nil	**Not includible u/s 15(2)(d)** of CGST Act, 2017 since it is waived off

Weighment charges paid to Radhe Pvt. Ltd. by Shri Balram Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd.	2,000	Liability of the supplier being discharged by the recipient & not included in price, is **includible** in the value as per **section 15(2)(b)** of the CGST Act
Value of taxable supply	**1,69,000**	

CCP 06.04.18.00

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

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

Determine the value of taxable supply made by Koli Ltd. to Ghisa Ltd. [ICAI Study Material]

Answer:-

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

Particulars	Amount (₹)	Remark
Price of machinery (exclusive of taxes & discounts)	5,50,000	
Add: Amount paid by Ghisa Ltd. directly to the supplier for a part fitted in the machinery	20,000	As per **section 15(2)(b)** of CGST Act, it shall be **added in value** as it is supplier's liability being incurred by recipient and not included in price also.
Add: Installation and testing charges	25,000	As per **section 15(2)(c)** of CGST Act, any amount charged for anything done by supplier for supply of goods at the time of, or before delivery of goods shall be **included** in value.
Less: Discount 2% on machinery price [₹5,50,000 x 2%]	(11,000)	As per **section 15(3)(a)** of CGST Act, since discount is given before or at the time of supply of machinery & recorded in invoice, this discount shall be deducted from value.
Less: Additional 1% discount at year end	Nil	As per **section 15(3)(b)** of CGST Act, though the additional discount is established before or at the time of supply, it is **not deductible** from value
		as the same is not linked to any specific transaction & is adjusted by parties at end of the financial year
Value of taxable supply	**5,84,000**	

CCP 06.04.19.00

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

Sr. No.	Particulars	Narad Traders (₹)	Nandi Motors Ltd. (₹)
(I)	Price of the goods (excluding GST)	10,000	30,000
(II)	Packing charges	500	
(III)	Commission	500	
(IV)	Weighment charges		2,000
(V)	Discount for prompt payment (recorded in the invoice)		1,000

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

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

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

Make suitable assumptions, wherever necessary.

Note:- The supply made to Narad Traders is an inter-State supply. [CA Inter RTP-Nov 21]

Answer:-

Computation of GST liability:-

Sr. No.	Particulars	Narad Traders (₹)	Nandi Motors Ltd. (₹)
(I)	Price of goods	10,000	30,000
(II)	Add: Packing charges (Note-1)	500	
(III)	Add: Commission (Note-1)	500	
(IV)	Add: Weighment charges (Note-1)		2,000
(V)	Less: Discount for prompt payment (Note-2)		(1,000)
	Value of taxable supply	**11,000**	**31,000**
	IGST payable @ 18% (Note-3)	1,980	
	CGST payable @ 9% (Note-4)		2,790
	SGST payable @ 9% (Note-4)		2,790

Notes:-

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

CCP 06.04.20.00

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

Sr. No.	Particulars	Amount in ₹
(i)	Packing charges	5,000
(ii)	Freight & Cartage	2,000
(iii)	Transit Insurance	1,500
(iv)	Extra designing charges	6,000
(v)	Taxes by Municipal Authority	500

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

Compute the GST liability of Kamal Book Depot for the month of November, 20XX assuming the rates of GST on the goods supplied as CGST 9% & SGST 9%.

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

Note:- (i) All the amounts given above are exclusive of GST.

(ii) Kamal Book Depot and Mr. Mehta are not related persons and price is the sole consideration of the supply.

****Payment and invoice for the second order will also be made in the month of December, 20XX only. [CA Inter RTP May 19 New]**

Answer:-

i) Computation of value of taxable supply & GST liability of Kamal Book Depot for November, 20XX:-

Particulars	Amount (₹)	Refer Note
Price of the goods	2,00,000	[Note 1]
Add:-		
i. Packing Charges	5,000	[Note 2]
ii. Freight & Cartage	2,000	[Note 2]
iii. Transit Insurance	1,500	[Note 2]
iv. Extra Designing charges	6,000	[Note 2]
v. Taxes by Municipal Authority	500	[Note 3]
Value of taxable supply	**2,15,000**	[Note 4]
CGST @ 9%	19,350	
SGST @ 9%	19,350	
Total GST Liability	**38,700**	

Notes:-

1. As per **section 15(1)** of CGST Act, 2017, **value of a supply** of **Transaction** value (i.e. price actually paid or payable) where price is sole consideration for supply & supply is made to unrelated person.
2. As per **section 15(2)(c)** of the CGST Act,
   - the value of supply **includes:-**
     - incidental expenses, including commission and packing, charged by supplier to recipient **&**
     - any amount charged for anything done by the supplier in respect of the supply until delivery of goods or supply of services.
   - Thus, Packing Charges, Freight & Cartage, Transit Insurance & Extra designing charges are **includible in value.**
   - The given **supply is a composite supply** where the **principal supply is supply of goods** (stationery items) & the above services are incidental. Thus, entire composite supply is treated as a supply of goods only & charged to tax accordingly **u/s 8(a)** of CGST Act.
3. As per **section 15(2)(a)** of CGST Act, Taxes other than those levied under GST law are Includible in value.
4. As per **section 15(3)** of CGST Act, **discount given after effecting Supply/ Post-Supply Discount** will be allowed as a **deduction** from value if:-
   - such discount is given as per **agreement** entered into at or before the time of such supply,
   - it is specifically **linked to relevant invoices &**
   - the recipient of supply **reverses the Input tax credit** which is attributable to such discount on the basis of document issued by the supplier.

   In given case, **discount of ₹ 20,000** is a **post-supply discount** as goods are already delivered by Kamal Book Depot. It will **not be allowed as a deduction** from value since the discount policy was not known on or before the time of such supply although the discount can be specifically linked to relevant invoice (invoice pertaining to stationery items supplied to Mr. Mehta in November, 20XX).

ii) In case, the expenses (i) to (v) given in above table are already included in price of ₹ 2,00,000:-

- Since, these **expenses are includible** in value of supply as per the reasons mentioned in explanatory notes above, **no further addition will be required.**
- Resultantly, the **value of taxable supply will be ₹ 2,00,000** and **CGST and SGST will be ₹ 18,000 and ₹ 18,000** respectively.

CCP 06.04.21.00

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

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

XYZ Pvt. Ltd. offers 2% turnover discount on the list price after reviewing the performance of ABC Pvt. Ltd. The discount was not known at the time of supply. ABC Pvt. Ltd. delayed the payment and paid ₹ 5,000 (including GST of 18%) as interest to XYZ Pvt. Ltd.

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

(CA Inter May 22 Exam)

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

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

Chapter 7

Exemption under GST

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S.No.	Description	Chap No.	Que. No.	No. Illus.
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4	Other	7	Q. 01.01/ 02.02/ 03.04/ 04.06/ 05.08/06.09/ 06.10/ 07.11/ 07.12/11.18/ 12.19/ 12.20/14.25/14.26/14.29	15
	Total No. of Illusttrations			29

01. General Questions on Exemption

CCP 07.01.01.00

State the difference between

i) General & Special Exemption.

ii) Absolute & Conditional Exemption

Answer :

(i) Difference between General & Special Exemption:-

	General Exemption	Special Exemption
1	It is given by Government in public interest by notification in official gazette.	It is given by Government in public interest by special order.
2	It is applicable to all members of a particular section.	It is applicable in each case i.e. applicable to that person to whom the order is given.
3	It is given generally in public interest.	It is given in exceptional nature which is necessary in public interest.
4	It is covered u/s 11(1) of CGST Act, 2017.	It is covered u/s 11(2) of CGST Act, 2017.

(ii) Difference between Absolute & Conditional Exemption:

Absolute Exemption	Conditional Exemption
Registered person has to mandatorily avail exemption given without any conditions.	Registered person has option to avail exemption on fulfilment of certain conditions.
Registered person supplying goods &/or services which are exempted absolutely shall not collect tax in excess of effective rate	Registered person supplying goods &/or services which are exempted conditionally shall collect tax at effective rate, if any condition is not fulfilled.

02. Exemptions relating to Health Care:-

CCP 07.02.02.00

Ayushman Medical centre, a clinical establishment, offers the following services:-

S.No.	Particular	₹ (Excluding GST)
i)	Reiki healing treatment. Such therapy is not recognized system of medicine as per section 2(h) of Clinical Establishments Act, 2010	10,00,000
ii)	Plastic Surgeries [One such surgery was conducted to repair cleft lip of a new born baby, Consideration of ₹ 1,00,000 was charged for the same]	20,00,000
iii)	Air ambulance services to transport critically ill patients from distant location to Ayushman Medical Centre	1,00,000
iv)	Alternative medical treatments by way of Ayurveda. Such therapy is a recognized system of medicine as per section 2(h) of Clinical Establishment Act, 2010	2,50,000
v)	Alternative medical treatments by way of yoga.	5,00,000
vi)	Rehabilitation professional therapy service to Mr. Tushar who needed rehabilitation to learn how to walk again after the car accident.	1,00,000
vii)	Services provided by clinical establishments by way of providing room having charges ₹ 5500 per day	66000

Ayushman Medical Centre also operates a cord blood bank which provides services in relation to preservation of stem cells. Ayushman Medical Centre is of the view that since it is a clinical establishment, all the service provided by it as well as all the services provided to it are exempt from payment of GST.

You are required examine the situation & also compute value of taxable supply and GST liability [CGST & SGST or IGST] of Ayushman Medical Centre, if any, in the light of relevant GST provisions.

Note:- All the services provided by Ayushman Medical Centre are intra-State supplies. Assume the rates of CGST, SGST and IGST to be 9%, 9% and 18% respectively.

Answer:-

- The contention of Ayushman Medical Centre that since it is a clinical establishment, all the services provided to it are also exempt from GST is not correct in law.
- Exemption is available to health care services provided by a clinical establishment and not to services provided to a clinical establishment. However, such services must be provided in any recognized system of medicines in India.

Accordingly, Computation of Value of taxable supply and GST liability of Ayushman Medical Centre:-

S. NO	Particulars	₹	Remarks
i)	Reiki healing treatment	10,00,000	**Taxable** as Reiki is not a recognized system of medicines.
ii)	Plastic Surgeries (₹ 2000000-₹ 100000)	19,00,000	'Health care services' specifically **excludes** cosmetic or plastic surgery except when undertaken to restore/ reconstruct anatomy/ functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.
iii)	Air ambulance services to transport critically ill patients from distant location to Ayushman Medical Centre	Nil	**Exempt** as 'Health care services' specifically includes transportation of patient to and from a clinical establishment.
iv)	Ayurveda medical treatments	Nil	**Exempt** as Ayurveda is a recognized system of medicines.
v)	Yoga medical treatments	Nil	**Exempt** as Yoga is a recognized system of medicine.
vi)	Therapy service by Rehabilitation professional to Mr. Tushar to learn how to walk again after car accident.	Nil	Therapy provided by a rehabilitation professional recognised under Rehabilitation Council of India Act, 1992 at medical establishments is exempt.
vii)	Services provided by clinical establishments by way of providing room	66000	**Taxable,** Services provided by clinical establishment by way of providing room other than ICU/CCU/ICCU/NICU having room charges exceeding ₹ 5000 per day
	Value of Taxable supply	**29,66,000**	
	CGST @9%	2,66,940	
	SGST @9%	2,66,940	

Note:

➲ Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are taxable from GST.

➲ Therefore, services provided in relation to preservation of stem cells by the cord blood bank operated by Ayushman Medical Centre will be taxable from GST.

Authors Note: Earlier services provided by cord blood bank by preservation of stem cells & services provided by operators of the common bio medical waste treatment facility to clinical establishment was exempt but now the exemption has withdrawn

03. Exemptions relating to Charitable & Religious Sector:-

CCP.07.03.03.00

Services provided by an entity registered u/s 12AA or 12AB of the Income- tax Act, 1961 are exempt from GST, if such services are provided by way of charitable activities. Elaborate the term 'charitable activities'. [ICAI Study Material]

Answer:-

The term 'Charitable activities' means activities relating to:-

(i) Public health by way of-

a) care or counseling of-

- terminally ill persons or persons with severe physical or mental disability,
- persons afflicted with HIV or AIDS,
- persons addicted to a dependence-forming substance such as narcotics drugs or alcohol or

b) public awareness of preventive health, family planning or prevention of HIV infection,

(ii) Advancement of religion, spirituality or yoga,

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

a) Abandoned, orphaned or homeless children,

b) Physically or mentally abused and traumatized persons,

c) Prisoners or

d) Persons over the age of 65 years residing in a rural area,

(iv) Preservation of environment including watershed, forests & wildlife.

CCP.07.03.04.00

The Shirdi Sai Baba Trust is a religious trust, registered under section 10(23C)(v) of the Income Tax Act 1961. The trust has a number of rooms, community halls and shops which it gives out on rent.

Calculate the value of taxable service taking into consideration the relevant notification. For the month of June 20XX, it furnishes the following details:-

S.No.	Particulars	₹
1	Renting of Rooms: (i) 2 Rooms were rented for ₹900 each per day (ii) 5 Rooms were rented for ₹1,100 each per day	 1,800 5,500
2	Renting of Community Halls: (i) 3 Community Halls for performance of wedding ceremonies for ₹ 25,000 per day (ii) 1 Community Hall for performance of various religious ceremonies for ₹ 8,000 per day	 75,000 8,000
3	The trust has 5 shops located just across the temple which it has rented to individuals for running their business. These are retails mainly involved in selling goods required for performing various religious ceremonies. Each has been rented for ₹ 15,000 per month.	75,000
4	Meditation Hall provided on rent for ₹ 100 per day	3,000

Answer:-

Calculation of value of taxable service for the month of June 20XX:-

Sr. No.	Particulars	₹
1	Renting of Rooms: (Note-1) (i) 2 Rooms were rented for ₹900 each per day (ii) 5 Rooms were rented for ₹1,100 each per day	 - 5,500
2	Renting of Community Halls: (Note-2) (i) 3 Community Halls for performance of wedding ceremonies for ₹ 25,000 per day (ii) 1 Community Hall for performance of various religious ceremonies for ₹ 8,000 per day	 75,000 -
3	Rented 5 retails shops of Trust across the temple mainly involved in selling goods required for performing various religious ceremonies for ₹ 15,000 per month per shop (Note-3)	75,000
4	Meditation Hall provided on rent for ₹ 100 per day (Note-4)	-
	Value of taxable service	**1,55,500**

Notes:- Exemption for Renting of precincts of a religious place meant for general public, owned or managed by a charitable or religious trust registered u/s 10(23C) of Income-tax Act, 1961 is as under:

1) Renting of rooms where the rent charged is less than ₹1,000 per day is exempt.
2) Renting of community halls where the rent charged is less than ₹ 10,000 per day is exempt.
3) Renting of shops where the rent charged is less than ₹10,000 per month is exempt.
4) Meditation Hall is in the precincts of religious place and renting charges are less than ₹ 10,000 per day. Hence, the exemption is available.

CCP.07.03.05.00

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

Particulars	Amount ₹
Donation received against display of name of a city-based school in annual religious book published by the Trust	500000
Receipts from sale of food in Anand food court, located in the Trust premises	200000

Refundable deposit of ₹ 2,00,000 and annual fees of ₹ 1,00,000 received from restaurants (located in West Bengal) using brand name and logo of Anand Food Court	300000
Donation received for Pooja organized in Trust premises on occasion of 'Shivratri'	100000
Receipts from Skill Development Program for Senior Citizens (aged more than 65 years) residing in Kolkata	400000
Amount received for activities relating to preservation of Tigers in Sunderbans, West Bengal	300000
Letting out of precincts of a religious place owned by Trust in Kolkata (Rent ₹ 10,000 per day)	200000

From given information, you are required to calculate the value of taxable supply. [CA IPC Nov 20 Exam]

Answer:-

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

Particulars	₹	Reason
Donation received for publishing the name of a school in annual religious publication of Trust	500000	**Taxable**, as it is a non-charitable activity, service provided by Trust is not eligible for exemption & also, publishing name of school is giving publicity/advertisement to it.
Receipts from sale of food in food court in the premises of Trust	200000	**Taxable**, as it is a non-charitable activity, service provided by Trust is not eligible for exemption from GST.
Annual fees received from restaurants for use of brand name and logo of food court	100000	**Taxable**, as it is a non-charitable activity, service provided by Trust is not eligible for exemption. However, **deposit being refundable in nature cannot be construed as consideration.** **Note:** It is assumed that refundable deposit of ₹ 2,00,000 has not affected, in any manner, the consideration charged for use of brand name and logo of the food court.
Donation received for pooja organized in Trust premises on occasion of 'Shivratri'	Nil	Exempt because services of conduct of a religious ceremony are exempt from GST.
Receipts from skill development program for senior citizens (aged more than 65 years) residing in Kolkata	400000	**Taxable**, as Skill development program conducted by Trust for persons over the age of 65 years is not a charitable activity since such persons are **not residing in rural area**, but in an urban area (Kolkata). Thus, not eligible for exemption.
Preservation of Tigers in Sunderbans, West Bengal	Nil	**Exempt**, as it is a charitable activity of preservation of wildlife, service provided by Trust is eligible for exemption.
Letting out of precincts of religious place owned by Trust in Kolkata	200000	**Taxable**, as the rent is ₹ 10,000 per day, it is not eligible for exemption. Renting of precincts of a religious place meant for general public owned by a charitable trust is exempt only when rent is less than ₹ 10,000 per day.
Total value of taxable supply	**1400000**	

04. Exemptions relating to Legal Service:-

CCP.07.04.06.00

M/s Patil & Associates is a partnership firm engaged in providing legal services pertaining to corporate affairs, legal consultancy & representational services. During the financial year, it has provided the following services:-

(I) Represented a company appeal matter for M/s Shah & Shah Pvt. Ltd. which is an unregistered person under GST as aggregate turnover in preceding financial year is less than the threshold limit applicable for registration.

(ii) Assisted Advocate Dhiraj for a legal matter relating to a criminal case of his client.

(iii) Legal consultancy services for personal land related matter to its client, Mr. Balal dev.

(iv) Provided legal advice to the State Government for an official matter.

Whether the above services are taxable or exempt? Also give reason for the same.

Answer:-

(I)**Exempt:-**

- Legal service provided by a partnership firm of advocates to a business entity with an aggregate turnover up to such amount in preceding financial year as makes it eligible for exemption from registration under CGST Act is exempted under GST.
- Legal services include representational services.

(ii)**Exempt:-** Legal service provided by a partnership firm of advocates to an advocate is exempt.

(iii)**Exempt:-** Legal service provided by a partnership firm of advocates to a person other than a business entity is exempt.

(iv)**Exempt:-** Legal service provided by a partnership firm of advocates to State Government is exempt.

05. Exemptions relating to Agriculture:-

CCP.07.05.07.00

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

Gross Receipts from	Amount ₹
Services relating to rearing of sheeps	600000
Services by way of artificial insemination of horses	400000
Processing of sugarcane into jaggery	800000
Milling of paddy into rice	750000
Service of fumigation in a warehouse of agricultural produce	180000

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

Answer:-

Particulars	₹	Reason
Services relating to rearing of sheeps	Nil	**Exempt** since services relating to rearing of all life forms of animals, except horses, for food etc. are exempt.
Services of artificial insemination of horses	400000	**Not exempt**, since artificial insemination of livestock other than horses are exempt.
Processing of sugarcane into jaggery	800000	**Not exempt**, since processes which lter essential characteristics of agricultural produce are not exempt & processing of sugarcane into jaggery changes essential characteristics of sugarcane.
Milling of paddy into rice	750000	**Not exempt**, as this process, being carried out after cultivation is over, is not an intermediate production process for cultivation of plants & it also changes essential characteristics of paddy.

Fumigation in a warehouse of agricultural produce	180000	**Not exempt,** Services by way of fumigation in a warehouse of agricultural produce are taxable.
Value of taxable supplies	**2130000**	

Authors Note:
Services of Fumigation in a warehouse of agricultural produce was **exempt** earlier, but now the exemption has withdrawn

CCP.07.05.08.00

'Seed Farmers Association' is engaged in providing services relating to agriculture. It furnishes the following details with respect to activities undertaken by them in month of May, 20XX.

S.No.	Particulars	₹
1	Cultivation of ornamental flowers	42,000
2	Packing of tomato ketchup	54,000
3	Warehousing of potato chips and Biscuit	1,65,000
4	Sale of tea & rice on commission basis (tea 18000 & rice 50000)	68,000
5	Packaging of pulses in retail packs	45,000
6	Training of farmers on use of scientific tools, Agro-machinery and use of new pesticides and fertilizers developed through Scientific research	10,000
7	Leasing of vacant land to a study farm (rearing of horses)	1,63,000
8	Grading of wheat according to its quality	42,000
9	Testing of samples from plants for pest detection	1,21,000
10	Rearing of silk worms	83,500
11	Supply of farm labour	58,000
12	Renting of Agro-machinery	5,00,000
13	Processing of Tomato ketchup and Potato Chips	3,00,000
14	Warehousing of minor forest produce	1,70,000
15	Warehousing of seasonal vegetables, fruits, cereals and pulses	50,000

Compute the value of taxable service of 'Seed Farmer Association' for the month of May, 20XX. Assume that the point of taxation in respect of all activities mentioned above falls in the month of May, 20XX itself.

Answer:-

Computation of value of taxable service of 'Seed Farmer Association' for the month of May, 20XX:-

S.No.	Particulars	₹	Remark
1	Cultivation of ornamental flowers	-	It is exempt as Floriculture is agricultural activity
2	Packing of tomato ketchup	54,000	It is taxable as tomato ketchup is not agricultural produce
3	Warehousing of potato chips &Biscuit	1,65,000	It is taxable as potato chips & Biscuit are not agricultural produce
4	Sale of tea & rice on commission basis (tea ₹18000 & rice ₹50000)	68,000	Tea & Rice are not agricultural produce & thus, their sale on commission basis is not exempted.
5	Packaging of pulses in retailpacks	45,000	This activity is taxable as it is not necessary to make pulses marketable in primary market.
6	Training of farmers on use of scientific tools, Agro-machinery and use of new pesticides & fertilizers developed through Scientific research	-	These are Agricultural extension services & are specifically exempted.
7	Leasing of vacant land to a stud farm (rearing of horses)	1,63,000	Rearing of all life-forms of animals except horses is exempt.
8	Grading of wheat according to its quality	-	It does not alter essential characteristics of Wheat but makes it marketable for primary market & thus, exempt.

9	Testing of samples from plants for pest detection	-	Agricultural operations directly related to production of any agricultural produce including testing is exempt.
10	Rearing of silk worms	-	Rearing of all life-forms of animals except horses is exempt.
11	Supply of farm labour	-	It is specifically exempted.
12	Renting of Agro-machinery	-	It is specifically exempted.
13	Processing of Tomato ketchup & Potato Chips	3,00,000	Such processing alters essential characteristics of tomato & Potato. They are not agricultural produce & thus, taxable
14	Warehousing of minor forest produce	-	It is specifically exempted.
15	Warehousing of seasonal vegetables, fruits, cereals & pulses	-	It is specifically exempted.
	Value of Taxable Services	**7,95,000**	

06. Exemptions relating to Passenger Transportation:-

CCP.07.06.09.00

1) Mr. A boarded Rajdhani Express (fully AC train) from Kanpur on July 5, 20XX and disembarked at New Delhi. He hired a car from a local cab operator for the whole day on a lumpsum consideration and visited Delhi's historical monuments. In the night, he took the Metro to International Airport and boarded a flight to Mumbai. At Mumbai Airport, he booked a Radio taxi through Speed Cab Operator (ECO) for going to his hotel. Mr. A returned to Kanpur from a different train, Pushpak Express' in sleeper class. With reference to the Notification 12/2017, examine leviability of GST on various modes of travel undertaken by Mr. A.

2) High Alps Cable Car Co. runs a cable car to transport pilgrims uphill to a mountain top where a holy shrine is situated. Examine whether High Alps Cable Car Co. is required to pay any GST.

Answer:-

Legal provision:-

As per the exemption Notification, service of transportation of passengers, with or without accompanied belongings, by the following modes of travel is **exempted:-**

a) Railways in a class other than –
   i) First class; or
   ii) An air-conditioned coach

b) Metro, monorail or tramway

c) Inland waterways

d) Public transport, other than predominantly for tourism purpose, in a vessel between places located in India and

e) Metered cabs or Auto rickshaws (including e-rickshaws).

Discussion & Conclusion:-

In the given case, GST leviability on various passenger transportation services used by Mr. A is as under:-

1	i)	Rail travel in AC train:-	It is covered under exception part of exemption & thus, liable to GST.
	ii)	Travel in a car rented for whole day for lumpsum consideration:-	Travel by only metered cabs is covered in exemption. Thus, travel in a car rented for whole day for lumpsum consideration is liable to GST.
	iii)	Metro travel:-	It is covered in exemption and hence, not taxable.
	iv)	Air travel:-	It is not covered under the exemption and thus, liable to GST.
	v)	Radio taxi travel:-	It is not covered under the exemption & thus, liable to GST. As per section 9(5) of CGST Act, GST is to be paid by the ECO in this case.

vi)	Rail travel in sleeper class:-	It is covered in Exemption and hence, not liable to GST.
2	Use of cable car to transport passengers is not covered in the exemption & hence, it is liable to GST.	

CCP.07.06.10.00

M/s. R Ltd. is engaged is providing service of transportation of passengers, furnished following information for the month of Oct, 20XX. Find the GST liability.

1) Service of transportation of passengers by National Waterways: ₹ 50 lakhs

2) Service of transportation of passengers by Stage carriage (non-air conditioned): ₹ 5 lakhs

3) Service of transportation of passengers by contract carriage for tourism: ₹ 120 lakhs

4) Transportation of passenger from Mumbai to Chennai port in a vessel and such service in not for tourism purpose: ₹ 12 lakhs

5) Transportation of passenger from Bagdogra to Manipur by Air in Business class: ₹ 5 lakhs

Note: R Ltd. is willing to avail exemption benefits, if any & Taxable supplies of Mr. R in the previous year were ₹ 22 lakhs. [GST Rate = 5%]

Answer:-

Computation of taxable value and GST liability of M/s. R Ltd.:-

Service supplied[Transportation of passengers]	₹ in lakhs	Remark
By National Waterways	-	Exempted supply
By Stage Carriage (non-air conditioned)	-	Exempted supply
By contract carriage for tourism	120	Taxable supply
In a vessel from Mumbai to Chennai & not for tourism	-	Exempted supply
By Air in Business class from Bagdogra to Manipur	5	Taxable supply
Taxable value of supply of services	**125**	
GST liability @5% on ₹ 125 lakhs	**6.25**	

07. Exemptions relating to Goods Transportation:-

CCP.07.07.11.00

Discuss whether GST is chargeable in respect of services provided by goods transport agency in each of the following independent cases & also give necessary explanation for the same:-

(i) Transportation of organic manures ₹ 50,000.

(ii) Transportation of goods by Goods transport Agency

(iii) Transportation of military equipment's ₹ 25,000

(iv) Transportation of polyester fiber ₹ 15,000

(v) Transportation of milk products ₹ 20,000

Answer:-

(i)**Exempt:-** As per the exemption notification, transportation of organic manure by goods transport agency is exempt & hence, the same is **not** liable to GST.

(ii)**Taxable:-** Service provided by GTA for Transportation of goods is taxable in full

(iii)**Exempt:-** Transportation of military equipments by goods transport agency is specifically exempted & hence, the same is **not** liable to GST.

(iv)**Taxable:-** Transportation of polyester fiber is not covered under the exemption & hence, the same is liable to GST.

(v)**Taxable:-** Transportation of milk by goods transport agency is specifically exempted but milk products are taxable hence, the same is liable to GST.

Authors Note:

Transportation of goods by GTA where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed ₹ 1,500 & transportation of such goods for a single consignee does not exceed ₹ 750 was exempt, but now the exemption has withdrawn

CCP.07.07.12.00

Examine whether GST is payable in the given independent cases:- [ICAI Study Material]

(i) A State Transport Undertaking has hired motor vehicles meant to carry 8 – 10 passengers from Fast Cab Renting, a motor vehicle renting company. Give your comments as to whether any GST is payable in this case.

(ii) ST Ltd. has given on hire 5 trucks to Titu Transporters of Delhi (a goods transport agency) for transporting goods in Central and West Delhi. The hiring charges for the trucks are ₹ 7,500 per truck per day

Answer:-

(i)	***Legal Provision:-*** ➢ *Services of giving on hire a motor vehicle meant to carry **more than 12 passengers** to a State Transport Undertaking, is exempt from GST.* ***Discussion & Conclusion:-*** ➢ *In given case, since motor vehicles given on hire by Fast Cab Renting to State Transport Undertaking are meant to carry **8-10 passengers**, it is not be eligible for exemption & thus, **is liable to GST.***
(ii)	***Legal Provision:-*** ➢ *Services of giving on hire a means of transportation of goods to a goods transport agency are exempt from GST.* ***Discussion & Conclusion:-*** ➢ *In the given case, hiring of trucks to Titu Transporters which is goods transport agency is covered under the exemption irrespective of the hiring charges & thus, GST is not payable.*

08. Exemptions relating to Entertainment:-

CCP.07.08.13.00

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

Will your answer be different if:-

(i) Consideration charged by Kesar Maharaj for the said performance is ₹ 1,60,000?

(ii) Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product?

(iii) Kesar Maharaj gives a contemporary Bollywood style dance performance in TV Serial?

(iv) Kesar Maharaj gives Coaching in recreational activities relating to arts?

Note:- GST has been charged separately, if any. [CA Inter Exam May 19 New- gets covered in this Q]

Answer:-

Legal Provision:-

*a) Performance by an artist in folk or classical art forms of music, dance or theatre is exempt from GST, if consideration charged for such performance is not more than ₹ 1,50,000. However, exemption will **not apply** to service provided by such artist as brand ambassador.*

b) Training or coaching service in recreational activities relating to arts or culture by an Individual is exempt from GST.

Discussion & Conclusion:-

➢ *In given case, classical dance performance by Kesar Maharaj **is exempt** from GST as consideration is ₹ 98,500 which does not exceed ₹ 1,50,000 & also, he is not promoting anything. Hence, he is not liable to pay GST.*

➢ ***Yes, the answers in different scenarios shall be as under:-***

*(i) If consideration charged by Kesar Maharaj is ₹ 1,60,000, he **will be liable** to pay GST as although the performance is in classical art form of dance, but the consideration is more than 150000.*

*(ii) If Kesar Maharaj is performing as a brand ambassador of a food product to promote the same, then he **will be liable** to pay GST as the exemption is not*

applicable to a brand ambassador.

(iii) If Kesar Maharaj gives a contemporary Bollywood style dance performance in TV Serials, then such performance will not be eligible for exemption because the performance is not in folk or classical art forms of dance. Hence, **GST would be payable** on the same.

(iv) If Kesar Maharaj, being an individual provides coaching in recreational activities relating to arts, then he is **not liable to pay GST** as this service is **specifically exempted**.

CCP.07.08.14.00

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

(i) Explain with relevant provisions of GST, whether Ms. Mahima will be required to pay any GST.

(ii) What will be the answer if the proceeds of the concert is donated to a charitable organization? [CA Inter July 21 Exam] [ICAI Study Material]

Answer:-

(i) Legal Provision:-

- Services by an artist by performing folk or classical art forms of music, dance or theatre are exempt from GST, if the consideration charged for such performance is not more than ₹ 1,50,000.
- However, this exemption is not available to an artist performing as a brand ambassador.

Discussion & Conclusion:-

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

(ii) Even if the proceeds of concert is donated to a charitable organization, she will be liable to GST as this fact will not have any bearing on eligibility or otherwise to above-mentioned exemption.

09. Exemptions relating to Banking & Financial Sector:-

CCP.07.09.15.00

M/s. Apna Bank Limited, a Scheduled Commercial Bank has furnished the following details for the month of August, 20XX:- [CA Inter Exam May 19 New]

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

Compute the value of taxable supply. Give reasons with suitable assumptions.

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

Particulars	Rs in Crore	Reason
Extended Housing Loan to its customers	Nil	**Exempt**, since money does not constitute goods or services, extending housing loan is not a supply
Processing fees collected from its customers on sanction of loan	20	**Taxable**, since interest does not include processing fee on sanction of the loan.
Commission collected from its customers on bank guarantee	30	**Taxable**, as any commission collected over & above interest on loan, advance or deposit is not exempt.
Interest income on credit card issued by the bank	40	**Taxable**, as interest income on extending loans is exempt but interest income on credit card services is an exception to this exemption.

Interest received on housing loan extended by the bank	Nil	**Exempt**, as services of extending loans where consideration is represented by way of interest are exempt.
Minimum balance charges collected from current account & saving account holder	01	**Taxable**, as any charges collected over & above interest on loan, advance or deposit is not exempt.
Value of Taxable Supply	**91**	

10. Exemptions relating to Education & Training:-

CCP.07.10.16.00

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

Particulars	Amount (₹)
Services of transportation of students, faculty and staff from home to college and back to Commerce College(a private college) providing degree courses in BBA, MBA, B.Com., M.Com	250000
Online monthly magazine containing question bank and latest updates in law to students of PQR Law College offering degree courses in LLB and LLM	100000
Housekeeping services to T Coaching Institute	50000
Security services to N Higher Secondary School	325000
Services of providing breakfast, lunch and dinner to students of ABC Medical College offering degree courses recognized by law in medical field	580000

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

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

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

CCP.07.10.17.00

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

Particulars	Amount (₹)
Fee for the coaching provided to students for competitive exams. The coaching centre is run by Multi services Private Ltd. in Punjab (Intra-State transaction)	624000
Receipts for services provided in relation to conduct of examination in Pureit University, Delhi (providing education recognized by Indian law), being an inter-State transaction	19200
Amount received for transportation of students and faculty from their residence to Lotus Public School - a higher secondary school - and back (Intra-State transaction)	24000
Amount received for providing the security and housekeeping services in Dhaani Public School - a pre-school (Intra-State transaction)	36000

Note: Rates of CGST, SGST & IGST are 9%, 9% and 18% respectively. All the amounts given above are exclusive of taxes. Compute total GST liability of Multi services Private Ltd. for the month of April. [CA Inter RTP Nov 2020]

Answer:-

Computation of net GST liability of Multi services Pvt. Ltd. for the month of April, 20XX:-

Particulars	Value (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @18% (₹)
Fee for coaching provided to students for competitive exams **(Note-1)**	624000	56160	56160	-
Services towards conduct of examination in Pureit University, Delhi **(Note-2)**	19200	-	-	-
Services of transportation of students & faculty from their residence to Lotus Public School & back **(Note-3)**	24000	-	-	-
Security and housekeeping services in Dhaani Public School **(Note-4)**	36000	-	-	-
Total GST Liability		**56160**	**56160**	-

Notes:-

1) Fee for coaching is **taxable** since Coaching centre run by Muti services Private Ltd. is not an educational institution as it does not lead to grant of a qualification recognized by law.
2) Since Pureit University provides qualification recognized by law in India, it is an educational institution & services provided to an educational institution in relation to conduct of examination by such institution are **exempt** from GST.
3) Since Lotus Public School provides education up to higher secondary school, it is an educational institution & services of transportation of students, faculty and staff provided to an educational institution are **exempt**.
4) Since Dhaani Public School provides pre-school education, it is an educational institution. Security and housekeeping services provided within the premises of an educational institution are **exempt**.

II. Exemptions relating to Sports:-

CCP.07.11.18.00

State whether the following services are exempt under GST or taxable? Also determine the value of taxable services. Note that the amounts given below are exclusive of GST.

Sr.No.	Particulars	Amount (₹)
1.	Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body	1240000
2.	Service by a player to a franchisee which is not a recognized sports body	680000
3.	Services by a recognized sports body to another recognized sports body	120000
4.	Services by individuals such as selectors, commentators, curators, technical experts	690000
5.	Service by Team Manager for Indian Sports League (ISL), a recognised sports body, for a Tennis tournament organised by Multi brand retail company	200000

Answer:-

Legal Provision:-

Services provided **to** a recognised sports body are **exempted**, if they are provided by:-

a) An individual as a player, referee, umpire, coach or team manager for participation in a sporting event **organized by a recognized sports body**

b) Another recognised sports body

Discussion & Conclusion:-

Determination of value of taxable services:-

S.No.	Particulars	₹	Remarks
1	Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body	-	It is specifically exempted as discussed above.
2	Service by a player to a franchisee which is not a recognized sports body	680000	It is taxable as the service by player to an un-recognized sports body is not covered in exemption.
3	Services by a recognized sports body to another recognized sports body	-	It is specifically exempted as discussed above.
4	Services by individuals such as selectors, commentators, curators, technical experts	690000	It is taxable as exemption is given to player, referee, umpire, coach or team manager and not to selectors, commentators, curators or technical experts.
5	Service by Team Manager for Indian Sports League (ISL), a recognised sports body, for a Tennis tournament organised by Multi brand retail company	200000	It is taxable as the sporting event is not organised by a recognised sports body.
	Value of Taxable Services	**1570000**	

12. Exemptions relating to Government:-

Services provided by Government:-

CCP.07.12.19.00

Department of Posts provided following services to general public during the month ended 30.09.20XX:-

Services rendered	₹ in lakhs
Basic mail services like post card	100
Transfer of Money through money orders	500
Rural postal life insurance services	200
Distribution of mutual funds, bonds and pass port applications	500
Issuance of postal orders	300
Collection of telephone and electricity bills	100
Speed post services	500
Express parcel post services	200
Book post services	50
Ordinary post whose weight is less than 10 grams	100

Compute the value of taxable services of Department of Posts for the month ended 30.09.20XX.

Note:-

1. Time of Supply for all the aforesaid cases fall during the month ended 30.09.20XX.

2. All the amounts stated above are exclusive of GST, wherever applicable.

Answer:

Computation of value of taxable services of department of post for the month ended 30.09.20XX:-

Particulars	₹ in lakhs
Basic mail services like post card	-
Transfer of Money through money orders	500
Rural postal life insurance services	200
Distribution of mutual funds, bonds and pass port applications	500

Issuance of postal orders	300
Collection of telephone and electricity bills	100
Speed post services	500
Express parcel post services	200
Book post services	-
Ordinary post whose weight is less than 10 grams	-
Value of taxable services	**2300**

Notes:-

All Services provided by Department of Posts are **taxable** under GST except Postal services such as post card, inland letter, book post & ordinary post (envelopes weighing less than 10 grams)

CCP.07.12.20.00

Income is received by Maharashtra Government from renting of immovable property to Ganpati Morya Pvt. Ltd., registered in Maharashtra (Turnover of the company was ₹ 18 lakh in the preceding financial year). Is GST payable in the present case? If yes, who is liable to pay the same?

Answer:-

Legal Provision:-

➢ Services provided by State Government to a business entity with an aggregate turnover upto such amount in preceding financial year as makes it eligible for exemption from registration under CGST Act, 2017 are exempt.

➢ However, **the same shall not apply to services by way of renting of immovable property.**

➢ If service of renting of immovable property is supplied by State Government to a person registered under CGST Act, then recipient is liable to pay GST under reverse **charge u/s 9(3) of CGST Act.**

Discussion & Conclusion:-

➢ In given case, Maharashtra Government rented immovable property to Ganpati Morya Pvt. Ltd., registered in Maharashtra.

➢ The above **exemption will not apply** in this case even though the company is not liable to register under CGST Act & thus, GST is payable in present case.

➢ **Ganpati Morya Pvt. Ltd.**, being a registered person, is liable to pay GST under reverse charge.

Services provided to Government:-

CCP.07.12.21.00

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

S.no.	Description of Service Provided
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods.
(ii)	Service provided by Fair Price Shops owned by Gita Services Limited by way of sale of sugar under Public Distribution System against consideration in the form of commission.
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares along with maintenance. Generally, replacement of defunct lights and other spares constitutes 35% of the supply of service.
(iv)	Service of brochure distribution provided under a training programme for which70% of the total expenditure is borne by the Government.
(v)	Services provided by Goods & service tax network to the Maharashtra Government

Comment on the taxability or otherwise of the above transactions under GST law. Also state the correct legal provisions for the same. [CA Inter RTP -May 22]

Answer:-

S.No.	Particulars	Taxability	Reason
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods.	Exempt	**Pure** services provided to CG or SG or UT are exempt.
(ii)	Service provided by Fair Price Shops by way of sale of sugar under Public Distribution System	Exempt	Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against **commission** is exempt.
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares constituting 35% of the supply of service.	Taxable	Composite supply of goods & services to Government in which the value of supply of goods constitutes **not more than 25%** of value of the said composite supply is exempt. Since, in this case value of supply of goods **constitutes 35%** of supply of composite service, same is taxable.
(iv)	Service of brochure distribution provided under a training programme	Taxable	Services provided to Government under any training programme for which **75% or more** of total expenditure is borne by Government is exempt. Since in given case, **70%** of the total expenditure is borne by Government, it is taxable.
(v)	Services provided by GSTN to the Maharashtra Government	Taxable	Services provided by Goods & service tax network to the CG or SG or UT for implementation of GSTN are taxable

Authors Note:
Earlier Services provided by Goods & service tax network to the CG or SG or UT for implementation of GSTN are **exempt** but now the exemption has **withdrawn**

13. Exemptions relating to Construction Sector:-

CCP.07.13.22.00

Mr. X, being a contractor, undertaken construction work of an individual residential unit otherwise than as part of a residential complex. You are required to answer:- [RTP 2018]

1. **Whether Mr. X is liable to pay GST where he undertaken pure labour contract?**
2. **Whether Mr. X is liable to pay GST where he undertaken both labour and material contract (GST Rate = 12%)?**
3. **Mr. X gives contract to a sub-contractor. Can sub-contractor also get exemption if it is pure labour contract?**

Answer:-

Legal Provision:-

➢ Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are **exempt** from GST.

Discussion & Conclusion:-

1. Since, Mr. X has undertaken pure labour contracts of construction of single residential unit otherwise than as part of a residential complex, it is exempt from GST.
2. If Mr. X is providing service with both labour and material i.e. termed as works contract under GST, then **exemption is not available** & he will be charged 12% GST.
3. **Yes**. Services provided by a sub-contractor to a contractor are also **exempt** as he is providing only labour for the construction of residential house.

14. Combined Questions on Different Exemptions:-

CCP.07.14.23.00

Examine whether GST is payable in the following independent supply of services:- [ICAI Study Material]

(i) Indiana Engineering College, a recognised educational institution, has conducted an entrance test examination for various courses run by it and

charged entrance fees from the applicants.

(ii) Ram, an agriculturist, has stored sugarcane in a warehouse. He has taken fumigation services in the said warehouse from Gupta Pest Control Co. for which he paid the consideration of ₹ 6,000.

(iii) "Smart Kids" is a Play School located in Delhi. Smart Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to BTV Caterers, Delhi for a consideration of ₹ 8,00,000 per annum

(iv) Wellness Hospital, a clinical establishment located in Tirupati, is specialised in diabetic treatment. The hospital has its own canteen – Tasty Foods. The canteen serves the food and drink to the in-patients as advised by the doctors/nutritionists of the hospital. Apart from this, other patients (who are not admitted) or attendants or visitors of the in-patients also take food and drink from the canteen. [CA Inter RTP May 19 New] [ICAI Study Material]

Answer:-

(i)	**Legal Provision:-** ➢ Services provided by an educational institution by way of conduct of entrance examination against consideration in form of entrance fee are exempt from GST. **Discussion & Conclusion:-** ➢ In the given case, Indiana Engineering College which is an educational institution conducted entrance examination for which it charged entrance fee. ➢ This service is **exempt** from GST and thus, GST is not payable in this case.
(ii)	**Legal Provision:-** ➢ Services by way of fumigation in a warehouse of agricultural produce are not exempt from GST. **Discussion & Conclusion:-** ➢ In the present case, since Gupta Pest Control Co. provides services by way of fumigation in the warehouse of sugarcane [being an agricultural produce], said services are taxable and GST is payable on the same.
(iii)	**Legal Provision:-** ➢ Catering services provided to an educational institution which is providing preschool education and education up to higher secondary school or equivalent is **exempt.** **Discussion & Conclusion:-** ➢ In the given case, services are provided by BTV Caterers to Smart Kids which is providing preschool education & hence, the same are exempt from GST thus, GST is not payable in this case.
(iv)	**Legal Provision:-** ➲ Health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. ➲ As per CBIC clarification, ➢ Food supplied by hospital canteen to inpatients as advised by doctor/ nutritionists is a part of composite supply of healthcare services & is not separately taxable. Thus, it is exempt. ➢ Food supplied by hospital to patients (not admitted) or their attendants or visitors are taxable. **Discussion & Conclusion:-** Ø In view of the same, GST is exempt on the food supplied by Tasty Foods to the inpatients as advised by doctors/nutritionists. Ø However, supplies of food by it to patients (not admitted) or attendants/visitors of the in-patients is taxable and GST is payable on the same.

CCP.07.14.24.00

Decide with reason whether the following independent services are exempt under CGST Act, 20XX:-

(1) Gokul Residents' Welfare Association received ₹ 9,000 per month as contribution from each member for sourcing of goods and services from third persons for common use of its members. [GST Rate 18%]

Will your answer differ, if Gokul Residents' Welfare Association collects maintenance charges of ₹ 6,500 per month per member. [ICAI Study Material] [CA Inter Exam May 19 New]

(ii) Holiday Guest House, situated at Shimla, provides boarding & lodging services to tourists at economical cost. The charges of a single deluxe room per day are ₹ 999. Mr. X has booked one deluxe room for two days during Christmas holidays. You are required to determine whether GST is payable by Holiday Guest House on the above booking. [CA Inter RTP May 2020]

Answer:-

(i)	**Legal Provision:-** ➲ Supply of service by unincorporated body or a non-profit entity registered under any law to its own members by way of reimbursement of charges or share of contribution **upto ₹ 7,500 per month per member** for sourcing goods or services from a third person for common use of its members in a housing society or residential complex **is exempt.** **Discussion & Conclusion:-** a) In the first case, Rs. 9000 contribution per month per member received by Gokul Residents' Welfare Association **exceeds ₹ 7,500** & hence, **exemption is not available.** Thus, GST @18% shall be **payable on entire contribution** of ₹ 9000/- per month per member. b) In second case, services provided by such association are **exempt** since maintenance charges Rs. 6500 collected per month per member do not exceed ₹ 7500.
(ii)	**Legal Provision:-** ➢ Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, are taxable irrespective of the amount. **Discussion & Conclusion:-** ➢ In given case, **GST is payable** by Holiday Guest House on the booking done by Mr. X.

Authors Note:
Services provided by hotel, inn, Guest house, Club or campsite for residential or lodging purpose having value below or equal to ₹ 1000 per day was Exempt, but now exemption has withdrawn & full amount is taxable

CCP.07.14.25.00

Examine whether GST is exempted on following independent supplies of services:- [ICAI Study Material]

(i) Service provided by a private transport operator to Scholar Boys Higher Secondary School in relation to transportation of students to and from the school.

(ii) Services provided by way of vehicle parking to general public in a shopping mall.

(iii) Babloo Transporters, a Goods Transport Agency, transported relief materials meant for victims of Kerala floods, a natural disaster, by road from Delhi to Ernakulam, for a company.

(iv) Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of organizing business exhibition in New Delhi as part of Make in India initiative. Keyan Enterprises claims that it is not required to pay GST as services provided by way of organizing business exhibition are exempt from GST. Examine the technical veracity of the claim of Keyan Enterprises, in the given case.

(v) Clean and Green Pvt. Ltd. provided the bio-medical waste treatment facility to veterinary clinic. Is it a taxable supply of service? If so, will GST be levied?

Answer:

(i) **Yes.** Services provided **to** an educational institution by way of transportation of students are **exempted** from GST.

(ii) **No.** Services provided by way of vehicle parking to general public are **not exempted** from GST. Therefore, GST is payable on the same.

(iii) **Yes.** Services provided by a goods transport agency by way of transport of relief

materials meant for victims of natural or manmade disasters in a goods carriage are exempt from GST & thus, services provided by Babloo Transporters will be exempt from GST.

(iv) **No.** The **claim** made by Keyan Enterprises that it **is not required** to pay GST is not correct.

- Services provided by an organiser to any person in respect of a business exhibition held outside India is exempt from GST.
- Since in given case, exhibition is organized in India, the services of organization of event by Keyan Enterprises will **not be exempt** from GST.

(v) **Yes,** it is taxable supply of service because services provided by operators of common Bio-medical Waste Treatment Facility to **any establishments** are taxable.

CCP.07.14.26.00

Examine the following independent services provided in the month of August, 20XX and Compute total value of taxable services:-

Sr.No.	Particulars	Amount (₹)
1.	Waxing of apples to provide it an artificial sheen for increasing its marketability	100000
2.	Admission to a Railway Museum	50000
3.	Transportation of patients to ABC Nursing Home and Bheem Multispecialty Hospital, in an ambulance owned by XYZ Ltd.	120000
4.	Admission to a Telly Award Function [Value per ticket per person is ₹ 510]	510000
5.	Transportation of milk by a goods transport agency	150000
6.	Services by way of artificial insemination of livestock (other than horses)	215000
7.	Services provided by clinical establishment to Neo natal Intensive care (NICU) unit by way of providing room having charges 6500 per day	32500
8.	Services by way of slaughtering of Animals	20000

Note:- Wherever applicable, GST has been charged separately.

Answer:- Computation of Taxable Value of services

S.No.	Particulars	Rs	Remarks
1.	Waxing of apples to provide it an artificial sheen for increasing its marketability	-	It is specifically **exempted** as it does not alter essential characteristics of apples.
2.	Admission to a Railway Museum	-	It is specifically **exempted** & hence, not liable to GST.
3.	Transportation of patients to ABC Nursing Home and Bheem Multispecialty Hospital, in an ambulance owned by XYZ Ltd.	-	Ambulance services provided by an entity which is not a clinical establishment or an authorized medical practitioner or paramedics are **also exempt** from GST.
4.	Admission to a Telly Award Function [Value per ticket per person is ₹ 510]	510000	It is **taxable** as consideration for admission to an award function is more than ₹500.
5.	Transportation of milk by a goods transport agency	-	This is specifically **exempted** & hence, not liable to GST.
6.	Services by way of artificial insemination of livestock (other than horses)	-	This is specifically **exempted** & hence, not liable to GST.
6.	Services by way of artificial insemination of livestock (other than horses)	-	This is specifically **exempted** & hence, not liable to GST.
7.	Services by way of providing room to Neo natal intensive care unit	-	Services provided by clinical establishment to providing room other than ICU/ CCU/ ICCU/NICU are taxable if room charges exceeding ₹ 5000 per day
8.	Services by way of slaughtering of Animals	20000	It is taxable service & hence liable to GST
	Value of taxable services	**530000**	

Authors note:
Services by way of slaughtering of Animals was exempt earlier but now it is taxable

CCP.07.14.27.00

M/s P, a registered supplier of Rajasthan, has received the following amounts in respect of the activities undertaken by her during the month of April, 20XX:-

Sr.No.	Particulars	Amount (₹)
1.	Amount received for warehousing of jaggery	50,000
2.	Commission received as business facilitator for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts	20,000
3.	Amount received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex	10,000
4.	Amount received for acting as brand ambassador for corporate client	75,000
5.	Amount received for service provided to the Indian Olympic Association as team manager of national team.	80,000

All the transactions stated above are Intra-State transactions and all amounts are exclusive of GST. You are required to compute gross value of taxable supply on which GST is to be paid by M/s P for the month of April, 20XX by giving necessary explanations for treatment of various items. [CA IPC Jan 21 Exam]

Answer:-

Computation of value of taxable supply on which GST is to be paid by M/s P:-

S.No.	Service provided	₹	Explanation
1.	Warehousing of jaggery	50,000	Services by way of storage or warehousing of cereals, pulses, fruits & vegetables are **exempt**, thus jaggery is **not** comes under this category.
2.	Commission received as business facilitator	Nil	Services provided by a business facilitator to a banking company with respect to accounts only in its rural area branch are exempt. In this case, services are provided to **urban branch** of bank & thus, **taxable**. However, tax is to be paid by recipient i.e. **banking company, under reverse charge**. Hence, M/s P will not be liable to pay GST on commission received for said services.
3.	Amount received for services by way of labour contracts	10000	**Repairing** of a residential unit **is not eligible for exemption** since pure labour contracts of construction, erection, commissioning, or installation of original works of single residential unit otherwise than as a part of a residential complex are exempt which do not cover repairing.
4.	Acting as brand ambassador for corporate client	75000	It is **liable to tax** as it is not specifically exempt.
5.	Service provided to Indian Olympic Associationas team manager of national team.	Nil	**It is exempt**, since services provided by a team manager to Indian Olympic Association (i.e., a recognized sports body) are exempt.
	Total value of taxable supply	**135000**	

CCP.07.14.28.00

Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:-

[CA Inter MTP Mar 19- Series 1]

Particulars	Gross Amt Charged(₹)
Amount charged for loading, unloading, packing & warehousing of potato chips	25000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA or 12AB of Income Tax Act, 1961	50000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	100000
Amount charged by cord blood bank for preservation of stem cells	500000
Amount charged for service provided by commentator to a recognized sports body	600000
Amount charged for service provided by way of right to admission to circus where consideration for the same is Rs. 750 per person.	12000

Answer:-

Determination of taxable value of supply:-

Particulars	₹	Explanation
Loading, unloading, packing & warehousing of potato chips	25000	**Taxable**, potato chips is not an agricultural produce as it is manufactured through processes which alter it's essential characteristic & hence, not exempt.
Fees charged for yoga camp conducted by a charitable trust registered u/s 12AA or 12AB of the Income Tax Act, 1961	-	**Exempt**, services provided by an entity registered u/s 12AA or 12AB of Income-tax Act, 1961 by way of charitable activities which includes advancement of yoga are exempt from GST.
Services provided by business correspondent to rural branch of a bank for Savings Bank Accounts	-	**Exempt**, as it is specifically exempted for accounts in rural branch of bank.
Amount charged by cord blood bank for preservation of stem cells	5,00,000	**Taxable**, Services provided by cord blood banks by way of preservation of stem cells are taxable
Amount charged for service provided by commentator to a recognized sports body	600000	**Taxable**, as services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST.
Amount charged right to admission to circus where consideration is Rs. 750 per person.	12000	**Taxable**, the consideration charged is more than Rs. 500 per person & thus, the exemption is not available.
Total Value of taxable Supply	**1137000**	

CCP.07.14.29.00

Sungrow Pvt. Ltd. (a registered person), having the gross receipt of Rs. 50 lakh in the previous financial year, provides the following information relating to their services for the month of July, 20XX:-

Sr.No.	Particulars	Amount (₹)
1.	Running a boarding school	240000
2.	Fees from prospective employer for campus interview	170000
3.	Education services for obtaining qualification recognised by law of foreign country	310000
4.	Renting of furnished flats for temporary stay to different persons	120000
5.	Conducting Modular Employable Skill Course, approved by NationalCouncil of Vocational Training	140000

6.	Conducting private tuitions	300000
7.	Running martial arts academy for young children	55000
8.	Conducting career counselling session	165000
9.	Renting of Flat for office use	100000

Compute the value of taxable supply and the amount of GST payable. The above receipts are exclusive of GST amount. Rate of GST is 18%.

Answer:- Computation of value of taxable supply and amount of GST payable for Sungrow Pvt. Ltd. for July, 20XX:-

S.No.	Particulars	₹	Reason
1.	Running a boarding school	Nil	**Exempt**, as any services provided by an educational institution to its students, faculty & staff are exempt.
2.	Fees from prospective employer for campus interview	170000	**Taxable**, as it is not specifically exempt.
3.	Education services for obtaining the qualification recognised by law of foreign country	310000	**Taxable**, an institution providing education services for obtaining qualification recognized by a foreign country does not qualify as educational institution. Thus, said services are not exempt.
4.	Renting of furnished flats for temporary stay to different persons	120000	**Taxable,** services by a hotel, inn, etc., for residential or lodging purposes are taxable
5.	Conducting Modular Employable Skill Course	Nil	**Exempt**, as an institution providing Modular Employable Skill Course qualifies as educational institution & thus, any service provided by it to its students are exempt.
6.	Conducting private tuitions	300000	**Taxable**, as it is not specifically exempt.
7.	Running martial arts academy for young children	55000	**Taxable**, as it is not specifically exempt.
8.	Conducting career counselling session	165000	**Taxable**, as it is not specifically exempt.
9.	Renting of Flat for office use	100000	**Taxable,** services by renting of residential dwelling for residence is exempt, however renting of residential dwelling for office use is taxable
	Value of taxable Supply	**1220000**	
	GST @18%	**219600**	

CHAPTER - 08

PAYMENT OF TAX

INDEX

General Questions

01. Introduction to Payments made under GST

CCP 08.01.01.00

What are the payments to be made in GST regime?

***Answer:* Under GST regime, following payments are to be made:-**

- In case of **Intra-state supply-** CGST & SGST/UTGST are to be paid to Central Government and State Government/ Union Territory Account respectively.
- In case of **Inter-state supply**, IGST is to be paid to Central Government Account.
- **In addition** to these above taxes, Cess, TDS, TCS, Interest, penalty, fees and other additional payments are to made, whenever applicable.

CCP 08.01.02.00

What are the main features of GST payment process? [ICAI Study Material]

***Answer:* The main features of GST payment process are as follows:-**

a) Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan;

b) Facilitation for the tax payer by providing hassle free, anytime, anywhere mode of payment of tax;

c) Convenience of making payment online;

d) Realtime data for tax collection in electronic format;

e) Faster remittance of tax revenue to the Government Account;

f) Paperless transactions;

g) Speedy Accounting and reporting;

h) Electronic reconciliation of all receipts;

i) Simplified procedure for banks;

j) Warehousing of Digital Challan.

CCP 08.01.03.00

List out the benefits of the new payment system of GST available to the taxpayer and the GST Department. [CA IPC Dec 21 Exam]

Answer:

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

Benefits to Taxpayer:

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

Benefits to the GST Department:

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

02. Sec 49:- Payment of Tax, Interest, Penalty & Other amounts under GST

CCP 08.02.04.00

What are the differences between electronic cash ledger and electronic credit ledger?

Answer: The differences between electronic cash ledger and electronic credit ledger are as follows:-

S.No.	Electronic Cash Ledger	Electronic Credit Ledger
1	Can be used for payment of tax, interest, fee, penalty, and other amounts.	Can be used only for payment of output tax i.e. IGST/ CGST/ SGST/ UTGST.
2	Credit to the ledger will be through payment vide Challans.	Credit to the ledger will be through input tax credit claimed
3	Refund for excess balance can be applied generally.	Refund for excess balance may be refunded only in case of zero rated supply or inverted tax structure.
4	Refund is allowed in all cases i.e. no restrictions on refund.	Refund is available only in 2 cases: 1.Zero Rated Supply 2. Inverted Tax Structure

03. Sec 49 read with Rule 87:- Tax payment challan

CCP 08.03.05.00

What is the procedure for payment of tax for a casual taxable person or non resident taxable person who is required to pay tax in advance for obtaining registration?

Answer:

- As the casual taxable person or non-resident taxable person are required to pay tax in advance for obtaining registration, **they do not have GSTIN** because GSTIN is allowed only when a person is registered.
- Therefore, a casual taxable person or non resident taxable person are **provided with a temporary identification number** using which the person can deposit estimated tax liability.

04. Sec 49(1): Amount credited to Electronic Cash Ledger & Sec 49(3) read with Rule 87:- Utilisation of Electronic Cash Ledger

CCP 08.04.06.00

What are the possible debits' and credits' to electronic cash ledger?

Answer: The differences are as follows:-

S.No.	Debit	Credit
1	Discharge of any liability of tax, interest , penalty, late fee, etc.	Deposit made through challan towards tax, interest, penalty, late fee, etc.
2	Claim for refund of any amount	Claim for TDS Deducted
3	–	Claim for TCS Collected
4	–	Reversal of amount debited earlier on account of final rejection of refund to the extent of rejection.

CCP 08.04.07.00

Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 20XX and wishes to pay his IGST liability for the month. Since he's making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Sahil regarding the various modes of deposit in the electronic cash ledger. Further, advise him with regard to following issues:-

(a) Are manual challans allowed under GST?

(b) What is the validity period of the challan?

(c) Is cross utilization among Major and Minor heads of the electronic cash ledger permitted? [CA Inter RTP May 19 New] [ICAI Study Material]

Answer:

- As per **Section 49(1) of CGST Act,** 2017, the deposit in electronic cash ledger can be made through any of the following modes, namely:-
  - (i) Internet Banking through authorised banks;

a) Unified Payment Interface (UPI) from any bank;

b) Immediate Payment Services (IMPS) from any bank;

(ii) Credit card or Debit card through the authorised bank;

(iii) National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS) or Immediate Payment Service (IMPS) from any bank; or

(iv) Over the Counter payment through authorised banks for deposits up to Rs. 10,000/- per challan per tax period, by cash, cheque or demand draft.

➲ Thus, offline mode is also permitted under GST subject to specified conditions.

a	Manual or physical Challans are **not allowed** under the GST regime & it is mandatory to generate Challans online on the GST Portal.
b	E-challan is valid for a period of **15 days.**
c	➲ Amount entered under any Minor head (Tax, Interest, Penalty, etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be utilized only for that liability. ➲ **Cross-utilization** among Major and Minor heads is not possible. **But** as per **Section 49(10)** of CGST Act, 2017, **a registered person** may, on the common portal, **transfer any amount** of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the CGST Act to the electronic cash ledger for Integrated tax, Central tax, State tax or Union territory tax or cess in **FORM GST PMT-09, if declaration is given.**

CCP 08.04.08.00

Answer the following Questions:

(a) Can one use electronic credit ledger for payment of interest, penalty, and payment under reverse charge?

(b) Suhasini is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid ₹ 75,000 to various vendors. Total GST involved on the goods and services procured by her is ₹ 13,500. Out of the total bills paid by her, one bill for ₹ 15,000 relates to security services availed for security of her office, tax on which is payable under reverse charge. GST involved in such bill is ₹ 2,700

Suhasini is of the opinion that for the month of October, no GST is payable from electronic cash ledger as she has sufficient balance of ITC for payment of GST under reverse charge on security services. Do you think Suhasini is right? Explain with reasons. [CA Inter RTP Nov 2020] [ICAI study Material]

Answer: Legal Provision:-

➲ As per **section 49(4)** of the CGST Act, 2017, the amount available in the electronic credit ledger may be used for making any payment towards 'output tax'.

➲ As per **section 2(82)** of the CGST Act, 2017, output tax is the tax chargeable on taxable supply of goods and/or services made by a taxable person or by his agent but

- **excludes** tax payable by him on reverse charge basis.

Discussion and conclusion:-

(a)	➲ Therefore, input tax credit balance available in electronic credit ledger cannot be used for payment of interest, penalty, and also for payment of tax under reverse charge. ➲ The same is always required to be paid through electronic cash ledger and not electronic credit ledger.
(b)	➲ In the given case, input tax credit cannot be used to pay the tax liability under reverse charge. ➲ The same is always required to be paid through electronic cash ledger and not electronic credit ledger. ➲ Thus, Suhasini is wrong and she will need to pay GST of ₹ 2,700 on security service through electronic cash ledger.

CCP 08.04.09.00

Examine the authority vested under CGST Act, 2017 for preventing a registered person from utilising the input tax credit availed in a fraudulent manner? [ICAI Study Material]

Answer:

- Every registered person shall **avail** the Input Tax Credit (ITC) through a return filed under **Section 39** of CGST Act, 2017.
- Input Tax credit **availed** shall be **credited** to electronic credit ledger under **section 41** of the CGST Act, 2017 on a provisional basis.
- As per **Rule 86A** of CGST Rules, 2017, in case the Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, has reasons to believe that ITC available in the electronic credit ledger has been
  - fraudulently availed or
  - is ineligible,

  then for reasons to be recorded in writing, he may prohibit use of ITC:-
  - for discharge of any liability under section 49 or
  - for claim of any refund of any unutilised amount.
- Also, as per **Rule 86B**, if the value of taxable supply other than exempt supply and zero-rated supply in a month exceeds Rs. 50 Lakhs, then the registered person shall not use the amount available in electronic credit ledger to discharge his liability towards output tax in excess of 99% of such tax liability.
  - However, there are certain exception to this rule.

05. Sec 49(5)/ 49A/ 49B read with Rule 88A:- manner of utilization of input tax credit under GST

CCP 08.05.10.00

Answer the following:-

(i) Explain the manner of utilization of input tax credit?

(ii) Can IGST/CGST/SGST/UTGST credit be utilized for payment of outward Compensation Cess?

(iii) Should the payment be made only from the account of the taxable person?

Answer:

1	As per **section 49(5), 49A, 49B of CGST Act read with rule 88A of CGST Rules, 2017,** the manner of utilization of input tax credit under GST is as follows:- ➲ Credit of:- ☛ IGST shall be used for paying IGST first & then CGST or SGST/UTGST in any order and in any proportion. ☛ CGST shall be used for paying CGST first & then to pay IGST ☛ SGST/UTGST shall be used for paying SGST/UTGST first & then to pay IGST ➲ However, **IGST credit is to be fully utilized first** as above & then the CGST/ SGST/ UTGST credit can be utilized & SGST/UTGST can be used to pay IGST only after CGST balance is not available to pay IGST
2	**No.** Input tax credit of IGST/CGST/SGST/UTGST **cannot be utilised** for payment of outward compensation cess.
3	**No.** There is **no such restriction.** ☛ the taxable person himself **or any other person can make payment on behalf** of the taxable person by using the GSTIN of that taxable person.

06. Sec 49(7) read with Rule 85:- Electronic Liability Register

CCP 08.06.11.00

What are the E-ledgers? State the entries to be debited to electronic liability register under the CGST Act, 2017 and the CGST Rules, 2017. [CA Inter Exam May 19 Old]

Answer:

- Electronic Ledgers or E-Ledgers (i.e., Electronic Cash Ledger and Electronic Credit Ledger) are **statements of cash and input tax credit** in respect of each

registered taxpayer.

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

07. Sec 49(8):- Order of discharging tax dues and other dues

CCP 08.07.12.00

Mr. Ram Narayan, a registered supplier under GST, wants to first discharge his self-assessed tax liability for the current period before settling the dues for the previous tax period. Examine briefly whether he can do so? [CA Inter RTP May 2020] Or

Explain the order of discharge of tax and other dues as per the provisions of section 49(8) of the CGST Act, 2017. [CA Inter Nov 20 Exam]

Answer:

Legal Provision:-

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

Conclusion:-

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

CCP 08.07.13.00

PQR Ltd. has the following tax liabilities under the provisions of Act:-

Sr. No.	Particulars	Amounts
1	Tax liability of CGST, SGST/UTGST, IGST for supplies made during August, 20XX	1,00,000
2	Interest & Penalty on delayed payment and filing of returns belonging to August, 20XX	20,000
3	Tax liability of CGST, SGST/UTGST, IGST for supplies made during September, 20XX	1,20,000
4	Interest & Penalty on delayed payment and filing of returns belonging to September, 20XX	20,000
5	Demand raised as per section 73 or section 74 under CGST Act, 2017 belonging to July, 20XX	8,00,000
6	Demand raised as per the old provisions of Indirect Taxes	1,00,000

PQR Ltd. has ₹5,00,000 in Electronic Cash Ledger.

Suggest PQR Ltd. in discharging the tax liability.

Answer:- **Legal Provision:-**As per **section 49(8)** of CGST Act, 2017, Every taxable person shall discharge his tax and other dues under GST law in following order, namely:-

a) self-assessed tax, and other dues related to returns of previous tax periods.

b) self-assessed tax, and other dues related to the return of the current tax period.

c) any other amount payable under GST law including the demand as per 73 or section 74.

PQR Ltd can use the balance in Electronic cash ledger in the following manner to discharge tax liability:-

Particulars	Amount ₹
Balance available in Electronic cash ledger	5,00,000
Less:-	
Tax liability of CGST, SGST/UTGST, IGST for supplies made during August, 20XX	1,00,000
Interest & Penalty on delayed payment and filing of returns belonging to August, 20XX	20,000
Tax liability of CGST, SGST/UTGST, IGST for supplies made during September, 20XX	1,20,000
Interest & Penalty on delayed payment and filing of returns belonging to September, 20XX	20,000
Demand raised as per section 73 or section 74 under CGST Act, 2017 (Note 1)	2,40,000
Balance in electronic cash ledger	Nil

Notes:-

1. The **balance amount of ₹ 5,60,000** (₹8,00,000 – ₹2,40,000) towards demand raised under section 73 or section 74 under CGST Act, 2017 **to be discharged before discharging liability of demand raised under old provisions of Indirect Taxes.**

08. Section 49(9):- Principal of Unjust Enrichment for payment under GST

CCP 08.08.14.00

Are principles of unjust enrichment applicable for payment made under GST? [ICAI Study Material]

Answer: Yes.

- As per **Section 49(9)** of the CGST Act, 2017, every person **who has paid the tax** on goods or services or both under CGST Act shall be **deemed to have passed on the full incidence** of such tax to the recipient of such goods or services or both **unless the contrary is proved by him.**

Author's Note (not part of ans):-

- The principle of unjust enrichment means that no one should be unjustly enriched at the expense of another.
- It also means that no person should take advantage of the position of another person which causes some loss to one party and gain to another party.

09. Sec 49(10) read with Rule 87(13):- Transfer of any amount of E-cash ledger among minor & major heads

CCP 08.09.15.00

Mr. A has deposited a sum of ₹ 30,000 under minor head of "Interest" column for the major head "IGST". At the time of filing GSTR-3B for a particular tax period, he noticed that there is no sufficient amount under the minor head 'Tax' towards payment of ₹ 30,000. When approached with the Jurisdictional Tax officer, Mr. A was guided to deposit the tax amount under proper head of account and claim a refund for the remittance of amount deposited under head "interest". Examine the relevant provisions of CGST Act, 2017 towards payment of tax and compliance with the law. [CA Inter MTP Nov 21] [ICAI Study Material]

Answer: Legal provision:-

- As per **Section 49(10) of CGST Act, 2017**, a registered person can transfer the amount deposited under any of the minor head i.e. tax, interest, penalty, fees or others to any of the heads under IGST/ CGST/ SGST/ UTGST and make the payment of taxes there upon.

Discussion and Conclusion:-

- Accordingly, **Mr. A need not deposit the tax** amount under head " tax" and claim a refund for the remittance of amount deposited under head "interest.
- Rather, **using the Form GST PMT 09**, such **amount can be transferred** suo-moto on the common portal from "interest" to "tax" head and tax liability be paid.

10. Sec 50:- Interest on delayed payment of tax

CCP 08.10.16.00

What are the provisions in relation to interest under GST?

If there is default in payment of tax and filing of returns, interest is payable on gross tax payable or net tax payable?

Answer:

- As per **section 50** of CGST Act, 2017, Interest is payable on delayed payment of tax at the rate **18%** from the day succeeding the due date of payment till the date of payment.
- As per **proviso to section 50,** the interest is payable on net tax payable when the return is not furnished within due date and also payment is not made within due date.
- Such interest is payable on that portion of tax which is paid by debiting the electronic cash ledger.
- Therefore, **Interest is payable on net tax payable,** if there is default in payment of tax and filing of returns.

CCP 08.10.17.00

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

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

Notes:

- **There exists adequate balance in Electronic Cash & Credit ledger as on 31.07.2021 for the above short fall**
- **No other supply has been made nor tax payable for the month of July, 2021 other than ₹ 40,000/- missed out to be paid on forward charge basis**
- **Ignore the effect of leap year, if applicable in this case. [Similar to CA Inter Dec 21 Exam & ICAI Marterial]**

Answer: Interest is payable under Section 50 of the CGST Act, 2017 in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

As per proviso to sub-section (1) of Section 50, interest is payable on the net tax liability paid in cash, only if the return to be filed for a tax period under Section 39, has been filed after the due date to furnish such return.

In the above scenario, ABC Ltd., has defaulted in making the payment for ₹ 40,000 on self-assessment basis in the return for the month of July, 2021.

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

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

Period of delay = 21st August, 2021 to 20th October, 2021 = 61 days

Hence, amount of interest = ₹ 40,000 x 18% x 61/365 = ₹ 1,203

Alternatively, if ABC Ltd., have filed the return for the month of July, 2021 on 20.10.2021, beyond the stipulated due date of 20.08.2021 and if the self-assessed tax for July, 2021 has been paid on 20.10.2021, Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only.

Hence Interest is payable from 21st August 2021 till 20th October 2021 = 61 days

Amount of Interest = ₹ 30,000 x 18% x 61/365 = ₹ 902

CCP 08.10.18.00

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

(1) While filling GST return of March 20XX on 20-04-20XX (within the prescribed due date), they came to know that one bill of January 20XX consisting tax amount of ₹ 50,000 was not considered while filling return for the month of January 20XX (Return was filed on 20-02-20XX, within the prescribed due date).

(2) MNI Ltd. has paid the above shortfall of ₹ 50,000 of January 20XX, through GSTR-3B for the month of March 20XX (payment through cash ledger was ₹ 30,000 and payment through credit ledger was ₹ 20,000).

(3) MNI Ltd. got a notice regarding interest payment u/s 50 of the CGST Act, 2017. MNI Ltd. assumed that they paid self-assessed tax and both returns were also filed timely so they were not liable for payment of interest.

They seek your opinion regarding whether,

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

(ii) If they had filed return of January 20XX on 20-04-20XX (Self assessed tax also paid on 20-04-20XX of ₹ 50,000 (payment through cash ledger was ₹ 30,000 and payment through credit ledger was ₹ 20,000), then also they are liable to pay interest u/s 50 of the CGST Act. [CA IPC July 21 Exam]

Answer:

Legal provision:-

- As per **section 50** of the CGST Act, 2017, Interest is payable on delayed payment of tax at the rate **18%** from the day succeeding the due date of payment till the date of payment.
- Further, the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date is **payable on the net tax liability paid through electronic cash ledger.**

Discussion and conclusion:-

i	➲ In the given case, MNI Ltd. has defaulted in making the payment of ₹ 50,000 in the return of January 20XX. ➲ Therefore, **it will be liable to pay interest @ 18% p.a. from 21.02.20XX till the date of payment.** ➲ Further, since the return for the month of January, 20XX has been filed on the due date, MNI Ltd. will be **liable to pay interest on the gross tax liability i.e.,₹ 50,000** and not on net tax liability paid in cash.
ii	If MNI Ltd. had **filed the return** for the month of January, 20XX on 20.04.20XX, i.e. **after the prescribed due date** and the tax of ₹ 50,000 is also paid on 20.04.20XX, **interest will be payable on net tax liability** paid through electronic cash ledger i.e., ₹ **30,000.**

CCP 08.10.19.00

Mr. A file the return has the month of April, May , June, July. He has furnished the following details refereeing the details. Determine the date from when such interest is applicable.

Month	Opening balance in electronic credit ledger [A]	Eligible ITC (B)	ITC wrongly availed (C)	Output liability (E)	Due date of Filing the return
April	-	7,00,000	50,000	7,00,000	20 May XX
May	50,000	5,00,000	-	5,00,000	20 June XX
June	50,000	3,00,000	-	3,30,000	18 July XX
July	20,000	6,00,000	-	6,20,000	25 Aug XX

Answer:- As per **sec 50 (3)** of CGST Act Read with rule 88B, Where the input tax credit has been wrongly availed and utilised, the registered person shall pay interest on such input tax credit wrongly availed and utilised, at such rate not exceeding **24%**.

For period starting from the date of utilisation of such wrongly availed input tax credit till the date of reversal of such credit or payment of tax in respect of such amount

Month	Opening balance in electronic credit ledger [A]	Eligible ITC (B)	ITC wrongly availed (C)	Total ITC (D) = (A+B+C)	Output liability (E)	Closing balance in E-credit ledger (F) = (D-E)	Amount on which Interest is applicable
April	-	7,00,000	50,000	7,50,000	7,00,000	50,000	—
May	50,000	5,00,000	-	5,50,000	5,00,000	50,000	—
June	50,000	3,00,000	-	3,50,000	3,30,000	20,000	30,000
July	20,000	6,00,000	-	6,20,000	6,20,000	—	20,000

April & May :- ITC of ₹50000/- was wrongly availed but the same was not utilised, so interest is not applicable.

June:- Wrongly availed ITC of ₹50000/- is carried forward to the current month as it has not been utilised, however ₹ 30000/- is utilised out of ₹50000 when we had shortage of eligible ITC (₹30000/-) to adjust against the output liability of ₹ 330000/-, interest shall be applicable on ₹30000/- as the same is utilised in the current month.

July:- Out of ₹50000/-, ₹30000/- was already utilised and the balance of ₹20000/- was carried forward to the current month. Since eligible ITC (₹600000/-) is lesser than the output liability of ₹620000/- and the remaining wrongly availed ITC of ₹20000 is utilised, therefore interest shall be applicable for ₹20000/-

The date from when such interest is applicable as explained below:

Due Date	Filing Date	Date of Utilisation
20/05/2022	20/05/2022	-
20/06/2022	20/06/2022	-
20/07/2022	18/07/2022	18/07/2022
20/08/2022	25/08/2022	20/08/2022

Chapter 9

Input Tax Credit

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01. General Questions on ITC:-

CCP 09.01.01.00

Answer the following independent questions:-

(i) What is input tax & Input Tax Credit? [ICAI Study Material]

(ii) MN & Co, an unregistered supplier, wants to claim input tax credit and collect tax. Can it do so? [ICAI Material]

Answer:

1	➲ Input tax **means** central tax (CGST), State tax (SGST), integrated tax (IGST) or Union territory tax (UTGST) charged on inward supply of goods or services or both of a registered person. ➲ It **includes** tax paid on reverse charge basis and IGST charged on import of goods. ➲ It **does not include** tax paid under composition levy.
2	➲ **No**, LMN & Co. **cannot** claim input tax credit and collect tax. ➲ Only a registered person can collect tax from his customers & also claim input tax credit u/s 16(1) of CGST Act, 2017. ➲ However, if LMN & Co. nevertheless wants to claim input tax credit and collect tax, it can apply for voluntary registration u/s 25(3) of CGST Act.

02. Section 16(2):- Conditions to avail ITC

CCP 09.02.02.00

What are the conditions necessary for availing ITC? [CA IPC MTP 2018] [ICAI Study Material]

Answer:- As per **section 16(2) of CGST Act, 2017,** all the following conditions are to be satisfied by the registered taxable person for obtaining ITC:-

a) he is in possession of tax invoice or debit note or such other prescribed tax paying documents.

b) Supplier has furnished the details of invoice or debit note in his GSTR-1 & also communicated the same to the registered person in GSTR-2B.

c) he has received the goods or services or both,

d) The details of ITC in respect of the said supply communicated to such registered person under section 38 has not been restricted.

e) subject to section 41, supplier has actually paid the tax charged on the supply to Government and

f) he has furnished the return under section 39.

Sec 16(2)(aa) read with Rule 36(4):- Supplier to furnish details of Invoice/Debit Note & Communicate the same

CCP 09.02.03.00

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

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

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

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

Answer:

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

Situation 1:-

Invoices	ITC as per invoices(₹)	ITC that can be availed(₹)
160 invoices uploaded in GSTR-1	700000	700000 [Note 1]
40 invoices not uploaded in GSTR-1	100000	Nil [Note 2]
Total ITC that can be claimed	**800000**	**700000**

Situation 2:

Invoices	ITC as per Invoices (₹)	ITC that can be availed (₹)
140 invoices uploaded in GSTR-1	500000	500000 [Note 1]
60 invoices not uploaded in GSTR-1	300000	Nil [Note 2]
Total ITC that can be claimed	**800000**	**500000**

Notes:-

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

Sec 16(2)(b):- Goods &/or Services must be received to avail ITC & Bill to-Ship to model

CCP 09.02.04.00

Sigma Consultants, an LLP of finance professionals, provides financial consultancy services. It made an advance payment of ₹ 1,18,000 (inclusive of IGST @18%) in the month of October to Azuro Computer Services for developing a software. The software would be used by the LLP to enhance the precision of the financial advice given by it to various clients. The balance payment is to be made after the successful test run of the software in the month of December. Sigma Consultants has availed ITC of IGST of ₹ 18,000 in the month of October. Do you think Sigma Consultants can avail such ITC? Examine the scenario with reference to the relevant legal provisions. [ICAI Study Material]

Answer:

Legal Provision:-

- As per **section 16(2)(b)** of CGST Act, tax paid on supply of goods and/or services can be availed as ITC only if such goods and/or services are received by the registered person.

Discussion & Conclusion:-

- In the given case, Sigma Consultants has paid IGST of ₹18,000 in the month of October, on advance for IT services intended to be used in the course or furtherance of business.
- However, it **cannot avail ITC** of such tax in **October** as the services in relation to which the advance payment has been made have not been received in that month.

CCP 09.02.05.00

One of the conditions to claim input tax credit is that the receiver must have received the goods. Is there any provision for deemed receipt of goods in case of transfer of document of title before or during the movement of goods? would your answer be different in case supply of services?

Answer:

a) As per Explanation to **Section 16(2)(b) of CGST Act**, goods or services are **deemed to be received by registered person** under "Bill to Ship to" Model in following cases:-
   i) Where goods are delivered by supplier to recipient or any other person on direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise.
   ii) Where services are provided by supplier to any person on the direction of and on account of such registered person.

b) **No, answer will be the same** as stated above, because section 16(2)(b) is applicable in case of supply of services also.

CCP 09.02.06.00

M/s Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ ₹50 per kg (exclusive of GST) on M/s Karim & Bros. of Noida, U.P. M/s Karim & Bros. has agreed to deliver the goods at the warehouse of M/s Diwan & Sons at New Delhi. While the order was getting packed at the factory of M/s Karim & Bros., M/s Diwan & Sons got an order from Shubhkamna Sales of Hapur, U.P. for 250 kg of plastic granules @ ₹60 per kg (exclusive of GST). In order to save on transportation cost, M/s Diwan & Sons asks M/s Karim & Bros. to directly deliver the plastic granules to Shubhkamna Sales at its godown located in Hapur. Accordingly, M/s Karim & Bros. has delivered the plastic granules at the godown of Shubhkamna Sales at Hapur. Examine the availability of ITC with M/s Diwan & Sons & M/s Karim & Bros.

Note:- All the parties are registered under GST and rate of GST is 18%. [ICAI Study Material]

Answer:

Legal Provision:-

- *As per **section 16(2)(b) of CGST Act**, a registered person can avail ITC of tax paid on supply only when the goods &/or services are received by him.*
- *However, goods **delivered to a third person** on direction of registered person by transfer of documents of title or otherwise, either before or during the movement, **are deemed to have been received by such registered person.***
- *So, ITC is available to the registered person, on whose order the goods are delivered to a third person even though the registered person does not receive the goods.*

Discussion & Conclusion:-

- *In given case, goods have been delivered by M/s Karim & Bros. (supplier) to Shubhkamna Sales (third person) on the direction of M/s Diwan & Sons (registered person).*
- *Therefore, **ITC** of ₹ 2,250 (₹ 50 x 250 x 18%) **will be available to M/s Diwan & Sons** (registered person) on purchase of 250 kg of plastic granules @50 per kg.*
- *Further, there is another supply between Diwan & Sons (supplier) & Shubhkamna Sales (recipient).*
- *Therefore, **Shubhkamna Sales can avail ITC** of ₹ 2,700 (₹ 60 x 250 x 18%) on purchase of 250 kg of plastic granules @60 per kg.*

2nd Proviso to Sec 16(2) read with Rule 37:- Payment for an invoice to be made within 180 days

CCP 09.02.07.00

Answer the following questions:-

Can a person take ITC without payment of consideration for supply along with tax? [ICAI Study Material]

If part payment of consideration is made by the recipient to the supplier, then whether full amount of tax can be adjusted first? If no, then whether it has to be calculated proportionately?

Answer:

- *Yes, the recipient can take full ITC.*
- *However, **proviso to section 16(2)** states that recipient is required to pay the consideration along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis.*
- *If recipient fails to do so, then corresponding credits availed by him will be added to his output tax liability, with interest.*
- *If part payment is made against an invoice, then **proportionate ITC is available** for the tax involved & thus, **full amount of tax cannot be adjusted** first against the part payment made.*

Sec 16(3):- If depreciation is claimed on tax component, ITC is not allowed

CCP 09.02.08.00

Whether the registered person can avail the benefits of input tax credit and depreciation on the tax component of capital goods and plant and machinery simultaneously?

Answer:

- **No,** the benefits of input tax credit and depreciation on tax component of capital goods and plant and machinery cannot be availed simultaneously.
- **Section 16(3)** of CGST Act states that input tax credit will not be allowed on tax component of cost of capital goods and plant and machinery, if depreciation is claimed on the same under Income Tax Act, 1961 by registered person.
- It means that either depreciation on tax component can be claimed under Income Tax Act or ITC of such tax paid can be availed under GST laws.

Sec 16(4):- Time limit for availing ITC

CCP 09.02.09.00

What is the time limit for taking ITC and reasons therefor? [ICAI Study Material]

Answer:

- As per **section 16(4)** of CGST Act, time limit for availing ITC by registered person for any invoice or debit note shall be **earlier** of following dates:-
  - 30th day of November following the end of financial year to which such invoice or debit note pertains or
  - Furnishing of the relevant annual return.
- However, there is **no time limit for re-availing the credit that had been reversed earlier.**
- As per **section 18(2)**, in special circumstances like new registration, voluntary registration, etc., registered person can take ITC **within 1 year** from date of issue of tax invoice by supplier.

03. Section 17(5):- Blocked Credits (Negative List)

Sec 17(5)(a):- Motor Vehicles

CCP 09.03.10.00

SRS Cars Pvt. Ltd., a car manufacturer, purchased a tempo Traveller (Seating capacity of 15 persons) for the transport of its employees within the factory premises. Can SRS Cars Pvt. Ltd. avail ITC on such purchase? Will your answer differ, if seating capacity of tempo traveller is 10 persons?

Answer:

Legal Provision:-

- As per **section 17(5)(a)** of CGST Act, ITC is **not** available on Motor vehicle for transportation of persons having approved seating capacity of not more than 13 persons (including driver), **except** when they are used for making **following taxable supplies:-**
  - a) Further supply of such motor vehicles or
  - b) Transportation of passengers or
  - c) Imparting training on driving such motor vehicles.

Discussion & Conclusion:-

- In first case, SRS Cars Pvt. Ltd. purchased a tempo Traveller with seating capacity of 15 persons which is exceeding capacity of 13 persons & thus, it **will be able to avail ITC** on the same.
- **Yes,** answer will differ in second case. If seating capacity of tempo traveller is 10 persons, then SRS Cars Pvt. Ltd. **cannot avail ITC** on the same as **ITC is blocked** u/s 17(5)(a).

Sec.17(5) (aa)-vessel and air-craft

CCP 09.03.11.00

Answer the following questions:-

A) A flying school imports an aircraft for use in its training activity and takes ITC of IGST paid on import. Departmental audit raises an objection that aircrafts fall within the definition of "conveyance" u/s section 2(34) of CGST Act and that ITC is not allowed on conveyances. Offer your comments.

B) Mr. A has two branches, one in Mumbai (MH) and another in Goa. Mr. A purchased a vessel for transportation of goods between two branches as a cheapest source for transportation. Whether Mr. A is eligible for Input Tax Credit of tax paid on such vessel?

Answer: Legal Provision:- As per **section 17(5)(aa)** of CGST Act, **ITC is blocked** on vessel & aircraft **except** when they are used:-

i) for making following taxable supplies:-

a) Further supply of such vessels or aircraft or

b) Transportation of passengers or

c) Imparting training on navigating such vessel or

d) Imparting training on flying such aircraft

ii) for transportation of Goods.

Discussion & Conclusion:-

A) In the given case, Aircraft is used for imparting training on flying such aircraft & hence, **ITC will be allowed** on such aircraft. Therefore, the input tax credit is correctly taken by flying school.

B) In the given case, Vessel is used for transportation of Goods by Mr. A & hence, **he is eligible for ITC** of tax paid purchase of such vessel.

Sec 17(5)(ab):- Services related to items in 17(5)(a) & 17(5)(aa)

CCP 09.03.12.00

Mr. Veer paid tax on repairs, maintenance and insurance of Motor Vehicles used for transportation of 6 employees for the purpose of business. Is this eligible for ITC? What will be your answer, if Mr. Veer paid tax on repairs and maintenance of tempos used to transport finished goods?

Answer: Legal Provision:-

- As per **section 17(5)(ab)** of CGST Act, input tax credit is blocked on general insurance, servicing, repair & maintenance of those motor vehicles on which input tax credit is blocked u/s 17(5)(a).

Discussion & Conclusion for 1st Case:-

- In given case, motor vehicles are used for transportation of 6 employees i.e. the seating capacity is not more than 13 persons & hence, ITC on such motor vehicles is **blocked u/s 17(5)(a).**
- ITC on repairs, maintenance & insurance of these Motor Vehicles is also **blocked u/s 17(5)(ab).**
- Therefore, Mr. Veer is **not eligible** for ITC.

Discussion & Conclusion for 2nd Case:-

- ITC on motor vehicles used for transportation of goods is allowed u/s 17(5)(a).
- Further, ITC is allowed on repair & maintenance relating to motor vehicles, ITC on which is allowed.
- Therefore, repairs and maintenance of tempos used by Mr. Veer for to transport finished goods **is eligible for ITC.**

CCP 09.03.13.00

ABC Ltd is a manufacturing co. is registered in village and is providing food and beverage to its employees. The company avail outdoor catering services of Mr. X for providing such meals to its employee. Examine whether ABC ltd. can avail the ITC on such outdoor catering service. These services are provided to the employees under factory act requirements.

Answer: As per **section 17(5)(b)**, ITC on supply of inter alia food and beverages and outdoor catering is blocked.

However, ITC in respect of such goods or services or both shall be available where an inward supply of such goods or services or both is used by a registered person for making supply to its employee which is under an obligation of law.(As per the circular no. 172/04/2022of GST)

Hence, ABC Ltd. is eligible to avail the ITC.

Combined Questions on Sec 17(5):-

CCP 09.03.14.00

Determine the eligibility of Input tax credit for the following cases u/s 17(5) of CGST Act:-

(i) Aspire Ltd. is a registered person engaged in passenger transport services. It purchased two motor vehicles (seating capacity is 10 persons) for ₹ 25,00,000 plus GST @28% for its business as on 10.10.20XX. Determine whether Aspire Ltd. can avail Input tax credit of the GST paid by it on motor vehicles.

(ii) Nirmitee Pvt. Ltd. is engaged in supply of works contract services. It gives a part of the construction work to a sub-contractor. The sub-contractor charges GST in his invoice to Nirmitee Pvt. Ltd. Determine the eligibility of input tax credit available to Nirmitee Pvt. Ltd.

Answer:

(i) Yes, Aspire Ltd. can avail ITC.

Legal Provision:-

- As per **section 17(5)(a)** of CGST Act, ITC is blocked on Motor vehicle for transportation of persons having approved seating capacity of not more than 13 persons (including driver), except when they are used for Transportation of passengers.

Discussion & Conclusion:-

- In given case, Aspire Ltd. is engaged in transportation of passengers & thus, it will be eligible to avail ITC of Rs 7,00,000 i.e. (Rs 25,00,000 * 28%).

(ii) Yes, Nirmitee Pvt. Ltd. can avail ITC.

Legal Provision:-

- As per **section 17(5)(c)** of CGST Act, ITC is blocked on works contract services 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.

Discussion & Conclusion:-

- The given case falls under the exception criteria of **section 17(5)(c)** as the services are supplied by a sub-contractor & hence, the company can avail ITC of GST charged by the sub-contractor.

CCP 09.03.15.00

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

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

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

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

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

CCP 09.03.16.00

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

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

Compute the amount of ITC available with A Ltd. for the month of December, 20XX by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled. [CA inter July 21 Exam]

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

S.No.	Particulars	GST(₹)	Explanation
1	Goods used in constructing an additional floor of office building	Nil	ITC is blocked u/s 17(5) of CGST Act on goods received by a taxable person for construction of an immovable property on his own account even if it is used in the course or furtherance of business & it is assumed that cost of construction of additional floor is capitalized.
2	Goods given as free sample to prospective customers	Nil	ITC is blocked u/s 17(5) of CGST Act on goods disposed of by way of free samples.
3	Trucks used to transport inputs in factory	11,000	ITC is not blocked u/s 17(5) of CGST Act on motor vehicles used for transportation of goods & thus, allowed unconditionally.
4	Inputs used in trial runs	9850	Here, inputs are used in the course or furtherance of business & hence, ITC thereon is allowed.
5	Confectionery items for consumption of employees working in the factory	Nil	ITC on food or beverages is blocked u/s 17(5) of CGST Act unless it is used in same line of business or as an element of taxable composite or mixed supply or provided by an employer to its employees under a statutory obligation i.e. ITC is blocked when the same consumed & not supplied.
6	Cement used for making foundation & structural support to plant & machinery	8050	ITC is not blocked u/s 17(5) of CGST Act on goods used for construction of plant and machinery. Plant and machinery
	Total Eligible ITC	**28,900**	

04. Section 18:- Availability of Credit in Special Circumstances

Sec 18(1):- ITC under Compulsory registration, Voluntary Registration, Switching from Composition to Regular Scheme & Cases where exempt supply becomes taxable supply

CCP 09.04.17.00

Babla & Bros. is exclusively engaged in making exempt supply of goods & is thus, not registered under GST. On 1st October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla & Bros. was ₹ 50 lakhs. Examine the eligibility of Babla & Bros. for availing ITC, if any.

[CA Inter RTP Nov 20] [ICAI Study Material]

Answer:-

Legal Provision:-

- As per **section 18(1)(a)** of CGST Act, if a person applied for registration within 30 days from the date on which he becomes liable to registration, then he shall be entitled to take ITC of:-
  - Inputs held in stock,
  - Inputs contained in semi-finished goods held in stock &
  - Inputs contained in finished goods held in stock

  on the day immediately preceding the date from which he becomes liable to pay tax.

Discussion & Conclusion:-

- In given case, exemption available on goods being supplied by Babla & Bros., an unregistered person, is withdrawn & it becomes liable to registration as its turnover has crossed threshold limit for registration on the day when the exemption is withdrawn.
- **Assuming** that Babla & Bros. applies for registration **within 30 days of 1st October and it obtains such registration**, it can take ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on 30th September.
- **ITC on capital goods will not be available** in this case.

CCP 09.04.18.00

What is the ITC entitlement of a newly registered person? [CA Inter MTP March 22]

Answer:

- As per **section 18(1)(a)** of CGST Act, if a person who is liable to take registration has applied for registration within 30 days from the date on which he became liable to registration, he can take
  - ITC of inputs held in stock & inputs contained in semi- finished or in finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax.
- As per **section 18(1)(b)** of CGST Act, a person applying for registration voluntarily can take
  - ITC of inputs held in stock and inputs contained in semi- finished or in finished goods held in stock on the day immediately preceding the date of grant of registration.

CCP 09.04.19.00

Mamta Sales trades in exempt goods and provides taxable services. It is registered under GST. On 1st October, the exemption available on its goods gets withdrawn. Analyze the scenario and determine the eligibility of Mamta Sales for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods. (CA Inter RTP Nov 2020) [ICAI Material]

Answer:-

Legal Provision:-

- As per section 18(1)(d) of CGST Act, registered person whose exempt supply becomes taxable supply can take ITC of:-
  - Inputs held in stock, Inputs contained in semi-finished or in finished goods held in stock relatable to such exempt supply &
  - on capital goods exclusively used for such exempt supply

  on the day immediately preceding the date from which such supply becomes taxable.
- ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

Discussion & Conclusion:-

- In given case, Mamta Sales is a registered person whose exempt supply is becoming taxable supply.
- Thus, as per **section 18(1)(d), it can take ITC** of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such exempt supply and on capital goods exclusively used for such exempt supply **on 30th September.**

Sec 18(6):- Supply of Capital Goods or Plant & Machinery on which ITC is taken

CCP 09.04.20.00

What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods? [ICAI Study Material] [CA Inter MTP April 22]

Answer:-

- As per **section 18(6)** of CGST Act, if capital goods or plant & machinery on which ITC has been taken are supplied outward by registered person, then **he must pay an amount which is higher of:-**
  - ITC taken on such goods **reduced by 5%** per quarter or part thereof from the date of issue of invoice OR
  - **Tax on transaction value** of such goods determined u/s 15.
- However, if refractory bricks, moulds & dies, jigs & fixtures are supplied as scrap, person may pay tax on transaction value of such goods determined u/s 15.

05. Rule 86B:- Restrictions on use of amount available in electronic credit ledger

CCP 09.05.21.00

Restrictions have been imposed on the use of amount available in electronic credit ledger vide rule 86B of CGST Rules, 2017. Are there any exceptions to rule 86B? If yes, state the exceptions. [CA Inter RTP May 22]

Answer:-

the registered person shall not use the amount available in electronic credit ledger to discharge his liability towards output tax in excess of 99% of such tax liability, in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds **`50 lakhs:**

Yes, there are some exceptions to rule 86B that imposes restriction on use of amount available in electronic credit ledger which are as under:-

a) Payment of Income Tax more than ₹ 1 lakh:-

Rule 86B may not apply, if below persons have deposited **more than ` 1 lakh as income tax** under Income-tax Act, 1961 in each of the last 2 financial years for which time limit to file return of income u/s 139(1) of the said Act has expired:-

- The registered person or
- The Karta/ proprietor/ managing director of the registered person;
- Any of the two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees of the registered person, as the case may be.

b) Receipt of refund of input tax credit (ITC) of more than ₹ 1 lakh:-

Rule 86B may not apply, if registered person has received a **refund of more than ` 1 lakh** for unutilized ITC in **preceding financial year** due to:-

- zero-rated supplies made without payment of tax or
- Inverted duty structure.

c) Payment of total output tax liability through electronic cash ledger in excess of 1% of total output tax liability:-

- Rule 86B shall not apply, if registered person has **paid more than 1% of total output tax liability using electronic cash ledger** upto the said month in current financial year.
- This condition is seen for C.F.Y., & hence, for April of any F.Y., the exception will not apply.
- GST liability paid under reverse charge should not be considered while calculating the total output liability paid through electronic cash ledger.

d) Specified registered Person:-

Rule 86B would not apply for **following registered person:-**

- Government Department or
- A public sector undertaking or
- A local authority or
- A statutory body.

However, Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit.

06. Combined Questions on ITC:-

CCP 09.06.22.00

Answer the following independent questions:-

(i) A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ without payment of GST as these supplies are not taxable. The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments. [ICAI Study Material]

(ii) A registered person transfers its business to another person. Is such registered person allowed to transfer the unutilized ITC lying in its electronic credit ledger to such transferred business? Discuss.

(iii) 'AB', a registered person, was paying tax under composition scheme up to 30th July. However, w.e.f. 31st July, 'AB' becomes liable to pay tax under regular scheme. Is 'AB' eligible for any ITC?

Answer:-

(i)	➲ ITC is disallowed only to the extent it pertains to supplies used for non-business purposes or supplies other than taxable and zero-rated supplies. ➲ **Supplies to SEZ units are zero rated supplies** as per **section 16(1) of IGST Act.** ➲ In the given case, full ITC is allowed on inward supplies of BMT Ltd. used for making supplies to unit in SEZ.
(ii)	➲ As per **section 18(3)** of CGST Act, in case of sale, merger, demerger, amalgamation, transfer or change in ownership of business etc., the ITC that remains unutilized in electronic credit ledger of registered person can be transferred to new entity, if there is a specific provision for transfer of liabilities in such change of constitution. ➲ The registered person should furnish details of change in constitution on common portal & submit a certificate from practicing Chartered Accountant/Cost Accountant certifying that the change in constitution has been done with a specific provision for transfer of liabilities. ➲ Upon acceptance of details by transferee on common portal, the unutilized ITC gets credited to his electronic credit ledger. ➲ Transferee should record the inputs and capital goods so transferred in his books of account.
(iii)	➲ As per **section 18(1)(c)** of CGST Act, 'AB' is eligible for ITC on inputs held in stock and inputs contained in semi- finished or in finished goods held in stock and capital goods as on 30th July. ➲ ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

CCP 09.06.23.00

ABC Co. Ltd., registered under GST is engaged in the manufacture of heavy machinery. It procured the following items during the month of July. [ICAI Study Material]

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

Determine the amount of ITC available with ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. [Similar Question- IPC Nov 20 Exam]

Answer:-

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

S.No.	Particulars	GST(₹)	Explanation
1	Electrical transformers to be used in the manufacturing process	520000	**ITC is available** on goods used in the course or furtherance of business u/s 16(1) of CGST Act.
2	Trucks used to transport of raw material	1,00,000	**ITC is not blocked** u/s 17(5)(a) of CGST Act on motor vehicles used for transportation of goods.
3	Raw material	-	Since raw material is not received in July, 20XX, ITC for the same cannot be availed in July, 20XX u/s 16(2).
4	Confectionery items for consumption of customers at customers meet	-	ITC is blocked u/s 17(5)(b) of CGST Act on food or beverages unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply or provided by an employer to its employees under a statutory obligation.
5	Capital Goods	4,30,000	ITC can be availed only on basis of a valid document u/s 16(2). Thus, ITC for the item for which invoice is missing **cannot be availed (i.e. for Rs. 70000).**
6	GST paid on health insurance policies	-	ITC is **blocked u/s 17(5)** of CGST Act on health insurance taken for employees except when there is a statutory obligation on employer to provide the same.
	Total ITC Available	**10,50,000**	

CCP 09.06.24.00

CANWIN Ltd., a registered supplier, is engaged in the manufacture of Tanks. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of January 20XX:

S.No.	Items	GST paid
1	Purchase of Machinery where debit note is issued	1,15,000
2	Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
3	Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	50,000
4	Works Contract services availed for construction of Staff quarters within the company premises	4,25,000

Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January 20XX by giving brief explanations for treatment of various items. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled. (ICAI Suggested Nov 18)

Answer: Computation of input tax credit (ITC) available with CANWIN Ltd. for the month of January 20XX

S.No.	Items	(₹)	Explanation
1	Purchase of Machinery where debit note is issued	1,15,000	As per sec 16(2)(a) of CGST Act, ITC is allowed on goods purchased on basis of debit note which is a valid document.
2	Input purchased was directly delivered to Mr. Joe, a job worker & a registered supplier	80,000	As per explanation to sec16(2)(b), goods delivered to a third person on direction of registered person are deemed to have been received by such registered person. So, ITC is available to registered person even though he did not receive the goods.

3	Computers purchased (Depreciation is claimed on GST portion under Income-Tax Act, 1961)	-	As per sec 16(3) of CGST Act, if depreciation has been claimed on the tax component of cost of capital goods and plant and machinery under Income -tax Act, 1961, then ITC is not allowed on the said tax component.
4	Works Contract services availed for construction of Staff quarters within the company premises	-	As per section 17(5)(c) of CGST Act, ITC is blocked on works contract services supplied for construction of an immovable property except where it is an input Service for further supply of works contract service.
	Total ITC Available	**1,95,000**	

CCP 09.06.25.00

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

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

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

Answer:-Computation of ITC available with Dina Ltd. for the month of March:

S.No.	Items	(₹)	Explanation
1	Purchase of iron which is used as a raw material	Nil	**1st proviso to section 16(2)** of CGST Act states that if goods against an invoice are received in instalments, ITC can be availed only on the receipt of last instalment. Since last instalment is received in April, ITC cannot be availed in March.
2	Purchase of accessories delivered directly to dealers of company	90,000	As per **explanation to section 16(2)(b)**, goods delivered to a third person on direction of registered person are deemed to have been received by such registered person. So, ITC is available to registered person even though he did not receive the goods.
3	Bus for transportation of employees	1,97,000	**ITC is not blocked** u/s 17(5)(a) of CGST Act on motor vehicles for transportation of persons with seating capacity more than 13 persons (including driver) used for any purpose.

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

CCP 09.06.26.00

Shine Ltd., a registered manufacturer, is engaged in taxable supply of goods. It procured the following goods during October, 20XX. Determine the amount of Input Tax credit available by giving necessary explanation for treatment of various supplies of goods.

S. No.	Description of Goods	ITC (₹)
1	Laptop purchased for factory unit	40,000
2	Goods used for purpose other than business	27,000
3	Capital goods used for making outward supplies to SEZ unit	52,000
4	Capital Goods purchased from a composition dealer	25,000
5	Goods purchased from Lata Ltd., the details of which are not uploaded in GSTR - 1 by Lata Ltd. but tax is deposited to Government within due date.	20,000
6	Battery purchased from Exide Ltd. for which invoice is issued in Oct, 20XX but payment is made in Nov, 20XX	54,000
7	Goods purchased from Asha Ltd & payment is also made but tax has not been deposited by Asha Ltd. to Government & also not reported in GSTR - 1	86,500

Answer:-

Computation of Input Tax credit available to Shine ltd. for October, 20XX:-

S. No.	Description of Goods	ITC (₹)	Explanation
1	Laptop purchased for factory unit	40,000	ITC can be availed u/s 16(1) of CGST Act for goods (i.e. laptop) used in the course or furtherance of business.

2	Goods used for purpose other than business	Nil	ITC is blocked u/s 17(5)(g) of CGST Act on goods used for personal consumption (i.e. non business use).
3	Capital goods used for making outward supplies to SEZ unit	52,000	ITC is allowed on capital goods used for making taxable including zero-rated supplies. Supply to SEZ units are zero rated supplies u/s 16(1) of IGST Act & hence, ITC is available in this case.
4	Capital Goods purchased from a composition dealer	Nil	ITC is blocked u/s 17(5)(g) of CGST Act on goods on which tax is paid u/s 10.
5	Goods purchased from Lata Ltd.	Nil	As per sec 16(2)(aa) of CGST Act, ITC is not available, if supplier has not reported the invoice in his GSTR-1, even though the tax is deposited to Govt. within due date, since all conditions are to be satisfied u/s 16(2) to avail ITC.
6	Battery purchased from Exide Ltd.	54,000	As per sec 16(2)(a) of CGST Act, a registered person can avail ITC, if he is in possession of a tax invoice which is a valid document. However, payment for value & tax has to be made within 180 days of invoice date as per proviso to sec 16(2).
7	Goods purchased from Asha Ltd.	-	All conditions are to be satisfied u/s 16(2) to avail ITC. So, ITC is not available in either of the cases where supplier has not reported invoice in GSTR-1 or has not paid tax to Govt.
	Total ITC Available	**1,46,000**	

07. Questions to compute Eligible ITC Available & GST Liability

CCP 09.07.27.00

Mr. Nimit, a supplier of goods, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies in the month of August, 20XX :-

Particulars	₹
Intra state supplies of goods	6,00,000
Inter state supplies of goods	2,00,000

He has also furnished following information in respect of purchases made by him from registered dealers during August, 20XX:-

Particulars	₹
Intra state purchase of goods	4,00,000
Inter state purchase of goods	50,000

Balance of ITC available at the beginning of the August 20XX:-

Particulars	₹
CGST	15,000
SGST	35,000
IGST	20,000

Note:

(i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively, on both inward and outward supplies.

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

(iii) All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. Nimit for the month of August, 20XX. [CA IPCC May 18]

Answer: Note I :- Computation of total ITC

Particulars	IGST@ 18%	CGST@ 9%	SGST@ 9%
Opening ITC	₹20,000	₹ 15,000	₹35,000
Add: ITC on Intra-State purchases of goods valuing ₹ 4,00,000		₹ 36,000	₹36,000
Add: ITC on Inter-State purchases of goods valuing ₹ 50,000	₹9,000		
Total ITC	**₹29,000**	**₹51,000**	**₹71,000**

Computation of net GST payable by Mr. Nimit for the month of August,20XX

S. No.	Particulars	Taxable Value (₹)	IGST @ 18% (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)
1	Intra-State supply of goods	6,00,000		54,000	54,000
2	Inter-State supply of goods	2,00,000	36,000	-	-
3	**Total GST Payable**		**36,000**	**54,000**	**54,000**
4	Less : ITC (Note) IGST - 29,000		(29,000)	-	-
5	CGST – ₹51,000		-	(51,000)	x
6	SGST – ₹71,000		(7,000)	x	(54,000)
	Net GST payable		**Nil**	**3,000**	**Nil**

ITC of SGST to be carry forward in next month ₹ 10,000

Note:- ITC of SGST has been used to pay SGST & IGST, in that order

CCP 09.07.23.00

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

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

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

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

There is no opening ITC and all conditions for ITC are fulfilled. [CA Inter Jan 21 Exam]

Answer:-

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

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

Note:-

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

CCP 09.07.29.00

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

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

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

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

Additional Information:

(i) There is no opening balance of any input tax credit and all the conditions necessary for availing the input tax credit (ITC) have been fulfilled.

(ii) Details of GST paid on inward supplies are available in GSTR-2A except for item (i) i.e. Raw Material A, for which supplier has not filed its GSTR-1 for the month of January 20XX, hence corresponding input tax credit (ITC) is not reflecting in GSTR-2A of KNK Ltd. in January, 20XX.

Compute the following:-

(i) Amount of eligible input tax credit (ITC) available for the month of January, 20XX.

(ii) Minimum net GST payable in cash, for the month of January, 20XX after using available input tax credit.

Working notes should form part of your answer. [CA Inter Nov 20 Exam]

Answer:-

(i) Computation of eligible ITC available for the month of January, 20XX:-

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

Notes:

1) ITC shall **not be availed**, if the invoice is not reported by supplier in his GSTR-1 & also not reflected in GSTR-2B of recipient u/s 16(2)(aa) read with Rule 36(4).

2) ITC on goods destroyed (i.e. 10% of the goods) is **blocked** u/s 17(5)(h) of the CGST Act, 2017.

3) As per section 17(5)(c), ITC on works contract services availed for construction of plant and machinery is allowed but pipelines laid outside the factory premises are excluded from the definition of plant and machinery and hence, ITC thereon is **blocked.**

4) ITC on motor vehicles used for transportation of goods is not blocked u/s 17(5) & hence, ITC is also **allowed** on insurance services relating to such motor vehicles on which ITC is allowed.

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

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

CH 9 Input Tax Credit

CCP 09.07.30.00

M/s ABC & CO., a Chartered Accountancy Firm having office in Bengaluru registered under GST in the state of Karnataka, submitted the following information for the month of April 20XX:-

S.No.	Services provided	Amount excluding GST (₹)
(1)	Statutory audit services provided (intra-state supplies)	1,20,000
(2)	ITR filing services provided within Karnataka (intra-state supplies)	1,60,000
(3)	Internal Audit services provided to Mumbai client (inter-state supplies)	1,80,000

ABC & Co. had incurred the following expenses in the month of April, 20XX for the purpose of providing the taxable services:-

S.No.	Services provided	
(1)	Car purchased by firm for the use of senior partner of the firm for office use	7,84,000 (CGST ₹42,000 & SGST ₹42,000)
(2)	Office rent paid to landlord who is registered in State of Karnataka	5,900 (CGST ₹450 & SGST ₹450)
(3)	Professional fee paid to Mr. Rajesh, a practicing Chartered Accountant, for professional services availed	2,36,000 (CGST ₹18,000 & SGST ₹18,000) TDS deducted ₹20,000 u/s 194J of the Income Tax Act, 1961
(4)	Computer purchased for office purpose	56,000 (CGST ₹3,000 & SGST ₹3,000)

Out of the above 4 suppliers/service providers, landlord of office to whom rent was paid has not uploaded his GSTR-1 within the specified time allowed under GST resulting in GST amount not reflecting in GSTR-2A of ABC & Co.

Compute the net GST payable (CGST, SGST and IGST after adjustment of ITC) by ABC & Co. for the month of April, 20XX. Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively assuming that all the remaining conditions of utilisation of ITC are fulfilled. [CA IPC Dec 21 Exam]

Answer:- Computation of net GST payable by ABC & Co. for the month of April, 20XX:-

Particular	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Statutory audit services	1,20,000	-	10,800	10,800
ITR filing services	1,60,000	-	14,400	14,400
Internal audit services	1,80,000	32,400	-	-
Total output tax liability		**32,400**	**25,200**	**25,200**
Less: ITC of [Refer Working Note] CGST = ₹ 21000 SGST = ₹ 21000 [CGST credit is set off against CGST liability & SGST credit is set off against SGST liability since CGST credit cannot be utilized towards payment of SGST liability and vice versa.]		-	(21,000)	(21,000)
Net GST Payable		**32,400**	**4200**	**4200**

Working Note:- Computation of ITC that can be availed by ABC & Co. for the month of April, 20XX:-

Particular	Reason	CGST (₹)	SGST (₹)
Car purchased for official use by senior partner	u/s 17(5)(a) of CGST Act, ITC on motor vehicles used for transportation of persons with seating capacity upto 13 persons (including driver) is blocked except when used for making specified outward supplies.	Nil	Nil
Office rent paid to landlord	ITC is ineligible u/s 16(2)(aa) read with rule 36(4), since supplier has not uploaded details of this supply in his GSTR-1.	Nil	Nil
Professional fee paid	ITC on services used in the course or furtherance of the business is allowed.	18000	18000
Computer for office purpose	ITC on goods used in the course or furtherance of the business is allowed.	3000	3000
ITC that can be availed		**21,000**	**21,000**

CCP 09.07.31.00

M/s. Grey, a registered taxable person under regular scheme provides following information in respect of supplies, during the month of April, 20XX:-

Particulars	Amount (₹)
Inter-state supply of goods	1,00,000
Intra-state supply of 500 packets of detergent @ ₹ 400 each along with a plastic bucket worth ₹ 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	2,00,000
Supply of online educational journals to M/s. Pinnacle, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply	50,000
M/s. Grey has also received the following inward supplies:-	
Inter-state supply of goods (out of which, invoice for goods worth ₹ 20,000 is missing and no other tax paying document is available)	70,000
Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply	50,000

Details of opening balances of ITC as on 1-4-20XX are as follows:-

CGST	₹ 5000
SGST	₹ 5000
IGST	₹ 40,000

Following additional information is provided:-

(a) Rate of GST in respect of all inward and outward supplies except item (ii) above is 18% i.e. CGST and SGST @ 9% and IGST @ 18%.

(b) All figures mentioned above are exclusive of taxes.

(c) All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.

Compute the minimum net GST payable in cash by M/s. Grey for the month of April, 20XX. [CA Inter Nov 19 Exam New, CA Inter July 21 Exam (Similar Question), CA Inter MTP May 22 (Similar Question), RTP Nov 21 (Similar Question)]

Answer:-

(A) Calculation of Total Tax Liability:-

Particular	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Inter-State supply of goods	100000	18000	-	-
Intra-state supply of 500 packets of detergent along with plastic basket (Note-1)	200000 (500*400)	-	28000 (200000* 14%)	28000 (200000* 14%)
Supply of online educational journal to private coaching centre (Note-2)	50,000	-	4500 (50000*9%)	4500 (50000*9%)
Total Tax Liability (A)		**18000**	**32,500**	**32,500**

(B) Calculation of Total Input Tax Credit (ITC):-

Particular	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Brought forward ITC (Given)		40,000	5000	5000
Inter-State purchase of goods (Note-3)	50,000	9000 (50000*18%)	4500 (50000*9%)	4500 (50000*9%)
Repairing of bus with seating capacity of 20 passengers (Note-4)	50,000	-	4500 (50000*9%)	4500 (50000*9%)
Total ITC (B)		**49,000**	**9500**	**9500**

(C) Computation of minimum net GST payable in cash by M/s. Grey for the month of April, 20XX:-

Particular	IGST (₹)	CGST (₹)	SGST (₹)
Total Tax Liability (A) above	18000	32,500	32,500
Less:- Set off of ITC			
IGST = Rs. 49000	18000	32,500	32,500
CGST = Rs. 9500		32,500	
SGST = Rs. 9500			32,500
Minimum net GST payable in cash (C) (Note-5)	**Nil**	**Nil**	**15000**

Notes:-

1. Supply of detergent and bucket together with a single price of ₹ 400 is a mixed supply & it shall be treated as **supply of that particular supply** that attracts **highest rate of tax** (28%).
2. Supply of online educational journal to an educational institution which provides a qualification recognised by law in India is exempt. Since, private coaching centre does not provide any recognised qualification, supply of online educational journals to the same **will be taxable.**
3. ITC can be taken only on basis of a valid tax paying document **u/s 16(2)(a)** of CGST Act. Thus, ITC **will not be available** on goods of Rs. 20000 for which the invoice is missing.
4. **ITC is not blocked** u/s 17(5)(a) of CGST Act on motor vehicles for transportation of persons with seating capacity more than 13 persons (including driver) & thus, ITC is not blocked on its repair also u/s 17(5)(ab).
5. IGST credit shall be first used fully to pay IGST & then to pay CGST and SGST in any order and in any proportion. Thus, **there cannot be one answer** for minimum net CGST and SGST payable in cash.

CCP 09.07.32.00

M/s. Comfortable (P) Ltd. is registered under GST in Chennai, Tamil Nadu. It is engaged in the manufacture of iron and steel products. It has carried out following transactions in the financial year 20XX-XY:-

(a) Purchased 1,000 Metric Ton (MT) iron @1,000 per MT (excluding GST) from M/s. Hard Ltd. of Chennai. M/s. Hard Ltd. has fulfilled the order as follows:-

Date	Quarterly (MT)	Taxable Value (Rs)
28-Feb-20XY	200	2,00,000
10-Mar-20XY	250	2,52,000
25-Mar-20XY	250	2,50,000
28-Mar-20XY	200	2,00,000

Balance order requirement has been fulfilled by Hard Ltd. on 5-Apr-20XY. However, Hard Ltd. has raised the invoice for full order at the time of dispatch of first lot, i.e. on 28-Feb-20XY. M/s. Comfortable (P) Ltd. has made the full payment on 28-Feb-20XY for the order.

(a) Company has received IT engineering service from M/s. Dynamic Infotech (P) Ltd. of Chennai for Rs. 11,00,000/- (excluding GST) on 28-Oct-20XX. Invoice for service rendered was issued on 5-Nov- 20XX. M/s Comfortable (P) Ltd. made part-payment of Rs. 4,13,000/- on 31-Dec-20XX. Being unhappy with service provided by M/s Dynamic Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by M/s Dynamic Infotech (P) Ltd. by 15-Feb-20XY. M/s. Comfortable (P)

Ltd. made payment of Rs. 2,95,000/- on 15-Feb-20XY towards full & final settlement of the dues and did not pay the balance amount. [ICAI Study Material covers (b)]

(b) Company has made following intra State supplies (excluding GST) for the financial year 20XX-XY:-

S.No.	Particulars	Amount (₹)
(1)	Value of intra-State supplies made to registered persons	10,00,000
(2)	Value of intra-State supplies made to unregistered persons	2,00,000

(i) Compute the GST liability (CGST, SGST or IGST, as the case may be) of M/s. Comfortable (P) Ltd. for the financial year 20XX-XY:-

(ii) Compute amount of ITC to be reversed in FY 20XX-XY and/or in the next FY 20XY-YZ, if any.

Assume the rate of GST as under:- CGST @9%, SGST @9%, & IGST @18%

Note:-

(i) All the conditions necessary for availing input tax credit have been fulfilled.

(ii) Ignore interest, if any [CA Inter MTP Mar 19]

Answer:- (i) Computation of net GST payable for the financial year 20XX-XY:-

Particular	Value(₹)	CGST (₹)	SGST (₹)
Tax Liability			
Intra-State supplies made to registered persons	10,00,000	90,000	90,000
Intra-State supplies made to unregistered persons	2,00,000	18,000	18,000
Total (A)		**10,8000**	**108000**
Input Tax Credit			
Supply of iron in lots by M/s. Hard Limited [Note-1]	10,00,000	-	-
Supply of IT engineering service [Note-2]	11,00,000	99,000	99,000
Total (B)		**99,000**	**99,000**
Net GST payable (A)-(B)		**9,000**	**9000**

Notes:-

1) Ist proviso to section 16(2) of CGST Act states that if goods against an invoice are received in lots or instalments, the registered person is entitled to take credit upon receipt of last lot or instalment. Although 900 MT of iron are received in financial year 20XX-XY, last lot is received after FY 20XX-XY only, i.e. on 5 April, 20XY & thus ITC is not available in FY 20XX-XY.

2) As per section 16 of CGST Act, registered person can take credit of input tax charged on his inward supplies which are used in the course of business on receipt of said services. Thus, full ITC Rs. 1,98,000 (i.e. Rs 99000 CGST + Rs 99000 SGST) can be claimed in financial year 20XX-XY.

(ii) Input tax credit to be reversed in Financial Year 20XY-YZ:-

Particulars	Amount (₹)
Total value of procurement of IT engineering service	11,00,000
Add: Total GST on the above value @18% [CGST + SGST]	1,98,000
Value including GST	12,98,000
Amount paid for the said service including GST [Rs. 4,13,000 + Rs. 2,95,000]	7,08,000
Amount [value along with tax payable thereon] not paid for the said service	5,90,000
ITC to be reversed [Rs. 5,90,000 x 18/118]	90,000

Explanation:-

- Proviso to section 16(2) of CGST Act states that recipient is required to pay the consideration along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis. If recipient fails to do so, then corresponding credits availed by him will be added to his output tax liability, with interest.
- If part payment is made against an invoice, proportionate ITC is available for the tax involved.
- In given case, proportionate ITC availed needs to be reversed on the value along with

tax payable thereon which has not been paid by M/s Comfortable (P) Ltd. to M/s Dynamic Infotech (P) Ltd. within 180 days from invoice date.

- This reversal will be done in financial year 20XY-YZ when 180 days from invoice date expires.
- There is no time limit to re-avail the credit when the payment is made later on.

CCP 09.07.33.00

Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand, is engaged in the manufacturing of washing machines & mixer grinders. It provides you the details of various activities undertaken during the month of September, 20XX as follows

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

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

Nature of supply	CGST	SGST	IGST
Composition supplies	0.5%	0.5%	-
Bus	14%	14%	28%
Raw materials	6%	6%	12%
Washing machines & mixer grinders	9%	9%	18%

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

CGST	20,000
SGST	5,000
IGST	95,000

Note:

(i) All the figures mentioned above are exclusive of taxes.

(ii) Both inward & outward supplies within the State of Jharkhand are to be considered intra-State supplies and outside the State of Jharkhand are inter-State supplies.

(iii) Subject to information given above, all the other conditions necessary for availing ITC have been fulfilled.

Calculate the amount of net minimum GST payable in cash by Zeon Ltd. for the month of Sep, 20XX

Brief and suitable notes should form part of your answer. (CA Inter May 22 Exam)

Answer:

(A) Calculation of Total Tax Liability:-

Particulars	Value (₹)	IGST @ 18% (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)
Intra-State supply of goods	24,00,000	-	2,16,000	2,16,000
Inter-State supply of goods	5,00,000	90,000	-	-
Total Tax Liability (A)	-	**90,000**	**2,16,000**	**2,16,000**

(B) Calculation of Total Input Tax Credit (ITC):-

Particulars	Value (₹)	IGST @ 18% (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)
Opening Balance (Given)		95,000	20,000	5,000
Purchase of raw materials from registered dealers within Jharkhand (Note-1)	5,00,000 (7,00,000 -2,00,000)	-	30,000 (5,00,000* 6%)	30,000 (5,00,000* 6%)

Bus purchased from dealer in Jharkhand used to ferry 25 workers to and from factory (Note-2)	12,00,000	-	1,68,000 (12,00,000* 14%)	1,68,000 (12,00,000* 14%)
Total Tax Liability (A)	-	**95,000**	**2,18,000**	**2,03,000**

C) Computation of minimum net GST payable in cash by Zeon Ltd. for the month of Sep, 20XX:-

Particulars	**IGST (₹)**	**CGST (₹)**	**SGST (₹)**
Total Tax Liability (A) above	90,000	2,16,000	2,16,000
Less:- Set off of ITC (Note-3)			
IGST = Rs. 95,000	(90,000)	-	(5,000)
CGST = Rs. 2,18,000	-	(2,16,000)	-
SGST = Rs. 2,03,000	-	-	(2,03,000)
Minimum net GST payable in cash (C)	**Nil**	**Nil**	**8,000**
ITC to be carried forward next month	-	2,000	-

Notes:

1) ITC is blocked u/s 17(5)(g) of CGST Act on goods on which tax is paid under composition scheme (Sec 10)
2) As per section 17(5)(a) of CGST Act, ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed
3) IGST credit be first utilized for payment of IGST liability, After exhausting IGST credit, CGST and SGST credit to be utilized, & ITC of CGST cannot be utilized for payment of SGST and vice versa

Chapter 10

Registration

INDEX

01. Introduction to Registration under GST

CCP 10.01.01.00

What is the advantage of taking registration in GST? [ICAI Study Material]

Answer:

Registration under Goods and Service Tax (GST) regime will confer following advantages to the business:-

- The person is **legally recognized as supplier** of goods or services.
- There is **proper accounting of taxes paid** on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
- Person is **legally authorized to collect tax** from his purchasers **and pass on the credit** of the taxes paid on the goods or services supplied to purchasers or recipients.
- The person becomes eligible to avail **various other benefits & privileges** under the GST laws.

02. Explanation to Sec 22:- Inclusion/ Exclusion in Aggregate Turnover

CCP 10.02.02.00

What is "Aggregate Turnover" under the GST Law?

Answer:

- As per **section 2(6)** of CGST Act, 2017, **"Aggregate Turnover"**:-

Includes	Excludes
Value of all outward supplies of goods &/or services in following **4 categories:-** - Taxable supplies - Exempt supplies (wholly exempt, nil rated & Non-taxable) - Exports - Inter-State supplies	CGST/ SGST/ UTGST/ IGST/ Compensation Cess
For persons having **same PAN**, aggregate turnover is to **be computed on all India basis.**	Value of **inward supplies** on which tax is payable by a person under **reverse charge.**

03.Sec 22(1) read with Proviso (i.e. N/No. 10/2019) & Explanation thereto:- Threshold limit for registration

CCP 10.03.03.00

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

Sr. No.	Particulars	RS
1	Intra-State sale of goods chargeable with GST@ 12%	15,00,000
2	Intra-State sale of non-taxable goods	5,00,000
3	Intra-State sale of alcoholic liquor for human consumption	2,00,000
	Intra-State sale of Tobacco	3,00,000

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

(i) Compute the aggregate turnover.

(ii) Examine whether Happy Trader is liable to be registered under the Act, with reasons for the same.

(iii) What is the threshold limit for taking registration in this case? [CA IPC Jan 21 Exam]

Answer: Legal Provision:-

- As per section 2(6) of CGST Act, 2017, "aggregate turnover" **means** the aggregate value of all:-
  - taxable supplies,
  - exempt supplies (wholly exempt, nil rated & Non-taxable)
  - exports &
  - inter-State supplies

of persons having the same Permanent Account Number, to be computed on all India basis

but excludes:-

- central tax, State tax, Union territory tax, integrated tax and cess &
- the value of inward supplies on which tax is payable by a person on reverse charge basis

- As per section 22(1) read with proviso to section 22(1) of the CGST Act, 2017, Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds the threshold limit in a financial year.
- The threshold limit for a person making exclusive intra-state supplies of goods is as under:-
  - ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
  - ₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
  - ₹ 40 lakh for rest of India.
- However, the higher threshold limit of ₹ 40 lakh is not available to persons engaged in making supplies of Tobacco and manufactured tobacco substitutes & other notified goods.

Discussion & Conclusion :-

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

(ii) & (iii)

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

CCP 10.03.04.00

Explain the registration requirements under GST law in the following case:-
Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of ₹ 13 lacs. Will your answer be different if Mr. Lepcha is located in Meghalaya? [CA Inter Nov 19 Exam New]

Answer: Legal Provision:-

- The **higher threshold limit of ₹ 40 lakh** as applicable to a person engaged exclusively in intra-State supply of goods is **not applicable to Mizoram** [a specified Special Category State].
- Instead, a lower **threshold limit of ₹ 10 lakh** for registration **is applicable for Mizoram.**

Discussion & Conclusion:-

(i)	In the given case, Mr. Lepcha of **Mizoram, is liable to register** since his aggregate turnover (₹ 13 lakh) **exceeds the applicable threshold limit** for registration of ₹ 10 lakh.
(ii)	➢ The enhanced threshold limit of ₹ 40 lakh is also specifically not applicable in the State of Meghalaya. ➢ Instead, the normal threshold limit of ₹ 20 lakh for registration is applicable to it. ➢ Therefore, if Mr. Lepcha is located in **Meghalaya,** he is **not liable to register** since his aggregate turnover (₹ 13 lakh) **does not exceed the applicable threshold limit** for registration of ₹ 20 lakh.

CCP 10.03.05.00

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

(i) Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 33 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY.

(ii) Pulkit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh. . [CA Inter MTP Nov 21] [ICAI Study Material]

Answer: ***Legal Provision:-***

- *As per **section 22(1) read with proviso to section 22(1)** of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.*
- *The **threshold limit** for a person making **exclusive intra-state supplies of goods** is as under:-*
  - *₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.*
  - *₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.*
  - *₹ 40 lakh for rest of India.*

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

(i)	➢ Raghav is eligible for higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. ➢ However, since Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹10 lakh. ➢ Thus, Raghav is liable to get registered under GST as his turnover exceeds ₹10 lakh. ➢ Further, he is required to obtain registration in **both Assam and Tripura** as he is making taxable supplies from both the States.
(ii)	➢ The applicable threshold limit for registration for Pulkit in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. ➢ Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.

CCP 10.03.06.00

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

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

(i) Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.

(ii) Will your answer be different if Q Ltd. supplies only petrol & diesel from Tripura instead of any other taxable goods? [CA Inter Dec 21 Exam]

Answer:

Legal Provision:-

- *As per **section 22(1) read with proviso to section 22(1)** of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.*
- *The **threshold limit for a person making exclusive intra-state supplies of goods** is as under:-*
  - *₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.*
  - *₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.*

- ₹ 40 lakh for rest of India.

Discussion & Conclusion:-

(I)	➢ Since Q Ltd. is making supply of taxable goods from Tripura, a specified Special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh. ➢ Thus, **it is liable to be registered** under GST as its aggregate turnover [₹ 31 lakh] exceeds the said threshold limit. **Assumption:-** It has been assumed that Q Ltd. is not engaged in making supplies of notified goods that makes it ineligible for threshold of Rs. 40 Lakhs.
(Ii)	➢ In case Q Ltd. is making supply of non-taxable goods [petrol and diesel] from Tripura, the applicable threshold limit will not be reduced to ₹ 10 lakh. ➢ The enhanced threshold limit of ₹ 40 lakh will be applicable. ➢ Thus, it is **not liable to be registered** under GST as its aggregate turnover [₹ 31 lakh] does not exceed the said threshold limit.

CCP 10.03.07.00

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

(i)	**Rudra Builders of Rohini, Delhi is exclusively engaged in intra-State taxable supply of building bricks. It's aggregate turnover in the current financial year is ₹ 23 lakh. (CA Inter RTP may 22, Similar Ques CA Inter July 21 Exam)**
(ii)	**Heera of Himachal Pradesh is exclusively engaged in intra-State taxable supply of footwear. His turnover in the current financial year (FY) from Himachal Pradesh showroom is ₹ 32 lakh. He has another showroom in Nagaland with a turnover of ₹ 11 lakh in the current FY. (CA Inter RTP Nov 22) (Similar Ques CA Inter July 21 Exam]**
iii)	**Ankit of Telangana is exclusively engaged in intra-State taxable supply of footwears. His aggregate turnover in the current financial year is ` 25 lakh [CA Inter July 21 Exam] [CA Inter RTP- Nov 21]**
iv)	**Akki Ltd. of Assam is exclusively engaged in intra-State supply of taxable services. It's aggregate turnover in the current financial year is ₹ 25 lakh**
v)	**Aaru Ltd. of Assam is engaged in intra-State supply of both taxable goods and services. It's aggregate turnover in the current financial year is ₹ 30 lakh [CA Inter MTP Oct 2020] [ICAI Study Material]**

Answer:

Legal Provision:-

- **As per section 22(1) read with proviso to section 22(1) of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.**
- The **threshold limit** for a person making **exclusive intra-state supplies of goods** is as under:-
  - ` 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
  - ` 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
  - ` 40 lakh for rest of India.
- However, the higher threshold limit of ₹ 40 lakh **is not available** to persons engaged in making supplies of notified goods, one of which is **Building bricks.**
- The **threshold limit** for a person making **exclusive supply of services** or **supply of both goods and services** is as under:-
  - ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
  - ₹ 20 lakh for the rest of India

Discussion & Conclusion:-

(i)	Ø Though the enhanced threshold limit for registration of ₹ 40 lakh is available to Delhi, the same will not be applicable if the person is engaged in supply of notified goods, one of which is Building Bricks. Ø In view of the same, the applicable threshold limit for Rudra builders is ₹ 20 lakh.

	Ø Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
(ii)	Ø Since Heera is making taxable supply from Nagaland – a Special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh. Ø Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit Ø Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States
(iii)	➢ Since Ankit is exclusively engaged in intra-State supply of goods in Telangana, which is not a specified State for enhanced threshold limit, the applicable threshold limit for registration is ₹ 20 lakh. ➢ Thus, Ankit is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
(iv)	➢ Akki Ltd. is **not entitled for higher threshold limit** for registration as the same is applicable only in case of exclusive supply of goods and not services. ➢Thus, applicable threshold limit for registration for making supply in Assam is ₹ 20 lakh. ➢Hence, Akki Ltd. **is liable to get registered** under GST as it's turnover is more than the threshold limit.
(v)	➢ Aaru Ltd.is **not entitled for higher threshold limit** for registration as the same is applicable only in case of exclusive supply of goods and here, there is supply of both goods as well as services. ➢Since Aaru Ltd. is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in this case is ₹ 20 lakh. ➢Thus, Aaru Ltd. **is liable to get registered** under GST as it's turnover is more than the threshold limit.

CCP 10.03.08.00

Rishabh Enterprises- a sole proprietorship firm- started an air-conditioned restaurant in Virar, Maharashtra in the month of February wherein the customers are served cooked food as well as cold drinks/non-alcoholic beverages. In March, the firm opened a liquor shop in Raipur, Uttarakhand for trading in alcoholic liquor for human consumption.

Determine whether Rishabh Enterprises is liable to be registered under GST law with the help of the following information:

Particulars	February (₹)*	March (₹)*
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	5,50,000	6,50,000
Sale of alcoholic liquor for human consumption in Uttarakhand	-	5,00,000
Interest received from banks on the fixed deposits	1,00,000	1,00,000
Export of packed food items from restaurant in Maharashtra	1,50,000	2,00,000

*** excluding GST, You are required to provide reasons for treatment of various items given above [ICAI Study Material]**

Answer:

Legal provision:-

➢ As per **section 22(1)** of CGST Act, a supplier is liable to register under GST Act in the State or Union territory from where he makes a taxable supply of goods &/or services, if his aggregate turnover in a financial year exceeds:-

- **₹20 lakhs** where person makes taxable supply from **other than special category states of Manipur, Mizoram, Tripura & Nagaland.**
- **₹10 lakhs** where person makes taxable supply from **Manipur, Mizoram, Tripura & Nagaland.**

➢ As per **proviso to section 22(1) of CGST Act,** 2017, any person, who is engaged in exclusive intra-state supply of goods and whose aggregate turnover in the financial year does not exceed 40 lakh rupees are exempt from registration, subject to some conditions to be fulfilled.

➢ As per **section 2(6)** of CGST Act, 2017, **"aggregate turnover" means** the aggregate value of all:-

- taxable supplies,
- exempt supplies (wholly exempt, nil rated & Non-taxable)
- exports &
- inter-State supplies

of persons having the same Permanent Account Number, to be computed on all India basis

but excludes:-

- central tax, State tax, Union territory tax, integrated tax and cess &
- the value of inward supplies on which tax is payable by a person on reverse charge basis.

Explanation:-

➢ In the given case, since Rishabh Enterprises is engaged in making taxable supplies of goods and services from Maharashtra which is not a specified Special Category State, **the threshold limit applicable for obtaining registration is ₹ 20 lakh.**

➢ Supply of **alcoholic liquor are non-taxable supplies** in terms of **section 9(1)** of CGST Act, 2017.

➢ Computation of aggregate turnover of Rishabh Enterprises:-

Particulars	Refer	Turnover of February (₹)	Cumulative Turnover of February & March (₹)
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra		5,50,000	12,00,000 [₹ 5,50,000 + ₹ 6,50,000]
Add: Sale of alcoholic liquor for human consumption in Uttarakhand	exempt supply includes non-taxable supply u/s 2(47)	-	5,00,000
Add: Interest received from banks on the Fixed Deposits	It is exempt supply & thus, included	1,00,000	2,00,000 [₹ 1,00,000 + ₹ 1,00,000]
Add: Export of packed food items from restaurant in Maharashtra		1,50,000	3,50,000 [₹ 1,50,000 + ₹ 2,00,000]
Aggregate Turnover		**8,00,000**	**22,50,000**

Conclusion:-

➢ In the given case, Rishabh Enterprises was **not liable to be registered in the month of February** since its aggregate turnover did not exceed ₹ 20 lakh in that month.

➢ However, since its aggregate turnover **exceeds ₹ 20 lakh in the month of March,** it should **apply for registration within 30 days** from the date on which it becomes liable to registration.

➢ Further as per **section 23,** he is **not liable to be registered in Uttarakhand** since he is not making any taxable supply from Uttarakhand .

Author Note:- Above answer is given as per ICAI material, but according to author, Rishabh Enterprises has made export supply in the month of Feb (Inter-state Supply). So, as per sec 24, registration is required within 30 days of such supply.

04. Sec 23:- Person not liable for registration

CCP 10.04.09.00

An agriculturist who is only engaged in supply of produce out of cultivation of land. [ICAI Study Material]

Answer:

Legal provision:-

➲ As per **section 23(1)** of CGST Act, 2017, following are not liable to obtain registration:-

- A person exclusively making exempt supply or

- an agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to obtain registration under GST.

Discussion & Conclusion:-

- In the given case, as the agriculturist is exclusively engaged in making exempt supply of produce out of cultivation of land.
- Thus, he is **not required to obtain registration** under GST.

05. Sec 24:- Compulsory Registration in certain cases

CCP 10.05.10.00

SP Ltd. of Bangalore, Karnataka has effected intra state supplies of taxable goods (other than handicraft goods) amounting ₹ 14,00,000 till 31.10.20XX. On 01.11.20XX, it has effected inter-state supply of taxable goods amounting to ₹ 2,50,000. SP ltd. is of the opinion that it is not required to get registered under GST law since its aggregate turnover is not likely to exceed ₹ 20 lakhs during the financial year 20XX-YY. As a consultant of the company, it requires advice relating to registration requirement.

Answer:

- As per **section 24** of CGST Act, 2017, person making interstate taxable supply of goods (other than taxable supply of handicraft goods) are compulsorily required to obtain registration irrespective of quantum of aggregate turnover.
- Section 24 is an overriding section that makes it **mandatory to obtain registration** by certain prescribed persons **even though the conditions** prescribed under **section 22 are not met.**
- As per **section 25** of CGST Act, 2017, A Person who is liable to be registered under section 22 or section 24 needs to obtained registration within 30 days from the date on which he becomes liable to registration in every state or union territory from where he makes taxable supply.
- Thus, SP ltd. is **mandatorily required to obtain registration upto 01.12.20XX.**

CCP 10.05.11.00

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

(I) Mr. Raghav is engaged in wholesale cum retail trading of medicines in the State of Assam. His aggregate turnover during the financial year is ₹ 9,00,000 which consists of ₹ 8,00,000 as Intra-State supply and ₹ 1,00,000 as Inter-State supply.

(ii) Mr. S.N Gupta of Rajasthan is engaged in trading of taxable goods on his own account and also acting as an agent of Mr. Rishi of Delhi. His turnover in the financial year 20XX-XY is of ₹ 12 lakhs on his own account and ₹ 9 lakhs on behalf of principal. Both turnovers are Intra -State supply. [CA IPC May 19 - with threshold not exceeding limit] [CA IPC Nov 20 Exam- similar question]

Answer:

(I)	**Legal Provision:-** ➢ As per **section 24** of CGST Act, 2017, person making **interstate taxable supply of goods (other than taxable supply of handicraft goods)** are compulsorily required to obtain registration irrespective of the quantum of aggregate turnover. **Discussion & Conclusion:-** ➢ Here, Raghav is making **inter-state taxable supply of goods.** ➢ Thus, he is **required to obtain registration compulsorily** under GST laws even though his aggregate turnover does not exceed the threshold limit applicable u/s 22.
(ii)	**Legal Provision:-** ➢ As per **section 24** of CGST Act, 2017, Persons making taxable supply of goods **on behalf of other taxable persons** whether as an agent or otherwise are required to **obtain registration compulsorily** under GST laws irrespective of the quantum of aggregate turnover. ➢ As per **Explanation to section 22** of CGST Act, 2017, aggregate turnover **includes all supplies** made by the taxable person, - whether on his own account or

- made on behalf of all his principals.

➢ If agent issues invoice in his own name, then section 24 gets attracted, otherwise he is liable to register u/s 22 if his aggregate turnover crosses the threshold limit for registration.

Discussion & Conclusion:-

➢ In the given case, since Mr. S.N Gupta is also acting as an agent of Mr. Rishi of Delhi, he **is required to obtain registration compulsorily** under GST laws irrespective of the quantum of aggregate turnover.

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

CCP 10.05.12.00

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

(i) Explain the provisions of registration for casual taxable person under GST. Examine whether Mr. Q is liable for registration or not?

(ii) What will be the answer if Mr. Q makes trading in taxable notified products instead of taxable notified handicraft goods which involves 75% making on machine and 25% by hand? [CA Inter Dec 21 Exam]

Answer:-

(I) **Legal Provision:-**

➢ As per **section 24** of CGST Act, 2017, a casual taxable person is required to obtain compulsory registration under GST irrespective of the quantum of its aggregate turnover.

➢ However, a threshold limit of ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States of Manipur, Mizoram, Tripura & Nagaland) is available for registration to a casual taxable person who:-

(i)is making inter-State taxable supplies of notified handicraft goods & notified hand-made goods,

(ii)is availing the benefit of exemption from registration available to inter-State supply of above-mentioned goods upto the aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States), and

(iii)has obtained a PAN and

(iv)has generated an e-way bill.

Discussion & Conclusion:-

In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover does not exceed ₹ 20 lakh, he will **not be liable to registration** provided he fulfills **other conditions specified herein.**

Assumption:-

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

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

06.Combined Questions on Section 22, 23 and 24

CCP 10.06.13.00

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

Answer:

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

(a) Person engaged exclusively in supplying good &/or services that are **wholly exempt** from tax.

(b) Person engaged exclusively in supplying good &/or services that are **not liable to tax.**

(c) Agriculturist to the extent of supply of **produce out of cultivation of land.**

(d) Persons only engaged in making supplies of taxable goods &/or services that are **liable to tax under reverse charge.**

(e) Persons making inter-State supplies of taxable services up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States of Manipur, Mizoram, Tripura & Nagaland).

(f) **Casual Taxable Persons** making taxable supplies of **specified handicraft goods** up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States of Manipur, Mizoram, Tripura & Nagaland), subject to specified conditions.

(g) Persons making **inter-State taxable supplies of specified handicraft goods** up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States of Manipur, Mizoram, Tripura & Nagaland), subject to specified conditions.

(h) **Job workers making inter-State supply of services** to a registered person up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States of Manipur, Mizoram, Tripura & Nagaland), subject to specified conditions.

(i) Persons making **supplies of services through an electronic commerce operator** (other than supplies specified under section 9(5)of the CGST Act) up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States of Manipur, Mizoram, Tripura & Nagaland).

CCP 10.06.14.00

Mr. Ashwin (from Maharashtra) is a farmer with an annual turnover in relation to agriculture of ₹15,50,000. Since, it is agricultural income, it is exempt from GST. However, Mr. Ashwin also supplies plastic bags worth of ₹ 5,50,000 being a taxable supply along with his crop and charges separately for this. Is Mr. Ashwin required to register under GST? Advise.

Answer:

Legal Provision:-

- As per **proviso to section 22(1) of CGST Act,** 2017, any person, who is engaged in exclusive intra-state supply of goods and whose aggregate turnover in the financial year does not exceed 40 lakh rupees are exempt from registration, subject to some conditions to be fulfilled.

Advise:-

- In the given case, Mr. Ashwin is exclusively engaged in supply of goods & thus, his **threshold limit will be ₹ 40 Lakhs.**
- Aggregate Turnover (inclusive of exempt supply) of Ashwin is ₹21 Lakhs.
- Since, it is **below the threshold limit applicable,** he is not **liable to register** under GST.
- **Section 23 will not be applicable** here, as Mr. Ashwin is not exclusively engaged in exempt supplies, but also engaged in taxable supplies & therefore, **no exemption from registration** is available for Mr. Ashwin.

CCP 10.06.15.00

BBD Pvt. Ltd. of Gujarat exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'Z' only within Gujarat and is not registered under GST laws. The turnover of the company in the previous year 20XX-YY was ₹ 50 lakh. The company expects the sales to grow by 10% in the current year 20YY-22.

However, effective 01.01.2022, exemption available on 'Z' was withdrawn by the Central Government and GST@ 5% was imposed thereon. The turnover of the company for the nine months ended on 31.12.20YY was ₹ 42 lakh. BBD Pvt. Ltd. is of the opinion that it is not required to get registered under GST for current financial year 20YY-22.

Examine the above scenario and advise BBD Pvt. Ltd. whether it needs to get registered under GST or not. [CA Inter Nov 20 Exam]

Answer:- Legal Provision:-

- As per **section 22(1)** of CGST Act, 2017 **read with proviso thereto,** for a supplier exclusively engaged in intra-State supply of goods, the threshold limit of turnover to obtain registration in the State of Gujarat is ₹ 40 lakh.
- However, as per **section 23,** a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration.

- As per **section 2(6)**, aggregate turnover includes exempt supply also along with taxable supply.

Discussion & Conclusion:-

- In the given case, since BBD Pvt. Ltd. was engaged exclusively in supplying exempted goods **till 31.12.20YY**, it was **not required to be registered** till that day, though voluntary registration was allowed.
- This position will change **from 01.01.2022** as the supply of **goods become taxable** from that day and the **turnover** of BBD Pvt. Ltd. is **more than ₹ 40 lakh.**
- Since the aggregate turnover limit of ₹ 40 lakh includes **exempt turnover** also, turnover of 'Z' till 31.12.2019 **will be considered** for determining the threshold limit even though the same was exempt from GST.
- Therefore, BBD Pvt. Ltd. **needs to register within 30 days from 01.01.2022.**

CCP 10.06.16.00

Pure Oils, Delhi has supplied machine oil and high-speed diesel in the month of April as per the details given in table below. Pure Oils is not yet registered.

Si.No.	Particulars	Rs.*
i	Supply of machine oils in Delhi	15,00,000
ii	Supply of high diesel in Delhi	10,00,000
iii	Supply of machine oil made in Panjab by pure oils from its branch located in Panjab	10,00,000

***excluding GST**

1) Determine whether Pure Oils is liable for registration. [ICAI Study Material]

2) What will be your answer if Pure Oils supplies the high speed diesel in Delhi in the capacity of an agent of Mixed Oils Ltd.? [ICAI Study Material]

Answer:- Legal Provision:-

- As per **section 22(1) read with proviso to section 22(1)** of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.
- The **threshold limit** for a person making **exclusive intra-state supplies of goods** is as under:-
  - ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
  - ₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
  - ₹ 40 lakh for rest of India.
- As per **section 2(6)** of CGST Act, 2017, aggregate turnover means the aggregate value of all **taxable supplies as well as exempt supplies**
  - excluding central tax, State tax, Union territory tax, integrated tax and cess &
  - it shall be computed for persons having same Permanent Account Number on all India basis.
- As per section 2(47), exempt supply includes non- taxable supply.

Discussion & Conclusion :-

(1)
- In the given case, supply of high speed diesel in Delhi, being a non- taxable supply, is an exempt supply and Machine oil is taxable supply
- Therefore, both are includible while computing the aggregate turnover.
- In the backdrop of the above-mentioned discussion, the aggregate turnover of Pure Oils for the month of April is computed as under:-

SlNo.	Particulars	Rs.*
i	Supply of machine oils in Delhi	15,00,000
ii	Add: Supply of high speed diesel in Delhi	10,00,000
iii	Add: Supply of machine oil made by Pure Oils from its branch located in Punjab	10,00,000
	Aggregate Turnover	**35,00,000**

- Pure Oils is making exclusive supply of goods and hence, the threshold limit for registration would be ₹ 40,00,000. Since the aggregate turnover does not exceed ₹ 40,00,000, Pure Oils is not liable to be registered.

(2)	In case Pure Oils makes the supply in capacity of an agent of Mixed Oils Ltd.:- ➲ As per section 24 of CGST Act, 2017, Persons making taxable supply of goods on behalf of other taxable persons whether as an agent or otherwise are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover. ➲ However, in the present case, if Pure Oils supply high speed diesel on behalf of Mixed Oil Ltd. in Delhi as its agent, it shall still not be liable to obtain registration in Delhi since section 24 comes into play only when agent is making taxable supply of goods on behalf of principal whereas in the given case, Pure Oils is supplying non-taxable goods on behalf of Mixed Oils Ltd.

CCP 10.06.17.00

Examine the liability of compulsory registration under section 24 of the CGST Act, 2017, in each independent cases mentioned below:- [ICAI Material]

(1) Meenu, a supplier in Maharashtra, is engaged in supply of potatoes within Maharashtra and also outside Maharashtra, whose turnover exceeds threshold limit under GST Law. [CA Inter RTP- Nov 21] [CA Inter Exam May 19 Old]

(2) Govardhan is an agriculturist engaged in supply of produce out of cultivation of land. He utilizes services of Manu who is a commission agent as per the Agricultural Produce Marketing Committee Act. Turnover of Manu is above the threshold limit prescribed. Manu wants to know whether he is liable to get registered under GST Act or not.

(3) Anubhav is dealing in supply of taxable goods and services in the state of Gujarat. His turnover from intra-State supply of taxable goods is ₹ 16 lakh and inter-state supply of taxable services is ₹ 22 lakh. He is of the opinion that his aggregate turnover is within the limit so he is not required to get registered. Advise him. [CA IPC July 21 Exam]

Answer:-

(i)	**Legal Provision:-** ➢ As per **section 24** of CGST Act, 2017, **Persons making interstate taxable supply of goods** (other than taxable supply of handicraft goods) are compulsorily required to obtain registration irrespective of quantum of aggregate turnover. ➢ However, as per **section 23** of the said act states that **an agriculturist,** to the extent of supply of produce out of cultivation of land, is not liable to registration. ➢ **Section 23 will prevail over section 24.** **Discussion & Conclusion:-** ➢ Assuming that Meenu is engaged in cultivation and supply of potatoes, she is not liable to registration irrespective of the fact that she is engaged in making interstate supply and her turnover exceeds the threshold limit. **Note:-** ➢ Any person engaged exclusively in the business of supplying exempted goods is **not liable to registration.** ➢ Since potatoes are exempted goods, Meenu is not liable to obtain registration irrespective of the fact that she is engaged in making interstate supply and her turnover exceeds the threshold limit.
(ii)	➢ As per **section 24** of CGST Act, 2017, a commission agent under APMC Act is **not liable to be compulsorily registered** since it provides **exempt services** of sale/purchase of agricultural produce **on behalf of an agriculturist being a non-taxable** person as he supplies produce out of cultivation of land. ➢ Moreover, such commission agents are otherwise also exempt from registration since any **person engaged exclusively in the business of supplying exempt services** is **not liable to registration** as per **section 23.** ➢ Therefore, Manu is **not liable** to get registered under GST law.

(iii)	➢ As per **section 22** of CGST Act, 2017, A supplier who is supplying both goods and services is required to obtain registration in the State from where he is making taxable supply if his aggregate turnover exceeds the threshold limit in a financial year as under:- - ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland. - ₹ 20 lakh for the rest of India. ➢ As per **section 24** of the said act, threshold limit of Rs. 20/10 Lakhs is allowed to a person making inter-state supply of taxable services. ➢ In the given case, the aggregate turnover of goods and services supplied by Anubhav (₹ 38 lakh) exceeds the threshold limit and thus, he **is required to obtain registration.**

07. Sec 25(1):- Where & by when to apply for registration?

CCP 10.07.18.00

State the time period within which registration needs to be obtained in each of the following independent cases:-

(a) Person liable to register u/s 22 or 24 of CGST Act

(b) Casual Taxable Person (CTP) or Non-Resident Taxable Person (NRTP)

Answer:-

As per **section 25(1)** of the CGST Act, 2017, the time-period within which registration needs to be obtained under GST in various cases are as follows:-

(a) A Person who is liable to be registered under section 22 or section 24 needs to obtained registration **within 30 days from the date on which he becomes liable to registration** in every state or union territory from where he makes taxable supply.

(b) A CTP or NRTP must obtain registration **at least 5 days prior to the commencement of its business.**

08. Sec 25(3):- Voluntary Registration

CCP 10.08.19.00

Can a person get himself voluntarily registered though he may not be liable to pay GST? [CA Inter Exam Nov 18 Old] [ICAI Study Material]

Answer:-

➢ **Yes,** a person may get himself registered voluntarily though he is not liable to be registered under sections 22 or 24 of CGST Act, 2017.

➢ Once a person obtains voluntary registration, he has to pay tax even though his aggregate turnover does not exceed the applicable threshold limit in a financial year & has to comply with all the provisions of the GST Act.

09. Sec 25(6)/(7):- PAN is must for obtaining registration

CCP 10.09.20.00

In order to be eligible for grant of registration, a person must have a Permanent Account Number issued under the Income- tax Act, 1961. State exceptions to it. [ICAI Study Material]

Answer:-

➢ ***A Permanent Account Number (PAN) is mandatory to be eligible for grant of registration.***

➢ ***One exception*** to this is a non-resident taxable person (NRTP):-

- A NRTP may be granted registration on the basis of other prescribed documents instead of PAN.
- He has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory who is an Indian Resident having valid PAN and application will be submitted in a different prescribed form **[Section 25(6) & (7)].**

➢ ***Another exception*** is as follows:-

- A person who is required to deduct tax u/s 51 of CGST Act, 2017 may be granted registration based on a Tax deduction & collection Account Number (TAN) issued under the said act instead of PAN.

10. Sec 25(9) read with Rule 17:- Unique Identification Number (UIN)

CCP 10.10.21.00

Answer the following:-

(a) Is it necessary for the UN bodies to get registration under GST?

(b) What is the responsibility of the taxable person making supplies to UN bodies? [ICAI Study Material]

Answer:-

(a)	➢ As per **section 25(9)** of the CGST Act, 2017, all notified UN bodies, Consulate or Embassy of foreign countries and any other class of persons so notified would be required to obtain a Unique Identification Number (UIN) from the GST portal. ➢ The structure of the said ID would be uniform across the States in conformity with GSTIN structure and the same will be common for the Centre and the States. ➢ This UIN will be needed for claiming refund of taxes paid on notified supplies of goods and/or services received by them, and for any other purpose as may be notified.
(b)	The taxable supplier making supplies to UN bodies is expected to mention the UIN on the invoices and treat such supplies as supplies to another registered person (B2B).

11. Rule 10:- Effective date of registration

CCP 10.11.2200

What will be the effective date of registration under GST?

Answer:-

Where an applicant submits application for registration:-	***Effective date:-***
Within 30 days from date he becomes liable for registration-	the date on which he becomes liable for registration.
After 30 days from date he becomes liable for registration-	the date of grant of registration.
Voluntary registration (being within threshold limit)-	the date of order of registration.

CCP 10.11.23.00

Determine the effective date of registration in the following instances:-

(i) The aggregate turnover of Madhu Ltd., engaged in taxable supply of services in the state of Punjab, exceeded ₹ 20 lakh on 25th August, 20XX. It applies for registration on 19th September, 20XX and is granted registration certificate on 29th September, 20XX. [CA IPC Nov 20 Exam-similar question] [ICAI Material]

(ii) What will be your answer, if in the above scenario, Madhu Ltd. submits the application for registration on 27th September, 20XX and is granted registration on 5th October, 20XX? [ICAI Study Material]

Answer:- Legal Provision:-

➢ A supplier, whose aggregate turnover in a financial year exceeds ₹ 20 lakh in a State other than Manipur, Mizoram, Nagaland, Tripura, is liable to apply for registration **within 30 days from the date of becoming liable to registration u/s 22 read with section 25** of CGST Act.

➢ Where the **application is submitted within** the said period, the effective date of registration is the **date** on which the person **becomes liable to registration**

- **otherwise** it is the **date of grant of registration.**

Discussion & Conclusion:-

In the given case, the applicable turnover limit for registration will be ₹ 20 lakh as Punjab is not a Special Category State.

(i) Since Madhu Ltd. applied for registration within 30 days of becoming liable to registration, the effective date of registration is **25th August, 20XX.**

(ii) In this case, since Madhu Ltd. applies for registration after the expiry of 30 days from the date of becoming liable to registration, the effective date of registration is **5th October, 20XX.**

12. Rule 10A:- Furnishing of Bank Account Details

CCP 10.12.24.00

M/s Siya Ram is a trader of decorative items in Hauz Khas, Delhi. His aggregate turnover exceeded ₹ 20 lakh in the month of October, 20XX. He applied for registration on GST portal, but missed to submit the details of his bank account. His tax consultant advised him that prior submission of bank details is mandatory to obtain registration. Examine whether the advice of Mr. Siya Ram's tax consultant is correct. [CA Inter RTP May 2020]

Answer:-

- **No,** the **advice** of Mr. Siya Ram's consultant that prior submission of bank details is mandatory to obtain registration is **no more valid in law.**
- A new **rule 10A** has been inserted in the CGST Rules, 2017 to **allow** the registered person **to furnish details of bank account which is in name of the registered person & obtained on Permanent Account Number (PAN) of the registered person,** or any other information, as may be required on the common portal in order to comply with any other provision, soon after obtaining certificate of registration and a GSTIN.
- But the information shall be furnished **not later than 45 days** from **earlier of:-**
  - the date of grant of registration certificate or
  - the date on which the return required under section 39 is due to be furnished.
- ***In case of a proprietorship concern, the PAN of the proprietor shall also be linked with his Aadhaar number.***

13. Aadhaar Authentication

CCP 10.13.25.00

"Aadhaar authentication is not required for persons who are already registered under GST." Examine and discuss the correctness of the statement. You are required to elaborate the relevant legal provisions (CA Inter RTP Nov 22)

Answer:-

- The given statement is incorrect.
- Aadhaar authentication has been made mandatory for the new registrants as well as for the existing registrants.
- For existing registrants, section 25(6A) of the CGST Act, 2017 stipulates that every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in the prescribed form, manner and time.
- New rule 10B of the CGST Rules, 2017 prescribes the manner in which aadhaar authentication needs to be done by a registered person.
- A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

Entity	Person need to undergo AA
Proprietorship Firm	Proprietor
Partnership Firm	Partner
Hindu undivided family	Karta
A Company	Managing director or any whole-time director
An AOP or BOI or a Society or	Any of the Members of the Managing Committee
Trust	Trustee in the Board of Trustees & Authorised signatory

in order to be eligible for the following purposes:

- for filing of application for revocation of cancellation of registration
- for filing of refund application.
- for refund of the IGST paid on goods exported out of India
- First proviso to section 25(6A) provides that If an Aadhaar number is not assigned to an existing registered person, such person shall be offered alternate and viable means of identification in the prescribed manner under Rule 10B
- If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely: –

(a) his/ her Aadhaar Enrolment ID slip and

(b) (i) Bank passbook with photograph or

(ii) Voter identity card issued by the Election Commission of India or

(iii) Passport or

(iv) Driving license issued by the Licensing Authority

➲ However, once Aadhaar number is allotted to such person, he shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

Note: The above rule 10B shall not be applicable to persons notified under section 25(6D) of the CGST Act 2017, i.e. to persons exempt from aadhaar authentication

14. Sec 26:- Deemed Registration

CCP 10.14.26.00

Explain the concept of Deemed registration under GST?

Answer:-

- **Registration** under GST is **not tax specific.**
- This means that there is single registration for all the taxes i.e. CGST, SGST/UTGST, IGST and Compensation Cess.
- Grant of registration/UIN under any SGST Act/ UTGST Act is deemed to be registration/UIN granted under CGST Act provided application for registration has not been rejected under CGST Act.
- Further, rejection of application for registration/UIN under SGST Act/UTGST Act is deemed to be rejection of application for registration under CGST Act.

15. Sec 27:- Registration procedure for CTP & NRTP

CCP 10.15.27.00

Answer the following questions with respect to casual taxable person under the CGST Act, 2017:-

(i) Who is a casual taxable person?

(ii) Can a casual taxable person opt for the composition scheme?

(iii) When is the casual taxable person liable to get registered?

(iv) What is the validity period of the registration certificate issued to a casual taxable person? (ICAI Material)

(V) Can the validity of registration certificate issued to a casual taxable person be extended? If yes, what will be the period of extension?

[CA Inter Exam May 19]

Answer:-

i)	As per **section 2(20)** of CGST Act, 2017, **Casual taxable person means** a person- ➢ who occasionally undertakes transactions involving supply of goods and/or services ➢ in the course or furtherance of business, ➢ whether as principal, agent or in any other capacity, ➢ in a State/UT where he has no fixed place of business.
ii)	**No,** as per **section 10(2) and 10(2A)** of CGST Act, 2017, a casual taxable person cannot opt for the composition scheme.
iii)	➢ As per **section 24** of CGST Act, 2017, a casual taxable person (CTP) is liable to obtain registration compulsorily under GST law. ➢ CTP has to apply for registration **at least 5 days prior to commencement of business** as per **section 25(1) read with proviso thereto.** ➢ However, if CTP is making taxable supplies of specified handicraft goods, then it is eligible for the threshold limit applicable as per **section 22.**
iv)	➢ As per section 27(1) of CGST Act read with proviso thereto Registration Certificate granted to a casual taxable person will be valid for earlier of:- ☛ **period specified in the application** for registration or ☛ period of **90 days** from the effective date of registration. ➢ However, at the request of the said taxable person, the proper officer may extend the validity by a further period not exceeding 90 days
v)	**Yes,** the **validity** of registration certificate issued to a casual taxable person **can be extended.** ➢ It can be extended by a **further period not exceeding 90 days** by making application before the end of period of validity of registration granted to him.

CCP 10.15.28.00

Mr. X of Mumbai often participates in the jewellery exhibition at Trade Fair in Delhi, which is organised every year in the month of February. Mr. X applied for registration in January. The proper officer demanded an advance deposit of tax in an amount equivalent to the estimated tax liability of Mr. X. You are required to examine whether any advance tax is to be paid by Mr. X at the time of obtaining registration? [CA final MTP May 2018]

Answer:-

- ***Yes,*** *advance tax is to be paid by Mr. X* ***at the time of obtaining registration.***
- *Mr. X occasionally undertakes supply of goods in the course or furtherance of business in a State where he has no fixed place of business.*
- *Thus, he qualifies* ***as casual taxable person*** *as per* ***section 2(20)*** *of CGST Act, 2017.*
- *As per* ***section 27(2) read with proviso thereto,*** *at the time of submission of application for registration, a casual taxable person shall make an* ***advance deposit*** *of tax for* ***net estimated tax liability*** *for the period for which registration is sought.*
- *On the contrary, normal taxable person does not have to make any advance deposit of tax to obtain registration.*

CCP 10.15.29.00

Mr. Allan, a non-resident person, wishes to provide taxable supply of goods. He has no fixed place of business or residence in India. He seeks your advise on the following aspects, relating to CGST Act, 2017:-

(i) When shall he apply for registration?

(ii) Is PAN mandatory for his registration?

(iii) What is the period of validity of Registration Certificate (RC) granted to him? (ICAI Material)

(iv) Will he be able to extend the validity of his registration? If yes, what will be the period of extension? [CA Inter Exam Nov 18 New]

Answer:- ***As per section 27 of CGST Act, 2017,***

(i)	*Mr. Allan, being a non-resident taxable person, should apply for registration* ***at least 5 days prior to the commencement of business*** *irrespective of the threshold limit.*
(ii)	***No, PAN is not mandatory*** *for his registration.* ➢ *He has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory who is an Indian Resident having valid PAN.* ➢ *However, in case of a business entity incorporated or established outside India, the application for registration shall be submitted along with its tax identification number or unique number on the basis of which the entity is Identified by the Government of that country or its PAN, if available.*
(iii)	➢ *As per* ***section 27(1) of CGST Act*** *read with proviso thereto, Registration Certificate granted to Mr. Allan will be valid for earlier of:-* *- period specified in the application for registration or* *- period of* ***90 days*** *from the effective date of registration.* ➢ *However, at the request of the said taxable person, the proper officer may extend the validity by a further period not exceeding 90 days.*
(iv)	***Yes,*** *Mr. Allan* ***can get the validity*** *of his registration* ***extended.*** ➢ *Registration can be extended further by a* ***period not exceeding 90 days*** *by making application before the end of period of validity of registration granted to him.*

16. Sec 29 read with Rule 20, 21, 21A and 22:- Cancellation & Suspension of registration

CCP 10.16.30.00

Answer the following questions:-

(a) Whether the cancellation of registration certificate is permissible? If so, discuss the circumstances where registration is liable to be cancelled by proper officer otherwise than on his own motion also

(b) What happens when the registration is obtained by means of wilful misstatement, fraud or suppression of facts? [ICAI Study Material]

Answer:-

(a)	**Yes.** ➢ Any Registration granted under CGST Act may be cancelled by the Proper Officer in **circumstances** mentioned in **Section 29** of the CGST Act. ➢ As per section 29(1) of the CGST Act, 2017, the following are the circumstances where proper officer may cancel the registration either:- - on his own motion or - on an application filed by the registered person or - on an application filed by his legal heirs, in case of death of such person (a) the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of. (b) there is any change in the constitution of the business. (c) the taxable person is no longer liable to be registered under section 22 or section 24 or intend to optout of the registration voluntarily made under section 25(3). ➢ The proper officer shall not cancel the registration without giving the person an opportunity of being heard.
(b)	In such cases, the **registration may be cancelled** from such date including any retrospective date by the proper officer as per **Section 29(2)** of CGST Act, 2017.

CCP 10.16.31.00

Explain the circumstances under which proper officer can cancel the registration on his own of a registered person under CGST Act, 2017. [CA Inter Jan 21 Exam]

OR

Explain the statutory provisions for cancellation or suspension of registration under section 29(2) of the CGST Act, 2017. [CA IPC Jan 21 Exam] OR

State any five circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017 [CA Inter May 22 Exam]

Answer:-

➢ As per **section 29(2)** of CGST Act, 2017 **read with rule 21** of CGST Rules, 2017, the circumstances under which **proper officer can cancel the registration on his own** of a registered person under the CGST Act, 2017 are as under:-

(i) A registered person has contravened any of the following provisions of the GST law:-

a) he does not conduct any business from the declared place of business.

b) he issues invoice/bill without supply of goods or services or both in violation of the provisions of GST law.

c) he violates the provisions of anti-profiteering.

d) he violates the provisions relating to furnishing of bank details.

e) He avails input tax credit in violation of the provisions of section 16 of CGST Act or the rules made thereunder.

f) furnishes the details of outward supplies in FORM GSTR-1 under section 37 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods.

g) violates the provision of rule 86B.

h) he has not furnished returns for a continuous period of 6 months under normal scheme

i) he has not furnished returns for a continuous period of 2 tax periods under QRMP scheme

ii) A person paying tax under composition levy has **not furnished returns for 3 consecutive tax periods.**

iii) A registered person paying tax under regular scheme **has not furnished returns for continuous period of 6 months.**

iv) Voluntarily registered person has **not commenced the business within 6 months** from the date of registration.

v) Registration was obtained by means **of fraud, wilful misstatement or suppression of facts.**

➢ Proper officer shall not cancel the registration without giving the person an

opportunity of being heard.

- During pendency of the proceedings relating to cancellation of registration, the proper officer may suspend the registration for prescribed period and in prescribed manner.

CCP 10.16.32.00

Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled? Discuss. [CA IPC MTP 2018] [ICAI Study Material]

Answer:- **Yes,** as per **section 29(5)** of the CGST Act, 2017, every **registered person whose registration is cancelled shall pay** by debiting the electronic cash ledger or electronic credit ledger, **an amount** calculated in prescribed manner **which is higher of:-**

- **credit of input tax** in respect of:-
  - inputs held in stock and
  - inputs contained in semi -finished or finished goods held in stock or
  - capital goods or plant and machinery

  on the day immediately preceding the date of such cancellation or
- **output tax payable** on such goods.

CCP 10.16.33.00

Under the provision of section 29(1) of CGST Act, 2017 read with rule 21A of CGST Rules, 2017 related to suspension of registration if the registered person has applied for cancellation of registration, what is the period and manner of suspension of registration? [CA Inter Jan 21 Exam]

Answer:-

- As per **section 29(1)** of CGST Act, 2017 **read with rule 21A** of CGST Rules, 2017, if a registered person has applied for cancellation of registration & the completion of proceedings for cancellation of registration is pending, then the registration shall be deemed to be suspended from LATER of:

  (a) the date of submission of the application or

  (b) the date from which the cancellation is sought,
- Such person **shall not make any taxable supply** during the period of suspension and shall **not be required to furnish any return.**
- The expression "shall not make any taxable supply" mean that the registered person **shall not issue a tax invoice** and, accordingly, not charge tax on supplies made by him during the suspension period.

17. Sec 30 read with Rule 23:- Revocation of cancellation of registration

CCP 10.17.34.00

M/s. S Corporation has made default in furnishing returns. It has not filed returns from the month of June 20XX. The proper officer cancelled its registration with effect from 1st January 20XY by an order dated 1st January 20XY. It applied for revocation of cancellation of registration and the order for revocation of cancellation of registration was passed on 1st March 20XY. What are the provisions regarding filing returns before making such an application of revocation of cancellation of registration for the given case?

[CA IPC July 21 Exam]

Answer:- **Legal Provision:-**

- As per **section 30** of CGST Act, 2017 **read with Rule 23** of CGST Rules, 2017, where the **registration is cancelled suo-motu** by the appropriate officer, the registrant seeking revocation of the order, **has to apply for the revocation** of cancellation **within 30 days** from the date of service of the order of cancellation of registration.
- Further, he has to furnish **all the returns due** till the date of such cancellation **before the application for revocation can be filed.**
- Further, he should also pay any amount due as tax along with any amount payable towards interest, penalty, and late fee in respect of the said returns.

Discussion & Conclusion:-

- Thus, in the given case, **before making an application** for revocation of cancellation of registration, M/s S. Corporation should **file all returns due** for the period **from June, 20XX till 1st January, 20XY.**

18. Sec 29 & 30:-Combined Question

CCP 10.18.35.00

Mr. X of Haryana intends to start business of supply of building material to various construction sites in Haryana. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer suo-motu cancelled the registration of Mr. X. You are required to examine whether the action taken by proper officer is valid in law?

Mr. X has applied for revocation of cancellation of registration after 40 days from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. However, Mr. X contends that the period of submission of application may be extended on sufficient grounds being shown. You are required to comment upon the validity of contentions raised by Department and Mr. X. [CA Inter RTP -May 22]

Answer:- Legal Provision:-

*As per **section 29** of CGST Act, 2017, if any person who has taken voluntary registration u/s 25(3) has not commenced business within 6 months from the date of registration, then the proper officer may cancel the registration of such person from such date, including any retrospective date, as he may deem fit.*

Discussion & Conclusion:-

- *In view of the above-mentioned provisions, **suo-motu cancellation of registration** of Mr. X by proper officer **is valid in law***
  - *since Mr. X, a voluntarily registered person, has not commenced his business within 6 months from the date of registration.*
- *In this case, such registered person may **(subject to the provision of Rule 10B)** apply for **revocation of the cancellation** to such proper officer **within 30 days from the date of service** of the order of cancellation of registration.*
- *On sufficient cause being shown and for reasons to be recorded in writing, the said period of 30 days **may be extended***
  - *for a period **not exceeding 30 days by Additional/Joint Commissioner &***
  - *by further period **not exceeding 30 days by Commissioner.***
- *Thus, the contention of **Department is not valid in law** as extension can be sought in the prescribed time limit for revocation of cancellation of registration.*
- *The **contention raised by Mr. X is valid in law** as extension in time limit is allowed on sufficient cause being shown and for reasons to be recorded in writing.*

19. Common Questions relating to Registration

CCP 10.19.36.00

Answer the following questions:-

(i) Can the Department, through the proper officer, suo-motu proceed to register a person under GST?

(ii) What could be the liabilities (in so far as registration is concerned) on transfer of a business? [ICAI Study Material]

Answer:-

(I) ***Yes.*** *As per **section 25(8)** of CGST Act, 2017, where a **person who is liable to be registered** under GST law **fails to obtain registration**, the **proper officer may**, without prejudice to any action which may be taken under CGST Act, or under any other law for the time being in force, **proceed to register** such person in the manner as is prescribed in the CGST Rules.*

(ii) *As per **section 22(3)** of CGST Act, 2017, the **transferee or the successor shall be liable to be registered** with effect from such transfer or succession and he will have to obtain **a fresh registration** with **effect from the date of such transfer or succession.***

CCP 10.19.37.00

Answer the following independent questions:-

(a) If a person is operating in different states with the same PAN number, can he operate with a single Registration? OR

Is there an option to take centralized registration for services under GST Law?

(b) Whether the registration granted to any person is permanent?

(c) Whether the registered taxable person is required to display his certificate of registration?

(d) Can a person having multiple places of business in a State obtain separate registrations for each place of business?

(e) At the time of registration, will the assessee have to declare all his places of business? [ICAI Study Material]

Answer:-

(a) **No.** *As per* ***section 25*** *of CGST Act, 2017, A person will have to get* ***registered separately in each of the State*** *from where he makes taxable supply, if he is liable for registration as per section 22 or 24.*

(b) **Yes.** *The registration once granted to any person is permanent except for non-resident taxable person and casual taxable person unless the same is surrendered, cancelled or suspended.*

(c) **Yes.**

- ***Every registered person*** *shall display his* ***registration certificate in a prominent location*** *at his principal place of business and at every additional place or places of business.*
- *Further, he has to display his* ***GSTIN on the name board*** *exhibited at the entry of his principal place of business and at every additional place or places of business.*

(d) **Yes.** *As per* ***proviso to section 25(2)*** *of CGST Act, a person having multiple places of business in a State* ***may obtain a separate registration*** *for each place of business, subject to such conditions as may be prescribed.*

(e) **Yes.**

- *The principal place of business and place of business have been separately defined under section 2(89) & 2(85) of the CGST Act respectively.*
- *The taxpayer will have to declare the principal place of business as well as the details of additional places of business in the registration form.*

CHAPTER - 11

TAX INVOICE

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Description	Chap. No.	Que. No.	No. Illus.
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01. Section 31:- Time limit to issue invoice under different cases

CCP 11.01.01.00

Mention the time period within which tax invoice shall be issued in the following cases:-

i) Supply of Goods

ii) Supply of Services between other than distinct persons

iii) Continuous supply of Goods

iv) Continuous supply of Services

v) Supply of service ceases before its completion

vi) Goods being sent or taken on approval for sale

Answer :

1	➲ As per **section 31(1)** of CGST Act, 2017, **a registered person supplying taxable goods** shall issue invoice as follows:- **a) Where supply involves movement of goods:-** -It shall be issued **before or at the time of removal** of goods for supply to the recipient. **b) In any other case (no movement of goods involved):-** -It shall be issued **before or at the time of delivery of goods or making goods available** to the recipient. ➲ As per **proviso to Section 31(1)**, Government may notify goods/ supplies on recommendations of council, for which the tax invoice shall be issued in prescribed time and manner.
2	As per **section 31(2)** of CGST Act, 2017, a registered person supplying taxable services shall issue a tax invoice **before or after the provision of service**, but **within a prescribed period as following:-** ➲ For an insurer/ banking company/ financial institution, including an NBFC:- ☞ **within 45 days** from the date of supply of service. ➲ For registered person other than those covered in point 1 above:- ☞ **within 30 days** from the date of supply of service.
3	As per **section 31(4) of the CGST Act, 2017**, in case of **continuous supply of goods** involving periodic statement of accounts or payments under a contract, the invoice shall be issued **before or at the time of:-** ➲ issue of the statements of account or ➲ receipt of payments.
4	As per **section 31(5) of CGST Act, 2017**, the **time period within which tax invoice** shall be issued in case of continuous supply of services is as below:- **a) If due date of payment is ascertainable from the contract:-** ☞ Invoice shall be issued on or before **due date of payment.** **b) If due date of payment is not ascertainable from the contract:-** ☞ Invoice shall be issued before or at the time of **receipt of payment** by supplier of services. **c) If payment is linked to the completion of an event:-** ☞ Invoice shall be issued on or before the date of **completion of that event.**
5	As per **section 31(6)** of the CGST Act,2017, where a **supply of service ceases** under a contract before its completion, the **invoice shall be issued at the time the supply ceases** & such invoice shall be issued **to the extent of supply** made before such cessation.
6	As per **section 31(7)** of CGST Act, 2017, where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the **time period within which tax invoice** shall be issued is **earlier of:-** ☞ time of supply or ☞ 6 months from the date of removal

02. Sec 31(1):- Time limit to issue invoice for supply of goods

CCP 11.02.02.00

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

(1) Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises,

Surat for supply of goods and the delivery shall be made on or before 31st October. The goods were removed from the factory at Kolkata on 11th October. As per the agreement, the goods were to be delivered on or before 31st October. Suraj Enterprises has received the goods on 14th October. [ICAI Study Material]

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

Answer :- Legal Provision:-

➲ As per **section 31(1)** of CGST Act, 2017, a registered person supplying taxable goods shall issue invoice before or at the **time of removal** of goods for supply to the recipient if supply involves movement of goods.

Discussion & Conclusion:-

(i) In the first case, invoice has to be issued **on or before 11th October, 20XX** which is the **time of removal** of goods for supply to recipient.

(ii) In the second case, last date to issue invoice is the date of removal of goods as supply involves movement & thus, the invoice must be issued **on or before 29th September.**

03. Sec 31(4):- Time limit to issue invoice for continuous supply of goods

CCP 11.03.03.00

I am supplying A4-sized bundles of paper to an Advocate's Office. I submit the account of total supplies made during the 2-month period on the 25th of alternate month. Do I have to issue an invoice each time I dispatch the bundles?

Answer : Legal Provision:-

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

➲ issue of the statements of account or

➲ receipt of payments.

Discussion & Conclusion:-

1. **No,** invoice is not required to be issued each time the bundle is dispatched.
2. Since, the given instance is a case of continuous supply of goods, tax invoice has to be issued **latest by the time of submitting the statement every time** (i.e. 25th of Alternate Month).

CCP 11.03.04.00

(a) M/s Indian Oil Corporation entered into a contract with Mr. B for supply of oil throughout the year. M/s Indian Oil Corporation issues monthly statement for the oil supplied to Mr. B. Determine the time of supply of goods in following independent cases:

i) Mr. B made payment for the month of July on 31st July, 20XX and M/s Indian Oil Corporation issued statement for the month of July on 8th August, 20XX.

ii) M/s Indian Oil Corporation issued statement for the month of August on 5th September, 20XX, the payment of which not received till 30th September, 20XX.

(b) State the time of supply for goods sent for approval.

Answer:

a)	**Legal Provision :-** ➲ As per **section 12(2) of the CGST Act, 2017** read with notification 66/2017, the time of supply of goods shall be **earlier** of the following dates:- a) Date of issue of invoice or b) last date to issue the invoice u/s 31. ➲ As per section 31(4) of the CGST Act, 2017, the last date to issue invoice in case of continuous supply of goods which involves successive statement of accounts or successive payments is:- ➢ Date of issue of each such statement of accounts or ➢ Date of receipt of such successive payment, as the case may be.

	Discussion & Conclusion:- (i) In the given case, date of issue of statement is **8th August, 20XX** whereas the last date to issue invoice is **31st July, 20XX** which is earlier of date of payment (31.07.20XX) or date of statement (08.08.20XX). Therefore, **31st July, 20XX will be the time of supply in this case.** ii) In the given case, date of issue of statement is 5th September, 20XX which itself is the last date to issue invoice as the payment date is not known. Therefore, **5th September, 20XX will be the time of supply in this case.**
b)	As per section 12(2) read with section 31(7) of CGST Act, 2017, **the time of supply for goods sent for approval** shall be earlier of:- a) Date of issue of invoice or b) Time when it becomes known that supply has taken place or c) Expiry of Six months from the date of removal.

04. Sec 31(7): Goods sent or Taken on Approval for sale of return

CCP 11.04.05.00

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

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

Answer :

Legal Provision:-

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

- before or at the time of supply or
- 6 months from the date of removal, **whichever is earlier**

Discussion & Conclusion:

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

05. Sec 31(2):- Time limit to issue invoice for supply of services

CCP 11.05.06.00

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

(I) Trust and Fun Ltd., an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5th June, 20XX. Payment for the event was made on 19th June, 20XX. [CA Inter May 19 Exam] [ICAI Material]

(ii) Katyani Security Services Ltd. provides security services to Royal Jewellers for their Jewellery Exhibition to be organized on 5th October. [ICAI Study Material]

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

Discussion & Conclusion:-

(I) In the first case, invoice has to be issued within 30 days from 5th June, 20XX (date of supply of service), i.e. **on or before, 5th July, 20XX.**

(ii) In the second case, Katyani Security Services Ltd. needs to issue a tax invoice within 30 days of supply of security services, i.e. **on or before 4th November.**

06.Sec 31(5):- Time limit to issue invoice for continuous supply of services

CCP 11.06.07.00

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

a) Date of commencement of providing CSS - 01-10-20XX

b) Date of completion of providing CSS - 31-01-20XY

c) Date of receipt of payment by Mr. Lakhan - 30-03-20XY

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

(I) If no due date for payment is agreed upon by both under the contract of CSS.

(ii) If payment is linked to the completion of service.

(iii) If M/s. TNB Limited has to make payment on 25-03-20XY as per the contract between them . [CA Inter Nov 18 Exam New] [CA IPC MTP Mar 19]

Answer :

Legal Provision:-

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

a) If due date of payment is ascertainable from the contract:-
   - Invoice shall be issued on or before **due date of payment.**

b) If due date of payment is not ascertainable from the contract:-
   - Invoice shall be issued before or at the time of **receipt of payment** by supplier of services.

c) If payment is linked to the completion of an event:-
   - Invoice shall be issued on or before the date of **completion of that event.**

Discussion & Conclusion:-

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

circumstances:-

(i) In the given case, the invoice should be issued **on or before 30.03.20XY** which is the date of receipt of payment by Mr. Lakhan.

(ii) In the given case, Since payment is linked to the completion of service, the invoice should be issued **on or before 31.01.20XY** which is the date of completion of service.

(iii) If M/s. TNB Limited has to make payment on 25.03.20XY as per the contract between them, the invoice should be issued **on or before 25.03.20XY.**

CCP 11.06.08.00

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

Answer : ***Legal Provision:-***

- As per the **definition of Continuous supply of service,** it means supply of service which is provided, or agreed to be provided continuously or on recurrent basis, under a contract, for a period exceeding 3 months with the periodic payment obligations.
- As per **section 31(5)** of CGST Act, 2017, If **due date of payment is ascertainable** from the contract of continuous supply of services, **invoice shall be issued** on or before such **due date of payment.**

Discussion & Conclusion:-

- The given situation **is a case of continuous supply of service** as repair and maintenance services have been provided by MBM Caretakers on a quarterly basis, under a contract, **for a period of one year** with the obligation for **quarterly payment.**
- Since in the given case, due date of payment **is ascertainable** from the contract, invoice shall be issued **on or before the due date of payment.**

- Therefore, MBM Caretakers should **issue quarterly invoices on or before April 1, July 1, October 1, and January 1.**

07. Sec 31(6):- Time limit to issue invoice, if supply of services ceases before its completion

CCP 11.07.09.00

Shreya Ltd. had undertaken a contract for supplying manpower for 28 days for ₹28,000/-. However, after 10 days, the service has stopped. Should Shreya Ltd raise an invoice?

Answer :

- **Yes.**
- As per **section 31(6)** of the CGST Act,2017, where a **supply of service ceases** under a contract before its completion, the **invoice shall be issued at the time the supply ceases,** i.e., on the 10th day.
- The invoice shall be issued to **the extent of the service provided** before its cessation.
- **Value** of such invoice shall be determined in **proportionate** to supply made in 10 days i.e. ₹ 10,000.

08. Sec 31(3):- Issue of different documents under GST Law

CCP 11.08.10.00

Briefly discuss the following with reference to GST law:- [CA IPC Nov 20 Exam]

(i) Revised Tax Invoice

(ii) Bill of Supply OR (Under what circumstances, a registered person is required to issue a "Bill of Supply"? [CA IPC July 21 Exam]

(iii) Receipt Voucher

(iv) Payment Voucher

(v) Refund Voucher

Answer :

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

09. Sec 31(3)(a) read with Rule 53:- Revised tax invoice & Consolidated revised tax invoice

CCP 11.09.11.00

Luv & Kush Pvt. Ltd. of Srinagar, Jammu & Kashmir, engaged in the supply of gifts items provides you the following details:-

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

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

(Assumption:- Supplier is not exclusively engaged in supply of goods) [Similar Questions : CA IPCC Dec 21 Exam] [ICAI Study Material]

Answer : Legal Provision:-

- As per **section 22(1)** of CGST Act, 2017, a supplier is liable to register under GST Act, if his aggregate turnover in a financial year for **other than special category states of Manipur, Mizoram, Tripura & Nagaland exceeds ₹20 lakhs.**
- Where the application is submitted within 30 days from the date of becoming liable to registration, the **effective date of registration** is the date on which the person becomes liable to registration, otherwise it is the date of grant of registration.
- As per **section 31(3)(a)** of CGST Act, 2017 of CGST Rules, 2017, if a registered person is granted **registration with effect from a date earlier than the date of issuance of registration certificate,** then
  - he may issue **revised tax invoices** for **taxable supplies effected**
  - during the period between effective date of registration and date of issue of registration certificate.
  - **within 1 month** from the date of issue of registration certificate.

Discussion & Conclusion:-

- In the given case, the threshold limit applicable for registration is Rs. 20 Lakhs.
- Since Luv & Kush Pvt. Ltd. has made the **application for registration within 30 days** of becoming liable for registration, the **effective date of registration** is the date when it becomes liable to registration i.e. **05.09.20XX.**
- Only a registered person can collect tax & hence till the time of granting of registration, no tax invoice could be issued to collect tax.
- **It may issue revised tax invoices against the invoices already issued to collect tax** for supplies made between effective date of registration (05.09.20XX) & the date of issuance of registration certificate (06.10.20XX), within 1 month from 06.10.20XX (i.e. on or before 06.11.20XX).
- It may issue a **consolidated revised tax invoice** for all taxable supplies made to a unregistered recipient during such period.
- But, if the value of a supply does not exceed Rs. 250000 for inter-state supplies, a consolidated revised tax invoice may be issued separately for all the unregistered recipients located a state.

10. Sec 31(3)(b) & Proviso to Rule 46:- No tax invoice if value < Rs 200 & issue of Consolidated tax invoice

CCP 11.10.12.00

Jain & Sons is a trader dealing in stationery items. It is registered under GST and has undertaken following sales during the day:

Sr.No	Recipient of supply	Amount (₹)
1	Raghav Traders – a registered retail dealer	190
2	Dhruv Enterprises – an unregistered trader	358
3	Gaurav – a Painter [unregistered]	500
4	Oberoi Orphanage – an unregistered entity	188
5	Aaradhya – a Student [unregistered]	158

None of the recipients require a tax invoice [Raghav Traders being a composition dealer].

Determine in respect of which of the above supplies, Jain & Sons may issue a Consolidated Tax Invoice instead of Tax Invoice at the end of the day? [ICAI Study Material]

Answer : Legal Provision:-

- As per **section 31(3)(b)** of CGST Act, 2017 read with **proviso to rule 46** of CGST Rules, 2017, a registered person is not required to issue a tax invoice, if
  - the value of supply of good &/or services is less than Rs. 200,
  - the recipient is unregistered person &
  - the recipient does not require tax invoice.
- Such person shall issue a **consolidated tax invoice at the close of each day for all such supplies.**

Discussion:-

- In the given case, Jain & Sons **can issue a Consolidated Tax Invoice only** with respect to supplies made to **Oberoi Orphanage** [worth ₹ 188] and **Aaradhya** [worth ₹ 158] as:-
  - the value of goods supplied to these recipients is less than ₹ 200,
  - these recipients are unregistered persons and
  - do not require a tax invoice.
- In case of **Raghav Traders**, although the value of goods supplied to it is less than ` 200, Raghav Traders is registered under GST & so, Consolidated Tax Invoice **cannot be issued.**
- Consolidated Tax Invoice **cannot be issued** for supply of goods to **Dhruv Enterprises and Gaurav** although both of them are unregistered because value of goods supplied is not less than ₹200.

Conclusion:-

Therefore, Jain & Sons **may issue one Consolidated Tax Invoice** instead of Tax Invoice at the end of the day only in respect of supply of goods made to **Oberoi Orphanage** [worth ₹ 188] and **Aaradhya** [worth ₹ 158] together.

CCP 11.10.13.00

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

Answer:-

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

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

11. Rule 48(1)/(2):- Manner of issuing tax invoice

CCP 11.11.14.00

How many copies of invoice are required:-

i) In case of supply of Goods?

ii) In case of supply of Services?

Answer :

(i)	➲ In case of supply of goods, the invoice shall be **prepared in triplicate.** ➲ The original copy is for the recipient, the duplicate for the transporter and the triplicate for the supplier. ➲ The copies should be marked as 'ORIGINAL FOR RECIPIENT', 'DUPLICATE FOR TRANSPORTER' and 'TRIPLICATE FOR SUPPLIER', as the case may be.
(ii)	➲ In case of supply of services, the invoice shall be **prepared in duplicate.** ➲ The original copy is for the recipient & the duplicate is for the supplier. ➲ The copies should be marked as 'ORIGINAL FOR RECIPIENT' & 'DUPLICATE FOR SUPPLIER', as the case may be.

12. Rule 48(4):- Issue of E-Invoice & related provision

CCP 11.12.15.00

Answer the following questions:-

(i) What is 'e-invoicing'?

(ii) What is the threshold limit for mandatory issuance of E-invoice for all registered businesses? [CA Inter Dec 21 Exam]

(iii) To whom mandatory E-invoicing is applicable? & state the entities are exempt from mandatory requirement of E-invoicing

(iv) Bali Limited, a registered taxpayer, provides security services to registered persons from Mumbai office and Delhi office. The aggregate turnover of Mumbai office and Delhi office in the preceding financial year is ₹ 30 crore and ₹ 25 crore respectively. For the month of November in the current financial year, Bali Limited prepares duplicate invoices and does not issue e-invoice as it is of the view that it's aggregate turnover does not cross the threshold limit to make it liable for issuing e-invoices.

a) Briefly explain whether the view taken by Bali Limited is correct in law?

b) Also explain the advantages of e-invoicing, if any. [CA Inter RTP May 21]

(v) Speedy transport is a goods transport agency providing a service of goods transport by air, having aggregate turnover calculated on all India basis of ₹ 700 Cr in previous year 20XX-XY. It provides the GTA service to other registered GTA only for fast delivery of their courier and does not provide any services to unregistered person. The accountant of GTA agency is of view that there is no need to prepare e-invoices as it falls under exception. You as a chartered accountant are required to advice GTA regarding whether Speedy transport is required to prepare E-invoice or not?

Answer :

(i)	E-invoicing is **reporting of business to business (B2B) invoices** to GST system for certain notified category of taxpayers
(ii)	The **threshold limit** for mandatory issuance of e-invoice for all registered businesses is **₹ 10 Crores.**
(iii)	➢ **Mandatory e-invoicing** is applicable to all notified registered businesses (except specified class of persons) with an **aggregate turnover exceeds ₹ 10 crore** (based on PAN) in any preceding financial year from 2017-18 onwards. ➢ The following entities are **exempt from** mandatory requirement of e-invoicing:- a. A Government Department b. A Local Authority c. Special Economic Zone units d. Insurer or banking company or financial institution including NBFC e. GTA supplying services in relation to transportation of goods by road in a goods carriage f. Supplier of passenger transportation service g. Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens **Note:** A taxpayer whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 10 Crore but is **exempted** from

invoicing shall give a **declaration** in the tax invoice that

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

(iv) The **view taken** by Bali Limited is **not correct in law.**

- All notified registered businesses (except specified class of persons) with an aggregate turnover **(based on PAN)** in the preceding financial year **greater than ₹ 10 crores,** are required to issue e-invoices.
- Thus, the **aggregate total turnover of Bali Limited is more than ₹ 10 crores** (considering both the GSTINs) and is required to issue e-invoices.
- Further, if e-invoicing is applicable, there is no need of issuing invoice copies in triplicate/ duplicate

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

1. **Auto-reporting of invoices into GST return & auto-generation of e-way bill (wherever required):-**
   Once B2B invoice data is reported in e-invoice form, the same is reported in multiple forms (GSTR-1, e-way bill etc.).
2. **Substantial reduction in transcription errors & Reconciliation:-**
   This is because same data will get reported to tax department & to buyer to prepare his inward supplies register. Buyer can reconcile with his Purchase Order.
3. **Matching of ITC & output tax by Dept.:-**
   A complete trail of B2B invoices is available with Department which enables the system-level matching of ITC & output tax thereby reducing the tax evasion.
4. **Eliminates fake invoices:-**
   Claiming fictitious ITC by raising fake invoices is one of the biggest challenges currently faced by tax-authorities. The e-invoice system will help to curb the actions of unscrupulous taxpayers & reduce the number of fraud cases as the tax authorities will have access to data in real-time.
5. **Other Advantages:-**
   - Facilitate standardisation & inter-operability,
   - Reduction of disputes among transacting parties,
   - Better relationship,
   - Improve payment cycles,
   - Eco-friendly as it eliminates paper,
   - Internal controls,
   - Reduction of processing costs &
   - Improving overall business efficiency greatly
   - Eco-friendly as it eliminates paper

(v) **Legal Provision:-**

- As per **Rule 48(4)** of CGST Rules, 2017, **E-Invoice** is required to be prepared by a registered person having aggregate turnover in any preceding financial year from 2017-18 onwards **exceeding ₹ 10 Crore.**
- **Exception to generating E-Invoice:-**
  However, Goods Transport Agency (GTA) supplying services of **transportation of goods by road** in a goods carriage is exempted from the requirement of preparing E-Invoice.

Discussion & Conclusion:-

- In the present case, GTA is providing **services by air.**
- But the **exemption** from preparing E-Invoice is given to GTA only if it provides goods transportation **services by road** and not by air.
- Since the aggregate turnover of GTA **also exceeds ₹ 10 Crore** in previous year 20XX-XY and it makes supplies to registered person only, the **GTA is required to prepare E-invoice.**

Therefore, **the view taken by accountant is not correct.**

CCP 11.12.16.00

(a) Fashion Queen Ltd., registered under GST and dealing in baby products has an aggregate turnover of ₹ 40 crore in the preceding financial year. The tax consultant of Fashion Queen Ltd. advised it to issue e-invoices mandatorily. However, Fashion Queen Ltd. is of the view that since its aggregate turnover is less than the threshold limit applicable for e-invoicing, it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by tax consultant

(b) Ministry of Communications and Information Technology, a Government Department registered under GST has an aggregate turnover of ₹ 52 crore in the preceding financial year. You are required to comment whether Ministry of Communications and Information Technology is required to issue e-invoices in the current financial year? (CA Inter RTP Nov 22) [Similar to CA Inter RTP Nov 21]

Answer : Legal Provision:

- All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards **greater than ₹ 10 crore** are required to issue e- invoices in respect of B2B supplies (supply of goods and/or services to a registered person).
- Further, following entities are **exempt from** the mandatory requirement of **e-invoicing** i.e. not required to issue e-invoices even if their turnover exceeds ₹ 10 crore in the preceding financial year from 2017-18 onwards:-
  - a) A Government Department
  - b) A Local Authority
  - c) Special Economic Zone units
  - d) Insurer or banking company or financial institution including NBFC
  - e) GTA supplying services in relation to transportation of goods by road in a goods carriage
  - f) Supplier of passenger transportation service
  - g) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens

Discussion & conclusion:

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

(a)	➲ The advice given by tax consultant of Fashion Queen Ltd. for issuance of e-invoices mandatorily in the current financial year is **valid** in law ➲ The aggregate turnover of Fashion Queen Ltd. exceeds the threshold limit of aggregate turnover applicable for e-invoicing & thus, it is mandatorily required to issue e-invoices in respect of supplies made to registered persons.
(b)	Government Department is specifically **exempt** from mandatory requirement of e-invoicing even if the turnover exceeds ₹ 10 crore in the preceding financial year & thus, e- invoicing is not applicable to Ministry of communication & Information technology

Note to point (b):

Government Department shall give a **declaration** in the tax invoice that **Invoice is not required to be issued in the manner specified under Rule 48(4)** as it is exempted from E-invoicing

13. Dynamic QR Code on B2C Invoices

CCP 11.13.17.00

Briefly explain the requirement of Dynamic Quick Response (QR) code and list out the non-applicability of requirement of Dynamic QR Code. [CA IPC Dec 21 Exam] or

Is Dynamic Quick Response (QR) Code applicable to suppliers who issue invoice to unregistered persons? If no, list the suppliers to whom Dynamic QR Code is not applicable. [CA Inter Dec 21 Exam]

Answer : Legal Provision:-

- All invoices **issued to an unregistered person** (B2C invoice) **by a registered person** whose **aggregate turnover** in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores are required to have a Dynamic QR code.
- However, Dynamic QR code is not applicable to an invoice issued to an unregistered person by following suppliers:-

(i) Insurer or banking company or financial institution including NBFC
(ii) GTA supplying services in relation to transportation of goods by road in a goods carriage
(iii) Supplier of passenger transportation service
(iv) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
(v) Supplier of online information and database access or retrieval (OIDAR) services
(vi) Registered person whose aggregate turnover in all the preceding financial years from 2017-18 onwards does not exceed ₹ 500 crores..

14.Sec 31(3)(c) & Rule 49:- Bill of Supply & Consolidated bill of supply

CCP 11.14.18.00

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

Can a consolidated bill of supply be issued on a periodic basis?

Answer:-

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

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

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

15. Sec 31(3)(d) & Rule 50:- Receipt Voucher & Sec 31(3)(e) & Rule 51:- Refund Voucher

CCP 11.15.19.00

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

Answer : Legal Provision:-

- As per **section 31(3)(d)** of CGST Act, 2017, **on receipt of advance payment** for any supply of goods and/or services, a registered person shall issue a receipt voucher or any other document evidencing receipt of such payment & containing prescribed particulars.
- As per **section 31(3)(e)** of CGST Act, 2017, if a registered person issues a Receipt Voucher for advance payment received for supply of goods &/or services, but subsequently:-
  - **No supply** is made &
  - **No tax invoice** is issued for the same,

then he may issue a **Refund Voucher against such advance payment** to the person who had made the payment.

Discussion & Conclusion:-

- Udai Singh is required to **issue a receipt voucher at the time of receipt of advance** payment with respect to services to be supplied to Sujamal.
- In the given case, subsequently no services are supplied by Udai Singh, and no tax invoice is issued in pursuance thereof, Udai Singh **may issue a refund voucher** against such payment to Sujamal.

CCP 11.15.20.00

ABC Ltd., is a contractor executing works contract service, situated in Tamil Nadu. It entered into an agreement with XYZ Ltd. (another registered person in

Tamil Nadu) to provide works contract services in various States in South India. The precise location details were to be shared later. In this regard, ABC Ltd. received an advance of ₹ 1 Crore (including GST).You are to advise ABC Ltd. whether :

(A) ABC Ltd. is liable to pay GST on such advance amount.

(B) Whether the tax liability is to be paid as CGST + SGST or IGST

(C) What would be the tax rate at which such tax liability is to be paid?

(CA IPC Nov 20 exam)

Answer:-

(a) Supply includes inter alia all forms of supply made or agreed to be made. Thus, advance payment for a supply agreed to be made is liable to tax.In case of services, the time of supply is issue of invoice or receipt of payment, whichever is earlier.Therefore, in the given case, ABC Ltd. will be required to pay tax on advance of 1 crore at the time of receipt of advance.

(c) Where at the time of receipt of advance, nature of supply is not determinable, the same is treated as inter-State supply and thus, IGST is charged thereon.

(c) Where at the time of receipt of advance, rate of tax is not determinable, tax is paid at the rate of 18%

16. Sec 31(3)(f) & (g) & Rule 46 & 52:- Issue of invoice & Payment Voucher under RCM

CCP 11.16.21.00

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

Answer :

Legal Provision:-

- The **Recipient is liable to pay tax** on reverse charge basis if he receives supply of such goods &/or services which are notified under **section 9(3) & 9(4)** of CGST Act, 2017.
- As per **section 31(3)(f)**, when a registered person **receives supply** of goods &/or services which are liable to tax on reverse charge basis **from an unregistered person**, then **Invoice** is to be issued by recipient on the date of receipt of goods &/or services.
- Thus, a recipient who is liable to pay tax as per section 9(3) has to issue invoice only when supplies have been received from an unregistered supplier.
- As per **section 31(3)(g)**, a registered person who is liable to pay tax under section 9(3)/9(4) of CGST Act shall issue a payment voucher **at the time of making payment** to the supplier.

Clarification:-

- Bhoj Raj (a registered person) has availed services of GTA (unregistered person) on which he is liable to pay tax under reverse charge u/s 9(3). He **is required to issue an invoice for GTA services availed by him & issue a payment voucher** at time of making payment to GTA.

17. Rule 54:- Document in lieu of tax invoice in special cases

CCP 11.17.22.00

Are there any relaxations available for Banking Companies or Financial Institutions including NBFC & an Insurer?

Answer :

Yes. The following are the relaxations available for Banking Companies or Financial Institutions including NBFC & an Insurer:-

- As per **section 31** of CGST Act, 2017 **read with rule 54** of CGST Rules, 2017, In case of supply made by these persons, the **tax invoice shall include any document in lieu thereof.**
- Such document shall be **treated as complete** if it contains **other information as per Rule 46** of CGST Rules, even in the following cases:-
  - The invoice is not serially numbered;
  - The invoice does not contain the address of the recipient of taxable service.
- Such document may be issued /made available **physically or electronically.**
- Supplier may issue a **consolidated tax invoice or any other document in lieu thereof** for supply of services made during a month at the month end.

- Also, they may **issue an invoice within 45 days** from the date of supply of service (as against 30 days in any other case as per section 31(2)).

CCP 11.17.23.00

Should suppliers of Passenger Transportation Service issue an invoice in addition to issue of tickets?

Answer :

- As per **Rule 54** of CGST Rules, 2017, in case of suppliers of Passenger Transportation Service, a **tax invoice will include a 'ticket'** in any form and name.
- The **invoice would be treated as complete** if it contains **other information** as per **Rule 46** of the CGST Rules except the following:-
  - Serial number
  - Address of the recipient of taxable service
- However, the signature or digital signature of the supplier or his authorised representative shall not be required in the case of issuance of ticket as per Information technology act, 2000
- Thus, suppliers of Passenger Transportation Service **shall not issue an invoice in addition to issue of tickets.**

18. Sec 34:- Credit note & Debit Note

CCP 11.18.24.00

Answer the following questions:-

i) What are the tax implications on issue of a Credit Note?

ii) Mention the requirements for claiming a reduction in output tax liability by issuing Credit Note.

Answer :

(I)	As per **section 34** of CGST Act, 2017, on issue of a Credit Note under GST, there is a **reduction in output tax liability** (subject to doctrine of unjust enrichment).
(II)	The below requirements must be met for claiming a reduction in output tax liability by issuing Credit Note under **section 34** of CGST Act, 2017:- a) It can be proven that the **incidence of tax and interest** have not been passed on to any person. b) The details of the credit note are **declared within the prescribed timelines.** C) The **recipient** of the supply should **accept credit note in his return of inward supply** and reduce his claim of input tax credit to the extent of reduction in tax liability.

CCP 11.18.25.00

Kidzee Toys Ltd., a wholesaler of toys registered in Chandigarh, is renowned in the local market for the variety of toys and their reasonable prices. Kidzee Toys Ltd. makes supply of 100 pieces of baby's learning laptops and chat learning phones to Nancy General Store on 25th September by issuing a tax invoice amounting to ₹ 1,00,000. However, the said toys were returned by Nancy General Store on 30th September. Discuss which document Kidzee Toys Ltd. is required to issue in such a case? [ICAI Study Material]

Answer :

- ***Kidzee Ltd. is required to issue a credit note in given case.***
- As per **section 34(1)** of CGST Act, 2017, where one or more tax invoices have been issued for supply of any **goods &/or services & the goods supplied are returned** by the recipient, then the registered person who supplied such goods or services or both, **may issue to the recipient one or more credit notes** for supplies made in a financial year containing prescribed particulars.
- Therefore, Kidzee Ltd. **is required to issue a credit note** to Nancy General Store for the goods returned.

CCP 11.18.26.00

Rana Sanga Ltd., a registered supplier has made following taxable supplies to its customer Babur in the quarter ending 30th June:-

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

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

Answer : Legal Provision:-

- As per **section 34(1)** of CGST Act, 2017, where **one or more tax invoices have been issued** for supply of any goods and/or services and
  - a) the **taxable value or tax charged** in that tax invoice is **found to exceed** the taxable value or tax payable in respect of such supply, or
  - b) where the goods supplied are **returned** by the recipient, or
  - c) where goods and/or services supplied are **found to be deficient**, then the **registered person, who has supplied** such goods and/or services, **may issue** to the recipient **one or more credit notes** for supplies made in a financial year containing prescribed particulars.

Discussion & Conclusion:-

- Thus, **one (consolidated)** or more credit notes can be issued in respect of multiple invoices issued in a financial year **without linking** the same **to individual invoices.**
- Hence, in view of the above-mentioned provisions, Rana Sanga Ltd. **can issue a consolidated credit note** for the goods returned in respect of all the three invoices.

CCP 11.18.27.00

Answer the following questions:-

I) What are the circumstances under which "Debit Notes" needs to be issued by a taxable person? [CA IPC July 21 Exam]

ii) Is it correct to state that, Debit Note can be issued only for increasing tax liability by the supplier?

Answer :

(I)	As per **section 34** of CGST Act, 2017, the circumstances under which debit note needs to be issued by a taxable person are:- a) The **taxable value declared** in the invoice **is less** than the actual value of the supply; b) The **tax charged** in the invoice **is less** than the actual tax payable in respect of the supply; c) The **quantity received** by the recipient **is more** than what has been declared in the tax invoice and the customer choses to retain the same.
(Ii)	**Yes**, Debit Note can be issued only for increasing tax liability by the supplier. - 'Debit note' are akin to **'supplementary invoice'**. - They are issued by the supplier for recording **increase in taxable value or tax charged** in the supply under **section 34** of CGST Act, 2017.

CCP 11.18.28.00

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

(i) Value of supply charged in invoice no. 1 was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000.

(ii) Tax charged in invoice no. 4 was ₹ 32,000 against the actual tax liability of ₹ 68,000 due to wrong HSN code being chosen while issuing invoice.

(iii) Value charged in invoice no. 8 was ₹ 3,20,000 as against the actual value of ₹ 4,20,000 due to wrong quantity considered while billing.

Kartik & Co. asks you to answer the following:-

I) Who shall issue a debit/credit note under CGST Act?

2) Whether debit note or credit note has to be issued in each of the above circumstances?

3) What is the maximum time-limit available for declaring the credit note in the GST Return? [CA Inter MTP Oct 21][ICAI Material]

Answer :

1) The debit/credit note shall be issued by the **registered person who has supplied** the goods and/or services, i.e. **Kartik & Co.**

2) **Yes,** debit/credit note need to be issued in each of the circumstances as under:-
   i) A **credit note** is required to be issued as the taxable value in invoice no. 1 exceeds the actual taxable value.
   ii) A **debit note** is required to be issued as the tax charged in the invoice no. 4 is less than the actual tax payable.
   iii) A **debit note** is required to be issued as the value of supply charged in the invoice no. 8 is less than the actual value.

3) The details of the credit note **cannot be declared later than:-**
   - 30th November following the end of the financial year in which such supply was made or
   - the date of furnishing of the relevant annual return,

   whichever is earlier.

CH 11

TAX INVOICE

19. Combined Questions

CCP 11.19.29.00

Explain the provisions relating to the transactions where tax invoice is not required to be issued under the CGST Act, 2017. [CA IPC Jan 21 Exam]

Answer :

➲ As per **section 31(3)(b)** of CGST Act, 2017 read with **proviso to Rule 46** of CGST Rules, 2017, the **tax invoice is not required** to be issued under the CGST Act, 2017 in the case of supply of goods and/or services of:-
   - value less than ₹ 200
   - to an unregistered recipient
   - who does not require such invoice.

➲ Further, as per **Rule 55** of CGST Rules, 2017, the **tax invoice is also not required to be issued** under the CGST Act, 2017 in the case of:-
   a) supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known,
   b) transportation of goods for job work,
   c) transportation of goods for reasons other than by way of supply, or
   d) such other supplies as may be notified by the Board.

CCP 11.19.30.00

Determine with reason whether the following statements are true or false:-

(i) A registered person shall issue separate invoices for taxable and exempted goods when supplying both taxable as well as exempted goods to an unregistered person.

(ii) A Non-banking financial company can issue a consolidated tax invoice at the end of every month for the supply made during that month. [ICAI Study Material]

Answer :

(i) The given statement is **false.**
   - Where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, **a single "invoice-cum-bill of supply" may be issued** for all such supplies.

(ii) The said statement is **true.**
   - A non-banking financial company **is allowed** to issue **a consolidated** tax invoice or any other document in lieu thereof for the supply of services made during a month at the end of the month.

CCP 11.19.31.00

Royal Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Park Royal, Delhi on 4th January, 20XX. For the occasion, it gets the makeover of its models done by Aura Beauty Services Ltd., Ashok Vihar, for which a consideration is ₹ 5,00,000

(excluding GST) has been charged. Aura Beauty Services Ltd. issued a duly signed tax invoice on 10th February, 20XX showing the lumpsum amount of ₹ 5,90,000 inclusive of CGST and SGST @ 9% each. Royal Fashions made the payment the very next day.

Answer the following questions:-

(i) Examine whether the tax invoice has been issued within the time limit prescribed under law? Also, what would be time of supply under this case as per sec 13?

(ii) Tax consultant of Royal Fashions objected to the invoice raised suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Aura Beauty Services Ltd. However, Aura Beauty Services Ltd. contended that there is no mandatory requirement of showing tax component separately in the invoice. You are required to examine the validity of the objection raised by tax consultant of Royal Fashions? [ICAI Study Material]

OR

Question can also be:-

Since some customers may not bear the taxes if shown separately, can a single consolidated price inclusive of all taxes be shown along with such a declaration?

Answer :

(i) **Legal Provision:-**

- As per **section 31(2)** of CGST Act, 2017, a registered person **[other than** an insurer/ banking company/ financial institution, including an NBFC] supplying taxable services shall issue a tax invoice **before or after the provision of service,** but **within a period of 30 days** from the date of supply of service.
- As per **section 13(2)(b)** of CGST Act, 2017, if **invoice is not issued within the time** prescribed u/s 31 for supply of services, then **the time of supply** of such services shall be **earlier** of:-
  - the date of provision of service or
  - the date of receipt of payment.

Discussion & Conclusion:-

- In the present case, the **tax invoice should have been issued** in the prescribed time limit of 30 days from the date of supply of service i.e. **upto 03.02.20XX.**
- However, the invoice has been **issued** beyond the time limit for it's issue **on 10.02.20XX.**
- In such a case, the **time of supply** as per **section 13** of the CGST Act, 2017 would be **04.01.20XX** i.e. earlier of the following:-
  a) Date of provision of service (04.01.20XX) or
  b) Date of receipt of payment (11.02.20XX)

(ii) **Legal Provision:-**

- As per **section 33** of CGST Act, 2017, every person who is liable to pay tax for supply which is made for a consideration shall prominently indicate the tax amount which shall form part of price for such supply.
- Further, the invoice rules i.e. **Rule 46** of CGST Rules, 2017 also have a separate mandatorily field for the amount of tax and the rate of tax applicable for the supply.
  - for each of the Central Tax, State Tax, Integrated Tax, Union Territory Tax or Cess.
- Therefore, mentioning a consolidated amount without showing the tax separately will **not be valid.**

Discussion & Conclusion:-

- In the present case, the tax amount has **not been shown separately** in the invoice.
- Therefore, the **objection raised** by the tax consultant of Royal Fashions suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Aura Beauty Services Ltd. **is valid in law.**

Chapter 12

E-Way Bill

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Description	Que. No.	No. Illus.
ICAI Material	-	-
Examination	Q 02.04/02.05/ 02.07/ 02.08/02.09/	5
RTP & MTP	Q 02.12	1
Others	Q 01.01/ 02.02/ 02.03/ 02.06/02.10/ 02.11/02.13	7
Total No. of Illus		13

01. General Questions on E-Way Bill:-

CCP.12.01.01.00

Explain the purpose of E-Way bill in GST?

Answer:

E-Way bill is an electronic mechanism to ensure the following:-

a) There is **hassle free movement** of goods throughout the country.

b) To act as an effective tool to **track movement** of goods.

c) To **check tax evasion** in the Country.

d) Physical interface to pave way for digital interface resulting in **elimination of state boundary check-posts.**

02. Section 68 read with Rule 138:-

CCP.12.02.02.00

When & who is required to generate an e-way bill?

Answer:

I) **Consignment value exceeding Rs 50000:-** As per Rule 138(1), Every **registered person who causes movement** of goods of **consignment value exceeding Rs 50000:-**

- in relation to a supply or
- for reasons other than supply or
- due to inward supply from an unregistered person

shall furnish the information relating to the said goods in Part A of Form GST EWB-01 before commencement of such movement.

II) **ECO or Courier agency:-** A registered person liable to generate e-way bill can authorize the transporter, ECO or courier agency to furnish details in Part A of e-way bill (Form GSTEWB-01).

III) **Voluntary generation of e-way bill:-** A registered person or the transporter may voluntarily generate an e-way bill even if consignment value is <= Rs. 50,000.

CCP.12.02.03.00

How to compute consignment value for the purpose of generation of e-way bill?

Answer: As per explanation to **rule 138(1)** of CGST Rules, the consignment value of goods shall be:-

- the value as per **section 15** as declared in an invoice or a bill of supply or a delivery challan which issued in respect of the said consignment.
- It **also includes** the central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document &
- It **shall exclude** the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

CCP.12.02.04.00

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

You are required to examine and advise Yash & Co., whether e-way bill is mandatorily required to be generated in respect of such movement of goods under GST laws? [CA IPC Jan 21 Exam]

I) Mr. X, a registered dealer under GST, wants to transfer certain stock of goods from his factory located in Pune (MH) to the location of buyer Mr. S at Nagpur (MH). For this, he has raised an invoice as under:-

S.No.	Item	Value	GST Rate	GST Amount	Total
1	A	40,000	12%	4,800	44,800
2	B	25,000	Nil (Exempt)	-	25,000
					69,800

Determine whether E-way bill is required to be issued as per Rule 138 of CGST Rules?

Answer:

Legal Provision:-

- As per **Rule 138(1)** of CGST Rules, a registered person is mandatorily required to generate e-way bill if he causes movement of goods of consignment value exceeding Rs 50000 in relation to a supply.
- The consignment value shall be the value as per section 15 as declared in an invoice **including** CGST, SGST, UTGST, IGST and cess charged, if any, in the document but it **excludes** the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

Discussion & Conclusion:-

1)	➢ In given case, the consignment value of goods will be ₹ 50,740 [i.e., ₹ 43,000 + (₹ 43,000 ×18%)]. ➢ Since the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, the **e-way bill is mandatorily required to be generated** for movement of goods from Maharashtra to Punjab.
2)	➢ In the given case, the consignment value is Rs 44800 (i.e., Rs 40,000 + Rs 4800). ➢ Here, Rs 25,000 will not be included as it is an exempt supply. ➢ Thus, E-way bill is not required to be issued as the consignment value is not exceeding Rs 50000.

CCP.12.02.05.00

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

Answer:

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

CCP.12.02.06.00

Explain the provisions relating to generation of E-way bill in case of 'Transshipment'.

Answer:-

- Goods may be transferred from original conveyance to another due to unforeseen exigencies like break down of vehicle or sometimes consignments are transported by transporter through transshipment using multiple vehicles.
- **Before such transfer & further movement of goods,** details of conveyance in Part-B of E-way Bill shall be updated by the consignor or recipient who provided information in Part A, or transporter.
- User can update Part-B (Vehicle details) **any number of times** to move goods to destination **within validity period** of E-way Bill.
- If one e-way bill goes through multiple modes of transportation before reaching destination, the EWB can be updated with new mode of transportation by using option of 'Update Vehicle Number'.

CCP.12.02.07.00

Mr. Shah, a consignor, is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter. Explain the procedure regarding e-way bill to be followed by consignor and transporter as

per provisions of GST law and rules made thereunder. [CA Inter Nov 19 Exam New]

Answer:

Legal Provision:-

- **Before such transfer and further movement of goods**, the following persons shall update the details of conveyance in Part-B of E-way Bill:-
  - the consignor or the recipient, who has provided information in Part A, or
  - the transporter.
- Further, the consignor or the recipient, who has furnished the information in Part A, or the transporter, **may assign** the e-way bill number to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment.
- But, Once the transporter updates details of conveyance in Part B, then consignor/recipient shall not be allowed to assign the e way bill number to another transporter.

Discussion & Conclusion:-

- In given case, only one e-way bill is required to be issued.
- Part A of e-way bill can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorisation.
- Thus, on reaching Kheda, Mr. Shah or the recipient of the goods who has filled Part A of e-way bill, or Mehta Transporter can, before the transfer and further movement of goods, **update the details of conveyance in Part B of e-way bill.**
- Further, on reaching Kheda, Mr. Shah or recipient of goods, or Mehta Transporter **can assign the said e-way bill** to Parikh Transporter who will thereafter update details of conveyance in Part B.
- Once the details of conveyance are updated by Parikh transporter in Part B, Mr. Shah or recipient shall not be allowed to assign e-way bill number to another transporter.

CCP.12.02.08.00

Answer the following questions-

1) **Examine the correctness of statements:**
   a) **Once generated, an e-way bill cannot be cancelled.**
   b) **E-way bill generated in one State is valid in another State. [CA IPC RTP May 2020]**
2) **"One consolidated e-way bill can be generated for multiple invoices". Comment on the validity of the above statement with reference to GST law. (CA Inter May 22 Exam)**
3) **What do you mean by Acceptance/rejection of e-way bill. [CA IPC Jan 21 Exam]**

Answer:

1)	a) The said statement is **partially correct.** ➢ As per **Rule 138(9)** of CGST Rules, e-way bill may be cancelled electronically on common portal within **24 hrs** of its generation, if after generation of e-way bill, - goods are not transported at all or - goods are not transported as per the details furnished in E-way bill. ➢ However, e-way bill cannot be cancelled, if it has been verified in transit as per Rule 138B. b) The said statement is **correct.** ➢ E-way bill generated under Goods and Services Tax Rules of any State or Union territory shall be valid in every State and Union territory.
2)	➢ The said statement is **invalid.** ➢ Multiple invoices cannot be clubbed to generate one e-way bill. ➢ If multiple invoices are issued by the supplier to recipient, for movement of such goods, multiple e-way bills have to be generated. ➢ Thus, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved.

	➢ However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle
3)	**Acceptance/rejection of e-way bill:-** ➢ As per **Rule 138(11)** of CGST Rules, the details of e-way bill generated shall be made available on common portal to:- - supplier (if registered)- if information in Part A is furnished by recipient/ transporter or - recipient (if registered)- if information in Part A is furnished by supplier/ transporter. ➢ Supplier/recipient shall communicate his acceptance or rejection of consignment covered by E-way bill. ➢ As per **Rule 138(12)** of CGST Rules, Information in Part A shall be deemed to be accepted, if such supplier/ recipient does not communicate his acceptance or rejection within **Earlier** of:- - **72 hours** of details being made available to him on common portal or - **Time of delivery** of goods.

CCP 12.02.09.00

1) **Explain the validity of E-way bill in brief.**

2) **Agni Ltd., a registered supplier, wishes to transport cargo by road between two cities situated at a distance of 368 kilometres. Calculate the validity period of e-way bill under rule 138(10) of CGST Rules, 2017 for transport of the said cargo, if it is over dimensional cargo or otherwise. [CA Inter Jan 21 Exam]**

3) **A consignor hands over his goods for transportation on Friday to the transporter. However, assigned transporter starts the movement of goods from consignor's warehouse to its depot located at distance of 600 Km. on Monday. When will the e-way bill be generated and for how many days it will be valid? [CA Inter Dec 21 Exam]**

Answer:

1) ➢ As per **rule 138(10)** of CGST Rules, e-way bill shall be valid for a period as given below from the relevant date, in accordance with the distance covered:-

Type of Cargo	Distance	Validity
Cargo other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship	Upto 200 Km	1 day
	For every 200 Km or part thereof thereafter	1 day additional
Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship	Upto 20 km	1 day
	For every 20 km or part thereof thereafter	1 day additional

➢ **Relevant date:-** It is the date on which e-way bill has been generated.

➢ **Validity period:-** The period of validity shall be counted from the time at which the e-way bill has been generated and each day shall be counted as the period **expiring at midnight of the day immediately following** the date of generation of e-way bill.

➢ **Extension of validity of E-way Bill:-** Once the validity of E-way bill expires, the goods are not supposed to be moved. Generally, the validity of e-way bill cannot be extended.

Exception:-

- Commissioner may extend validity for goods notified on recommendations of Council.
- Transporter may extend validity **within 8 hours** from the time of its expiry in exceptional circumstances, if consignment is not reached to the destination, after updating the details in Part B (if required).

2) & 3)	**Legal Provision:** As per **rule 138(10)** of CGST Rules, 2017, the validity period of e-way bill is as under:- **a) If it is over dimensional cargo:-** The validity period of e-way bill is 1 day from relevant date upto 20 km and 1 additional day for every 20 km or part thereof thereafter. **b) If it is a cargo other than over dimensional cargo:-** The validity period of e- way bill is 1 day from relevant date upto 200 km and 1 additional day for every 200 km or part thereof thereafter.
	Discussion & Conclusion:
2)	In given case, the validity period of e-way bill for transport of cargo by road between two cities situated at a distance of 368 kilometres is as under:- **a) If it is over dimensional cargo:-** Validity period = 1 day + 18 days i.e., 19 days **b) If it is a cargo other than over dimensional cargo:-** Validity period = 1 day + 1 day i.e., 2 days
3)	➢ E-way bill **will be generated before commencement of movement** of goods by transporter on Monday ➢ Thus, the validity period in the given case, is **3 days.** ➢ It is **assumed** that goods transported are not over dimensional cargo.

CCP.12.02.10.00

Mention any eight cases where e-way bill is not required to be generated?

Answer: As per **Rule 138(14) of CGST Rules**, e-way bill is **not required to be generated, if:-**

1) Goods are being transported by a non-motorised conveyance.
2) Goods [other than de-oiled cake] transported are exempt from tax.
3) Goods transported are alcoholic liquor for human consumption, petroleum crude, high speed diesel, motor spirit (petrol), natural gas or aviation turbine fuel.
4) Supply of goods transported is not treated as supply under Schedule III of CGST Act.
5) Goods transported are transit cargo from or to Nepal or Bhutan.
6) Any movement of goods caused by defence formation under Ministry of defence as a consignor or consignee.
7) Central Government, any State Government or Local Authority is the consignor of goods for transport of goods by rail.
8) Transportation is of empty cargo containers.

CCP.12.02.11.00

What are the documents required to be carried by a person-in-charge of a conveyance? [CA IPC July 21 Exam] OR
What are the other document needs to be provided to the transporter in addition to E-Way Bill for movement of goods?

Answer:

➲ As per **rule 138A of CGST Rules,** the documents required to be carried by a person-in-charge of a conveyance are as under:-

a) Invoice or bill of supply or delivery challan, as the case may be, &
b) a copy of the e-way bill in physical form or
e-way bill number in electronic form or
e-way bill number mapped to Radio Frequency Identification Device (RFID) embedded on to the conveyance.

➲ **Clause b) is not applicable** in case of movement of goods by rail or by air or by vessel.

➲ For **imported goods,** the person in charge of conveyance shall also **carry a copy of bill of entry** filed by importer & **shall indicate** the number and date of the bill of entry in Part A of E-way bill.

CCP.12.02.12.00

Mr. Shambhu, a trader registered under GST in Delhi, is engaged in wholesale business of toys for kids. Mr. Nandi registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Shambhu for selling to end consumers. Mr. Shambhu paying tax in regular scheme in Delhi, has not filed GSTR-3B for last 2 months. Mr. Nandi wants to generate e-way bill for toys amounting to ₹ 5,00,000 to be supplied to Mr. Shambhu. Also, Mr. Narayan from Jammu approached Mr. Shambhu for purchasing toys amounting to ₹ 75,000 for the purpose of return gift on his son's first birthday party. Shambhu wants to generate an e-way bill in respect of an outward supply of goods to Mr. Narayan. Examine with reference to the provisions under GST law, whether Mr. Nandi and Mr. Shambhu can generate e-way bill? [CA Inter RTP-May 22]

Answer:-

Legal Provision:-

- As per **Rule 138E** of CGST Rules, 2017, a taxpayer (consignor or consignee) shall be disabled from generating the e-way bill, if the GSTIN is not eligible for e-way bill generation.
- Under this rule, **GSTIN is blocked only for the defaulting supplier** for e-way bill generation and not for the defaulting Recipient or Transporter.
- A person paying tax under regular scheme who has **not furnished the returns for a consecutive period of two tax periods** is considered as a defaulting person.
- The suspended GSTIN cannot generate e-way bill as a supplier. However, it can get e-way bill generated as recipient or as transporter.
- In other words, e-way bill generation facility is blocked only for any outward movement of goods of registered person & not for his inward supplies.

Discussion & Conclusion:-

- In the given case, there will be **no restriction** in generating e-way Bill **by Mr. Nandi as Mr. Nandi** who is making outward movement of goods is a regular return filer.
- But, E-way bill generation **is blocked** for movement of goods by **Mr. Shambhu** to Mr. Narayan as it is an outward movement of goods of Mr. Shambhu who has not filed GSTR-3B for past 2 months.

CCP.12.02.13.00

Write a short note on Invoice Reference Number (IRN) in lieu of tax invoice.

Answer:-

- The e-invoice issued under rule 48(4) of CGST Rules have an embedded Invoice Reference Number (IRN) in the Quick Reference (QR) code.
- It can be produced electronically for verification by proper officer in lieu of physical copy of such tax invoice.
- The registered person will not have to upload information in Part A of e-way bill to generate it as the same shall be auto-populated by common portal based on information furnished.
- **IRN** eases the process of documentation to a great level and reduces the burden.

Chapter 13

Return

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01.General Questions

CCP 13.01.01.00

What are the key features of return under GST mechanism?

Answer:

The key features of return under GST mechanism are as under:-

- *Electronic filing of returns.*
- *Uploading of invoice level information and auto-population of information relating to ITC from returns of supplier to that of recipient*
- *Invoice-level information matching and auto-reversal of ITC in case of mismatch.*

02. Sec 37 read with Rule 59: Furnishing details of Outward Supplies

CCP 13.02.02.00

M/s Cavenon Enterprises, a registered supplier of designer wedding dresses under regular scheme, has aggregate annual turnover of ₹ 30 lakh in the preceding financial year. It is of the view that in the current financial year, it is permitted to file its monthly statement of outward supplies – GSTR-1 on a quarterly basis while its accountant advises it to file the same on a monthly basis. You are required to advise M/s Cavenon Enterprises on the same. [ICAI RTP May 19 New] [ICAI Study Material]

Answer:

Legal Provision:-

- *As per **section 37** of CGST Act, GSTR-1 for a particular month is filed **on or before the 10th day (now extended to 11th day)** of immediately succeeding month i.e. on monthly basis.*
- *However, to ease the compliance requirement, GSTR-1 is can be filed quarterly by small taxpayers with aggregate annual turnover upto Rs 5 crore in preceding financial year under QRMP Scheme.*
- *Under QRMP Scheme, for the first and second months of a quarter, the details of outward supplies can be furnished up to a cumulative value of Rs 50 Lakhs in each of the months using invoice furnishing facility (IFF) electronically on common portal from the 1st day of the month succeeding such month **till the 13th day of the said month.***

Discussion & Conclusion:-

- *In view of the same, M/s Cavenon Enterprises **can file its GSTR-1 on quarterly basis** if it has opted to furnish the outward supply related details on quarterly basis and filing IFF on monthly basis as its aggregate turnover does not exceed ` 5 crore in the preceding financial year.*

CCP 13.02.03.00

"All taxpayers are required to file GSTR-1 only after the end of the current tax period." Comment on the validity of the above statement with reference to GST law. (CA Inter May 22) or

Whether a tax payer can file GSTR- 1 before the end of the current tax period? [CA Inter Nov 18 Exam]

Answer:-

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

CCP 13.02.04.00

Quicktax, a GST return filing service provider, has asked its clients to provide the scanned copies of the tax invoices issued to B2B customers for uploading on the GST portal and filing the return. State whether the process followed by Quicktax is correct or not? [ICAI Study Material]

Answer:-

- **No,** the **process** followed by Quicktax is not correct.
- The registered persons supplying goods or services to B2B customers are required to upload the invoice wise **details** of supplies made during the tax period.
- There is **no requirement to upload scanned copies** of invoices on GST portal while filing returns.
- Only information required as per GST returns is to be captured in the return filing utility and the same is to be uploaded on the GST portal and not the scanned copies of the actual invoices.

CCP 13.02.05.00

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

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

Answer:

	➲ Some of the details of invoice for outward supplies required to be furnished in GSTR-1 are:- Name, address & GSTIN of recipient, invoice number, date, total value, taxable value, rate of tax, amount of tax, HSN code, etc. ➲ As per Rule 59 of CGST Rules, 2017, GSTR-1 shall include following:- a) Invoice-wise details of all:- i) inter-State and intra-State supplies made to registered persons and ii) Inter-State supplies made to unregistered persons with invoice value more than Rs 2,50,000 b) Consolidated details of all:- i) Intra-State supplies made to unregistered persons for each rate of tax and ii) Inter-State supplies made to unregistered persons with invoice value upto Rs 2,50,000 for each rate of tax separately for each State c) Debit & credit notes, if any, issued during the month for invoices issued previously.
	Authors Note (Not part of answer): Question can be-invoice details of outward supplies required to be furnished in GSTR-1 or invoice details of outward supplies required to be furnished invoice-wise in GSTR-1.
	➲ The said statement is not valid. ➲ For the following outward supplies, consolidated details are required to be uploaded in GSTR-1 and not invoice-wise details:- a) Intra-State supplies made to unregistered persons for each rate of tax. b) Inter-State supplies made to unregistered persons with invoice value upto ₹ 2,50,000 for each rate of tax separately for each State.

CCP 13.02.06.00

Mr. Gauri Shiva, a registered person in Punjab, supplies goods taxable @ 12% [CGST @ 6%, SGST @ 6% & IGST @ 12%] in the States of Punjab and Haryana. He has furnished the following details in relation to independent supplies made by him in the quarter ending June, 20XX:-

Supply	Recipient	Nature of supply	Value (₹)
1	Mr. A, a registered person	Inter-State	2,20,000
2	Mr. B, a registered person	Inter-State	2,55,000
3	Mr. C, an unregistered person	Intra-State	1,80,000
4	Mr. D, an unregistered person	Intra-State	2,60,000
5	Mr. M, an unregistered person	Inter-State	3,00,000
6	Mr. N, an unregistered person	Inter-State	50,000

7	Mr. O, an unregistered person	Inter-State	2,50,000
8	Mr. P, an unregistered person	Inter-State	2,80,000
9	Mr. Q, a registered person	Intra-State	1,50,000
10	Mr. R, a registered person	Intra-State	4,10,000

The aggregate annual turnover of Mr. Gauri Shiva in the preceding financial year was ₹ 1.20 crore. With reference to rule 59 of the CGST Rules, 2017, discuss the manner in which the details of above supplies are required to be furnished in GSTR-1. (CA Inter RTP May 2020)

Answer:-

Legal Provision:-

➲ As per Rule 59 of CGST Rules, 2017, GSTR-1 shall include following:-

a) Invoice-wise details of all:-

i) Inter-State and intra-State supplies made to registered persons and

ii) Inter-State supplies made to unregistered persons with invoice value more than Rs 2,50,000

b) Consolidated details of all:-

i) Intra-State supplies made to unregistered persons for each rate of tax and

ii) Inter-State supplies made to unregistered persons with invoice value upto Rs 2,50,000 for each rate of tax separately for each State

c) Debit & credit notes, if any, issued during the month for invoices issued previously.

Discussion & Conclusion:-

As per above provisions, Mr. Gauri Shiva shall furnish details of outward supplies of goods during quarter ending June, 20XX as follows:-

Supply	Recipient	Nature of supply	Value (₹)	Manner of furnishing details
1	Mr. A, a registered person	Inter-State	2,20,000	Invoice-wise details
2	Mr. B, a registered person	Inter-State	2,55,000	Invoice-wise details
3	Mr. C, an unregistered person	Intra-state	1,80,000	Consolidated details of supplies of 3 & 4
4	Mr. D, an unregistered person	Intra-state	2,60,000	
5	Mr. M, an unregistered person	Inter-State	3,00,000	Invoice-wise details
6	Mr. N, an unregistered person	Inter-State	50,000	Consolidated details of supplies 6 and 7
7	Mr. O, an unregistered person	Inter-State	2,50,000	
8	Mr. P, an unregistered person	Inter-State	2,80,000	Invoice-wise details
9	Mr. Q, a registered person	Intra-state	1,50,000	Invoice-wise details
10	Mr. R, a registered person	Intra-state	4,10,000	Invoice-wise details

CCP 13.02.07.00

Please answer the following independent cases with reference to section 37 of the CGST Act, 2017 and rule 59 of CGST Rules, 2017:- [CA Inter Exam May 19-Old]

(i) Mr. Kohli is registered supplier in the State of Gujarat. He is filing GSTR 1 every month. During the month of February, he was out of India and so did not do any transaction during the month. He believes that as there is no transaction there is no need to file GSTR 1 for the month of February. Is he correct? [ICAI Study Material]

(ii) Mr. Kaji is a registered dealer in Kerala. He was registered as a normal tax payer for FY 20XX-XY. But on 15-01-20XY, he converted from normal tax payer to composition tax payer. Is he liable to file GSTR-1 for the month of February, 20XY?

(iii) Mrs. Zeel, a registered dealer in Rajasthan, did not file GSTR 1 for the month of June, 20XY but she wants to file GSTR 1 for the month of July, 20XY. Is it possible?

Answer:

i	**No**, Mr. Kohli is **not correct.** **Legal Provision:-** ➲ **Nil GSTR-1** needs to be filed, even if there is no business activity in the tax period. ➲ Further, a NIL GSTR-1 can be filed by a registered person through an SMS using the registered mobile number of the taxpayer & is verified by registered mobile number-based OTP facility. **Discussion & Conclusion:-** ➲ In given case, even though Mr. Kohli was out of India and thus had not done any transaction during February, he is still required to file GSTR-1 for the that month.
ii	**Legal Provision:-** ➲ A person paying tax under composition scheme is **not** liable to furnish the details of outward supplies in GSTR-1. ➲ If a taxpayer has been converted from a normal taxpayer to composition taxpayer, GSTR-1 is to be filed only for the period during which taxpayer was registered as normal taxpayer. **Discussion & Conclusion:-** ➲ Therefore, in given case, Mr. Kaji is **not liable to file GSTR-1** for February, 20XY, since he had already shifted to composition scheme on 15.01.20XY.
iii	**Legal Provision:-** ➲ A registered person shall **not be allowed** to furnish the details of outward supplies of goods or services or both u/s 37 in FORM GSTR-1, if he has not furnished the return in FORM GSTR-3B for **preceding One months.** **Discussion & Conclusion:-** ➲ Therefore, in the given case, Mrs Zeel cannot file GSTR-1 for July, 20XY as she has not filed GSTR-1 for the preceding month, i.e., June, 20XY.

CCP 13.02.08.00

What are the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF? [CA Inter MTP Nov 21]

Answer :- The following are the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF:-

1)	**Registered person (other than QRMP Scheme):-**	He shall not be allowed to furnish the details of outward supplies in Form GSTR-1, if he **has not furnished the** return in Form GSTR-3B for **preceding One months.**
2)	**Registered person (opting for QRMP Scheme):-**	He shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF, if he **has not furnished the return** in Form GSTR-3B for **preceding tax period.**

CCP 13.02.09.00

Ms. Prisha, a registered taxpayer, has discovered some omissions her GSTR 1 of the period of January, 2022. She wants to rectify the same. what date she can rectify the omission, taking different dates answer the question.

1. 29th March, 2022

2. 18th October, 2022

3. 14th December, 2022

Answer: As per the sec37 of cgst act

A registered person who is furnishing details under section 37(1) if discovers any error or omission shall rectify the same by paying interest and tax, if any, by 30th November of the year succeeding the year related to which the rectification is concerned.

Sr. no	Date of Rectification	Remark
1	29th March, 2022	Yes
2	18th October, 2022	Yes
3	14th December, 2022	No

03. SEC 38 : Furnishing details of inward supplies & Input Tax Credit

CCP 13.03.10.00

Mr. Avinash Kumar is a registered person from Jharkhand. He took various inward supplies from different suppliers which are as follow;

S.no	Name of Supplier	ITC (Rs)	Remark
1	PQR Ltd.	18000	Goods purchased (ITC available)
2	ABC Ltd.	22000	A registered person who has taken registration just 1 month before. (Suppose term prescribed in the rule is 1 month)
3	DEF & Co.	2000	Person making default in payment of taxes
4	XYZ Pvt Ltd	6500	Having difference in payment of output tax more than the prescribed limit.
5	Bluffer Traders	10000	Availed the ITC more than the amount of ITC which can be availed
6	Scammer Pvt Ltd	2500	Person defaulted in discharging tax liability in accordance with Section 49(12)

Answer:-

➲ITC not available under **section 38** as per GSTR - 2B if the supplier

- ☞ Is having new registration (upto the prescribed time period)
- ☞ has defaulted in tax payment and default has continued for the prescribed time period
- ☞ has tax paid in GSTR-3B lower than output tax shown in GSTR-1 by the prescribed limit
- ☞ has taken more ITC in GSTR -2B than in GSTR - 2B than in GSTR - 3B by the prescribed limit
- ☞ has paid higher proportion of taxes from his credit than what is allowed as per law
- ☞ other notified persons

ITC available to Mr. Avinash Kumar is;

S.no	Name of Supplier	ITC (Rs)	Available Yes/No	Available Amount	Non-Available Amount
1	PQR Ltd.	18000	Yes	18000	-
2	New Mart Pvt Ltd.	22000	No	-	22000
3	Defaulter & Co.	2000	No	-	2000
4	Failure Pvt Ltd.	6500	No	-	6500
5	Cheater Traders	10000	No	-	10000
6	Scammer Pvt Ltd	2500	No	-	2500
Total				**18000**	**43000**

Student notes :-

04. Sec 39: Furnishing of Returns

CCP 13.04.11.00

Answer the following questions independently:-

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

b) Mrs. Zarina, a registered dealer in Rajasthan, did not file GSTR-3B for the month of June but she wants to file GSTR-3B for the month of July. Is it possible? Answer with reference to section 39 of the CGST Act. [ICAI Study Material]

Answer:-

a)	➲ If taxable person under GST law files the GST return **u/s 39(1) of CGST Act, 2017**, but does not pay the self-assessment tax, **the return is not** considered as a **valid return.** ➲ Such person will not be able to claim any input tax credit (ITC), since ITC can be availed only on the basis of a valid return. ➲ He shall pay interest, penalty, fees or any other amount payable under the CGST Act for filing return without payment of tax.
b)	**Legal Provision:-** ➲ As per **section 39(10)** of CGST Act, a registered person is not allowed to furnish a return for a tax period if the return for any of the previous tax periods has not been furnished by him. **Discussion & Conclusion:-** ➲ Therefore, in the given case, Mrs. Zarina cannot file GSTR-3B for July if she has not filed GSTR-3B for the preceding month, i.e., June.

CCP 13.04.12.00

(a) Miss Kashi is a registered intra-State supplier of goods in Haryana. During the months of August and September, she was out of station on a religious pilgrimage with her family for 55 days. Thus, no business transaction was made during August. Miss Kashi is of the opinion that as there is no transaction, there is no need to file monthly return [GSTR-3B] for the month of August. However, her tax consultant has advised her to file nil GSTR-3B. Whether the advice given by tax consultant is correct? Explain.

(b) Will your answer in (a) change, if Miss Kashi has placed an order for some purchases during August over her mobile phone, which has been received in her premises and she intends to take input tax credit on the same?

(c) Assuming in (a) above, Miss Kashi does not have internet facility in her mobile and there is no facilitation centre notified by the Commissioner, whether no return is required to be filed in the absence of means to file return? Explain. [CA Inter RTP May 21]

(d) If Miss Kashi is a registered taxpayer under composition scheme & did not make any taxable supply during the quarter ending Sept, 20XX. Is she required to file FORM GST CMP-08 for such tax period?

Answer:-

a)	**Yes**, the advice given by tax consultant **is correct.** **Legal Provision:-** ➲ Under GST law, filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. ➲ For such tax period(s), a Nil GSTR-3B is required to be filed. **Discussion & Conclusion:-** In the given case, even though Miss Kashi was out of station on a religious pilgrimage with her family for 55 days and thus, could not do any business transaction during the month of August, she is still required to file Nil GSTR-3B for that month.

b)	**Yes,** answer will change. **Legal Provision:-** ➲ Nil GSTR-3B means a return that has nil or no entry in all its Tables. **Discussion & Conclusion:-** ➲ In the present case, Miss Kashi has received purchases, she cannot file nil GSTR-3B, as the purchases will need to be disclosed in the 'Table for eligible ITC' in GSTR-3B. ➲ Thus, Miss Kashi is required to file monthly return, GSTR-3B for the month of August.
c)	**Legal Provision:-** ➲ GSTR-3B can be submitted electronically on the common portal, either directly or through a Facilitation Centre notified by the Commissioner. ➲ Further, a Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer& is verified by the registered mobile number-based OTP facility. **Discussion & Conclusion:-** ➲ Miss Kashi is required to file Nil GSTR-3B for the month of August through an SMS using her registered mobile number even though there is no internet facility in her mobile and no Facilitation Centre notified by the Commissioner.
d)	**Legal Provision:-** ➲ Filing of GST CMP-08 **is mandatory** for composition supplier, **even if there is no business activity** in any particular tax period. **Discussion & Conclusion:-** ➲ In this case, Miss Kashi is **required to file CMP-08,** even if she did not render any taxable supply during the quarter ending Sept, 20XX.

05. Questions of QRMP Scheme

CCP 13.05.13.00

Explain the following questions on the basis of QRMP scheme

1) Benefits of QRMP Scheme.

2) Eligibility for QRMP scheme under GST? [CA Inter MTP Oct 21]

3) Manner of exercising option of QRMP scheme.

Answer:-

1)	➲ The QRMP Scheme is best suitable for both the Small Tax Payers as well as the Big Tax Payers who are losing a lot of credits due to non-reflection of invoice entries. ➲ This is because many suppliers are filling GSTR-1 quarterly which eventually saves both time & money. ➲ Also, as per the Government Perspective, this scheme is expected to reconnect the revenue leakages and frauds as it would be surely decreasing the fake invoicing and fake input tax credit. ➲ Hence, it can be said that after the successful implementation of this scheme, it would be a win-win situation for all.
2)	➲ Registered persons (other than online information & database access or retrieval (OIDAR) service supplier located in non-taxable territory and providing such services to a non-taxable online recipient), whose aggregate turnover is up to ₹ 5 crore in the preceding financial year, and who have opted to furnish quarterly return under QRMP scheme are eligible for QRMP scheme as the class of persons who shall furnish a return for every quarter from January, 2021 onwards, and pay the tax due every month. ➲ Thus, the taxpayers whose aggregate turnover is up to ₹ 5 crore in the preceding financial year are eligible for QRMP scheme. ➲ For computing aggregate turnover, details furnished in returns for tax periods in the preceding financial year shall be taken into account.

2)	➲ A registered person intending to opt for QRMP scheme for any quarter shall indicate his preference for furnishing of return on a quarterly basis from 1st day of the 2nd month of the preceding quarter till the last day of the 1st month of the quarter for which the option is being exercised. ➲ Example:- A registered person intending to opt for QRMP scheme for the quarter 'July to September' can exercise his option from 1st May to 31st July. ➲ However, where such option has been exercised once, the said registered person shall continue to furnish the return on a quarterly basis for future tax periods, unless he– a) becomes ineligible for this scheme as per the conditions & restrictions notified in this regard or b) opts for furnishing of return on a monthly basis, electronically, on the common portal.

CCP 13.05.14.00

Answer the following questions:

1) What is the Due date for filing return & due dates of payment in case of a taxpayer opting for QRMP scheme?

2) Sangam Ltd., obtains registration for paying taxes under section 9 of CGST Act. He asked his tax manager to pay taxes on quarterly basis. However, Sangam Ltd.'s tax manager advised the Company to pay taxes on monthly basis. You are required to examine the validity of the advice given by tax manager? [CA IPC MTP 2018]

Answer:-

1)	**Due date of Filing return:-** ➲ Under QRMP scheme, a registered person is required to furnish GSTR-3B on quarterly basis on or before 22nd or 24th (depending upon the principal place of business of such registered person) of the month succeeding the quarter for which return is furnished. **Due dates of Payment:-** Every registered person opting for QRMP Scheme shall pay the tax due- i) for each of the first 2 months of the quarter: by **25th day** of the month succeeding such month in Form GST PMT-06 & ii) for 3rd month of quarter:- on or before the due date of filing return in GSTR -3B i.e. before 22nd or 24th of succeeding month, as the case may be, in **Form GST PMT-06.** **Authors note (Not part of answer):** Students need not to remember the states only can write the due dates ie 22nd & 24th of the month succeeding such quarter
2)	**Legal Provision:-** ➲ If Registered person is **not** availing QRMP Scheme, then tax is payable on monthly basis within 20th of subsequent month. ➲ If Registered person is opting for QRMP Scheme, then tax is payable on monthly basis but Return is to be filed on Quarterly basis (payment to be made by 25th of next month for 1st 2 month and within due date of Return for 3rd month). ➲ In case of composition scheme, the tax is payable on quarterly basis by 18th of next month and Return is to be filed on yearly basis. **Discussion & Conclusion:-** ➲ So, in given case, the advice given by manager is **correct & valid.** ➲ If Mr. Sangam is not opting for Composition Scheme, then the tax is payable on monthly basis.

CCP 13.05.15.00

When does the option of QRMP scheme lapses?

Answer :-

1) If the aggregate turnover crosses ₹ 5 crore during a quarter in a financial year,

then the registered person shall not be eligible to furnish return on quarterly basis

➲ from the first month of the succeeding quarter.

2) He shall opt for furnishing of return on a monthly basis from the 1st month of the quarter, succeeding the quarter during which his aggregate turnover exceeds ₹ 5 crore.

3) The facility for opting out of the scheme for a quarter will be available

➲ from 1st day of 2nd month of preceding quarter

➲ to the last day of the 1st month of the quarter

CCP 13.05.16.00

Explain the different payment methods under the QRMP Scheme?

Answer : The different payment methods under the QRMP Scheme are as under:-

1. Fixed Sum Method (FSM):-

Sr. No.	Type of Taxpayer	Tax to be paid in each of 1st 2 months
1.	Who furnished GSTR-3B quarterly for the last quarter	35% of tax paid in cash in the preceding quarter.
2	Who furnished GSTR-3B monthly during the last quarter	100% of tax paid in cash in the last month of the immediately preceding quarter.
The balancing amount of tax as per return is to be paid in the 3rd month.		

There are certain situations where no such tax needs to be deposited:-

➲ **1st Month of Quarter:** The tax liability is Nil. **OR** The balance in the electronic cash ledger is adequate for the tax liability for the same month.

➲ **2nd Month of Quarter:** The tax liability is Nil or the balance in the electronic cash ledger/ electronic credit ledger is adequate for the cumulative tax liability for the first two months of the quarter.

2. Self-Assessment Method (SAM):-

Under this method, taxpayer can pay the tax by considering the tax liabilities on inward & outward supplies as per the ITC available for which GSTR-2B can be used for each month.

06. Section 39(2) read with Rule 62:- GSTR-4 i.e. Return for composition supplier & CMP-08

CCP 13.06.17.00

Mr. Kalpesh is a registered dealer in Kerala paying tax under composition levy from 1st April. However, he opts to pay tax under regular scheme from 1st December. Is he liable to file GSTR-4 for the month of November? Discuss. [ICAI Study Material]

Answer:-

Legal Provision:-

Where a taxpayer opts to withdraw from the composition scheme, he has to file GSTR-4 for the period prior to his opting for payment of tax under regular scheme.

Discussion & Conclusion:-

Therefore, in the given case, Mr. Kalpesh is liable to file GSTR-4 for the month of November since he was paying tax under composition scheme during the month of November.

07. Section 39(9):- Rectifications of Errors/Omissions

CCP 13.7.18.00

Ms. Pragya, a taxpayer registered under regular scheme (Section 9), files GSTR-3B for the month of October on 20th November. After filing the return, she discovers that the value of a taxable supply has been under-reported therein. Ms. Pragya now wants to file a revised GSTR-3B. Examine the scenario and give your comments. [ICAI Study Material]

Answer:-

Legal Provision:-

➲ As per **section 39(9) of CGST Act,** Under GST law, a return once filed cannot be revised but the details of those transactions that are required to be amended can

be changed in any of the future GSTR- Is in tables specifically provided for the same.

Discussion & Conclusion:-

- In given case, Ms. Pragya cannot revise GSTR-3B filed by her for the month of October.
- But she can amend the details of taxable supply that was underreported in GSTR-1 for November.
- The tax payable due to such error will be paid along with interest in GSTR-3B for November.

CCP 13.07.19.00

Discuss the provisions of Section 39(9) of the CGST Act, 2017, relating to rectification of errors/omissions in GST returns already filed and also state its exceptions. State the time limit for making such rectification. [CA Inter Nov 19 Exam-New]

If a return has been filed, how can it be revised if some changes are required to be made? [ICAI Study Material] [CA Inter MTP Mar 19-Series 1] OR

Explain the provisions of section 39(9) of the CGST Act, 2017 with reference to rectification of returns. [CA Final RTP May 19]

Answer-

Rectifications of Errors/Omissions:-

- In GST, since the returns are built from details of individual transactions, there is no requirement for having a revised return.
- As per **section 39(9)** of CGST Act, Under GST law, a return once filed cannot be revised but the details of those transactions that are required to be amended can be changed in any of the future GSTR- Is in amendment tables specifically provided for the same.
- Omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the tax period during which such omission or incorrect particulars are noticed.
- Any tax payable as a result of such error or omission will be paid along with interest.

Exception:-

- Error/omission discovered on account of scrutiny, audit, inspection, or enforcement activities by tax authorities cannot be rectified u/s 39(9) of CGST Act.

Time limit for making rectification:- It is Earlier of following dates:-

- Due date of filing of return for the month of September or second quarter (in case of quarterly filers) following the end of the financial year to which such details pertain or
- Actual date of filing of relevant annual return.

08. Combined Questions on GSTR-5 i.e. Return for NRTP, First Return, Annual Return, Final Return:-

CCP 13.08.20.00

X Ltd. is winding up its business in Rajasthan. The Tax Consultant of X Ltd. has suggested that X Ltd. will have to file either the annual return or the final return at the time of voluntary cancellation of registration in the state of Rajasthan. Do you agree with the stand taken by Tax Consultant of X Ltd.? Offer your comments. [ICAI Study Material]

Answer:-

No, the **stand taken** by Tax Consultant of X Ltd. **is not correct.**

Legal Provision:-

- Annual return is required to be filed by every registered person paying tax as a normal taxpayer.
- Final return is filed by the registered persons who have applied for cancellation of registration, **within three months** of the date of cancellation or the date of cancellation order, **whichever is later.**

Discussion & Conclusion:-

- In the given case, X Ltd., a registered person, is winding up its business and is thus, applying for cancellation of registration.
- Therefore, it **is required to file both** annual return and final return.

CCP 13.08.21.00

1) Briefly discuss GSTR-5 return

2) Mention persons who are not required to file annual return under GST. OR

3) Briefly discuss Final Return under GST. (CA IPC Nov 20 exam)

Answer:-

1)	➲ A registered non-resident taxable person(NRTP) is required to file a simplified monthly tax return in Form GSTR-5 for every calendar month or part thereof incorporating the details of its outward supplies and inward supplies. ➲ GSTR-5 should be furnished within 30 days after the end of the calendar month or within 7 days after the last day of validity period of the registration, **whichever is earlier** ➲ It is to be noted that a NRTP is not required to file an annual return.
2)	Following persons are not required to file the annual return: a) Casual taxable persons. b) Non- resident taxable person c) Input service distributors d) Persons authorized to deduct/collect tax at source under section 51/52 of the CGST Act and e) Person supplying OIDAR services from outside India to unregistered persons in India
3)	➲ Every registered person who is required to furnish return u/s 39(1) and whose registration has been surrendered or cancelled ➲ The Final return has to be filed **within 3 months** of: ➢ Date of cancellation or ➢ Date of order of cancellation, **whichever is later**

09. Sec 46 & 47: Default / Delay in Furnishing Return:

CCP 13.09.22.00

Miss Vaishno, a registered tax payer paying tax under regular scheme failed to file the return for the month of January, 20XX. Explain the legal recourse available to the tax officer, if any.

Answer:-

- As per **Sec 46** of CGST Act 2017, The proper officer has to first issue a notice to the Miss Vaishno requiring him to furnish the return within a period of 15 days.
- If Miss Vaishno fails to file return within the given time, the proper officer shall proceed to assess the tax liability along with applicable interest and penalty payable by the defaulter to the best of his judgement taking into account all the relevant material available with him.

CCP 13.09.23.00

Explain who is required to furnish final return, time limit for filing of final return and late fee for delay in filing final return. (CA Inter July 21 Exam)

Answer:-

- Every registered person who is required to furnish a return and whose registration has been surrendered or cancelled is required to file a final return.
- The final return has to be filed within 3 months of the:
  - ➢ date of cancellation or
  - ➢ date of order of cancellation, whichever is later.
- Quantum of late fee for not filing the final return is lower of the following:-
  - ➢ ₹ 100 for every day during which such failure continues or
  - ➢ ₹ 5,000.
- An equal amount of late fee is payable under the respective SGST/UTGST Act as well.

CCP 13.09.24.00

Answer the following questions:

(a) Mr. Ayushman, a registered person having intra-State aggregate turnover of ₹ 1.2 crores in the preceding financial year did not file GSTR-3B for the month September, 20XX by 10th November, 20XX. The amount of tax payable for the month September, 20XX is ₹ 8 lakh. All his supplies are intra-State supplies. Is there any late fee payable for the same? If yes, what is the amount of late fee payable? [CA Inter RTP -May 22]

(b) Will your answer be different in (a), if Mr. Ayushman has intra-State aggregate turnover of ₹ 5 crores in the preceding financial year? [CA Inter RTP -May 22]

(c) Will your answer be different in (a), if total amount of tax payable in the GSTR-3B for the month of September is Nil? [CA Inter RTP -May 22]

(d) What would be your answer in (a), if Mr. Ayushman has intra State aggregate turnover is above ₹ 5 crores in the preceding financial year?

(e) Discuss the penal provisions, if any, for not filing the annual return before the due date. [CA Inter Jan 21 Exam]

Answer:

a)	**Legal Provision:-** ➲ As per **section 47** of CGST Act read with **relevant notification**, the registered persons whose aggregate turnover is ≤ ₹ 1.5 crores in the preceding FY, and who fails to furnish the returns required u/s 39 by the due date shall pay a late fee of ₹ 2,000 (₹ 1,000 each under CGST & SGST). **Discussion & Conclusion:-** ➲ Thus, late fee is payable in the given case and the amount of late fee payable is ₹ 2,000 (₹ 1,000 each under CGST & SGST).
b)	**Legal Provision:-** Ü As per **section 47** of CGST Act read with **relevant notification**, the registered persons whose aggregate turnover is more than ₹ 1.5 crores but less than equal to ₹ 5 crores in the preceding FY, and who fails to furnish the returns required u/s 39 by the due date shall pay a late fee of ₹ 5,000 (₹ 2,500 each under CGST & SGST). **Discussion & Conclusion:-** ➲ Thus, late fee is payable in the given case and the amount of late fee payable is ₹ 5,000 (₹ 2,500 each under CGST & SGST).
c)	**Legal Provision:-** ➲ As per section 47 of CGST Act read with relevant notification, any registered person whose total amount of tax payable in the GSTR-3B is Nil and who fails to furnish the returns required u/s 39 by the due date shall pay a late fee of ₹ 500 (₹ 250 each under CGST & SGST). **Discussion & Conclusion:-** ➲ Thus, late fee is leviable even if total amount of tax payable in the GSTR-3B for the month of September is Nil. ➲ The amount of late fee would be ₹ 500 (₹ 250 each under CGST & SGST).
d)	**Legal Provision:-** ➲ As per **section 47** of CGST Act read with **relevant notification**, the registered persons whose aggregate turnover is more than ₹ 5 crores in the preceding FY, and who fails to furnish the returns required u/s 39 by the due date shall pay a late fee of ₹ 10,000 (₹ 5,000 each under CGST & SGST). **Discussion & Conclusion:-** Thus, late fee is payable in the given case and the amount of late fee payable is ₹ 10,000 (₹ 5,000 each under CGST & SGST).
e)	➲ The penal provisions for not filing the annual return (GSTR-9) under section 44(1) of the CGST Act, 2017 before the due date are lower of the following:- ☞ ₹ 100 for every day during which such failure continues, or ☞ 0.25% of the turnover of the registered person in the State/Union Territory

10. Sec 48: Goods & Service Tax Practitioners (GSTP)

CCP 13.10.25.00

Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act? [CA Inter July 21 Exam]

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

1) **Any person who,**
   - (i) is a citizen of India
   - (ii) is a person of sound mind
   - (iii) is not adjudicated as insolvent
   - (iv) has not been convicted by a competent court

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

Note: Any 3 points may be mentioned

CCP 13.10.26.00

A is a chartered accountant in practice and is registered under GST. On a query regarding return filing process by a potential client, A has represented him as a GST practitioner. A is of the view that since he is a qualified chartered accountant with a GST registration in the name of his proprietorship firm, he also qualifies as GST practitioner.

Is the understanding of A correct? Discuss (ICAI Material).

Answer:-

- **No, the understanding of A is not correct**
- A chartered accountant can become a GST practitioner (GSTP). However, holding a certificate of practice as a chartered accountant and having GST registration does not imply that such chartered accountant is a GST practitioner as well.
- For becoming a GSTP, even a chartered accountant in practice has to follow the enrolment process of GSTP as provided under the GST law and only upon approval of such enrolment, a chartered accountant can represent himself as a GSTP.

11. Sec 41 :- Claim of ITC and Provisional acceptance thereof

CCP 13.11.27.00

Ms Neha, a registered taxable person from Delhi, has purchased goods from Mr. Umesh (a registered person from Mumbai). Mr. Umesh has not paid the amount of GST to the government. Neha took the ITC while filing the return is Neha required to reverse the ITC. Mr. Umesh paid the GST amount to the government after 3yrs. Can now Ms. Neha take the ITC.

Answer:- As per Sec41 of CGST Act Where a registered person has claimed the ITC of the inward supply for which the supplier of the same has not paid the taxes, the amount of ITC claimed is required to be reversed along with interest by the registered person. Provided that the ITC can be re-claimed when the said supplier makes the payment of taxes to the government.

Therefore the amount of ITC claimed by Ms. Neha is required to be reversed along with interest. However, when Mr. Umesh makes the payment of GST to the

government, Ms. Neha will be allowed to re-claim the same amount in her GSTR 3B. In case, where Mr. Umesh pays the amount of GST after 3 years. Ms. Neha would be eligible to re-claim it. As, there is no any time limit to re-claim the ITC.

Chapter 14

Computation of GST

Index

CCP 14.01.01.00

Star Ltd., a registered supplier in Karnataka has provided the following details for supply of one machine:-

Sl. No.	Particulars	Amount in ₹
(1)	List price of machine supplied [exclusive of items given below from (2) to (4)]	80,000
(2)	Tax levied by Local Authority on sale of such machine	6,000
(3)	Discount of 2% on the list price of machine was provided (recorded in the invoice of machine)	
(4)	Packing expenses for safe transportation charged separately in the invoice	4,000

Star Ltd. received ₹ 5,000 as subsidy from a NGO on sale of each such machine. The Price of ₹ 80,000 of the machine is after considering such subsidy.

During the month of February, 20XX, Star Ltd. supplied three machines to Intra-State customers and one machine to Inter-State customer.

Star Ltd. purchased inputs (intra-State) for ₹ 1,20,000 exclusive of GST for supplying the above four machines during the month.

The Balance of ITC at the beginning of February, 20XX was:-

CGST	SGST	IGST
18,000	4000	26,000

Note:-

(i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively for both inward and outward supplies.

(ii) All the amounts given above are exclusive of GST.

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

Compute the minimum net GST payable in cash by Star Ltd. for the month of February, 20XX. [CA Inter Jan 21 Exam]

Answer:- Computation of value of taxable supply:-

Particulars	Amount in ₹	Remark
List price of machine	80,000	Given
Add:-		
Tax levied by Local Authority on the sale of machine	6,000	Tax other than GST, if charged separately, are includible in the value as per section 15(2)(a) of the CGST Act, 2017.
Packing expenses for safe transportation	4,000	Includible in value as per sec 15(2)(c) of the CGST Act, 2017.
Subsidy received from a NGO on sale of each machine	5,000	Subsidy received from a non-Government body and which is directly linked to the price is included in value as per sec 15(2)(e) of the CGST Act, 2017.
Total	95,000	
Less:- Discount @ 2% on ₹ 80,000	(1,600)	Since discount is known at the time of supply & recorded in invoice, it is deductible from the value as per sec 15(3) of the CGST Act, 2017.
Value of taxable supply	93,400	

Computation of minimum net GST payable in cash by Star Ltd. for the month of February, 20XX:-

Particulars	IGST ₹	CGST ₹	SGST ₹
Sale of machine:-			
Intra-State sales = ₹ 93,400 × 3 machin = ₹ 2,80,200	-	25,218 [₹2,80,200 × 9%]	25,218 [₹2,80,200 × 9%]
Inter-State sales = ₹ 93,400 × 1 machine = ₹ 93,400	16,812 [₹93,400X8%]	-	-
Total output tax payable	**16,812**	**25,218**	**25,218**

Less:- Set off			
Input tax credit available for:-			
IGST = Rs. 26000 (Note 1)	(16,812)	-	(9,188)
CGST = Rs. 28800 (Note 2 & 3)	-	(25,218)	-
SGST = Rs. 14800 (Note 2)	-	-	(14,800)
Minimum net GST payable in cash	**nil**	**nil**	**1,230**

Notes:-

1. IGST credit is first utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion.
2. CGST credit cannot be utilized towards payment of SGST and vice versa. Therefore, CGST credit is used against CGST payable and SGST credit is used against SGST payable.
3. Only ITC of CGST Rs. 3582 is carried forward to next month.

Working Note:-

Computation of total ITC available:-

Particulars	IGST ₹	CGST ₹	SGST ₹
Opening balance of ITC	26,000	18,000	4,000
Add:- Inputs purchased during the month	-	10,800 [₹ 1,20,000 × 9%]	10,800 [₹ 1,20,000 × 9%]
Total ITC available	**26,000**	**28,800**	**14,800**

CCP 14.01.02.00

ABC Ltd., a registered supplier in Surat, Gujarat has calculated output net GST liability after adjusting ITC in the books for the month of February, 20XX:-

CGST : ₹ 3,00,000

SGST : ₹ 2,50,000

IGST : ₹ 3,00,000

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

Sl. 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, 20XX with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6th January, 20XX. 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, 20XX and the last lot would be delivered in April, 20XX.	5,00,000
5	The company supplied 10,000 packets of tools to one of it's customer at ₹ 10/- per packet in Gujarat in January, 20XX. Afterwards, the company re-values it at ₹ 9 per packet in February, 20XX and the company issued credit note to the customer for ₹ 1 per packet.	

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

You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February, 20XX. [CA Inter Dec 21 Exam]

Answer:-

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

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

Notes:-

1. Services of giving a means of transportation of goods on hire to a GTA are exempt.
2. Interest on delayed payment collected is assumed to be inclusive of GST.
   - Further, the invoice value has been taken as inclusive of GST for computing said penal interest.
   - It is includible in value as per section 15(2)(d) of the CGST Act, 2017.
3. Tax is payable under reverse charge on legal services received by a business entity from a partnership firm of advocates. Further, tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.
4. ITC on goods received in lots is available on receipt of last lot. Hence, ITC on tools received will not be available in February, 20XX.
5. Since discount given by ABC Ltd. on the packets of tools was not known at the time of supply, it shall not be excluded from its value of supply.

Assumption:-

It is assumed that the aggregate turnover of ABC Ltd. in the preceding FY was above the threshold limit for registration under GST law.

Alternative as per ICAI:-

It is also possible to assume the interest on delayed payment to be exclusive of GST and to compute the same by taking the values as exclusive of GST (i.e. ₹ 5,00,000).

CCP 14.01.03.00

Kaira Air Ltd. located in Anand, Gujarat is engaged in manufacturing of Air Coolers and Air Purifiers. They supply goods all over India and their aggregate turnover during F.Y. 20XX-YY was ₹ 125 lakh. The details of various activities undertaken during the month of September, 20YY are as follows:-

Sl. No	Particulars	Amount
i	Outward supplies made during the month:- (a) Within Gujarat 11,00,000 (b) Outside Gujarat 3,00,000	14,00,000
ii	On 5th September, 20YY, the company had issued 10 exchange vouchers @ 1,000 each of which can be exchanged/redeemed against purchase of Air cooler worth ₹ 10,000 each at any of the company's outlets in the State of Gujarat. Out of the above, 7 vouchers were encashed during the month of September, 20YY & rest 3 were encashed during the month of October, 20YY	
iii	Purchase of material within Gujarat which includes material worth ₹3,00,000 purchased from M/s. Kalpana Industries registered as a Composition dealer.	8,00,000

iv	In respect of few invoices worth ₹ 1,00,000 raised during the month of June, 20YY, the stipulated condition was to pay the dues within 1 month from the date of raising of invoices, otherwise interest @ 24% was payable on supplies made against such invoices. The buyers failed to pay the dues within the stipulated time and made the payment together with interest of ₹ 11,200 during the month of September, 20YY.	
v	Bought air tickets from Ahmedabad to Guwahati Airport, Assam for its marketing executives. The total fare of the tickets was ₹ 60,000 out of which ₹ 55,000 is the basic fare. Applicable GST rate is 5% on basic fare for air tickets.	
vi	Send 10 managers for 15 days training course organized by IIM Ahmedabad, Gujarat on 5th September, 20YY. The IIM provides Participation Certificates at the end of the course.	50,000

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

Nature of Supply	CGST	SGST	IGST
Goods	6%	6%	12%
Services other than item of S. No. (v)	9%	9%	18%
Composition Supplies	2.5%	2.5%	-

Opening balances of input tax credit as on 1st September, 20YY were as follows:-

CGST	SGST	IGST
4,000	10,000	5,000

All the figures mentioned above other than S. No. (iv) are exclusive of taxes.

Both Inward & Outward supplies within the State of Gujarat are Intra State supplies and outside Gujarat supplies are Inter State Supplies.

Calculate the amount of tax payable in cash by Kaira Air Ltd. for the month of September, 20YY. Brief and suitable notes should form part of your answer. [CA IPC July 21 Exam]

Answer:- Computation of tax payable in cash by Kaira Air Ltd. for September, 20YY:-

Particular	Amount(₹)	IGST (₹)	CGST (₹)	SGST (₹)
Output tax Liability				
Outward supplies within Gujarat	11,00,000 @ 6%	-	66,000	66,000
Outward supplies outside Gujarat	3,00,000 @ 12%	36,000	-	-
Supply of 10 exchange vouchers (Note 1)	10,000 @ 6%		600	600
Interest for delayed payment (Note 2)	10,000 [11,200 x 100/ 112]	1,200		
Total output tax liability (A)		**37,200**	**66,600**	**66,600**
Less:- Input tax credit (ITC)				
Opening balance		5,000	4,000	10,000
Purchase of material within Gujarat (Note 3)	5,00,000 [₹ 8,00,000 -₹ 3,00,000] @ 6%	-	30,000	30,000
Air tickets from Ahmedabad to Guwahati(Note 4)	55,000	-	-	-
Training course organized by IIM, Gujarat (Note 5)	50,000 @ 9%	-	4,500	4,500
Total ITC (B)		**5,000**	**38,500**	**44,500**
Net GST payable in cash =(A)-(B)		**32,200**	**28,100**	**22,100**

Notes:-

1. As per **section 12(4)** of CGST Act, 2017, Since supply is identifiable at the time of issue of the 10 vouchers, the **time of supply is the date of their issue** and are thus the same are taxable in September itself irrespective of the time of their redemption.
2. Interest on delayed payment of consideration is Includible in value and taxable when the same is received, i.e. in September.
   - It has been assumed that interest for delayed payment has been collected in respect of inter-State sale & also assumed that it is inclusive of GST.
3. **No credit** on material purchased from **composition dealer as he cannot collect** any tax from the recipient on supplies made by him.
4. Transportation of passengers by Air in Economy class embarking from or terminating in an airport located in Assam are exempt, here we are assuming that passengers are travelling in Economy class.
5. Training course organized by IIM, Gujarat is **not exempt**. These are short duration programmes offered by IIMs for which participation certificate is awarded **are not 'qualification recognized by law'**.

Alternative as per ICAI:-
Interest on delayed payment can also be assumed in respect of intra-State sale & ans will change to this effect.

CCP 14.01.04.00

The following are details of purchases and sales etc. effected by Smart Pvt. Ltd. a registered manufacturer under CGST Act, 2017:

1) **Purchased fabric material from local dealer ₹ 47,040 (including GST @ 12%)**
2) **Purchased textile material from local dealer ₹ 94,500 (including GST@ 5%)**
3) **Purchased machinery for manufacture of taxable goods ₹ 3,18,600 (including GST @ 18%), Depreciation @ 15% is charged.**
4) **Other direct and indirect expenses ₹ 44,570.**
5) **Profit margin on total cost @ 10%.**
6) **For the month November, 20XX only 80% production is sold within the state and applicable GST rate being 18%.**

Calculate the amount of CGST and SGST payable after utilizing input tax credit for the month of November 20XX and no opening balance of input tax credit is available.

Answer:- 1. Computation of Sales Value:-

Particulars	Amount
Purchased fabric material from local dealer (₹ 47040*100/112) [WN]	42,000
Purchased textile material from local dealer (₹ 94500 * 100/ 105) [WN]	90,000
Depreciation expense [(3,18,600 – 3,18,600 *18/118) * 15%]	40,500
Other direct & indirect expenses	44,570
Total Cost of goods manufactured	2,17,070
Cost of goods sold (80 % of goods produced were sold)	1,73,656
Add: Profit margin @ 10%	17,366
Total Sales Value	**1,91,022**

Working note:-
Credit will be available for CGST and SGST charged by local suppliers. Hence the same is not to be included in the cost.

2.Computation of CGST and SGST payable for the month of November, 20XX after utilizing the available input tax credit:-

Particulars	CGST	SGST
[A] Output tax liability for the month of November, 20XX @ 18% (Being CGST 9% and SGST 9%) [i.e. 1,91,022 * 18%]	17,192	17,192
Eligible input tax credit in respect of purchases of -		
Fabric material (42,000 * 12%)	2520	2520
Textile material (90,000 * 5%)	2250	2250
Capital goods (2,70,000 * 18%)	24,300	24,300

[B] Total input tax credit	29,070	29,070
CGST/SGST credit to be carried forward [B-A]	**11,878**	**11,878**

CCP 14.01.05.00

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

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

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

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

2. He has also made the following inward supply:

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

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

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

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

   CGST ₹ 95,000

   SGST ₹ 60,000

   IGST ₹ 50,000

4. Additional Information:

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

Note:

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

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

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

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

Answer:-

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

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Total OutputTax liability				
Intra-State outward supplies of goods	25,00,000	–	2,25,000	2,25,000
Inter-State outward supplies of goods	5,00,000	90,000	–	–
Total output tax liability (A)		**90,000**	**2,25,000**	**2,25,000**
Input Tax liability				
Brought forward ITC (Given)		50,000	95,000	60,000
Intra-State purchase of goods from registered dealer [Note-1]	14,00,000	-	1,26,000	1,26,000
Inter-State purchase of goods from registered dealer [Note-1 & Note 4]	3,00,000	54,000	-	-
Intra-State purchase of goods from unregistered dealer [Note-2]	2,00,000	-	-	-
Purchase of car used for business purpose [Note-3]		-	-	-
Total ITC (B)		**1,04,000**	**2,21,000**	**1,86,000**

2. Computation of Net GST Liability:

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Total output tax liability	90,000	2,25,000	2,25,000
Less: Input Tax Credit	-		
IGST: ₹ 1,04,000 [Note-5]	(90,000)	(4,000)	(10,000)
CGST: ₹ 221000	-	(2,21,000)	-
SGST: ₹ 186000	-	-	(1,86,000)
Net GST Payable in cash	Nil	Nil	29,000

Notes:-

1) Every registered person is entitled to take credit of input tax charged on any inward supply of goods used/intended to be used in the course/furtherance of his business

2) Intra-state supplies received by a registered person from any unregistered supplier in this case, are not falling under the supplies notified u/s 9(4) and thus no tax is required to be paid in RCM by recipient.

Since no tax has been paid, no credit is available.

3) As per **sec 16(3)**, Input tax paid on capital goods cannot be availed as ITC if depreciation has been claimed on such tax component.

Moreover, ITC on motor vehicle (car) is blocked under section 17(5) of CGST Act, 2017.

4) As per **Sec 16(2)(b)**, A registered person is entitled to avail input tax in respect of any supply of goods to him only if he has actually received the said goods.

Since goods worth ₹ 1,00,000 have not been received by Mr. Himanshu in the month of September 20XX, credit in respect of same cannot be claimed in the said month.

Note:- It will be claimed in October 20XX when goods will be received.

5) IGST credit is first utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion

CCP 14.01.06.00

Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February 20XX:

Sr. No.	Particulars	Amount (₹)
(i)	Intra-state taxable supply of service	5,20,000
(ii)	Legal fee paid to a Lawyer located within the state	20,000
(iii)	Rent paid to the State Govt. for his office building	30,000
(iv)	Received for services towards conduct of exams in Loveall University, Pune (recognized by law), being an inter-state transaction	16,000

aCompute the net GST liability (CGST, SGST or IGST) of Mr. Thiraj for the month of February, 20XX.

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

All the amounts given above are exclusive of taxes [ICAI Suggested Nov 18 New]

Answer:-

Computation of Net GST liability for the Month of Feb 20XX:-

Particulars	Value of Supply(₹)	IGST@18% (₹)	CGST @9% (₹)	SGST @9% (₹)
Output Supply				
Intra-State taxable supply of services	5,20,000	–	46,800	46,800
Services towards conduct of exams in Loveall University, Pune [Note-1]	16,000	–	–	–
Inward Supply				
Legal fee paid to lawyer located within State [Note-2]	20,000	–	1,800	1,800
Rent paid to State Government for Office Building [Note-3]	30,000	–	2,700	2,700
Total tax liability		–	51,300	51,300
Less: Cash paid towards tax payable under reverse charge [Note-4] [1800+2700] **[A]**		–	4,500	4,500
Output tax payable against which ITC can be set off		–	46,800	46,800
Less: ITC of tax paid on legal fees and rent		–	(4,500)	(4,500)
Output tax payable after set off of ITC **[B]**		–	42,300	42,300
Total tax liability [A]+ [B]		–	**46,800**	**46,800**

Notes:

1. Since Loveall University provides education recognized by law it is an educational

institution and services provided to an educational institution, by way of conduct of examination by such institution are **exempt** from GST

2. In case of **legal services provided by an advocate to any business entity** GST is payable under **reverse charge** by the recipient of service
3. In case of services supplied by **State Government by way of renting of immovable property to a registered person**, GST is payable under reverse charge by the recipient of service
4. The amount available in the electronic credit ledger may be used for making payment towards output tax.
   - However, **tax payable under reverse charge is not an output tax.**
   - Therefore, **tax payable under reverse charge cannot be set off** against the input tax credit and
   - Thus, will have to be **paid in cash.**

CCP 14.01.07.00

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

Sr. No.	Particulars	Amount (₹)
(i)	Intra-State taxable supply of service	6,40,000
(ii)	Amount received from Kapola Pvt. Ltd., for service provided to company. (He is a director in Kapola P. Ltd.), being Intra-State transaction	5,00,000
(iii)	Paid legal fee to senior advocate for one legal matter within State, being Intra-State transaction.	50,000
(iv)	Amount received for service provided by him as a commentator to a local recognized sports body, being Intra-State transaction	1,20,000
(v)	Amount received for acting as a coach in recreational activities relating to sports, from one local charitable entity registered under section 12AA of the Income Tax Act, 1961, being Intra- State transaction	30,000

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

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

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

Answer:-

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

Particulars	refer Note	Amount (₹)	CGST @9% (₹)	SGST @9% (₹)
Intra-State taxable supply of services		6,40,000	57,600	57,600
Add: Amount received from Kapola Pvt. Ltd. for service provided to company, being intra State transaction	1	5,00,000	-	-
Add: Legal fee paid to senior advocate for one legal matter within the State, being intra State transaction	2	50,000	4,500	4,500
Add: Amount received for services provided as a commentator to a local recognized sports body, being intra-State transaction	3	1,20,000	10,800	10,800
Add: Amount received for acting as a coach in recreational activities relating to sports from one local charitable entity registered under section 12AA or 12AB of the Income Tax Act, 1961, being intra-State transaction	4	30,000	-	-
Total Tax Payable			**72,900**	**72,900**
Less: Cash paid towards tax payable under reverse charge [A]	5		4,500	4,500

Output tax payable against which ITC can be set off			68,400	68,400
Less: ITC of tax paid on legal fees paid to senior advocate			4,500	4,500
Output tax payable after set off of ITC [B]			63,900	63,900
Net GST Liability [A]+[B]			**68,400**	**68,400**

Notes:-

1. Services supplied by a director of a company to the said company are taxable under **reverse charge.**
   Thus, the tax leviable thereon will be **paid by the company.**
2. Services provided by a senior advocate by way of legal services are taxable under **reverse charge.**
   Thus, the tax leviable thereon will be **paid by Mr. Uttam Kumar.**
3. Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body is **exempt** from GST.
   However, services provided as a commentator to a local recognized sports body is taxable.
4. Services by way of **coaching in recreational activities** relating to sports by charitable entities registered under section 12AA or 12AB of the Income-tax Act are **exempt** from GST.
5. The amount available in the electronic credit ledger may be used for making payment towards output tax.
   - However, **tax payable under reverse charge is not an output tax.**
   - Therefore, **tax payable under reverse charge cannot be set off** against the input tax credit and
   - Thus, will have to be **paid in cash.**

Assumptions as per ICAI:-

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

CCP 14.01.08.00

M/s J & Co. Chartered Accountants, a partnership firm, having its head office in Mumbai and registered under the GST Act in the State of Maharashtra only. It does not have any branches in other State. The gross receipts of the firm in the Financial Year 20XX-YY was ₹ 60 lakh. Firm has submitted following information for the month of August, 20YY:

Particulars	Amount (Excluding GST)
Professional services provided and bills raised during the month for providing services of ITR filing and income tax consultancy	1,00,000
Internal Audit of X Pvt. Ltd. at their office in Mumbai (registered in the State of Maharashtra)	50,000
Statutory audit services provided to M/s Tirupati Trading Pvt. Ltd. at Ahmedabad (registered in the State of Gujarat)	70,000

Firm has also furnished following information in respect of input services availed from registered dealers for providing output services during the month August, 20XX:

Particulars	Amount excluding GST	CGST (₹)	SGST (₹)	IGST (₹)
Services availed from courier agency	5,000	450	450	Nil
Railway travelling expenses from Mumbai to Ahmedabad and Return Ticket for conducting of audit of M/s Tirupati Trading Pvt. Ltd. for 3 Tier AC	12,000	Nil	Nil	600

Service availed from another professional firm at Mumbai amount is paid without TDS u/s 194J of Income Tax Act	20,000	1800	1800	Nil

Notes:

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

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

(iii) Opening balance of available input tax credit is Nil for CGST, SGST and IGST.

Compute the net GST payable by M/s J & Co. for the month August, 20YY after adjusting the GST credit. Brief reasoning should form part of your Answer. [CA Inter Nov 18 Old]

Answer:-

Computation of net GST payable by M/s J &Co. for the month of August, 20YY

S. No.	Particulars	IGST @18% (₹)	CGST @9% (₹)	SGST @9% (₹)
1	Professional services provided and services of ITR filing and income tax consultancy (₹ 100000)	-	9,000	9,000
2	Internal Audit services (₹ 50000)	-	4,500	4,500
3	Statutory audit services (₹ 70000)	12,600	-	-
	Total GST	**12,600**	**13,500**	**13,500**
	Less: ITC (Refer Working note)	4,200	2,250	2,250
	Net GST Payable	**8,400**	**11,250**	**11,250**

Working note: Computation of ITC available for set off:

S. No.	Particulars	IGST(₹)	CGST (₹)	SGST (₹)
1	ITC on courier services [₹ 5,000]	-	450	450
2	ITC on railway travelling expenses for conducting of audit of M/s Tirupati trading Pvt. Ltd. [₹ 12,000]	600	-	-
3	ITC on services availed from another professional firm at Mumbai [₹ 20,000]	-	1,800	1,800
	Total ITC	**4,200**	**2,250**	**2,250**

CCP 14.01.09.00

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

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

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

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

Note:

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

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

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

(iv) The turnover of Neelkanth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Neelkanth Pvt. Ltd. for the month of February. Make suitable assumptions as required [CA Inter RTP Nov 22]

Answer:-

1) Computation of GST Payable on outward supplies:

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

2) Computation of Total ITC

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

3) Computation of minimum GST payable:

Particulars	IGST ₹ 18%	CGST ₹ 9%	SGST ₹ 9%
Total Output tax liability	4,500	45,000	45,000
Less: Input tax Credit	-		-
IGST: 74,000 [Note-9]	(4,500)	(24,500)	(45,000)
CGST: 57,000	-	(20,500)	-
SGST: Nil	-	-	-
Minimum GST payable in cash	**Nil**	**Nil**	**Nil**

Notes:

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

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

Further, As per notification 66/2017, the time of supply of goods is not on advance received & this is applicable to all registered persons **except** composition supplier. Thus, liability to pay tax on the advance received in January will also arise in the

month of February, when the invoice for the supply is issued

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

CCP 14.01.10.00

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

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

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

(i) 10% of the inter-State supply of office stationery are made to unregistered persons.

(ii) Each combo pack (containing a calculator and a diary) is priced at ₹ 800. The calculator and the diary are individually priced at ₹ 700 and ₹ 200 respectively.

(iii) An invoice of ₹ 40,000 towards purchase of office stationery is missing and no other tax paying document is available in respect of such goods.

(iv) All the figures mentioned above are exclusive of taxes, wherever applicable.

(v) Rates of CGST, SGST and IGST for all services, office stationery and calculator are 9%, 9% and 18% respectively. Rates of CGST, SGST and IGST for diary are 14%, 14% and 28% respectively.

(vi) Subject to the information given above, all the necessary conditions for availing input tax credit have been fulfilled. Details of opening balances of input tax credit as on 1st July is given here under:

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

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

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

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
(i) Calculation of Total tax liability:-				
Inter -State supply of office stationery [Note 1]	2,00,000	36,000 (2,00,000X18%)	-	-
Intra-State supply of 500 combo pack of calculators and diaries [Note 2]	4,00,000 (500 X 800)	-	56,000 (4,00,000 X 14%)	56,000 (4,00,000 X 14%)
Intra-State supply of services of business correspondent to Shubhvidhi Bank with respect to accounts in its urban area branch (Note 3)	1,00,000	-	9,000 (1,00,000 X 9%)	9,000 (1,00,000 X 9%)
Total tax liability		**36,000**	**65,000**	**65,000**
(ii) Calculation of total Input Tax Credit (ITC):				
Brought forward ITC [Given]		80,000	5,000	5,000
Inter-State purchase of office stationery [Note 4]	1,00,000	18,000 (1,00,000X 18%)		
Intra-State repairing of lorry used for transportation of goods [Note 5]	1,00,000		9,000 (1,00,000 X 9%)	9,000 (1,00,000 X 9%)
Total ITC		**98,000**	**14,000**	**14,000**
(iii) Calculation of Minimum net GST payable in cash:-				
Total tax liability [from (i)]		36,000	65,000	65,000
Less ITC				
IGST - 98,000		(36,000)	(11,000)	(51,000)
CGST - 14, 000		-	(14,000)	X
SGST - 14,0000		-	X	(14,000)
Minimum net GST payable in cash		**Nil**	**40,000**	**Nil**

Notes:-

1. Taxable supplies made by a registered person are liable to tax irrespective of whether they are made to a registered person or to an unregistered person.
2. Supply of calculator and diary as a combo pack with a single price of ₹ 800 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply which attracts highest rate of tax.
3. Services provided by a business facilitator/ business correspondent to a banking company only with respect to accounts in its rural area branch are exempt and not with respect to accounts in its urban area branch.
4. ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
5. ITC on motor vehicles used for transportation of goods is allowed & Further, ITC is allowed on repair and maintenance services relating to motor vehicles on which ITC is allowed.

Author's Note :-

1. IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion.
2. Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash as amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST & SGST is also the same.