



# GST REBOOT *Questionnaire Book*



**9<sup>TH</sup> REVISED EDITION  
FOR CA/CS INTERMEDIATE**

## **SPECIAL FEATURES OF THIS BOOK**

- Fully Colored Book
- Includes ICAI New Study Material Questions with amended solutions
- Includes ICAI RTPs, MTPs Questions & Past exams questions with amended solutions



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# QUESTIONNAIRE BOOK

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## Section-wise (Topic-wise) Weightage

### Objective :

- (i) To develop an understanding of the provisions of goods and services tax law.
- (ii) To acquire the ability to apply such provisions to address/ solve issues in moderately complex scenarios.

CA Intermediate Course		
Paper 3 (Section B) : GOODS AND SERVICES TAX (GST)		
50 MARKS		
Sections	Content Area	Weightage
I	1. GST Laws: An introduction including Constitutional aspects	0-5%
II	2. Levy and collection of CGST and IGST : Application of CGST/IGST law, Concept of supply including composite and mixed supplies, ,	50% - 80% [Chp. 2, 3, 4, 5, 6, 7, 8, 9]
	3. Time and value of supply	
	4. Input tax credit	
	5. Computation of GST liability	
	6. Reverse charge Mechanism	
	7. Composition levy	
	8. Place of supply	
	9. Exemption from tax	
III	10. Registration	20%-45% [Chp. 10, 11, 12, 13, 14, 15, 16]
	11. TDS & TCS	
	12. Payment of tax	
	13. Tax invoice; Credit and Debit Notes;	
	14. Returns	
	15. Accounts and Records	
	16. Electronic way bill	



## CHAPTER

# 01

# GST IN INDIA

## AN INTRODUCTION



### Section A – ICAI Study Material Questions

#### Question 1

List some of the benefits that GST may accrue to the economy.

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

- (a) **Creation of unified national market:** GST aims to make India a common market with common tax rates and procedures and remove the economic barriers, thereby paving the way for an integrated economy at the national level.
- (b) **Boost to 'Make in India' initiative:** GST may give a major boost to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market. This would make India a manufacturing hub.
- (c) **Boost to investments, exports and employment:** Under the GST regime, the principle of exporting only the cost of goods or services and not taxes is being followed. This may boost Indian exports thereby improving the balance of payments position. Exporters are being facilitated by grant of provisional refund of 90% of their claims within 7 days of issue of acknowledgement of their application, thereby resulting in the easing of position with respect to cash flows.

Further, the subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input tax on goods and services and phasing out of Central Sales Tax (CST) may reduce the cost of locally manufactured goods and services. Resultantly, the competitiveness of Indian goods and services in the international market may increase to give boost to investments and Indian exports.

With a boost in exports and manufacturing activity, more employment would be generated and GDP would increase.

#### Question 2

Explain with the help of examples how a particular transaction of goods and services is taxed simultaneously under Central GST (CGST) and State GST (SGST)?

**Answer :** The Central GST and the State GST is levied simultaneously on every intra-State supply of goods or services or both made by registered persons except the exempted goods and services as well as



goods and services which are outside the purview of GST. Further, both are levied on the same price or transaction value. The same can be better understood with the help of following examples:

**Example I:** Suppose that the rate of CGST is 10% and that of SGST is 10%. When a wholesale dealer of steel in Uttar Pradesh supplies steel bars and rods to a construction company which is also located within the same State for, say Rs. 100, the dealer would charge CGST of Rs. 10 and SGST of Rs. 10 in addition to the basic price of the goods. The CGST component will go into a Central Government account while the SGST portion into the account of the concerned State Government (viz. U.P.).

It is important to note that he might not actually pay Rs. 20 (Rs. 10 + Rs. 10) in cash as he would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (inputs, input services and capital goods) assuming that all his purchases are intra-State. However, for paying CGST, he would be allowed to use only the credit of CGST paid on his purchases while for SGST he can utilize the credit of SGST alone. CGST credit cannot be used for payment of SGST and vice versa.

**Example II :** Suppose, again the rate of CGST is 10% and that of SGST is 10%. When an advertising company located in Mumbai supplies advertising services to a company manufacturing soap also located within the State of Maharashtra for, let us say Rs. 100, the ad company would charge CGST of Rs. 10 as well as SGST of Rs. 10 at the basic value of the service. The CGST component will go into a Central Government account while the SGST portion into the account of the Maharashtra Government.

He might not actually pay Rs. 20 (Rs. 10+Rs. 10) in cash as it would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (say, of inputs such as stationery, office equipment, services of an artist etc.) assuming that all his purchases are intra-State. However, for paying CGST, he would be allowed to use only the credit of CGST paid on its purchase while for SGST, he can utilise the credit of SGST alone. CGST credit cannot be used for payment of SGST and vice versa.

### Question 3

Why was the need to amend the Constitution of India before introducing the GST?

**Answer :** Earlier, the fiscal powers between the Centre and the States were clearly demarcated in the Constitution with almost no overlap between the respective domains. The Centre had the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States had the powers to levy tax on the sale of goods. In the case of inter-State sales, the Centre had the power to levy the Central Sales Tax but the tax was collected and retained entirely by the States. As for services, it was the Centre alone that was empowered to levy service tax.

Introduction of the GST necessitated the amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax. The Constitution of India was amended by the Constitution (101st Amendment) Act, 2016 for this purpose. Article 246A of the Constitution introduced thereby empowered the Centre and the States to simultaneously levy and collect the GST.

### Question 4



GST is a destination-based tax on consumption of goods or services or both. Discuss the validity of the statement.

**Answer :** The given statement is valid. GST is a destination-based tax on consumption of goods or services or both. GST is known as destination-based tax since the tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

For example, if A in Delhi produces the goods and sells the goods to B in Haryana. In this case, the tax would accrue to the State of Haryana and not to the State of Delhi. On the other hand, under pre-GST regime, origin-based taxation was prevailing in such cases.

Under origin-based taxation, the tax used to accrue to the State from where the transaction originated. In the given case, under origin-based taxation, the central sales tax would have been levied by Centre and collected by the State of Delhi and not by the State of Haryana.

### Question 5

Discuss the leviability of GST or otherwise on the following:

- Alcoholic liquor for human consumption
- Petroleum crude, diesel, petrol, Aviation Turbine Fuel (ATF) and natural gas
- Tobacco
- Opium, Indian hemp and other narcotic drugs and narcotics

### Answer :

- Alcoholic liquor for human consumption:** is outside the realm of GST. The manufacture/production of alcoholic liquor continues to be subjected to State excise duty and inter-State/intra-State sale of the same is subject to CST/VAT respectively.
- Petroleum crude, diesel, petrol, ATF and natural gas:** As regards petroleum crude, diesel, petrol, ATF and natural gas are concerned, they are not presently leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council.  
Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.
- Tobacco:** Tobacco is within the purview of GST, i.e. GST is leviable on tobacco. However, Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India. Resultantly, tobacco is subject to GST as well as central excise duty.
- Opium, Indian hemp and other narcotic drugs and narcotics:** Opium, Indian hemp and other narcotic drugs and narcotics are within the purview of GST, i.e. GST is leviable on them. However, State Governments have also retained the power to levy excise duties on such products manufactured in India. Resultantly, Opium, Indian hemp and other narcotic drugs and narcotics are subject to GST as well as State excise duties.

### Question 6



Under Goods and Services Tax (GST), only value addition is taxed and burden of tax is to be borne by the final consumer. Examine the validity of the statement.

**Answer :** The statement is correct. Goods and Services Tax is a destination-based tax on consumption of goods and services. It is levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. Resultantly, only value addition is taxed and burden of tax is to be borne by the final consumer.

#### Question 7

Which are the commodities which have been kept outside the purview of GST? Examine the status of taxation of such commodities after introduction of GST.

**[MTP Sept. 2024, 4 Marks]**

**Answer :** Article 366(12A) of the Constitution as amended by 101st Constitutional Amendment Act, 2016 defines the Goods and Services tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. Therefore, alcohol for human consumption is kept out of GST by way of definition of GST in the Constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out of the purview of GST; GST Council shall decide the date from which they shall be included in GST. The erstwhile taxation system (CST/VAT & central excise) still continues in respect of the said commodities.

#### Question 8

A dual GST has been implemented in India. Elaborate.

**Answer :** A dual GST has been implemented in India with the Centre and States simultaneously levying it on a common tax base. The GST levied by the Centre on intra-State supply of goods and / or services is called the Central GST (CGST) and that levied by the States/ Union territory is called the State GST (SGST)/ Union GST (UTGST). Similarly, Integrated GST (IGST) is levied and administered by Centre on every inter-State supply of goods and/or services.

India is a federal country where both the Centre and the States have been assigned the powers to levy and collect taxes through appropriate legislation. Both the levels of Government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources. A dual GST, therefore, keeps with the Constitutional requirement of fiscal federalism.

#### Question 9

Discuss Article 269A pertaining to levy and collection of GST on inter-State supply.

**Answer :** Article 269A of the Constitution stipulates that Goods and Services Tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.

Here, supply of goods, or of services, or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce.



The amount so apportioned to a State shall not form part of the Consolidated Fund of India. Where an amount collected as IGST has been used for payment of SGST or vice versa, such amount shall not form part of the Consolidated Fund of India/State respectively. This is to facilitate transfer of funds between the Centre and the States.

Parliament is empowered to formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

#### Question 10

Discuss Article 246A which grants the power to make laws with respect to Goods and Services Tax.

**Answer :** Article 246A stipulates that Parliament, and, the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.

Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

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

#### Question 11

Differentiate between direct and indirect taxes.

[CA Inter Nov 2018, 2 Marks]

**Answer :** Difference between direct taxes and indirect taxes:

Direct Taxes	Indirect Taxes
The person paying the tax to the Government directly bears the incidence of the tax.	The person paying the tax to the Government collects the same from the ultimate consumer. Thus, incidence of the tax is shifted to the other person.
Progressive in nature - high rate of taxes for people having higher ability to pay.	Regressive in nature - All the consumers equally bear the burden, irrespective of their ability to pay.

#### Question 12

Explain the salient features of indirect taxes.

**Answer :** Salient features of indirect taxes are:

- (i) **An important source of revenue:** Indirect taxes are a major source of tax revenues for Governments worldwide and continue to grow as more countries move to consumption oriented tax regimes. In India, indirect taxes contribute more than 50% of the total tax revenues of Central and State Governments.
- (ii) **Tax on commodities and services:** It is levied on commodities at the time of supply or manufacture or purchase or sale or import/export thereof. Hence, it is also known as commodity taxation. It is also levied on supply of services.



- (iii) **Shifting of burden:** There is a clear shifting of tax burden in respect of indirect taxes. For example, GST paid by the supplier of the goods is recovered from the buyer by including the tax in the cost of the commodity.
- (iv) **No perception of direct pinch:** Since, value of indirect taxes is generally inbuilt in the price of the commodity, most of the time the tax payer/consumer pays the same without actually knowing that he is paying tax to the Government. Thus, tax payer does not perceive a direct pinch while paying indirect taxes.
- (v) **Inflationary:** Tax imposed on commodities and services causes an all-round price spiral. In other words, indirect taxation directly affects the prices of commodities and services and leads to inflationary trend.
- (vi) **Wider tax base:** Unlike direct taxes, the indirect taxes have a wide tax base. Majority of the products or services are subject to indirect taxes with low thresholds.
- (vii) **Promotes social welfare:** Higher taxes are imposed on the consumption of harmful products (also known as 'sin goods') such as alcoholic products, tobacco products etc. This not only checks their consumption but also enables the State to collect substantial revenue.
- (viii) **Regressive in nature:** Generally, the indirect taxes are regressive in nature. The rich and the poor have to pay the same rate of indirect taxes on certain commodities of mass consumption. This may further increase the income disparities between the rich and the poor.

### Question 13

Write a short note on various Lists provided under Seventh Schedule to the Constitution of India.

**Answer :** Seventh Schedule to Article 246 of the Constitution contains three lists which enumerate the matters under which the Union and the State Governments have the authority to make laws.

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

### Question 14

Discuss the deficiencies in the existing indirect taxes which led to the need for ushering into GST regime.

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

- (a) Certain transactions were subject to double taxation and were taxed as both goods and services, since under the earlier regime, distinction between goods and services was often blurred.
- (b) CENVAT did not include chain of value addition in the distributive trade after the stage of production. Similarly, in the State-level VAT, CENVAT load on the goods was not removed leading to the cascading of taxes.



- (c) Though CENVAT and State-Level VAT were essentially value added taxes, set off of one against the credit of another was not possible as CENVAT was a central levy and State-Level VAT was a State levy.
- (d) There were several taxes in the States, such as, Luxury Tax, Entertainment Tax, etc. which were not subsumed in the VAT. Hence for a single transaction, multiple taxes in multiple forms were required to be paid.
- (e) VAT on goods was not integrated with tax on services, at the State level, to remove the cascading effect of service tax. With service sector being the fastest growing sector in the economy, the exclusion of services from the tax base of the States potentially eroded their tax- buoyancy.
- (f) CST was another source of distortion in terms of its cascading nature since it was non-VATABLE. Being an origin based tax, CST was also against one of the basic principles of consumption taxes that tax should accrue to the jurisdiction where consumption takes place.

### Question 15

List the Central and State levies which have been subsumed in GST in India.

[CA Inter Nov. 2018, 2 Marks] [MTP Nov. 2018, 2 Marks] [CA Inter May 2018, 3 Marks]

**Answer :** Central levies that are subsumed in GST are as follows:

- Central Excise Duty & Additional Excise Duties
- Service Tax
- Excise Duty under Medicinal & Toilet Preparation Act
- Countervailing Duty and Special Countervailing Duty (under Customs)
- Central Sales Tax
- Central surcharges & Cesses in so far as they relate to supply of goods & services

**State levies that are subsumed in GST are as follows:**

- State surcharges and cesses in so far as they relate to supply of goods & services
- Entertainment Tax (except those levied by local bodies)
- Tax on lottery, betting and gambling
- Entry Tax (All Forms) & Purchase Tax
- VAT/ Sales tax
- Luxury Tax
- Taxes on advertisements

### Question 16

Discuss the need and functions of the common GST portal.

**Answer :** GST being a destination-based tax, the inter-State trade of goods and services (IGST) needed a robust settlement mechanism amongst the States and the Centre. A Common Portal was needed which could act as a clearing house and verify the claims and inform the respective Governments to transfer the funds. This was possible only with the help of a strong IT Infrastructure.



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

The functions of the GSTN include facilitating registration; forwarding the returns to Central and State authorities; computation and settlement of IGST; matching of tax payment details with banking network; providing various MIS reports to the Central and the State Governments based on the taxpayer return information; providing analysis of taxpayers' profile.

#### Question 17

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

**Answer :** Petroleum crude, diesel, petrol, ATF and natural gas are presently not leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council. Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.

#### Question 18

Elaborate the principles that were borne in mind while subsuming various central, state and local levies, under GST.

**Answer :** The various central, state and local levies were examined to identify their possibility of being subsumed under GST. While identifying, the following principles were kept in mind:

- (i) Taxes or levies to be subsumed should be primarily in the nature of indirect taxes, either on the supply of goods or on the supply of services.
- (ii) Taxes or levies to be subsumed should be part of the transaction chain which commences with import/ manufacture/ production of goods or provision of services at one end and the consumption of goods and services at the other.
- (iii) The subsuming of taxes should result in free flow of tax credit in intra and inter-State levels. The taxes, levies and fees that were 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.

#### Question 19

GST is a simplified tax structure. Justify the statement.

[MTP Nov. 21, 4 Marks] [MTP May 2021]

**Answer :** GST is a simplified tax structure. The statement is justified. Simpler tax regime with fewer exemptions along with reduction in multiplicity of taxes under GST has led to simplification and uniformity in tax structure. The uniformity in laws, procedures and tax rates across the country makes doing business easier. Common system of classification of goods and services across the country ensures certainty in tax administration across India.



**Question 20**

List the advantages that GST accrues to the trade and industry.

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

- (i) **Benefits to industry:** GST has given more relief to trade and industry through a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several Central and State taxes in the GST and phasing out of CST. The transparent and complete chain of set-offs, which results in widening of tax base and better tax compliance also leads to lowering of tax burden on an average dealer in trade and industry.
- (ii) **Mitigation of ill effects of cascading:** By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it helps in mitigating the ill effects of cascading, improving competitiveness and improving liquidity of the businesses.
- (iii) **Benefits to small traders and entrepreneurs:** GST has increased the threshold for GST registration for small businesses. Further, single registration is needed in one State. Small businesses have also been provided the additional benefit of composition scheme. With the creation of a seamless national market across the country, small enterprises have an opportunity to expand their national footprint with minimal investment.

**Question 21**

List the special category States as prescribed in Article 279A of the Constitution of India.

**Answer :** There are 11 Special Category States, namely, States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.

**Question 22**

Discuss the leviability of GST or otherwise on tobacco.

**Answer :** Tobacco is within the purview of GST, i.e. GST is leviable on tobacco. However, Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India. Resultantly, tobacco is subject to GST as well as central excise duty.

## Section B – Additional Questions

### Past RTPs, MTPs, And Exams Papers

**Question 23**

Explain the meaning of the term "recipient of supply of goods and/or services" under the CGST Act 2017.

[CA Inter May 2018, 5 Marks] [ATP Nov. 2020, 5 Marks]

**Answer :** Recipient of supply of goods or services or both, means –

- (i) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration.



- (ii) 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
- (iii) where no consideration is payable for the supply of a service, the person to whom the service is rendered, and
- (i) any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply, and
- (ii) shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied.

**Question 24**

Discuss any two functions of GSTN.

**[MTP Nov. 2018, 2 Marks]**

**Answer :** The functions of the GSTN include:

- facilitating registration;
- forwarding the returns to Central and State authorities;
- computation and settlement of IGST;
- matching of tax payment details with banking network;
- providing various MIS reports to the Central and the State Governments based on the taxpayer return information;
- providing analysis of taxpayers' profile; and running the matching engine for matching, reversal and reclaim of input tax credit.

(Note: Any two points may be mentioned)

## Multiple Choice Questions

**Question 1**

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

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

**Question 2**

Goods as per section 2(52) of the CGST Act, 2017 includes:

- (i) Actionable claims
  - (ii) Growing crops attached to the land agreed to be severed before supply.
  - (iii) Money
  - (iv) Securities
- (a) (i) and (iii)                      (b) (iii) and (iv)                      (c) (i) and (ii)                      (d) (ii) and (iii)

**[RTP May 2021]**



**Question 3**

Alcoholic liquor for human consumption is subjected to

- (a) State excise duty (b) Central Sales Tax/Value Added Tax  
(c) Both (a) and (b) (d) GST

[MTP Nov. 2019, 1 Mark]

**Question 4**

An exempt supply includes-

- (a) Supply of goods or services or both which attracts Nil rate of tax  
(b) Non-taxable supply  
(c) Supply of goods or services or both which are wholly exempt from tax under section 11 of the CGST Act or under section 6 of IGST Act  
(d) All of the above

[MTP Nov. 2019, 1 Mark]

**Question 5**

\_\_\_\_\_ provides that no tax shall be levied or collected except by authority of law.

- a) Article 269 b) Article 245  
c) Article 265 d) Article 246

[MTP Nov. 2023]

Answer Key

01	(a)	02	(c)	03	(c)	04	(d)	05	(c)
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**"Baccha Kabil Bano, Kabil...**

**Kamyabi Toh Jhak**

**Maarke Peeche Bhagegi"**



# LEVY OF GST

CHAPTER

02

## Section A – ICAI Study Material Questions

### Question 1

Meghraj & Co. wishes to commence the business of supplying ready-made garments within Punjab and in the neighbouring States of Delhi and Haryana. Kindly state as to what is the taxable event under GST and leviability of CGST, SGST/UTGST and IGST on the same?

**Answer :** Taxable event under GST is supply of goods or services or both. CGST and SGST/ UTGST will be levied on intra-State supplies. IGST will be levied on inter-State supplies.

### Question 2

Damodar Private Ltd., registered in Delhi, has transferred some goods to its branch, registered in West Bengal, so that the goods can be sold from the branch. The goods have been transferred without any consideration. The company believes that the transaction undertaken by it does not qualify as supply as no consideration is involved. Ascertain whether the transfer of goods by Damodar Private Ltd. to its branch office qualifies as supply.

**Answer :** As per Schedule I of the CGST Act, supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business, is deemed as supply even if made without consideration. In the given case, since the Damodar Private Ltd. and its branch located in another State are distinct persons, supply of goods between them qualifies as supply.

### Question 3

Prithvi Associates is engaged in supply of taxable goods. It enquires from its tax advisor as to whether any activity can be treated as supply even if made without consideration in accordance with the provisions of the CGST Act. Enumerate such activities, if any.

OR

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

[CA Inter Exams May 2018, 5 Marks]

**Answer :** Section 7 stipulates that the supply should be for a consideration and should be in the course or furtherance of business. However, Schedule I of the CGST Act enumerates the cases where an activity is treated as supply, even if the same is without consideration. These are as follows:

- (i) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.



- (ii) Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business.

However, gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

- (iii) Supply of goods –

- by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
- by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

- (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.

#### Question 4

Composite supply is treated as supply of that particular goods or services which attracts the highest rate of tax. Examine the validity of the statement.

**Answer :** The statement is not correct. Composite supply is treated as supply of the principal supply. It is the mixed supply that is treated as supply of that particular goods or services which attracts the highest rate of tax.

#### Question 5

Transfer of title and/or possession is necessary for a transaction to constitute supply of goods. Examine.

**Answer :** Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II(1)(b) of the CGST Act. In some cases, possession may be transferred immediately, but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods.

#### Question 6

Examine whether the following activities would amount to supply under section 7 read with Schedule I of the CGST Act:

- Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.
- Raman is an architect 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.
- Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?

**MTP Nov. 2019, 6 Marks**

#### Answer :

- Schedule I of CGST Act, inter alia, stipulates that supply of goods or services or both between related persons or between distinct persons as specified in section 25, is supply even without consideration provided it is made in the course or furtherance of business. Further, a person who has obtained more than one registration, whether in one State/Union territory or more than one State/Union territory shall, in respect of each such registration, be treated as distinct persons [Section 25(4) of the CGST Act].



In view of the same, factory and depot of Sulekha Manufacturers are distinct persons. Therefore, supply of goods from Delhi factory of Sulekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under section 7 read with Schedule I of the CGST Act.

- (b) Schedule I of CGST Act, inter alia, stipulates that import of services by a person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. Explanation to section 15, inter alia, provides that persons shall be deemed to be "related persons" if they are members of the same family. Further, as per section 2(49) of the CGST Act, 2017, family means, –

- (i) the spouse and children of the person, and
- (ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.

In the given case, Raman has received free of cost legal services from his brother. However, in view of section 2(49)(ii) above, Raman and his brother cannot be considered to be related as Raman's brother is a well-known lawyer and is not wholly/mainly dependent on Raman. Further, Raman has taken legal advice from him in personal matter and not in course or furtherance of business. Consequently, services provided by Raman's brother to him would not be treated as supply under section 7 read with Schedule I of the CGST Act.

- (c) In the above case, if Raman has taken advice with regard to his business unit, services provided by Raman's brother to him would still not be treated as supply under section 7 of the CGST Act read with Schedule I as although the same are provided in course or furtherance of business, such services have not been received from a related person.

#### Question 7

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.

**Answer :** (a) Supply of services      (b) Supply of goods      (c) Supply of services      (d) Supply of goods

#### Question 8

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

- (a) Temporary transfer or permitting use or enjoyment of any intellectual property right.
- (b) Supply of goods by an unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.
- (c) Any treatment or process which is applied to another person's goods.
- (d) Transfer of title in goods.



(a) Supply of services (b) Supply of goods [as per Sec. 7(1)(aa) of the CGST Act, 2017]  
(c) Supply of services (d) Supply of goods

The goods supplied on hire purchase basis will be treated as supply of services. Examine the validity of the statement.

**Answer:** The statement is not correct. Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.

Examine whether the activity of import of service in the following independent cases would amount to supply under section 7 of the CGST Act, 2017:

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

Note: Any specific exemption by way of notification needs to be ignored.

(i) Supply, under section 7 of the CGST Act, 2017, inter alia,

- includes import of services for a consideration
- even if it is not in the course or furtherance of business.

Thus, although the import of service for consideration by Miss. Shriniti Kaushik is not in course or furtherance of business [as the interior decoration services have been availed in respect of residence], it would amount to supply.

- (ii) Schedule I of CGST Act, inter alia, stipulates that import of services by a person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. Explanation to section 15, inter alia, provides that persons shall be deemed to be "related persons" if they are members of the same family. Further, as per section 2(49) of the CGST Act, 2017, family means, —

- (i) the spouse and children of the person, and
- (ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.

In the given case, Miss Shriniti Kaushik has received interior decoration services from her brother. In view of section 2(49)(ii) above, Miss Shriniti and her brother shall be considered to be related as Miss Shriniti's brother is wholly dependent on her.



However, Miss Shrinti has taken interior decoration services for her residence and not in course or furtherance of business. Consequently, services provided by Miss Shrinti's brother to her would not be treated as supply under section 7 read with Schedule I of the CGST Act.

- (iii) In the above case, if Miss Shriniti has taken interior decoration services with regard to her business premises, services provided by Miss Shriniti's brother to her would be treated as supply under section 7 of the CGST Act read with Schedule I of the CGST Act, 2017.

#### Question 11

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

Refrigerator (500 litres) taxable @ 18%

Stabilizer for refrigerator taxable @ 12%

LED television (42 inches) taxable @ 12%

Split air conditioner (2 Tons) taxable @ 28%

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 Rs. 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.

**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, although Akbar Retail Store has paid a composite discounted price for these goods, Dumdum Electronics has not charged a single price for the said supply. Therefore, said supply is also not a mixed supply.

Supply of these goods is, therefore, supply of individual items which are taxable at the respective rates applicable to them.

#### Question 12

Manikaran, a registered supplier of Delhi, has supplied 20,000 packages at Rs. 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%

**Answer :** As per section 2(74) of the CGST Act, 2017, mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

Supply of a package containing chocolates, fruit juice bottles and a packet of toy balloons is a mixed supply as each of these items can be supplied separately and is not dependent on any other. Further, as per section 8(b) of the CGST Act, 2017, the mixed supply is treated as a supply of that particular supply which attracts the highest rate of tax. Thus, in the given case, supply of packages is treated as



supply of chocolates [since it attracts the highest rate of tax] and the rate of GST applicable on the package of Rs. 6,00,000 ( $20,000 \times \text{Rs. } 30$ ) is 18%.

### Question 13

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.

[MTP Nov. 2023, 4 Marks]

**Answer :** As per section 25(4), a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons'.

Schedule I to the CGST Act specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

However, in view of the GST Council's recommendation, it has been clarified that the inter-State movement of various modes of conveyance between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST [Circular No. 1/1/2017 IGST dated 07.07.2017].

Thus, 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'.

### Question 14

Sarvanna & Sons wishes to start supplying liquor in the State of Tamil Nadu. Therefore, it applies for license for selling liquor to the Tamil Nadu Government. The Tamil Nadu Government has charged specified fee for it. Examine whether the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons qualifies as supply.

**Answer :** Services by way of grant of alcoholic liquor license by the State Governments have been notified to be treated neither as a supply of goods nor as a supply of service. Such licence is granted against consideration in the form of licence fee or application fee or by whatever name it is called. This special dispensation is applicable only to supply of service by way of grant of liquor licenses by the State Governments as an agreement between the Centre and States and is not applicable/has no precedence value in relation to grant of other licenses and privileges for a fee in other situations, where GST is payable.

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.

### Question 15

Determine whether the following supplies amount to composite supplies:



(i) A hotel provides 4 days – 3 nights package wherein the facility of breakfast and dinner is provided alongwith the room accommodation.

(ii) A toothpaste company has offered the scheme of free soap alongwith the toothpaste.

**Answer :** Under composite supply, two or more taxable supplies of goods or services or both, or any combination thereof, are naturally bundled and supplied in conjunction with each other, in the ordinary course of business, one of which is a principal supply. In view of the same,

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

(ii) Since supply of soap alongwith the toothpaste are not naturally bundled, said supplies do not qualify as 'composite supply'.

#### Question 16

PTL Pvt. Ltd. is a retail store of merchandise located in 25 States/UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched scheme of "Buy One Get One Free" for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. Determine how the taxability of the goods supplied under "Buy One Get One Free" scheme is determined.

**Answer :** As per section 7(1)(a), the goods or services which are supplied free of cost (without any consideration) are not treated as "supply" except in case of activities mentioned in Schedule I of the CGST Act. Under "Buy One Get One Free" scheme, it may appear at first glance that in case of offers like "Buy One, Get One Free", one item is being "supplied free of cost" without any consideration. However, it is not an individual supply of free goods, but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one.

Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined accordingly.

## Section B – Additional Questions Past RTPs, MTPs, And Exams Papers

#### Question 17

Examine the existence of "consideration" for donation received by charitable institutions from individual donors, without quid pro quo an important feature as defined in section 2(31) of the CGST Act, 2017.

**CA Intermediate May 24, 5 Marks**

**Answer :** Donations received by the charitable institutions from individual donors are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything.



If the name of the donor is displayed in charitable institution's premises as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business, there is no supply for the payment in the form of donation.

### Question 18

Examine whether the following activities would be treated as supply under GST law?

- (i) Mr. Sonu from Chandigarh purchased a water cooler from Malhotra Bros. of Hoshiarpur for Rs.25,000 to donate it to a temple situated in Hoshiarpur. Mr. Sonu directed Malhotra Bros. to engrave the words on the water cooler- "Donated by Mr. Sonu from Chandigarh" and dispatch the water cooler directly to the temple. [CA Intermediate Nov. 2023, 2 Marks]
- (ii) Wesco Ltd, a registered person in Ahmedabad (Gujarat) having head office located in Singapore, received management consultancy services free of cost from its head office.

### Answer

[CA Intermediate Nov. 2023, 2 Marks]

- (i) Donations received by the charitable organisations are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything (supply a service).

Since the name of the donor, Mr. Sonu is displayed in temple as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business, hence, donation of water cooler by Mr. Sonu to temple is without quid pro quo and is, thus, not a supply under GST law.

However, supply of water cooler by Malhotra Bros. to Mr. Sonu is supply as it is made for consideration in course or furtherance of business.

- (ii) As per schedule I, in case of import of services by a person from a related person or from his establishments located outside India, without consideration, in the course or furtherance of business shall be treated as "supply".

Hence, services received by Wesco Ltd. qualify as supply even though such services have been provided free of cost by the head office.

### Question 19

List any 5 (Five) activities/transactions specified under Schedule III of the CGST Act, 2017 which shall be neither treated as supply of goods nor as supply of services. Detailed explanations is not required.

[CA Intermediate May 2023, 5 Marks]

**Answer:** Activities or transactions which shall be treated neither as a supply of goods nor a supply of services are as under:-

- 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) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.
- 4) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity.



- 5) 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.
- 6) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- 7) Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building. (i.e. in case, where entire consideration for sale of building received after issuance of completion certificate or after its first occupation, whichever is earlier).
- 8) Actionable claims, other than specified actionable claims ("specified actionable claim" means the actionable claim involved in or by way of betting, casinos, gambling, horse racing, lottery or online money gaming.)

### Question 20

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

- (i) Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of Rs. 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.

[CA Inter Exams May 2022, 2 Marks]

- (ii) Mr. Swamy of Chennai is working as a manager with ABC Bank. He consulted M/s. Jacobs and Company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import of service.

[CA Inter Exams May 2022, 2 Marks]

### Answer :

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

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

- (ii) Supply includes importation of services, for a consideration whether or not in the course/furtherance of business. Thus, in the given case, the import of services by Mr. Swamy amounts to supply although it is not in course/furtherance of business.

### Question 21

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

[CA Inter Exams July 2021, 4 Marks]

**Answer :** Composite supply comprises of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply. Mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply. Items such



as double bed, refrigerator, washing machine and wooden wardrobe are not naturally bundled and also the invoice for the supply shows separate values for each item i.e., the package is not supplied for a single price. Therefore, supply of such items as a package will neither constitute a composite supply nor a mixed supply. Thus, the various items of the package will be treated as being supplied individually.

**Note:** The question specifies that the various items are supplied at a 'single rate'. The "single rate" expression is construed as single rate of tax in the above answer. Further, the "single rate" may also be construed as single price as given in the below mentioned answer. Items such as double bed, refrigerator, washing machine and wooden wardrobe are not naturally bundled. Therefore, supply of such items as a package will not constitute composite supply. Further, a single price has been charged for the package. Consequently, supply of such items as a package will be treated as mixed supply.

### Question 22

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 Exams Nov. 2020, 5 Marks]

**Answer :** Importation of services for a consideration whether or not in the course or furtherance of business is to be considered as supply.

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, and
- (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.

### Question 23

Explain the services provided by way of tolerating non-performance of a contract and its chargeability under the provisions of the CGST Act, 2017. [CA Inter Exams May 2019, 4 Marks] [MTP May 2020, 5 Marks]

**Answer :** Non-performance of a contract is the failure to fulfill the obligations under a contract. It is generally one of the conditions stipulated in any contract for supply of goods/services.

The agreement entered into between the parties stipulates that both the service provider and service recipient abide by the terms and conditions of the contract. In case any of the parties breach the contract for any reason including non-performance of the contract, then such person is liable to pay damages in the form of fines or penalty to the other party.

As per Circular issued by CBIC, fines or penalty paid for non-performance of the contract is not a consideration for any supply at all. It's merely flow of money. Therefore, tolerating non-performance of a contract is not supply at all. So, it will not be chargeable to GST.

### Question 24

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) Sale of personal car to dealer.

CA Inter Exams Nov. 18, 5 Marks

**Answer :**

- (i) As per Schedule-II of CGST Act, 2017, works contract services would be treated as supply of services.
- (ii) As per Schedule-II of CGST Act, 2017, sale of personal car to dealer would be treated as supply of goods as any transfer of the title in goods is a supply of goods.

However, it is also possible to take view that sale of personal car to dealer is not a supply per se as supply is not made by the individual in the course or furtherance of business - in terms of CBIC FAQs.

**Note:** The question may be answered on the basis of either of the two views.

#### Question 25

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

CA Inter Exams Nov. 2018, 5 Marks

**Answer :** As per section 7(1) of CGST Act, 2017, the term supply includes -

- (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, 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 or transactions, by a person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration.
- (b) import of services for a consideration whether or not in the course or furtherance of business; and
- (c) the activities specified in Schedule I, made or agreed to be made without a consideration.

#### Question 26

Mrs. Pragati received legal advice for her personal problems & paid 1,000 pound as a 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?

CA Inter Exams May 2018, 5 Marks

**Answer :** Supply, under section 7 of the CGST Act, 2017, inter alia,

- includes import of services for a consideration
- even if it is not in the course or furtherance of business.

Thus, although the import of service for consideration by Mrs. Pragati is not in course or furtherance of business, it would amount to supply.

Further, import of services by a person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business.

In the given case, import of service without consideration by Mrs. Pragati from her real sister - Miss Unnati [real sister (It has been most logically assumed that Miss Unnati is not wholly/mainly dependent on Mrs. Pragati), although being member of the same family, is not a related person] will not be treated



as supply as both of them are not related persons and further, the service is also not in course or furtherance of business.

However, import of service without consideration by Mrs. Pragati from her sister - Miss Unnati (unrelated person) will not be treated as supply even if she receives legal advice for her business, i.e. in course or furtherance of business, because both of them are not related persons.

### Question 27

Examine the implications of GST on supply of food and beverages at cinema halls.

GST May 2024

**Answer:** Eating joint is a wide term which includes refreshment or eating stalls/ kiosks/ counters or restaurant at a cinema also.

The cinema operator:

- (i) may run these refreshment/eating stalls/kiosks/counters/ restaurant themselves  
or
- (ii) they may give it on contract to a third party.

The customer may like to avail the services supplied by these refreshment/snack counters or choose not to avail these services. Further, the cinema operator can also install vending machines, or supply any other recreational service such as through coin-operated machines etc. which a customer may or may not avail.

It is hereby clarified vide Circular No. 201/13/2023 GST dated 01.08.2023 that:

- (i) supply of food or beverages in a cinema hall is taxable as 'restaurant service' as long as:
  - (a) the food or beverages are supplied by way of or as part of a service, and
  - (b) supplied independent of the cinema exhibition service.
- (ii) where the sale of cinema ticket and supply of food and beverages are clubbed together, and such bundled supply satisfies the test of composite supply, the entire supply will attract GST at the rate applicable to service of exhibition of cinema, the principal supply.

### Question 28

Happy Constructions Ltd., a registered builder under GST in Bengaluru, Karnataka has got permission to build five floors from the Municipal Projects for one of its projects at Suraj Nagar. Aditya Constructions, a neighbouring housing project approached Happy Constructions Limited to discuss regarding blockage of sun light issue arising out of construction of five floors and asked it to build only three floors for which Rs. 20 lakh was offered as compensation. Happy Constructions Limited agreed to the offer. It may be noted that Aditya Constructions is not ready to pay any further amount to Happy Constructions Ltd. in addition to the amount already agreed.

Briefly explain with correct legal provision whether the above amount received as compensation is liable to GST or not? And if considered as taxable, then calculate the total GST payable by Happy Constructions Ltd. Assume the applicable rate of CGST and SGST is 9% each.



Also state the conditions to be complied with.

RTP May 2024

**Answer:** Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act has been specifically declared to be a supply of service vide para 5(e) of Schedule II of the CGST Act, 2017 if the same constitutes a supply as per the CGST Act, 2017.

In the given case, Happy Constructions Limited has agreed to build only three floors, even though it is permitted to construct five floors by the Municipal Authorities, for a compensation of Rs. 20 lakh. This results in supply of service.

The conditions to be complied with for the above supply will be

- (a) There must be an expressed or implied agreement or contract must exist.
- (b) Consideration must flow in return to this contract/ agreement.

Since, Aditya Constructions is not ready to pay any further amount to Happy Constructions Limited in addition to the amount already agreed, the amount received Rs. 20 lakh shall be treated as inclusive of GST and the GST payable will be Rs.  $20,00,000 \times 9/118 = \text{Rs. } 1,52,542.37$  or Rs. 1,52,542 (rounded off) as CGST and SGST each.

#### Question 29

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 Rs. 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 levability of GST on the donation received from Mr. Aman Goel?

RTP May 2020

**Answer:** It has been clarified by CBIC vide Circular that when the name of the donor is displayed in the religious institution premises, by placing a name plate or similar such acknowledgement, which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). There is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service). Therefore, there is no GST liability on such consideration.

In the given case, there is no reference or mention of any business activity of the donor which otherwise would have got advertised. Thus, since the gift or donation is made to a charitable organization, the payment has the character of gift or donation and the purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement, hence GST is not leviable.

#### Question 30

Mr. Priyam, director of Sun Moon Company Private Limited, provided service to the company for remuneration of Rs. 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 Rs. 1,25,000, Rs. 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, Rs. 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.

RTP May 2021, MTP May 2024, 6 Marks

#### Answer:

- (i) As per Para I of Schedule III of the CGST Act, services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. Services provided by the independent directors who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable. Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis.
- Thus, GST is applicable in this case and Sun Moon Company Private Limited is liable to pay GST.
- (ii) The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

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

In lieu of the above provisions, Rs. 60,000 declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, Rs. 65,000 declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

#### Question 31

Discuss taxability of shares held in a subsidiary company by holding company?

MTP May 2024, 5 Marks

**Answer :** It has been clarified vide a circular that securities are considered neither as goods nor as services in terms of definition of goods and the definition of services. Further, securities include 'shares' as per definition of securities.

This implies that the securities held by the holding company in the subsidiary company are neither goods nor services. Further, purchase or sale of shares or securities, in itself is neither a supply of goods nor a



supply of services. For a transaction/activity to be treated as supply of services, there must be a supply as defined under section 7 of the CGST Act, 2017. It cannot be said that a service is being provided by the holding company to the subsidiary company, solely on the basis that there is a specific SAC entry in the scheme of classification of services, unless there is a supply of services by the holding company to the subsidiary company in accordance with section 7 of the CGST Act, 2017.

Therefore, the activity of holding of shares of subsidiary company by the holding company per se cannot be treated as a supply of services by a holding company to the said subsidiary company and cannot be taxed under GST.

### Question 32

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

**[MTP May 2021, 5 Marks]**

**Answer :** Petroleum crude, diesel, petrol, ATF and natural gas are presently not leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council. Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.

## Multiple Choice Questions

### Question 1

M.H. Husain, a famous painter, Delhi, sends his latest art work to Indian Classic gallery, Delhi, for exhibition. However, no consideration has flown from Indian Classic gallery to M. H. Husain when the art work is sent to the gallery for exhibition. M. H. Husain is in dilemma whether GST is payable on said transfer of art work. What would be your advice on the same?

**[RTP May 2019]**

- (a) GST is payable as the same amounts to taxable supply of goods.
- (b) GST is payable as the same amounts to taxable supply of services.
- (c) GST is not payable as the same is an exempt supply.
- (d) GST is not payable as the same does not amount to supply at all.

### Question 2

Which is not considered as supply under GST Law?

**[RTP Nov. 2019]**

- (a) Stock transferred from one establishment in Delhi to another establishment in Gurgaon, Haryana registered under same PAN.
- (b) CA Ram supplies accounting services to CA Radha in lieu of taxation services received from CA Radha.
- (c) A Health club supplies lunch to its members at its annual meeting against a nominal charge.
- (d) Mr. A sells a flat to Mr. B
  - (i) Date of completion certificate - 31/01/20XX
  - (ii) Date of agreement with buyer - 01/02/20XX
  - (iii) Consideration received - 05/02/20XX



**Question 3**

Which of the following activity shall be treated neither as a supply of goods nor a supply of services?

RTP Nov. 2019

- (i) Permanent transfer of business assets where input tax credit has been availed on such assets
  - (ii) temporary transfer of intellectual property right
  - (iii) transportation of deceased
  - (iv) services by an employee to the employer in the course of employment
- (a) (i) & (iii) (b) (ii) & (iv)  
(c) (i) & (ii) (d) (iii) & (iv)

**Question 4**

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

RTP May 2020

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

**Question 5**

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

RTP May 2020

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

**Question 6**

Which of the following services received, in the course or furtherance of business, without consideration amount to supply?

[MTP May 2020, 2 Marks]

- (i) Import of services by a person in India from his son well-settled in USA
  - (ii) Import of services by a person in India from his brother well-settled in Germany
  - (iii) Import of services by a person in India from his brother (wholly dependent on such person in India) in France
  - (iv) Import of services by a person in India from his daughter (wholly dependent on such person in India) in Russia
- (a) i, iii and iv (b) ii, iii and iv (c) ii and iii (d) i and ii

**Question 7**

Assuming that all the activities given below are undertaken for a consideration, state which of the following is not a supply of service?

MTP Nov. 2019

- (a) Renting of Commercial Office Complex
- (b) An employee agreeing to not work for the competitor organization after leaving the current employment



- (c) Repairing of Mobile Phone
- (d) Provision of services by an employee to the employer in the course of employment

**Question 8**

Which of the following activities is a supply of services?

- (i) Transfer of right in goods/ undivided share in goods without transfer of title in goods
  - (ii) Transfer of title in goods
  - (iii) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date upon payment of full consideration as agreed.
- (a) (i)                      (b) (iii)                      (c) (i) and (iii)                      (d) (i), (ii) and (iii)

**Question 9**

Which of the following statements is true under GST law?

- (a) Grand-parents are never considered as related persons to their grand-son/grand-daughter
- (b) Grand-parents are always considered as related persons to their grand-son/grand-daughter
- (c) Grand-parents are considered as related persons to their grand- son/grand-daughter only if they are wholly dependent on their grand-son/grand-daughter
- (d) Grand-parents are considered as related persons to their grand- son/grand-daughter only if they are not dependent on their grand-son/grand-daughter

**Question 10**

Which of the following is not considered as 'goods' under the CGST Act, 2017?

- (i) Ten-paisa coin having sale value of Rs. 100.
  - (ii) Shares of unlisted company
  - (iii) Lottery tickets
- (a) (i)                      (b) (ii)                      (c) (ii) and (iii)                      (d) (i), (ii) and (iii)

**Question 11**

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

**IRTP Nov. 2021**

- (i) AB & Associates transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot.
  - (ii) Mr. Raghuveer, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle was blocked and therefore, was not availed.
  - (iii) Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth Rs. 21,000.
- (a) (i)                      (b) (ii)                      (c) (iii)                      (d) Both (i) and (ii)

**Answer Key**

01	(d)	02	(d)	03	(d)	04	(d)	05	(d)	06	(a)	07	(d)	08	(a)	09	(c)	10	(b)	11	(a)
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# TIME OF SUPPLY

## CHAPTER

# 03



## Section A – ICAI Study Material Questions

### Question 1

Explain the significance of time of supply under GST law.

**Answer :** GST is payable on supply of goods or services. Time of supply indicates the point in time when the liability to pay tax arises. However, it is important to note that though the liability to pay tax arises at the time of supply, the same can be paid to the Government by the due date prescribed with reference to the said 'time of supply'. The CGST Act provides separate provisions for time of supply for goods and services vide sections 12 and 13.

### Question 2

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. **[MTP Nov. 2023, 5 Marks]**

**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 (except specified actionable claims).

As per section 13, the time of supply of services taxable under forward charge is –

- Date of issue of invoice or date of receipt of payment, whichever is earlier, if the same is issued within 30 days from the date of supply of service;

OR

- Date of provision of service or date of receipt of payment, whichever is earlier, if the invoice is not issued within 30 days from the date of supply of service.

Thus, in case of services, if the supplier receives any payment before the provision of service or before the issuance of invoice for such service, the time of supply gets fixed at that point in time and the liability to pay tax on such payment arises. However, the tax can be paid by the due date prescribed with reference to such time of supply.

As regards time of supply of goods taxable under forward charge is concerned, Notification No. 66/2017 CT dated 15.11.2017 provides that a registered person (excluding composition supplier) should pay GST on the outward supply of goods (except specified actionable claims) at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued



in terms of section 31. Therefore, in case of goods other than specified actionable claims, tax is not payable on receipt of advance payment. And, in case of specified actionable claims, GST is payable on advances received.

### Question 3

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

S. No.	Date of receipt of goods	Date of payment by the recipient of goods	Date of issue of invoice by the supplier of goods
(i)	July 1	August 10	June 29
(ii)	July 1	June 25	June 29
(iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29
(iv)	July 5	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1
(v)	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29
(vi)	August 1	August 10	June 29

### Answer :

S. No.	Date of receipt of goods	Date of payment by the recipient of goods	Date of issue of invoice by the supplier of goods	Date immediately following 30 days from the date of invoice	Time of Supply of goods [Earlier of (1), (2) & (4)]
	(1)	(2)	(3)	(4)	(5)
(i)	July 1	August 10	June 29	July 30	July 1
(ii)	July 1	June 25	June 29	July 30	June 25
(iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29	July 30	June 30 for part payment made and July 1 for balance amount
(iv)	July 5	Payment is entered in the books of	June 1	July 2	June 28 (i.e., when payment is entered in



		account on June 28 and debited in recipient's bank account on June 30			the books of account of the recipient)
(v)	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29	July 30	June 26 (i.e., when payment is debited in the recipient's bank account)
(vi)	August 1	August 10	June 29	July 30	July 30 (i.e., 31st day from issuance of invoice)

**Question 4**

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

S. No.	Date of payment by the recipient for supply of services	Date of issue of invoice by the supplier of services
(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 :**

S. No.	Date of payment by the recipient for supply of services	Date of issue of invoice by the supplier of services	Date immediately following 60 days from invoice	Time of supply of goods [Earlier of (1) & (3)]
	(1)	(2)	(3)	
(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 and balance amount paid	June 29	August 29	June 30 for part payment and August 29 for balance



	on September 1			amount
(iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1	August 1	June 28 (i.e. when payment is entered in the books of account of the recipient)
(v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29	August 29	June 26 (i.e. when payment is debited in the recipient's bank account)

### Question 5

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?

**Answer :** Time of supply of service taxable under reverse charge is the earlier of the following two dates in terms of section 13(3):

- Date of payment
- 61st day from the date of issue of invoice

In this case, the date of payment precedes 61st day from the date of issue of invoice by the supplier of service. Hence, the date of payment, i.e. 17th June, will be treated as the time of supply of service [Section 13(3)(a)].

### Question 6

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?

**Answer :** Since the invoice has not been issued within the prescribed time period, time of supply of service will be the earlier of the following two dates in terms of section 13(2)(b):

- Date of provision of service
- Date of receipt of payment

The payment was received on 5th January and the service was provided on 23rd April. Therefore, the date of payment, i.e. 5th January is the time of supply of the service in this case.

### Question 7

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?



**Answer :** As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

In this case since the invoice has not been issued, the time of supply for the purpose of payment of tax will be the last date on which the invoice is required to be issued.

The invoice for supply of goods must be issued on or before the dispatch of goods, i.e. on 2nd August. Therefore, the time of supply for the purpose of payment of tax for the goods will be 2nd August, the date when the invoice should have been issued.

### Question 8

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?

**Answer :** As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, the time of supply for the purpose of payment of tax is the date of issue of invoice, which is 2nd December.

### Question 9

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?

[MTP Nov. 2018, 4 Marks]

**Answer :** Section 12(4) of CGST Act, 2017 provides that in case of supply of vouchers by a supplier, the time of supply shall be the date of issue of invoice, if the supply is identifiable at that point ; or the date of redemption of vouchers, in all other cases.

As the coupons can be used for a variety of food items, which are taxed at different rates, the supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption in terms of section 12(4) of CGST Act.

### Question 10

A firm of advocates issues invoice for services to ABC Ltd. on 17th Feb. The payment is contested by ABC Ltd. on the ground that on account of negligence of the firm, the company's case was dismissed by the Court for non-appearance, which necessitated further appearance for which the firm is billing the company. The dispute drags on and finally payment is made on 3rd November. Identify the time of supply of the legal services.

[MTP Sept. 2024, 4 Marks]



**Answer :** Tax on services supply by a firm of advocates by way of legal services to any business entity is payable under reverse charge by such firm of advocates. Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13(3):

- Date of payment [3rd November]
- 61st day from the date of issue of invoice [19th April]

The date of payment comes subsequent to the 61st day from the issue of invoice by the supplier of service. Therefore, the 61st day from the date of supplier's invoice has to be taken as the time of supply. This fixes 19th April as the time of supply.

### Question 11

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?

[MTP Nov. 2020, 4 Marks]

**Answer :** The time of supply of services, if the invoice is not issued in time, is the date of payment or the date of provision of service, whichever is earlier [Section 13(2)(b)]. In this case, the service is provided on 5th September but not invoiced within the prescribed time limit. Therefore, 5th September, the date of provision of service, being earlier than the date of payment, will be the time of supply.

### Question 12

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

- (1) The provision of service was completed on 1st August and payment was received on 28th September.
- (2) The provision of service was completed on 14th August and payment was received on 28th September.
- (3) Mr. A made the payment on 3rd August. However, provision of service was remaining to be completed at that time.
- (4) Mr. A made the payment on 15th September. However, provision of service was remaining to be completed at that time.

[CA Inter Nov. 2018, 5 Marks]

**Answer :** The time of supply of services is the date of issue of invoice if the same is issued within 30 days from the date of supply of service OR the date of receipt of payment, whichever is earlier [Section 13(2)(a)].

In case the invoice is not issued within 30 days from the date of supply of service, time of supply is the date of provision of service OR the date of receipt of payment, whichever is earlier [Section 13(2)(b)].

In accordance with the aforesaid provisions, the time of supply in the four independent cases will be:

- (1) 1st August since the invoice is not issued within 30 days of supply of service.
- (2) 7th September since the invoice is issued within 30 days of supply of service and the payment is received after the issuance of invoice.
- (3) 3rd August viz., earlier of date of issuance of invoice (7th September) or date of receipt of payment (3rd August)
- (4) 7th September viz., earlier of date of issuance of invoice (7th September) or date of receipt of payment (15th September)



**Question 13**

M/s Pranav Associates, a partnership firm, provided recovery agent services to Newtron Credits Ltd., a non-banking financial company and a registered supplier, on 15th January. Invoice for the same was issued on 7th February and the payment was made on 18th April by Newtron Credits Ltd. Bank account of the company was debited on 20th April.

Determine the following:

- (i) Person liable to pay GST
- (ii) Time of supply of service

[CA Inter Nov. 2019, 4 Marks]

**Answer:**

- (i) Tax on services supplied by a recovery agent to, inter alia, a non - banking financial company (NBFC) is payable under reverse charge by such non-banking financial company.

Therefore, in the given case, person liable to pay GST is the NBFC - Newton Credits Ltd.

- (ii) As per section 13(3), the time of supply of service on which GST is payable under reverse charge is earlier of the following:

- Date of payment as entered in the books of account of the recipient (18th April) or the date on which the payment is debited in his bank account (20th April), whichever is earlier;
- Date immediately following 60 days since issue of invoice by the supplier, i.e. 9th April.

Thus, time of supply of service is 9th April.

**Question 14**

Mr. X supplied goods for Rs. 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 Rs. 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 :** As per section 12(6), the time of supply with regard to an addition in value on account of interest, late fee or penalty or delayed payment of consideration is the date on which the supplier received such additional consideration.

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

**Question 15**

M/s Mansh & Vansh Trading Company, a registered supplier of machines, is liable to pay GST under forward charge. It has furnished the following information:

- (i) Machine was supplied on 3rd October
- (ii) Invoice was issued on 5th October
- (iii) Payment received on 9th October

Determine the time of supply of machine for the purpose of payment of tax.

[CA Inter May 2018, 4 Marks]

**Answer :** As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified



in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

Further, a registered person is required to issue a tax invoice before or at the time of removal of goods for supply to the recipient. Thus, in the given case, the invoice for supply of goods should have been issued on or before the removal of goods i.e., on 3rd October.

However, since the invoice has not been issued within the prescribed time, 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 i.e., 3rd October.

## Section B – Additional Questions

### Past RTPs, MTPs, And Exams Papers

#### Question 16

- (i) An order is placed to T & Co., Sholapur on 18th August, 2021 for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 2021 and after completion of the order issued the invoice on 15th September, 2021. The payment against the same was received on 30th September, 2021. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations.
- (ii) HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May, 2021. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July 2021. Invoice was received from the transporter on 20th June 2021 and payment was made on 25th August 2021.

What is the time of supply of the transporter's service?

[CA Inter Exams Dec. 2021, 5 Marks]

#### Answer:

- (i) The time of supply of goods (where movement of goods involve) (fabric) for the purpose of payment of tax is the date of issue of invoice or the last date when the invoice ought to have been issued.

Further, a registered person is required to issue a tax invoice before or at the time of delivery of goods or making available thereof to the recipient.

Thus, in the given case, time of supply is 4th September, 2021.

- (ii) **Alternative 1:** Assuming that services of transportation of goods by road have been provided by a GTA who has not opted to pay GST under forward charge mechanism (FCM) i.e. GST is payable under reverse charge mechanism.

Tax on supply of transportation of goods by road services provided by a Goods Transport Agency (GTA) to a body corporate is payable under reverse charge by such body corporate.

Time of supply of services taxable under reverse charge is earliest of:-

(a) date of making payment, or

(b) 61<sup>st</sup> day from the date of issue of invoice by supplier. Thus, in the given case, time of supply is earlier of



(a) 25<sup>th</sup> August

Or

(b) 20<sup>th</sup> August 2021 (61<sup>st</sup> day from 20<sup>th</sup> June)

Thus, in the given case, time of supply is 20<sup>th</sup> August 2021

**Alternative 2:** Assuming that services of transportation of goods by road have been provided by a GTA who has opted to pay GST under forward charge mechanism (FCM) Thus, GST is payable under forward charge.

The time of supply of services in case where the invoice is issued within 30 days of provision of service is the earlier of date of invoice or date of receipt of payment.

Thus, in the given case, time of supply is 20<sup>th</sup> June, 2021.

### Question 17

Know & Grow Publishers, a registered dealer in India, paid an advance of Rs. 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1)(a) of the Copyright Act, 1957, of his original literary work on 5-9-2018. It made the balance payment of Rs. 1,50,000 on 12-12-2018. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on :

(i) 6-10-2018

Or

(ii) 17-12-2018

[CA Inter Nov. 2019, 4 Marks]

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

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

(a) Date of payment as entered in the books of account of the recipient or date on which payment is debited from the bank account, whichever is earlier

or

(b) 61st day from the date of issue of invoice by the supplier

(i) If the invoice is issued on 06.10.2018, time of supply is as under:

- For the payment of Rs. 50,000: 05.09.2018 [earlier of date of payment and 61st day from date of issue of invoice]
- For the payment of Rs. 1,50,000: 06.12.2018 [earlier of date of payment and 61st day from date of issue of invoice]

(ii) If the invoice is issued on 17.12.2018, time of supply is as under:

- For the payment of Rs. 50,000: 05.09.2018 [earlier of date of payment and 61st day from date of issue of invoice]
- For the payment of Rs. 1,50,000: 12.12.2018 [earlier of date of payment and 61st day from date of issue of invoice]

### Question 18



On 4th September, 2017, V.R. Mehman a famous music composer, received Rs. 3 crore of consideration from Zilmil Music Co. Ltd. for sale of copyright of his original music album. He finished his work & made available the CD to the music company on 20th July, 2017 & raised the invoice on 24th July, 2017. What will be the time of supply as per CGST Act, 2017?

Note: Above service is taxable under reverse charge basis.

**CA Inter May 2018, 3 Marks**

**Answer:** As per section 13 of CGST Act, 2017, the time of supply of service on which GST is payable on reverse charge basis is earlier of the following:

- Date of payment (04.09.2017), or
- Date immediately following 60 days since issue of invoice by the supplier (23.09.2017)

Thus, time of supply of services is 04.09.2017

### Question 19

From the following information provided by M/s Sasta Bazaar. Determine the time of supply for the purpose of payment of GST:

- (i) It issued coupon on 20.06.2023, worth Rs. 2,000 redeemable against purchase of specific plastic items. This coupon was redeemed on 31.07.2023.
- (ii) It issued coupon on 01.08.2023 worth Rs. 3,000 which is redeemable against purchase of any item. This coupon was redeemed on 18.08.2023.
- (iii) It received interest of Rs. 10,000 for late payment from a customer on 11.11.2023 for supply of goods which was originally made on 24.06.2023.

**[RTP May 2024]**

**Answer:** As per section 12(4) of the CGST Act, 2017, the time of supply of vouchers exchangeable for goods is-

- Date of issue of the voucher, if the supply that it covers is identifiable at that point, or
  - Date of redemption of the voucher in other cases.
- (i) In the given case, supply can be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their issue i.e. 20.06.2023.
  - (ii) In the given case, supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption i.e. 18.08.2023.
  - (iii) Section 12(6) of the CGST Act, 2017 prescribes that time of supply in case of addition in value on account of interest/ late fee/penalty for delayed payment of consideration for goods is the date on which the supplier receives such addition in value. Therefore, time of supply in the given case is 11.11.2023.

### Question 20

Mahak Sons is a registered supplier of electronic items and pays GST under regular scheme. On 15th July 20XX, Mahak Sons received an order from Sunder Trader for supply of a consignment of electronic items. Mahak Sons gets the consignment ready by 20th July 20XX. The invoice for the consignment was issued the next day, 21st July 20XX. Sunder Trader could not collect the consignment immediately. Sunder Trader collects the consignment from the premises of Mahak Sons on 30th July 20XX and hands



over the cheque towards payment on the same date. The said payment is entered in the books of accounts of Mahak Sons on 31st July, 20XX and amount is credited in their bank account on 1st August 20XX.

You are required to determine the time of supply of the electronic items for the purpose of payment of tax.

[RTP Nov. 2019]

**Answer:** As per section 12(2) of the CGST Act, 2017, the time of supply in respect of goods shall be the date of issue of invoice/last date on which the invoice is required to be issued as per section 31 of the CGST Act, 2017.

As per section 31(1), the invoice needs to be issued either before or at the time of removal (where supply involves movements of goods) of goods/delivery of goods/ making goods available to the recipient.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, time of supply for the purpose of payment of tax is the date of issue of invoice, which is 21st July, 20XX.

### Question 21

Discuss the provisions relating to time of supply of goods that are taxable under reverse charge?

[MTP Nov. 2019, 5 Marks]

**Answer :** The time of supply of goods on which GST is payable on reverse charge basis under sub-sections (3) and (4) of section 9 of CGST Act is determined in terms of section 12(3)(a), (b) and (c), as follows: The time of supply for such goods will be the earliest of the following dates:

- Date on which the goods are received, or
- Date on which payment is recorded in the books of account of the recipient, or the date on which the same is debited in his bank account, whichever is earlier, or
- Date immediately following 30 days from the date of issue of invoice (or document by some other name in lieu of invoice) by the supplier.

If it is not possible to determine the time of supply by using these parameters, then the time of supply will be the date of entry of goods in the books of account of the recipient of supply.

### Question 22

Gupta & Sons, a registered supplier, paying tax under normal scheme is a wholesale supplier of ready-made garments located in Bandra, Mumbai. On 5th September, 20XX, Mohini, owner of Charming Boutique located in Dadar, Mumbai, approached Gupta & Sons for supply of a consignment of customised dresses for ladies and kids.

Gupta & Sons gets the consignment ready by 2nd December, 20XX and informs Mohini about the same. The invoice for the consignment was issued the next day, 3rd December, 20XX.

Due to some reasons, Mohini could not collect the consignment immediately. So, she collects the consignment from the premises of Gupta & Sons on 18th December, 20XX and hands over the cheque for payment on the same date. The said payment is entered in the accounts on 20th December, 20XX and amount is credited in the bank account on 21st December, 20XX.



You are required to determine the time of supply of the readymade garments supplied by Gupta & Sons to Mohini elaborating the relevant provisions under the GST law.

**[MTP Nov. 2018, 4 Marks]**

**Answer:** As per section 12(2) of the CGST Act, 2017, the time of supply in respect of goods shall be the date of issue of invoice/last date on which the invoice is required to be issued as per section 31 of the CGST Act, 2017.

As per section 31(1), the invoice needs to be issued either before or at the time of removal (where supply involves movements of goods) of goods/delivery of goods/ making goods available to the recipient.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, time of supply for the purpose of payment of tax is the date of issue of invoice, which is 3rd December.

## Multiple Choice Questions

### Question 1

M/s. Ramchandra Associates has received some taxable services from Mohan Dalal (P) Ltd. on 12.01.20XX by making a cash payment of Rs. 5,00,000 on same day. The payment was entered in the books of account of M/s. Ramchandra Associates on 16.01.20XX and in the books of account of Mohan Dalal (P) Ltd. on 20.01.20XX. The invoice was issued by Mohan Dalal (P) Ltd. on 18.01.20XX. Determine the time of supply in the given case.

**[RTP May 2019]**

- (a) 12.01.20XX                      (b) 16.01.20XX                      (c) 18.01.20XX                      (d) 20.01.20XX

### Question 2

The time of supply of service in case of reverse charge mechanism is:

- (a) Date on which payment entered in the books of account of the recipient  
(b) Date immediately following 60 days from the date of issue of invoice  
(c) Date on which the payment is debited in the bank account of recipient  
(d) Earlier of (a), (b) and (c)

### Question 3

In case of supply of wooden tables for Rs.5,00,000, following information is provided - Advance received on 1st April Invoice issued on 15th April and Goods removed on 25th April

What is the time of supply of goods, where tax is payable under forward charge?

- (a) 1<sup>st</sup> April                      (b) 15<sup>th</sup> April                      (c) 25<sup>th</sup> April                      (d) 30<sup>th</sup> April

### Question 4

Sham Ltd., located in Mumbai, is receiving legal services from a lawyer Mr. Gyan, registered under GST. The aggregate turnover of Sham Ltd. in the preceding financial year is Rs. 42 lakh. The information regarding date of payment, invoice etc. is as follows -

Invoice issued by Mr. Gyan on 15th April



Payment debited in the bank account of Sham Ltd. on 5th May

Date of payment entered in books of accounts of Sham Ltd.: 1<sup>st</sup> May. What is time of supply of services?

- (a) 1<sup>st</sup> May (b) 5<sup>th</sup> May (c) 15<sup>th</sup> June (d) 15<sup>th</sup> April

### Question 5

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

(RTP Nov. 2021)

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

### Answer Key

01	(c)	02	(d)	03	(b)	04	(a)	05	(c)
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CA means

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# VALUE OF SUPPLY

CHAPTER

04

## Question A - ICAI Study Material Questions

Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colourful Pvt. Ltd.

Particulars	Rs.
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
Packing charges (not included in price above)	1,000

Black and White Pvt. Ltd. received Rs. 2,000 as a subsidy from a NGO on sale of such goods. The price of Rs. 50,000 of the goods is after considering such subsidy. Black and White Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods.

Determine the value of taxable supply made by Black and White Pvt. Ltd.

### Computation of value of taxable supply

Particulars	Rs.
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15(2)(a)]	5,000
Packing charges [Includible in the value as per section 15(2)(c)]	1,000
Price linked Subsidy received from a non-Government body [Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15(2)(e)]	2,000
<b>Total</b>	<b>58,000</b>
Less: Discount @ 2% on Rs. 50,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15(3)(a)]	1,000



Value of taxable supply

57,000

**Question 2 (SM Illustration)**

Samriddhi Advertisers conceptualised and designed the advertising campaign for a new product launched by New Moon Pvt Ltd. for a consideration of Rs. 5,00,000. Samriddhi Advertisers owed Rs. 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 Rs. 15,000 as interest. Assume the rate of GST to be 18%.

Determine the value of taxable supply made by Samriddhi Advertisers.

**Answer** Computation of value of taxable supply

Particulars	(Rs.)
Service charges	5,00,000
Payment made by New Moon Pvt. Ltd to vendor of Samriddhi Advertisers [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15(2)(b)]	20,000
Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d) [Refer note below] [ Rs. 15,000 * (100/118)] (rounded off)	12,712
Value of taxable supply	5,32,712

Note: The interest for delay in payment of consideration will be includible in the value of supply but the time of supply of such interest will be the date when such interest is received in terms of section 13(6). Such interest has been assumed to be inclusive of GST and thus, the value has been computed by making back calculations (Interest/100 tax rate X 100). It is also possible to assume the interest to be exclusive of GST. In that case, the value of supply will work out to be Rs. 5,35,000.

**Question 3**

Are post-supply discounts eligible for deduction from the value of supplies in all situations? Explain.

**Answer:** No, the post-supply discounts are not eligible for deduction from the value of supplies in all situations. Such discounts are allowed as a deduction from the value of supply only in the situations where the following two conditions are satisfied:

- The discount is in terms of an agreement that existed at the time of supply and can be worked out invoice-wise; and
- Proportionate input tax credit (ITC) is reversed by the recipient - The buyer would have availed ITC of GST payable on the gross value specified in the invoice. Thus, when a credit note is issued to him by the supplier for the discount, the buyer will reverse the proportionate credit; consequent to which, the supplier's output tax liability will be reduced by the same amount.

If any of the above conditions are not satisfied, post-supply discount is not allowed as a deduction from the value of supply and consequently, GST liability of the supplier does not get reduced.



## Question 4

'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.

**Answer:** The statement is correct. As per the definition of the term 'consideration' provided under the CGST Act, consideration under the GST law includes both payment in money or otherwise made by the recipient or any other person and also takes within its sweep the monetary value of any act or forbearance for the supply by the recipient or any other person. Further, it includes within its ambit any deposit which is applied as a consideration for the supply but excludes the subsidies provided by the State or Central Government.

The term money has also been defined under the CGST Act and it 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.

## Question 5

Sharp Minds Institute provides coaching for engineering entrance examinations. Monthly fee charged by the Institute from a student is Rs. 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 Rs. 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 Rs. 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.

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

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 Rs. 3,00,000.

## Question 6

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 Rs. 10 for every additional km.

Ms. Leena Kapoor purchases a double bed, a dressing table and a centre table for Rs. 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 Rs. 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 the showroom?



**Answer:** 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. Therefore, the same should not be added to the value. Hence, the value of supply will be Rs. 2,00,000.

However, the answer will change in the second case when the showroom will charge Rs. 300 for freight  $[(50\text{km} - 20\text{ km}) \times \text{Rs. } 10]$  from Ms. Leena. In this case, the supply will be a composite supply (principle supply being the supply of furniture) and value thereof will be Rs. 2,00,300.

#### Question 7

AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten and specified chemical residues. AKJ Foods Pvt. Ltd. does the testing before the supply 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 company's argument correct in the light of section 15?

**Answer:** Section 15(2) mandates addition of certain elements in the value of supply. Clause (c) of section 15(2) specifies that amount charged for anything done by the supplier in respect of the supply at the time of or before delivery of goods or supply of services shall be included in the value of supply. Since AKJ Foods Pvt. Ltd. does the testing before the delivery of goods, the charges there for will be included in the value of the consignment. Therefore, AKJ Foods Pvt. Ltd.'s argument is not correct. The testing fee should be added to the price to arrive at value of the consignment.

#### Question 8

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 Rs. 3 lakh a year compared to Rs. 5 lakh a year for other students.

What would be the value of the service of coaching and instruction provided by the institution to the low-income group students?

**Answer:** As per section 15(2)(e), the value of a supply includes subsidies directly linked to the price, excluding State Government and Central Government subsidies. In this case, the subsidy is not received from the Government but from a philanthropic association. Therefore, the subsidy is to be added back to the price to arrive at the value, which comes to Rs. 5 lakh a year.

#### Question 9

Mezda Banners, an advertising firm, gives its customers an interest-free credit period of 30 days for payment. 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 to the value of supply. Should notional interest be added to the value?

**Answer:** This is a supply that is valued as per transaction value under section 15(1) as price is the sole consideration for the supply and the supply is made to unrelated person. The value of a supply includes interest for delayed payment of any consideration for any supply. However, the time of supply to the extent it relates to an addition in the value of supply by way of interest for delayed payment of any consideration is the date on which the supplier receives such addition in value. In the given case, the



supplier has waived the interest for delayed payment. Consequently, the supplier has not received the interest. Therefore, notional interest for 2 days shall not be included in the value of the supply.

### Question 10

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 offered 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?

**Answer:** The discounts were not known or agreed for at the time of supply of goods to the dealers. Therefore, in terms of section 15(3), such discounts cannot be reduced from the price on which tax had been paid.

### Question 11

Red Pepper Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March.

Sl.	Particulars	Amount (Rs.)
(i)	List price of taxable goods supplied inter-state (exclusive of taxes)	1500000
(ii)	Subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	210000
(iii)	Subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50000
(iv)	Tax levied by Municipal Authority	20000
(v)	Packing charges	15000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay Rs. 6,000 in lump sum and no additional amount is payable by him)	6000

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

Calculate the total value of taxable supplies made by Red Pepper Ltd. during the month of March. Rate of IGST is 18%.  
**[MTP Nov. 2018, 5 Marks] [MTP May 2021, 6 Marks] [MTP Nov. 2023, 6 Marks]**

**Answer:**

Computation of total value of taxable supplies made by Red Pepper Ltd. during the month of March

Particulars	Amount (Rs.)
List price of the goods	1500000
Subsidy amounting to Rs. 2,10,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms	NIL



of section 15(2)(e)]	
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e)]	50000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a)]	20000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c)]	15000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15(2)(d) - As the amount of interest received is a lump sum amount, the same has to be taken as inclusive of GST] [Rs. 6,000 x 100/118] rounded off	5085
<b>Total value of taxable supplies</b>	<b>15,90,085</b>

## Question 12

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

S.No.	Particulars	Rs.
(i)	Price of the machine (excluding taxes and incidental charges)	30,000
(ii)	Machine was subject to third party inspection. The inspection charges have been directly paid by BP Ltd. to the inspection agency.	5,000
(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 State Government on sale of machine under skill Development Programme. [The subsidy is directly linked to the price].	5,000
(v)	Discount of 2% is offered to BP Ltd. on the price and recorded in the invoice	

Note: Items given in S. No. (ii) to (v) have not been considered in the price at S. No. (i). Determine the value of taxable supply made by M/s Flow Pro to BP Ltd.

[MTP May 2024][MTP May 2023][MTP Nov. 21, 2 Marks][RTP Nov. 2015]

## Computation of value of taxable supply

Particulars	Rs.
Price of the machine (Price Rs. 30,000 - Rs. 5,000 subsidy) [Note-1]	25,000
Third party inspection charges [Note-2]	5,000
Freight charges for delivery of the machine value [Note-3]	2,000
<b>Total</b>	<b>32,000</b>
Less: Discount @ 2% on Rs. 30,000 being price charged to BP Ltd. [Note-4]	600



Value of taxable supply

31,400

Notes:-

1. Since subsidy is received from State Government, the same is deductible to arrive at taxable value under section 15 of the CGST Act, 2017.
2. Any amount that the supplier is liable to pay in relation to such supply but has been incurred by the recipient, is includible in the value of supply under section 15 of the CGST Act, 2017.
3. 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.
4. Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply under section 15 of the CGST Act, 2017.

**Question 13**

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.

Sl.	Particulars	Amount (Rs.)
(i)	Price of the goods	1,00,000
(ii)	Municipal Tax	2,000
(iii)	Inspection charge	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
(vi)	Shri Balram Pvt. Ltd. paid to Radhe Pvt. Ltd. (on behalf of Shri Krishna Pvt. Ltd.) weightment charges.	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. (i).

[MTP Nov. 2020, 6 Marks] [MTP Nov. 2021, 6 Marks] [MTP Nov. 2023, 6 Marks] [CA Inter Exams May 2018, 4 Marks]

**Answer:**

Computation of value of taxable supply made by Shri Krishna Pvt. Ltd.

Particulars	Rs.
Price of the goods	1,00,000
Municipal tax [Includible in the value as per section 15 of the CGST Act, 2017]	2000
Inspection charges [Being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017]	15000



Subsidy received from Shri Ram Trust [Since subsidy is received from a non-Government body, the same is includible in the value in terms of section 15 of the CGST Act, 2017] (It has been assumed that the subsidy is directly linked to the price.)	50,000
Late fees for delayed payment [Not includible since waived off]	Nil
Weighment charges paid to Radhe Pvt. Ltd. by Shri Balram Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd. [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15 of the CGST Act, 2017]	2,000
<b>Value of taxable supply</b>	<b>1,69,000</b>

## Question 14

Koli Ltd. supplies machinery to Ghisa Ltd. (Dealer in same State), provides following particulars regarding the same. Determine the value of taxable supply of machinery.

Sl.	Particulars	Amount (Rs.)
(i)	Price of Machinery (exclusive of taxes and discounts)	5,50,000
(ii)	One part is directly fitted in machinery at place of Ghisa Ltd. (amount paid by Ghisa Ltd. directly to supplier, as per contract this amount should be paid by Koli Ltd. and not included in price)	20,000
(iii)	Installation and testing charges for machinery, not included in price	25,000
(iv)	Discount 2% on machinery price (recorded in the invoice)	
(v)	Koli Ltd. provides additional 1% discount at year end, based on additional purchase of other machinery	

## Answer

[MTP May, 2020, 4 Marks] [CA Inter May 19, 5 Marks]

## Computation of taxable value of supply of machinery

Sl.	Particulars	Amount (Rs.)
(i)	Price of machinery (exclusive of taxes and discounts)	5,50,000
(ii)	Add: Amount paid by Ghisa Ltd. directly to the supplier for a part fitted in the machinery [Note-1]	20,000
(iii)	Add: Installation and testing charges [Note-2]	25,000
(iv)	Less: Discount 2% on machinery price [Rs. 5,50,000 x 2%] [Note-3]	(11,000)
(v)	Less: Additional 1% discount at year end [Note-4]	Nil
	<b>Value of taxable supply</b>	<b>5,84,000</b>

Notes: As per section 15 of CGST Act, 2017



1. Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods shall be included in the value of supply.
2. Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of supply.
3. Since discount is given at the time of supply of machinery and recorded in the invoice, the value of the supply shall not include such discount.
4. Though the additional discount is established before or at the time of supply, it shall not be excluded from the value of supply on the assumption that the same is not linked to the relevant invoice and proportionate ITC has not been reversed by Ghisa Ltd.

## Section B – Additional Questions

### Past RTPs, MTPs, And Exams Papers

#### Question 15

Describe the conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of section 15(3) of the CGST Act 2017. [CA Inter Exams May 24, 5 Marks]

**Answer:** Conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of section 15(3) of the CGST Act, 2017 are as follows:

- (i) Discount is in terms of an agreement entered into
- (ii) at or before the time of supply.
- (iii) Discount can be specifically linked to relevant invoices.
- (iv) Input tax credit as is attributable to the discount on the basis of document issued by supplier is reversed by the recipient of the supply.

#### Question 16

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

Particulars	Amount (Rs.)
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	2,000



vendor to XYZ Pvt. Ltd. (not included in the list price above)

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 Rs. 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.

**Answer:**

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

Particulars	Amount (Rs.)
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Taxes other than GST, if charged separately, are includible in the value of supply.]	6,000
Packing charges [Being incidental expenses, same are includible in the value of supply.]	2,500
Subsidy received from NGO [Since subsidy is received from a non- Government body and directly linked to the price, the same is includible in the value of supply.]	Nil
Payment made by ABC Pvt. Ltd. in relation to service provided by vendor to XYZ Pvt. Ltd. [Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.][It has been most logically assumed that service provided by the vendor to XYZ Pvt. Ltd. is in relation to supply of goods by XYZ Pvt. Ltd. to ABC Pvt. Ltd.]	2,000
Turnover discount [Since discount is not known at the time of supply, it is not deductible from the value of supply.]	
Interest for delayed payment (rounded off) [Includible in the value of supply]	4,237 $[5,000 \times 100/118]$
<b>Value of taxable supply</b>	<b>64,737</b>

### Question 17

Following are the particulars, relating to one of the machine sold by SQM Ltd. to ACD Ltd. in the month of February 2020 at list price of Rs. 9,50,000. (exclusive of taxes and discount) Further, following additional amounts have been charged from ACD Ltd :

S. No.	Particulars	Amount (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
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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 Rs. 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 Rs. 9,50,000.
- (iii) ACD Ltd. deducted discount of Rs. 15,000 at the time of final payment, which was not as per agreement.
- (iv) SQM Ltd. collected Rs. 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 Exams Nov. 2020, 6 Marks]

Answer:

Computation of value of taxable supply

S. No.	Particulars	Amount (Rs.)
	List price (exclusive of taxes and discount)	9,50,000
(i)	Municipal taxes [Note-1]	45,000
(ii)	Outward freight charges [Note-2]	65,000
	Value of taxable supply	10,60,000

Notes:

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



Ms. Achintya, a registered supplier in Kochi (Kerala State) has provided the following details in respect of her supplies made Intra-State for the month of March 2018:

Sl.	Particulars	Amount (Rs.)
(i)	List price of goods supplied intra-state (exclusive of items given below from ii to v)	3,30,000
(ii)	Swachh Bharat cess levied on sale of the goods	12,500
(iii)	Packing expenses charged separately in the invoice	10,800
(iv)	Discount of 1% on list price of goods was provided (recorded in the invoice of goods)	
(v)	Subsidy received from State Govt. for encouraging women entrepreneurs	5,000

Compute the value of taxable supply and the gross GST liability of Ms. Achintya for the month of March 2018 assuming rate of CGST to be 9% and SGST to be 9%. All the amounts given above are exclusive of GST.

[CA Inter Exams Nov. 2018, 5 Marks]

**Answer:** Computation of value of taxable supply and gross GST liability of Ms. Achintya for the month of March, 2018

Particulars	Rs.
List price of the goods	3,30,000
Add: Swachh Bharat Cess (SBC) levied on sale of goods [Note-1]	12,500
Add: Packing expenses [Note-2]	10,800
Less: Subsidy received from State Government [Note-3]	(5,000)
Less: Discount @ 1% on list price [Note-4]	(3,300)
Value of taxable supply	3,45,000
CGST @ 9%	31,050
SGST @ 9%	31,050
Gross GST liability	62,100

Notes: As per section 15 of CGST Act, 2017,

- Any taxes, duties and cesses levied under any law other than CGST, SGST is includible in the value.
- Packing expenses being incidental expenses, are includible in the value.
- Since subsidy is received from State Government, the same is not includible in the value. It has been assumed that such subsidies are directly linked to the price of the goods. Further, since the same has not been adjusted in the list price, the same is to be excluded from the list price.
- Since discount is known at the time of supply, it is deductible from the value.

Note:



- (i) In the above answer, the term "exclusive" mentioned in the question has been taken to be as "not adjusted in the list price", i.e. the list price given in the question is before adjusting the amount of discount and subsidy. However, it is also possible to take a view that the list price "excludes" amount of discount and subsidy. Therefore, the same need not be deducted again from the list price to arrive at the taxable value.
- (ii) Read SBC as other taxes.

### Question 10

Kamal Book Depot, a wholesaler of stationery items, registered in Mumbai, has received order for supply of stationery items worth Rs. 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:-

S.No.	Particulars	Amount (Rs.)
(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 Rs. 10,00,000 to be delivered in the month of December, 20XX\*\*. On receipt of second order, Kamal Book Depot allowed a discount of Rs. 20,000 on the first order placed by Mr. Mehta.

Compute the GST liability of Kamal Book Depot for the month of November, 20XX assuming the rates of GST on the goods supplied as under: CGST 9% & SGST 9%

Would your answer be different if expenses (i) to (v) given in above table are already included in the price of Rs. 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

RTP May 2019

### Answer:

Computation of value of taxable supply and tax liability

S.No.	Particulars	Amount (Rs.)
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	Price of the goods [Note-1]	2,00,000
(i)	Packing charges [Note-2]	5,000
(ii)	Freight & Cartage [Note-3]	2,000
(iii)	Transit Insurance [Note-3]	1,500
(iv)	Extra Designing charges [Note-4]	6,000
(v)	Taxes by Municipal Authority [Note-5]	500
	Value of taxable supply	2,15,000
	CGST @ 9%	19,350
	SGST @ 9%	19,350

**Notes:-**

1. As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e. the price actually paid or payable for the said supply.
2. All incidental expenses including packing charged by the supplier to the recipient are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
3. The given supply is a composite supply involving supply of goods (stationery items) and services (transit insurance and freight) where the principal supply is the supply of goods.

As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.

4. Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; is includible in the value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.
5. The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
6. In the given case, Mr. Mehta is allowed a discount of Rs. 20,000 on the goods supplied to him in the month of November, 20XX. Since the said goods have already been delivered by Kamal Book Depot, this discount will be a post-supply discount.

Further, value of supply shall not include any discount which is given after the supply has been effected, if—

- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017].

However, in the given case, post-supply discount given to Mr. Mehta will not be allowed as a deduction from the value of supply since the discount policy was not known 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)

In case the expenses (i) to (v) given in above table are already included in the price of Rs. 2,00,000. Since these expenses are includible in the value of supply by virtue of the reasons mentioned in explanatory notes above, no further addition will be required. Resultantly, the value of taxable supply will be Rs. 2,00,000 and CGST and SGST will be Rs. 18,000 and Rs. 18,000 respectively

### Question 20

Candy Blue Ltd., Mumbai, a registered supplier, is manufacturing Chocolates and Biscuits. It provides the following details of taxable inter-state supply made by it for the month of October, 2017.

Particulars	Amount in (Rs.)
List price of goods supplied inter-state	12,40,000
Items already adjusted in the price given in (i) above:	
(1) Subsidy from Central Government for supply of biscuits to Government School	1,20,000
(2) Subsidy from Trade Association for supply of quality biscuits	30,000
Items not adjusted in the price given in (i) above:	
(3) Tax levied by Municipal Authority	24,000
(4) Packing Charges	12,000
(5) Late fee paid by the recipient of supply for delayed payment of invoice	5,000

Calculate the value of taxable supply made by M/s Candy Blue Ltd. for the month of Oct, 2017.

[10M]

**Answer** Computation of value of taxable supply made by Candy Blue Ltd. for the month of October, 2017

Particulars	(Rs.)
List Price of the goods	12,40,000
Add: Subsidy amounting to Rs. 1,20,000 received from Central Government [Since subsidy is received from Government, the same is not includible in the value in terms of section 15 of the CGST Act, 2017.]	NIL
Subsidy received from Trade Association [Since subsidy is received from a non-Government body, the same is includible in the value in terms of section 15 of the CGST Act, 2017.]	30,000
Tax levied by the Municipal Authority [Includible in the value as per section 15 of the CGST Act, 2017]	24,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017]	12,000



Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15 of the CGST Act, 2017]	5,000
Value of taxable supply	13,11,000

**Note:** In the above solution, list price of the goods and late fee for delayed payment of invoice have been assumed to be exclusive of taxes.

### Question 21

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. Namu Shankar Ltd. has furnished the following details for the current month:

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

Items given in points (ii) to (v) have not been considered while arriving at price of the goods given in point (i) above. Compute the GST liability [CGST & SGST or IGST, as the case may be] of Namu 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.

RTP Nov. 2021, MTP May 2022

**Answer**

Computation of GST liability

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



(iv)	Add: Weightment charges (Note-1)		2,000
(v)	Less: Discount for prompt payment (Note-2)		(1000)
	Value of taxable supply	11000	31,000
	IGST payable @ 18% (Note-3)	1980	
	CGST payable @ 9% (Note-4)		2790
	SGST payable @ 9% (Note-4)		2790

**Notes:**

- Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weightment charges are also incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].
- Since discount is known at the time of supply, it is deductible from the value in terms of section 15 of the CGST Act, 2017.
- Since supply made to Narad Traders is an inter-State supply, IGST is payable in terms of section 5 of the IGST Act, 2017.
- Since supply made to Nandi Motors Ltd. is an intra-State supply, CGST & SGST is payable on the same.

**Question 22**

Guru Enterprises (Delhi), a registered taxpayer, made a taxable supply to Y Ltd. (Delhi). The details of the said supply are as follows:

[MTP Sept. 2024, 5 Marks][MTP May 2023, 5 Marks]

Particulars	Amount (Rs.)
Price of the goods (excluding any tax or discounts)	10,00,000
Tax levied by the Municipal Authority	10,000
Subsidy received from Jiva Enterprises Pvt Ltd. (The price above is after consideration of such subsidy amount)	1,00,000
Amount incurred by Y Ltd. for post delivery inspection. (Charges incurred post receipt of goods by Y Ltd.)	5,000

In respect of above supply, Guru Enterprises had procured some raw material from X Ltd., for which it owed Rs. 25,000. The said amount was directly paid by Y Ltd. to X Ltd. and was not included in the price of goods of Rs.10,00,000 mentioned above.

The payment of consideration for above supply was delayed by Y Ltd. Hence, an interest amount of Rs. 20,000 (in lumpsum) was also charged by Guru Enterprises.

The applicable tax rates are - CGST - 6%, SGST - 6% and IGST - 12%. You are required to determine the taxable value as well as the applicable tax liability for the said supply transaction.



## Answer:

## Computation of taxable value and tax liability

Particulars	Amount (Rs.)
Price of goods (exclusive of tax and discounts)	10,00,000
Add: Tax levied by Municipal Authority [Tax other than GST, if charged separately, are includible in the value.]	10,000
Add: Subsidy received from Jiva Enterprises Pvt. Ltd. [Subsidy provided by non-Government bodies and which is directly linked to the price is includible.]	1,00,000
Add: Post-delivery inspection charges [Anything done by the supplier in respect of the supply of goods after the delivery of goods is not includible in value.]	-
Add: Amount directly paid by Y Ltd. to X Ltd. [Liability of the supplier, in relation to the supply being valued, if discharged by the recipient of supply and not included in the price, is includible in the value.]	25,000
Add: Interest [Interest for delayed payment of consideration is includible in the value. Since interest is received in lumpsum, amount is inclusive of GST [Rs. 20,000 x 100/112] (rounded off).]	17,857
Value of taxable supply	11,52,857
CGST @ 6%	69,171
SGST @ 6%	69,171

## Question 23

A manufacturer of machinery supplied a special machine to Modern Furnishers. Following details are provided in relation to amounts charged:

S. No.	Particulars	Rs.
(i)	Price of machinery excluding taxes (before cash discount)	5,00,000
	Additional charges not included above:-	
(ii)	Freight	13,000
(iii)	Packing charges	10,000
(iv)	Charges for designing the machine	17,000

Other information furnished is -

(a) Cash discount @ 2% on price of machinery has been allowed to the customer at the time of supply and also recorded in invoice.

(b) GST rate - 18%.

Calculate value of supply of the special machine.



Answer

## Computation of value of special machine

Particulars	Rs.
Price of machinery	5,00,000
Add: Freight [Note 1]	13,000
Packing charges [Note 2]	10,000
Designing charges [Note 3]	17,000
Total	5,40,000
Less: 2% cash discount on price of machinery [Rs. 5,00,000 x 2%] [Note 4]	10,000
Value of taxable supply	5,30,000

Notes:

- 1) Supply of machinery (goods) with supply of ancillary services like freight is a composite supply, the principle supply of which is the supply of machinery. Thus, value of such ancillary supply is includible in the value of composite supply.
- 2) All incidental expenses including packing charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.
- 3) Designing charges are includible in the value of supply as any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is so includible in terms of section 15(2)(c) of CGST Act, 2017.
- 4) Cash discount was given at the time of supply and also recorded in invoice, so the same is not to be included while computing value of supply in terms of section 15(3)(a) of CGST Act, 2017.

## Multiple Choice Questions

## Question 1

Pradeep Traders, registered in Haryana, sold goods inter-State for Rs. 2,05,000 to Balram Pvt. Ltd. registered in Uttar Pradesh (GST is leviable @ 5% on said goods). As per the terms of sales contract, Pradeep Traders has to deliver the goods at the factory of Balram Pvt. Ltd. For this purpose, Pradeep Traders has charged freight of Rs. 2,400 from Balram Pvt. Ltd. GST is leviable @ 12% on freight. What would be the net GST liability to be paid in cash in this case assuming that the amounts given herein are exclusive of GST?

- (a) IGST – Rs. 37,332 (b) IGST – Rs. 10,370  
(c) CGST – Rs. 18,666 & SGST – Rs. 18,666 (d) CGST – Rs. 5,185 & SGST – Rs. 5,185

## Question 2

Discount given after the supply has been effected is deducted from the value of taxable supply, if –

- (i) such discount is given as per the agreement entered into at/or before the time of such supply
- (ii) such discount is linked to the relevant invoices



(iii) proportionate input tax credit is reversed by the recipient of supply

(a) (i)

(b) (i) and (ii)

(c) (ii) and (iii)

(d) (i), (ii) and (iii)

MTTP Nov. 2021, 2 Marks

### Question 3

With reference to the provisions relating to transaction value under section 15 of the CGST Act, 2017 which of the following is not correct?

- (a) Central excise duty will not be included in transaction value for supply of tobacco.
- (b) Municipal taxes paid by tenant will be included in transaction value for supply of renting service.
- (c) Entertainment tax included in movie ticket will form part of transaction value.
- (d) Customer makes payment of freight which is payable by the supplier, directly to the service provider. However, supplier does not include this amount in the invoice. Such amount will be included in transaction value of the supplier.

### Answer Key

01	(b)	02	(d)	03	(a)
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Roke Tujhko Aandhiyan, Kya Zameen Aur  
Aasma, Payega Jo Lakshya Hai Tera..



# CHAPTER 05

# INPUT TAX CREDIT (ITC)



## Section A – ICAI Study Material Questions

### Question 1 (SM Illustration)

Rimjhim Sales, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of Rs. 10 lakh, from various suppliers during the month of January, 2022. Out of 100 invoices, details of 80 invoices involving GST of Rs. 6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and such details have also been duly communicated to the recipients of such invoices in Form GSTR-2B.

Compute the ITC that can be claimed by Rimjhim Sales in its GSTR-3B for the month of January, 2022 to be filed by 20th February assuming that GST of Rs. 10 lakh is otherwise eligible for ITC.

**RTP Nov. 22**

**Answer:** ITC to be claimed by Rimjhim Sales in its GSTR-3B for the month of January to be filed by 20th February will be computed as under-

Invoices	Amount of ITC involved in the invoices (Rs.)	Amount of ITC that can be availed (Rs.)
80 invoices furnished in GSTR-1	6 lakh	6 lakh [Refer Note 1]
20 invoices not furnished in GSTR-1	4 lakh	Nil [Refer Note 2]
Total	10 lakh	6 lakh

### Notes:

- (1) 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1.
- (2) Input tax credit in respect of any supply of goods or services or both is available to a registered person only, inter alia, if the details of the invoice/debit note in respect of said supply has been furnished by the supplier in the statement of outward supplies (GSTR-1, as amended by GSTR-1A) and such details of input tax credit in respect of such invoice/debit note have been communicated to the recipient of such invoice/debit note in the manner specified under section 37. Thus, in respect of 20 invoices not furnished in GSTR-1s, no ITC is available.



**Question 2 (SM Illustration)**

Shridhar Co. Ltd., a registered supplier, is engaged in the manufacture of heavy machinery. It procured the following items during the month of March.

Sl.	Items	GST paid (Rs.)
(i)	Sweets for consumption of employees working in the factory	50,000
(ii)	Raw material	1,00,000
(iii)	Trucks used for the transport of raw material	2,00,000
(iv)	Electrical transformers to be used in the manufacturing process	4,00,000

Determine the amount of input tax credit available with Shridhar Co. Ltd., for the month of March by giving necessary explanations for treatment of various items.

[MTP Nov. 2018, 4 Marks]

Note: All the conditions necessary for availing the input tax credit have been fulfilled.

**Answer:** Computation of ITC available with Shridhar Co. Ltd. for the month of March

Sl.	Items	ITC (Rs.)
(i)	Sweets for consumption of employees working in the factory [Note-1]	Nil
(ii)	Raw material [Note-2]	1,00,000
(iii)	Trucks used for the transport of raw material [Note-3]	2,00,000
(iv)	Electrical transformers [Note-4]	4,00,000
	<b>Total ITC</b>	<b>7,00,000</b>

Notes:-

1. ITC on food or beverages is specifically disallowed 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- Section 17(5)(b)(i).
2. Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).
3. Though ITC on motor vehicles has been specifically disallowed under section 17(5)(a), ITC on motor vehicles used for transportation of goods is allowed under section 17(5)(a)(ii).
4. Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).

**Question 3**

XYZ Ltd., registered under GST, is engaged in manufacture of taxable goods. Compute the ITC that can be availed by XYZ Ltd. for the month of October from the following particulars:-

SN	Inward supplies	GST (Rs.)	Remarks
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1	Inputs 'A'	1,00,000	One invoice on which GST payable was Rs 10,000, is missing
2	Inputs 'B'	50,500	Inputs are to be received in two lots. First lot has been received in October
3	Capital goods	1,20,000	XYZ Ltd. has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value
4	Input services	2,25,000	One invoice dated 20th January on which GST payable was Rs 50,000 was missing and has been found in October

Note:

- Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.
- The annual return for the previous financial year was filed on 15th September.

**Answer:** Computation of ITC that can be availed by XYZ Ltd. for the month of October

SN	Inward supplies	ITC (Rs.)
1	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC-Section 16(2)(a)]	90,000
2	Inputs 'B' [When inputs are received in lots, ITC can be availed only on receipt of last lot-First proviso to section 16(2)]	Nil
3	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component - Section 16(3)]	Nil
4	Input services [As per section 16(4), ITC on an invoice cannot be availed after 30th November following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the previous financial year has been filed on 15th September (prior to 30th November), ITC on the invoice pertaining to previous financial year cannot be availed after 15th September.	1,75,000
	<b>Total ITC</b>	<b>2,65,000</b>

#### Question 4

XT Pvt. Ltd., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (Rs.)
Intra-State supply of goods	8,00,000
Inter-State supply of goods	3,00,000



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

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

The company has following opening balance of ITCs for the tax period:

Particulars	Amount (Rs.)
CGST	57,000
SGST	Nil
IGST	70,000

Note:

- Rates 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 minimum GST, payable in cash, by XT Pvt. Ltd. for the tax period. Make suitable assumptions as required.

**Answer:**

#### Computation of GST payable on outward supplies

Sl.	Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
1.	Intra-State supply of goods for Rs. 8,00,000	72,000	72,000		1,44,000
2.	Inter-State supply of goods for Rs. 3,00,000			54,000	54,000
	<b>Total GST payable</b>				<b>1,98,000</b>

#### Computation of total ITC

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	57,000	Nil	70,000
Add: ITC on Intra-State purchases of goods valuing Rs. 2,00,000	18,000	18,000	Nil
Add: ITC on Inter-State purchases of goods valuing Rs. 50,000	Nil	Nil	9,000
<b>Total ITC</b>	<b>75,000</b>	<b>18,000</b>	<b>79,000</b>



Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
GST payable	72,000	72,000	54,000	1,98,000
Less : ITC [First ITC of IGST should be utilized in full first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(Nil) IGST	(25,000) IGST	(54,000) IGST	79,000
ITC of CGST and SGST set off against CGST and SGST respectively	(72,000) CGST	(18,000) SGST		90,000
Minimum GST payable in cash	Nil	29,000	Nil	29,000

**Note :** Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow.

**Question 5**

What is input tax?

**Answer:** Input tax means the central tax (CGST), State tax (SGST), Integrated tax (IGST) or Union territory tax (UTGST) charged on supply of goods or services or both made to a registered person. It also includes tax paid on reverse charge basis and Integrated goods and services tax charged on import of goods. It does not include tax paid under composition levy.

**Question 6**

What are the conditions necessary for availing ITC?

[MTP Nov. 2020, MTP Nov. 2022, 5 Marks]

**Answer:** Following six conditions are to be satisfied by the registered taxable person for obtaining ITC:

- he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
- the details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37;
- he has received the goods or services or both;
- the details of ITC in respect of the said supply communicated to the recipient u/s 38 has not been restricted;
- subject to section 41, the supplier has actually paid the tax charged in respect of the supply to the Government; and
- he has furnished the return under section 39.

**Question 7**

Can a person take ITC without payment of consideration for the supply along with tax?



**Answer:** Yes, the recipient can take ITC. However, he 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.

### Question 8

What is the time limit for taking ITC and reasons therefore?

**Answer:** ITC on invoices pertaining to a financial year or debit notes pertaining to a financial year can be availed any time till 30<sup>th</sup> November of the succeeding financial year or the actual date of filing of the relevant annual return, whichever is earlier.

The underlying reasoning for this restriction is that no change in return is permitted after November of next financial year. If annual return is filed before the month of November, then, no change can be made after filing of annual return.

### Question 9

What is the ITC entitlement of a newly registered person? [MTP May 2022, MTP Nov. 2022, 5 Marks]

**Answer:** A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

In case of voluntary registration, ITC of such goods held in stock on the day immediately preceding the date of registration can be taken.

### Question 10

What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

**Answer:** In case of supply of capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to the ITC taken on the said capital goods or plant and machinery reduced by 5% per quarter or part thereof from the date of invoice or the tax on the transaction value of such capital goods, whichever is higher. [MTP May 2021, 5 Marks]

However, in case of refractory bricks, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

### Question 11

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.

**Answer:** As per section 18(3), in case of sale, merger, demerger, amalgamation, transfer or change in ownership of business etc., the ITC that remains unutilized in the electronic credit ledger of the registered person can be transferred to the new entity, provided there is a specific provision for transfer of liabilities in such change of constitution.

The registered person should furnish the details of change in constitution on the common portal and submit a certificate from practicing Chartered Account/Cost Accountant certifying that the change in



constitution has been done with a specific provision for transfer of liabilities. Upon acceptance of such details by the transferee on the common portal, the unutilized ITC gets credited to his electronic credit ledger. The transferee should record the inputs and capital goods so transferred in his books of account.

### Question 12

Swastik Pvt. Ltd. is a manufacturer of taxable goods. It purchased a machinery for Rs. 8,00,000 on which IGST of Rs. 14,400 is paid. The company has claimed depreciation under the Income-tax Act, 1961 on the full value of the machine, i.e. including the IGST component as also availed ITC of Rs. 14,400 paid by it as IGST. Examine if the stand taken by the company is correct in law.

**Answer:** As per section 16(3), if the person taking the ITC on capital goods and plant and machinery has claimed depreciation on the tax component of the cost of the said items under the Income-tax Act 1961, the ITC on the said tax component shall not be allowed.

Since in the given case, Swastik Pvt. Ltd. has claimed depreciation on the tax component of the cost of the machine, it cannot claim ITC of IGST of Rs. 14,400 paid by it on the machine. It can either claim depreciation on the tax component or avail ITC of such tax but cannot avail both the benefits simultaneously.

### Question 13

Sigma Consultants, an LLP of finance professionals, provides financial consultancy services. It made an advance payment of Rs. 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 Rs. 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.

**Answer:** As per section 16(2)(b), 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.

In the given case, Sigma Consultants has paid IGST of Rs. 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 the month of October as the services in relation to which the advance payment has been made have not been received in that month.

### Question 14

A taxable person is in the business of information technology. He buys a car (maximum seating capacity - 5 persons) for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such car?

**Answer:** No. ITC on motor vehicles for transportation of persons with seating capacity of up to 13 persons (including driver), can be availed only if the taxable person is in the business of transport of passengers or is providing the services of imparting training on driving such motor vehicles or is in the business of supply of such motor vehicles.

### Question 15



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.

**Answer:** 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 in terms of section 16(1) of the IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

### Question 16

'AB', a registered person, was paying tax under composition scheme up to 30<sup>th</sup> July. However, w.e.f. 31<sup>st</sup> July, 'AB' becomes liable to pay tax under regular scheme. Is 'AB' eligible for any ITC?

**Answer:** 'AB' is eligible for ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and capital goods as on 30<sup>th</sup> July. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

### Question 17

Babla Enterprises is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1<sup>st</sup> October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla Enterprises was Rs. 50 lakh. Examine the eligibility of Babla Enterprises for availing ITC, if any.

**Answer:** Since the exemption available on goods being supplied by Babla Enterprises gets withdrawn, it becomes liable to registration as its turnover has crossed the threshold limit on the day when the exemption is withdrawn. [RTP Nov. 2020]

Assuming that Babla Enterprises applies for registration within 30 days of 1<sup>st</sup> October and it obtains such registration, it will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30<sup>th</sup> September [Section 18(1)(a)]. Input tax paid on capital goods will not be available as ITC in this case.

### Question 18

Mamta Trade Links trades in exempt goods and provides taxable services. It is registered under GST. On 1<sup>st</sup> October, the exemption available on its goods gets withdrawn.

Analyze the scenario and determine the eligibility of Mamta Trade Links for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods. [RTP Nov. 2020]

**Answer:** If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) become applicable. In the given case, since Mamta Trade Links is a registered person, section 18(1)(d) will be applicable.

As per section 18(1)(d), Mamta Trade Links will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately



preceding the date from which such supply becomes taxable, i.e. 30<sup>th</sup> September. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

### Question 19

Harshgeet Pvt. Ltd., a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to purchases made/services availed by it during the month of July:

Sl.	Particulars	GST (Rs.)
(1)	Raw Material (to be received in the month of September)	2,50,000
(2)	Membership of a club availed for employees working in the factory	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those items is Rs. 80,000)	1,50,000

Determine the amount of ITC available with Harshgeet Pvt. Ltd. for the month of July by giving the necessary explanation for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

[CA Inter Nov. 2018, 5 Marks]

**Answer:**

Computation of ITC available with Harshgeet Pvt. Ltd. for the month of July

Particulars	ITC (Rs.)
Raw Material [ITC not available as raw material is not received in July]	Nil
Membership of a club availed for employees working in the factory [Blocked credit in terms of section 17(5)]	Nil
Inputs to be received in 5 lots, out of which 3rd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles used for transportation of goods is allowed unconditionally]	40,000
Capital goods [ITC can be availed only on the basis of a valid document (invoice). Thus, GST paid on items for which invoice is missing, i.e. Rs. 80,000, is not available.]	70,000
<b>Total ITC</b>	<b>1,10,000</b>

### Question 20

Jamku Ltd. a registered person is engaged in the business of spices. It provides following details for GST paid during October, 2018.

Sl.	Particulars	GST Paid (Rs.)
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1.	Raw spices purchase -Raw spices used for furtherance of business	50,000
	-Raw spices used for personal use of Directors	20,000
2.	Electric machinery purchased to be used in the manufacturing process.	25,000
3.	Motor vehicle used for transportation of the employee	55,000
4.	Payment made for material and to contractor for construction of staff quarter.	1,25,000

Determine the amount of ITC available to Jamku Ltd. for the month October, 2018 with all related workings and explanations.

All the conditions necessary for availing the ITC have been fulfilled.

[CA Inter May 2019, 4 Marks]

**Answer:** Computation of ITC available with Jamku Ltd. for the month of October 2018

Particulars	GST paid
Purchase of raw spices for furtherance of business [Note-1]	50,000
Purchase of raw spices for personal use of directors [Note-2]	Nil
Electric machinery purchased to be used in the manufacturing process [Note-1]	25,000
Motor vehicle used for transportation of employee [Note-3]	Nil
Payment made for material and to contractor for construction of staff quarter [Note-4]	Nil
<b>Total ITC</b>	<b>75,000</b>

**Notes:-**

- Every registered person is entitled to take credit of input tax charged on any supply of goods to him which are used or intended to be used in the course or furtherance of his business.
- ITC is not available on goods used for personal consumption.
- ITC on motor vehicles can be availed, inter alia, when they are used for making the taxable supply of transportation of passengers. In the given case, since the supplier is in the business of spices, it cannot avail credit on motor vehicle used for transportation of the employee. Thus, ITC on motor vehicle used for transportation of the employee is blocked credit. [Assuming that motor vehicle is having approved seating capacity of upto 13 passengers (including driver).]
- ITC is not available on goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.

### Question 21

Dina Ltd., a registered supplier from Maharashtra, is engaged in the manufacturing of Passenger auto. The company provides the following details of purchases made/services availed by it during the month of March, 2019:



Sl.	Particulars	GST Paid (Rs.)
i.	Purchase of iron which is used as a raw material [Goods were received in two instalments, first one in March, 2019 and the second instalment was received in April, 2019]	2,50,000
ii.	Purchase of accessories which were delivered directly to the dealers of the company. Only invoice was received by Dina Ltd.	90,000
iii.	Purchase of Bus (seating capacity 15) for the transportation of employees from their residence to company and back	1,97,000
iv.	Input tax on general insurance taken on a car used by Executives of the company for official purposes	5,200
v.	Payment made to M/s Tasty Caterers for providing daily breakfast & lunch to the employees of the company, as a voluntary staff welfare measure	54,700

You are required to determine the eligible Input tax credit available to M/s Dina Ltd. for the month of March, 2019, by giving brief explanations for treatment of various items. Subject to the information given above, all the other conditions necessary for availing input tax credit have been fulfilled.

[CA Inter Nov. 2019, 5 Marks]

**Answer:**

Computation of input tax credit (ITC) available with Dina Ltd. for the month of March 2019

Particulars	ITC (Rs.)
Purchase of iron used as a raw material [Note-1]	Nil
Purchase of accessories delivered directly to the dealers of the company (It has been presumed in the above answer that the goods have been delivered to the dealers of the company on the direction of Dina Ltd. (registered person).) [Note-2]	90,000
Bus for the transportation of employees [Note-3]	1,97,000
General insurance taken on car used by executives of the company for official purpose [Note-4]	Nil
Payment made to caterer for providing breakfast and lunch to the employees of company [Note-5]	Nil

Notes:-

- When inputs are received in instalments, ITC can be availed only on the receipt of last instalment. Hence, since last instalment is received in April 2019, ITC cannot be availed in March 2019.
- Goods delivered to another person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. Thus, ITC is available to the registered person, on whose order/direction the goods are delivered to a third person.



3. ITC on motor vehicles for transportation of persons with seating capacity  $> 13$  persons (including the driver) used for any purpose is allowed.
4. ITC on motor vehicles for transportation of persons with seating capacity  $\leq 13$  persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.  
Since, the car is not used for any of the eligible purposes, ITC thereon is blocked and thus, ITC on general insurance taken on such car is also blocked.
5. ITC on outdoor catering is blocked except (i) in the case of sub-contracting, i.e. when such service is used by the taxpayer who is in the same line of business (ii) when such service is provided by the employer to its employees under a statutory obligation. Since the company is not an outdoor caterer and it is providing such services to its employees as a voluntary staff welfare measure, ITC on such outdoor catering services is blocked.

### Question 22

Comfortable (P) Ltd. is registered under GST in the State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from High-Fi Infotech (P) Ltd. For Rs. 11,00,000/- (excluding GST @ 18%) on 28<sup>th</sup> October. Invoice for service rendered was issued on 5<sup>th</sup> November.

Comfortable (P) Ltd. made part payment of Rs. 4,20,000/- on 30<sup>th</sup> November. Being unhappy with service provided by High-Fi Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by High-Fi Infotech (P) Ltd. by 15<sup>th</sup> April of next year. Comfortable (P) Ltd. made the balance payment on 6<sup>th</sup> July of next year.

Examine the availability of ITC with Comfortable (P) Ltd. in respect of IT engineering services received by it from High-Fi Infotech (P) Ltd.

**Answer:** Every registered person is entitled to take credit of input tax charged on any supply of goods and/or services which are used or intended to be used in the course or furtherance of his business if, inter alia, he is in possession of a tax invoice issued by a supplier and he has received the goods and/or services.

The registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. In the event of failure to do so, the corresponding credits availed by the registered person would be reversed or paid, with interest. However, once the recipient makes the payment of value of goods and/or services along with tax, he will be entitled to avail the credit again without any time limit. In case part-payment has been made, proportionate credit would be allowed.

In the given case, High-Fi Infotech (P) Ltd. provides the service in the month of October and Comfortable (P) Ltd. receives the invoice in the month of November. Therefore, in view of the above provisions and assuming all other conditions required for availing ITC having been fulfilled, ITC of Rs. 1,98,000 (Rs. 11,00,000  $\times$  18%) will be availed by Comfortable (P) Ltd. in the month of November when it receives the invoice issued by High-Fi Infotech (P) Ltd.



However, proportionate ITC amounting to Rs. 1,33,932  $[(Rs. 12,98,000 - Rs. 4,20,000)/118] \times 18]$  will be reversed or paid by Comfortable (P) Ltd. as full payment has not been made within 180 days of issuance of the invoice, i.e. by 4<sup>th</sup> May of next year. ITC of Rs. 1,33,932 can, however, be availed again by Comfortable (P) Ltd. in the month of July next year when it makes the balance payment.

### Question 23

M/s. Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ Rs. 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 @ Rs. 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. Shubhkamna Sales. Note: All the parties are registered under GST and rate of GST is 18%.

**Answer:** One of the conditions for availing ITC is that the registered person taking the ITC must have received the goods and / or services. However, goods delivered to a third person on the direction of the registered person by way of 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.

In the 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, in view of the above provisions, ITC of Rs. 2,250  $(Rs. 50 \times 250 \times 18\%)$  will be available to M/s. Diwan & Sons (registered person) on the purchase of 250 kg of plastic granules @ 50 per kg.

Further, in this case there is another supply between Diwan & Sons (supplier) and Shubhkamna Sales (recipient). Therefore, Shubhkamna Sales can avail ITC of Rs. 2,700  $(Rs. 60 \times 250 \times 18\%)$  on the purchase of 250 kg of plastic granules @ 60 per kg.

### Question 24

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

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

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

Particulars	Amount (Rs.)
Intra-State purchases of goods	3,00,000



Inter-State purchases of goods

2,50,000

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

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

Note:

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

Compute the minimum GST, payable in cash, by Paritosh & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required. [MTP Nov. 2020, Nov. 2023]

**Answer:****Computation of GST payable on outward supplies**

Sl.	Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
(i)	Intra-State supply of goods for Rs. 10,00,000	90000	90000		180000
(ii)	Inter-State supply of goods for Rs. 8,00,000			144000	144000
	<b>Total GST payable</b>				<b>324000</b>

**Computation of total ITC**

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	57000	60000	1,40,000
Add: ITC on Intra-State purchases of goods valuing Rs. 3,00,000	27000	27000	Nil
Add: ITC on Inter-State purchases of goods valuing Rs. 2,50,000	Nil	Nil	45000
<b>Total ITC</b>	<b>84000</b>	<b>87000</b>	<b>1,85,000</b>

**Computation of minimum GST payable from electronic cash ledger**

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
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GST payable	90000	90000	144000	324000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(38,000) IGST	(3,000) IGST	(1,44,000) IGST	1,85,000
	(52,000) CGST	(87,000) SGST		1,39,000
Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	32,000	Nil	Nil	32,000

**Note:** The above computation is one of the many ways to set off the ITC of IGST (Rs. 41,000—after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. To illustrate, IGST of Rs. 10,000 can be set off against SGST payable and IGST of Rs. 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be Rs. 25,000 and Rs. 7,000 (totaling to Rs. 32,000) respectively. However, if the entire ITC of Rs. 41,000 is set off against CGST payable, then SGST of Rs. 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable.

### Question 25

Examine the authority vested under CGST Act, 2017 for preventing a registered person from utilising the input tax credit availed in a fraudulent manner?

**Answer:** Every registered person, shall avail the input tax credit 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 the basis of self assessment. As per provisions contained in Rule 86A, 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, he may prohibit use of ITC for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.

## Section B – Additional Questions

### Past RTPs, MTPs, And Exams Papers

#### Question 26

As per the CGST Act 2017, Vishnu Limited was not mandatorily required to get registered, however it opted for voluntary registration and applied for registration on 12<sup>th</sup> February 2024. Registration certificate has been granted by the Department on 24<sup>th</sup> February 2024, Vishnu Limited is not engaged in making inter-State outward taxable supplies. The CGST and SGST liability for the month of February,



2024 is Rs. 31,000 each. Vishnu Limited provides the following information of goods held in stock on 23 February 2024:

SL	Particulars	Amount(Rs.)
1	Capital goods procured on 5 <sup>th</sup> February 2024, (Rate of CGST and SGST @ 6% each) being intra State supply.	2,00,000
2	Inputs contained in finished goods stock held were procured on 13 <sup>th</sup> February 2023 (Rate of IGST @18%) being inter-State supply.	3,00,000
3	Value of Inputs received on 10 <sup>th</sup> October, 2023 contained in semi-finished goods held in stock (Rate of CGST and SGST @ 6% each) being intra-State supply.	2,50,000
4	Inputs procured on 1 <sup>st</sup> February 2024 lying in stock of semi -finished goods (Rate of CGST and SGST @ 7.5 % each) being intra-State supply.	1,50,000
5	Inputs procured on 8 <sup>th</sup> February 2024 lying in stock of finished goods. (Rate of IGST @ 18%) being inter-State supply.	60,000

You are required to determine the eligible ITC available and amount of net minimum GST to be paid in cash by Vishnu Limited for the month of February 2024.

[CA Inter Exams May 24, 5 Marks]

**Answer:** Computation of minimum net GST to be paid in cash by Vishnu Limited for the month of February 2024

Particulars	CGST (Rs.)	SGST (Rs.)
Output tax liability for the month	31,000	31,000
Less: Input tax credit (ITC) [Refer note below]	5,400 (IGST)	5,400 (IGST)
IGST credit is utilized first for payment of CGST and SGST liability in equal proportion. CGST credit is utilized for payment of CGST liability and SGST credit is utilized for payment of SGST liability.	25,600 (CGST)	25,600(SGST)
Net GST payable (in cash)	Nil	Nil

**Note:** Person taking voluntary registration can avail ITC on inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration, i.e. on 23.02.2024, only within 1 year from date of issue of tax invoice by supplier.

#### Computation of eligible ITC available

Particulars	CGST(Rs.)	SGST(Rs.)	IGST(Rs.)
Capital goods [Person taking voluntary registration cannot avail ITC on capital goods held on the day immediately preceding the date of grant of registration.]	Nil	Nil	Nil



Inputs procured on 13 <sup>th</sup> February 2023	Nil	Nil	Nil
Inputs procured on 10 <sup>th</sup> October 2023	15,000	15,000	Nil
Inputs procured on 1 <sup>st</sup> February 2024	11,250	11,250	Nil
Inputs procured on 8 <sup>th</sup> February 2024	Nil	Nil	10,800
Total ITC	26,250	26,250	10,800

It is assumed that amounts mentioned in the question are exclusive of GST. However, it is also possible to solve the question by assuming the amounts given in the question to be inclusive of tax.

**Note:** In the above answer, minimum net GST to be paid in cash has been computed by setting off the IGST liability in equal proportion so as to minimize the amount of CGST and SGST payable in cash. Resultantly, Net GST payable (in cash) is Nil each under CGST and SGST.

However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in other possible ways as well.

### Question 28

M/s. ABC & Co., a chartered accountancy firm, has its office in Bengaluru. It is registered under GST in the State of Karnataka. In the month of April, it supplied statutory audit services to Dhruv Manufacturers of Karnataka for Rs. 1,20,000. Further, it charged Rs. 1,60,000 for the ITR filing services provided to the recipients located within Karnataka in said month. It also received Rs. 1,80,000 for internal audit services provided to a client registered in Mumbai, Maharashtra. All the amounts are exclusive of GST.

M/s. ABC & Co. has also provided following information regarding the expenses incurred in the month of April for the purpose of providing the taxable services:

SN	Particulars	CGST (Rs)	SGST (Rs)
1	Membership fee of a club (located in Bengaluru) paid for a senior partner of the firm	2,000	2,000
2	Rent paid to landlord, who is registered in State of Karnataka, for office located in Karnataka (Refer Note below)	3,850	3,850
3	Professional fee paid to Mr. Jamnadas, a practicing Chartered Accountant, for professional services availed [TDS of 20,000 is deducted under section 194J of the Income-tax Act, 1961]	18,000	18,000
4	Air conditioner purchased for office purpose	3,000	3,000

**Note** - Landlord did not furnish his GSTR-1 within the prescribed time resulting in the GST amount not being reflected in GSTR-2B of M/s. ABC & Co.



Other suppliers have duly furnished their GSTR-1 within the prescribed time and GST amount is reflected in GSTR-2B of M/s. ABC & Co.

Compute the net GST payable in cash by M/s. ABC & Co. for the month of April.

Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively assuming that all the remaining conditions of utilisation of ITC are fulfilled.

[MTP Sep. 2024, 10 Marks]

**Answer:** Computation of net GST payable by ABC & Co. for the month of April

Particulars	Value of supply	CGST(Rs)	SGST(Rs)	IGST(Rs)
Intra-State statutory audit services	1,20,000	10,800	10,800	
Intra-State ITR filing services	1,60,000	14,400	14,400	
Inter-State internal audit services since place of supply is location of recipient, i.e. Mumbai, Maharashtra	1,80,000	—	—	32,400
Total output tax liability		25,200	25,200	32,400
Less: ITC [Refer Working Note] [CGST credit is set off against CGST liability and 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		4,200	4,200	32,400

Working Note:

Computation of ITC that can be availed

Particulars	CGST (Rs)	SGST (Rs)
Computation of eligible ITC		
Membership fee paid [ITC on membership of a club is blocked except when such services are provided by an employer to its employees under a statutory obligation.]	Nil	Nil
Office rent paid to landlord [No ITC since the supplier did not furnish the details of invoice in his GSTR-1 and said details are not being reflected in GSTR-2B of the recipient.]	Nil	Nil
Professional fee paid [ITC on services used in the course/furtherance of the business is allowed.]	18,000	18,000
Air conditioner for office purpose [ITC on goods used in the	3,000	3,000



course/furtherance of the business is allowed.]		
Total eligible ITC	21,000	21,000

**Question 29**

Mr. Atul of Chennai is a registered dealer under GST. He has an opening balance of input tax credit of Rs. 1,20,000 (IGST) lying in the electronic credit ledger relating to the month of November, 2022. During the month, a legal proceeding has been initiated under the GST law which resulted in a tax liability of Rs. 80,000 (IGST, other than RCM liability). Mr. Atul agrees with the tax liability and wants to use the balance lying in the electronic credit ledger towards payment of same.

He seeks your opinion with regard to the provisions of GST laws as to whether he is allowed to use the amount lying in the electronic credit ledger for making the payment of tax liability, payable as a consequence of the proceeding?

[CA Intermediate Nov. 2023, 3 Marks]

**Answer:** The amount available in the electronic credit ledger of IGST may be used for making any payment towards tax under the CGST Act or the SGST Act or the IGST Act other than tax payable under reverse charge.

It is clarified that any payment towards output tax, payable as a consequence of any proceeding instituted under the provisions of GST laws, can be made by utilization of the amount available in the electronic credit ledger of a registered person.

Thus, Mr. Atul is allowed to use the credit of IGST in electronic credit ledger for making payment of tax liability of Rs. 80,000, payable as a consequence of the legal proceeding.

**Question 30**

Briefly explain the provisions relating to reversal of input tax credit in case of non-payment of tax by the supplier and re-availment thereof?

[CA Intermediate Nov. 2023, 5 Marks]

**Answer:** Where a registered person (recipient) avails ITC in GSTR-3B for a tax period in respect of an invoice/debit note details of which have been furnished by supplier in GSTR-1, as amended by GSTR-1A, or using IFF, but supplier does not furnish his return till 30th September following the end of FY in which the ITC in respect of invoice/debit note has been availed, then the amount of ITC shall be reversed by recipient, while furnishing a return in Form GSTR-3B on or before 30th November following the end of such FY during which such ITC has been availed.

However, where the said amount of ITC is not so reversed by recipient, such amount shall be payable by the said person along with interest.

Further, where the said supplier subsequently furnishes the return in Form GSTR-3B for the said tax period, the said registered person may re-avail the amount of such credit in the return in Form GSTR-3B for a tax period thereafter.

**Question 31**



Miss Nitya, proprietor of M/s. Honest Enterprise, a registered supplier of taxable goods and services in the state of West Bengal, pays GST under regular scheme. It is not eligible for any threshold exemption. It provided the following information for the month of December 2022:

S.No.	Particulars	Amount (Rs.)
<b>OUTWARD SUPPLY:</b>		
(i)	Intra-state supply of goods to M/s. Natural & Sons	7,00,000
(ii)	Intra-state transfer of goods to its branch office in the state of West Bengal. Both places are under the same GSTIN.	1,00,000
(iii)	Provided inter-state supply of sponsorship services to XYZ Ltd of Chennai	80,000
(iv)	Advance received for future supply of management consultancy service to Mr. Sharad (Intra-state supply)	40,000
<b>INWARD SUPPLY: (Intra-state)</b>		
(i)	Purchase of taxable goods from registered suppliers.	8,00,000
(ii)	Availed Works Contract service for repair of office building. Amount of repair was debited in the profit & loss account.	30,000
(iii)	Availed legal service from an advocate to represent the matter in the Court relating to collection of disputed proceed from customers.	50,000

Notes:

(i) Rate of CGST, SGST and IGST on all supplies are as below:

Particulars	CGST	SGST	IGST
Goods	2.5%	2.5%	5%
Supply of services	9%	9%	18%

(ii) Both inward and outward supplies given above are exclusive of taxes.

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

(iv) Working note should form part of the answer.

Compute the net minimum GST payable in cash by M/s. Honest Enterprise for the month of December 2022.

ICA Intermediate Nov. 2023, 8 Marks

**Answer:** Computation of minimum net GST payable in cash by M/s Honest Enterprise for the month of December 2022

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
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## GST payable under forward charge

Intra-State supply of goods to M/s Natural & Sons	7,00,000	17,500 [7,00,000 × 2.5%]	17,500 [7,00,000 × 2.5%]	
Intra-State branch transfer [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]	1,00,000			
Inter-State supply of sponsorship service to XYZ Ltd. of Chennai [Since sponsorship service is provided to a body corporate, tax on the same is payable by recipient - XYZ Ltd. - under reverse charge.]	80,000			
Advance received for future intra-State supply of management consultancy service (In case of supply of service, tax is payable at the time of receipt of advance amount too)	40,000	3,600 [40,000 × 9%]	3,600 [40,000 × 9%]	
Total output tax		21,100	21,100	
Less: ITC utilized		27,200	27,200	
Net GST payable [A]		Nil	Nil	
Legal services availed [B] [Tax on legal services availed by a business entity from an advocate is payable under reverse charge. Further, tax payable under reverse charge cannot be set off against ITC and thus, reverse charge has to be paid in cash since the tax payable under reverse charge is not an output tax.]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	
Minimum net GST payable in cash [A] + [B]		4,500	4,500	

## Working Note:

## Computation of ITC available

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Intra-State purchase of taxable goods [ITC of goods used in the course/furtherance of business is available.]	8,00,000	20,000 [8,00,000 × 2.5%]	20,000 [8,00,000 × 2.5%]	



Works contract service for repair of office [ITC is available since the repair amount is debited in the profit & loss account and not capitalized in the books of account.]	30,000	2,700 [30,000 × 9%]	2,700 [30,000 × 9%]
Legal services availed [ITC of services used in the course/ furtherance of business is available]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]
Total		27,200	27,200

### Question 32

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

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

Additional information :-

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

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

S.No.	Particulars	GST (Rs.)
1.	Raw material (to be received in the month of April)	8,50,000
2.	Membership of a club availed for employees working in the factory (not obligatory to be provided under any law)	4,00,000
3.	Inputs to be received in 6 lots, out of which 1st lot was received during the month	3,50,000



4.	Trucks used for transport of raw material	
5.	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those items is Rs. 2,82,000)	1,50,000
		3,50,000

Note:

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

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

**Answer:** [RTP Nov. 2023]  
Computation of net GST payable in cash

Particulars	Value of supply (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 9% (Rs.)
Supply of machinery [Refer Working Note]	15,75,000			2,83,500
Less: ITC available				2,18,000
Net GST payable in cash				65,500

Note: IGST is payable on the inter-State transactions.

Computation of total value of taxable supply made by Chill Ltd. during the month of March

Particulars	Amount (Rs.)
List price of the machinery	10,00,000
Subsidy amounting to Rs. 2,10,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	Nil
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	2,00,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a) of the CGST Act, 2017]	2,50,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c) of the CGST Act, 2017]	1,25,000
Total value of taxable supplies	15,75,000



Computation of ITC that can be availed by Chill Ltd. for the month of March

Particulars	ITC (Rs.)
Raw Material [ITC not available as raw material is not received in March]	Nil
Membership of a club availed for employees working in the factory (not obligatory to be provided under any law) [ITC is blocked in terms of section 17(5) of the CGST Act, 2017]	Nil
Inputs to be received in 6 lots, out of which 1st lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles used for transportation of goods is allowed unconditionally]	1,50,000
Capital goods [ITC can be availed only on the basis of a valid document (invoice). Thus, GST paid on items for which invoice is missing, i.e. Rs. 2,82,000, is not available.]	68,000
Total ITC	2,18,000

### Question 33

"Rule 86A of the CGST Rules, 2017 provides that in certain specified circumstances, Commissioner on the basis of reasonable belief may not allow debit of an amount equivalent to such credit in electronic credit ledger."

State the grounds (as guided by CBIC) on which the reasons for such belief must be based on. (5 Marks)

### Answer

[CA Intermediate May 2023, 5 Marks]

The reasons for such belief must be based on one or more of the following grounds:

- (1) The credit is availed by the registered person on the invoices/debit notes issued by a supplier, who is found to be non-existent or is found not to be conducting any business from the place declared in registration.
- (2) The credit is availed by the registered person on invoices/debit notes, without actually receiving any goods and/or services.
- (3) The credit is availed by the registered person on invoices/debit notes, the tax in respect of which has not been paid to the Government.
- (4) The registered person claiming the credit is found to be non-existent or is found not to be conducting any business from the place declared in registration.
- (5) The credit is availed by the registered person without having any invoice/debit note or any other valid document for it.

### Question 34

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



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

Particulars	Rs.
Value of goods	4,00,000
Value of freight charges charged separately in above invoices	1,00,000

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

Particulars	Rs.
Value of services component of invoices	3,00,000
Value of parts / spares component in invoices	50,000

- (iii) In order to enhance their sales and to clear the stock of old models of air - conditioner, Jino Enterprises made combo offers to customers wherein, if a customer purchases an Air-conditioner along with a stabilizer, the same is offered at a combo price of Rs. 20,000 as against the original price of Rs. 30,000 (Air-conditioner Rs. 22,000 & stabilizer Rs. 8,000) if these are purchased separately. During October, 2022, Jino Enterprises had made inter-State supply of 10 numbers of such combo products.
- (iv) Purchased business class air tickets for intra State travel from Guwahati Airport, Assam to Dibrugarh Airport, Assam for its executive employees relating to business of the concern. Basic air fare was Rs. 40,000 and airlines charges GST @ 2.5% CGST, SGST each on basic freight, in case the same is applicable.

Additional Information:

- (a) All the figures mentioned above are exclusive of taxes.
- (b) In respect of few of the invoices relating to F.Y. 2021 -2022, involving ITC of CGST Rs. 20,000, SGST of Rs. 20,000, IGST Rs. 80,000 was not taken earlier. Jino Enterprises now want to avail credit in respect of such invoices in the current month.
- (c) The rates of GST applicable on various supplies are as follows:

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

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

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

Answer:

CA Intermediate May 2023, 8 Marks



Computation of minimum CGST, SGST and IGST payable in cash by Jino Enterprises for the month of October, 2022

Particulars		Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Intra-State supply of air-conditioners		5,00,000	30,000	30,000	
[Since goods are agreed to be delivered at customer's doorsteps, supply of air- conditioners along with transportation thereof is a composite supply which is treated as the supply of the principal supply (viz. air- conditioners). Accordingly, rate of principal supply, i.e. air-conditioners will be charged.]		[4,00,000 + 1,00,000]	[5,00,000 * 6%]	[5,00,000 * 6%]	
Intra-State supply of repairing services	[Since parts/ spares and repair services are not naturally bundled, they are taxable separately at the applicable rates.]	3,00,000	27,000	27,000	
			[3,00,000 * 9%]	[3,00,000 * 9%]	
Intra-State supply of parts / spares		50,000	3,000	3,000	
			[50,000 * 6%]	[50,000 * 6%]	
Inter-State supply of 10 combos of air-conditioners and stabilizers		2,00,000			36,000
[Since supplies are not naturally bundled and a single price is being charged, it is a mixed supply. It is treated as supply of that particular supply which attracts highest tax rate(i.e., stabilizers).]		[20,000 * 10]			[2,00,000 * 18%]
Total output tax			60,000	60,000	36,000
Less: Input Tax Credit [Refer Working Note below]			(22,000)	(22,000)	(36,000)
[IGST credit is first utilized for payment of IGST liability. Remaining IGST credit has been utilised for payment of CGST and SGST in such proportion to keep the liability at its minimum. After exhausting IGST credit, CGST and SGST credits have been utilized. CGST credit is utilized for payment of CGST and SGST credit is utilised for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.]			(IGST)	(IGST)	(IGST)
			(21,000)	(21,000)	
			(CGST)	(SGST)	
Minimum net GST payable in cash			17,000	17,000	Nil



Working Note: Computation of ITC available

Particulars	CGST (Rs.)	SGST (Rs.)	IGST(Rs.)
Purchase of business class air tickets for travel from Assam [Not exempt, since air travel embarking from Assam is not being undertaken in economy class. Further, ITC is available since service is used in the course/furtherance of business.]	1,000 [40,000* 2.5%]	1,000 [40,000* 2.5%]	
Invoices relating to FY 2021-222 [ITC in respect of any invoice can be taken upto 30th November following the end of FY to which such invoice relates or furnishing of the relevant annual return, whichever is earlier.]	20,000	20,000	30,000
Total ITC available	21,000	21,000	30,000

**Question 35**

Mr. B, a registered supplier of Uttar Pradesh, is doing the trading of taxable goods. He approaches you to understand the manner of utilisation of available Input Tax Credit (ITC). With reference to provisions of payment of tax, state the manner of utilisation of ITC under GST law. **[CA Inter May 2022, 5 Marks]**

**Answer:** The manner of utilisation of ITC under GST law is as under:

1. IGST credit should first be utilized towards payment of IGST.
2. Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.
3. Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
4. Subsequently, ITC of CGST should be utilized for payment of CGST and IGST in that order.
5. ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order.
6. ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.

ITC of SGST/UTGST cannot be utilized for payment of CGST and vice versa.

**Question 36**

Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand, is engaged in the manufacturing of washing machines & mixer grinders. It provides you the details of various activities undertaken during the month of September, 2021 as follows:

Sl.	Particulars	Amount (Rs.)
(i)	Outward supplies made during the month	
a.	Within Jharkhand	Rs. 24,00,000
b.	Outside Jharkhand	Rs. 5,00,000
		29,00,000



(ii)	Purchase of raw materials from registered dealers within Jharkhand which includes materials worth Rs. 2,00,000 purchased from Mr. Krishna, a registered person who is paying tax under composition scheme.	7,00,000
(iii)	Bus purchased from a registered dealer in Tatanagar, Jharkhand. Bus used to ferry its 25 workers to and from factory.	12,00,000

Assume the rates of GST applicable on various supplies as follows:

Nature of supply	CGST	SGST	IGST
Composition supplies	0.5%	0.5%	-
Bus	14%	14%	28%
Raw material	6%	6%	12%
Washing machines & mixer grinders	9%	9%	18%

Opening balances of input tax credit as on 01/09/2021 were as follows:

CGST(Rs.)	SGST(Rs.)	IGST(Rs.)
20000	5000	95000

Note:

- All the figures mentioned above are exclusive of taxes.
- 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.
- Subject to information given above, all the other conditions necessary for availing ITC have been fulfilled.

Calculate the amount of net minimum GST payable in cash by Zeon Ltd. for the month of September 2021.

Brief and suitable notes should form part of your answer.

CA Inter May 2022, 8 Marks

**Answer:** Computation of minimum net GST payable in cash by Zeon Ltd. for the month of September 2021

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Outward supplies made within Jharkhand	2,16,000 [24,00,000 × 9%]	2,16,000 [24,00,000 × 9%]	
Outward supplies made outside Jharkhand			90,000



Total output tax			$[5,00,000 \times 18\%]$
	2,16,000	2,16,000	90,000
Less: Input Tax Credit [Refer Working Note below][IGST credit be first utilized for payment of IGST liability. Remaining IGST credit has been utilized for payment of SGST liability since the SGST liability is to be kept at minimum. After exhausting IGST credit, CGST and SGST credit to be utilized. CGST credit to be utilized for payment of CGST and SGST credit to be utilized for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.]		5,000 (IGST)	(90,000) (IGST)
	2,16,000 (CGST)		
		2,03,000 (SGST)	
Minimum net GST payable in cash	Nil	8,000	Nil
ITC to be carried forward next month	2,000		

Working Note:

## Computation of ITC available

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Opening balance	20,000	5,000	95,000
Purchase of raw materials from registered dealers within Jharkhand [7,00,000 - 2,00,000] [ITC on purchases of goods worth Rs. 2,00,000 on which tax has been paid under composition scheme is blocked. ITC on remaining purchases worth Rs. 5,00,000 is available, being supply of goods used/intended to be used in the course/furtherance of business.]			
Bus purchased from dealer in Jharkhand used to ferry 25 workers to and from factory [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,68,000 [12,00,000 × 14%]	1,68,000 [12,00,000 × 14%]	
Total ITC available	2,18,000	2,03,000	95,000

## Question 37

Star Ltd., a registered supplier in Karnataka has provided the following details for supply of one machine:



	Particulars	Amount in (Rs.)
(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 Rs. 5,000 as subsidy from a NGO on sale of each such machine, The Price of Rs. 80,000 of the machine is after considering such subsidy.

During the month of February, 2020, Star Ltd. supplied three machines to Intra-State customers and one machine to Inter-State customer.

Star Ltd. purchased inputs (intra-State) for Rs. 1,20,000 exclusive of GST for supplying the above four machines during the month.

The Balance of ITC at the beginning of February, 2020 was:

CGST	SGST	IGST
18,000	4,000	26,000

Note:

- Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively for both inward and outward supplies.
- All the amounts given above are exclusive of GST.
- All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum net GST payable in cash by Star Ltd. for the month of February, 2020.

**Answer:** [CA Inter Jan. 2021, 8 Marks] [CA Inter MTP Sept. 2024, 10 Marks]

Computation of value of taxable supply

Particulars	Amount (Rs.)
List price of the machine	80,000
Add: Tax levied by Local Authority on the sale of machine [Tax other than GST, if charged separately, are includible in the value in terms of section 15 of the CGST Act, 2017.]	6,000
Add: Packing expenses for safe transportation [Includible in the value as per section 15 of the CGST Act, 2017.]	4,000
Add: Subsidy received from a NGO on sale of each machine [Subsidy received from a non-Government body and which is directly linked to the price, the same is included in the value in terms of section 15 of the CGST Act, 2017.]	5,000



Total	95,000
Less: Discount @ 2% on Rs. 80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15 of the CGST Act, 2017.]	1,600
Value of taxable supply	93,400

Computation of minimum net GST payable in cash by Star Ltd.

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Sale of machine [Intra-State sales = Rs. 93,400 x 3 machines = Rs. 2,80,200, Inter-State sales = Rs. 93,400 x 1 machine = Rs. 93,400]	25,218 [2,80,200 x 9%]	25,218 [2,80,200 x 9%]	16,812 [93,400 x 18%]
Total output tax	25,218	25,218	16,812
Less: Set off of IGST against IGST and SGST [IGST credit first be utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion]		(9,188)	(16,812)
Less: Set off of CGST against CGST and SGST against SGST [CGST credit cannot be utilized towards payment of SGST and vice versa.]	(25,218)	(14,800)	
Minimum net GST payable in cash	Nil	1,230	

Working Note:

Computation of total ITC available

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Opening balance of ITC	18,000	4,000	20,000
Add: Inputs purchased during the month	10,800 [Rs. 1,20,000 x 9%]	10,800 [Rs. 1,20,000 x 9%]	
Total ITC available	28,800	14,800	20,000

### Question 38

X Electronics is a registered manufacturer of electrical appliances. It made contract with dealers, that purchase of air conditioners of capacity 1.5 ton in the month of October, 2020 of quantity of more than



50 units will entitle them for 10% discount. Inter-State supply made during the month of October 2020 is Rs. 50,00,000 Details of Intra-State supply:

Particulars	Amount (Rs.)
Supply of Microwave Oven	15,00,000
Supply of Refrigerators with Stabilizers being a mixed supply, rate of GST on Refrigerator is 28% (14% CGST & 14% SGST), rate of GST on Stabilizer is 18% (9% CGST & 9% SGST)	40,00,000
Supply of Air Conditioners of capacity 1.5 Ton @ Rs. 50,000 per Air Conditioner	50,00,000

Intra-State inward supplies are:

Particulars	Amount (Rs.)
Raw material	20,00,000
Paid Gym membership for employees	50,000
Truck purchased for transportation of goods	30,00,000

X Electronics made supply of Air Conditioners (capacity 1.5 ton) to only one dealer named Mr. L. Gym membership for employees is not obligatory for X Electronics under any law.

Opening Balance of ITC is as under:

CGST: Rs. 58,000

SGST: Rs. 70,000

IGST: Rs. 10,00,000

Note:

- Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.
- Both inward and outward supplies are exclusive of taxes.
- All the conditions for availing the ITC have been fulfilled.

Compute the Net GST payable in cash by X Electronics for the month of October, 2020.

CA Inter July 2021, 8 Marks

**Answer:**

Computation of net GST payable in cash by X Electronics for October 2020

	Particulars	Amount (Rs.)	CGST(Rs.)	SGST(Rs.)	IGST(Rs.)
I.	Intra-State supply				
	Supply of microwave oven	15,00,000	1,35,000	1,35,000	



	Supply of refrigerators with stabilizers [Being mixed supply, the supply shall be treated as a supply of that particular supply which attracts the highest rate of tax and taxed accordingly. Thus, it will be taxed @ 14% CGST and 14% SGST.]	40,00,000	5,60,000	5,60,000	
	Supply of 100 (Rs. 50 lakh/ Rs. 50,000) air conditioners [Since 100 air conditioners have been supplied, discount @ 10% will be available.] <sup>1</sup>	45,00,000 [Rs. 50,00,000 x 90%]	4,05,000	4,05,000	
II	Inter-State supply @ 18%	50,00,000			9,00,000
	Total outward tax liability		11,00,000	11,00,000	9,00,000
	Less: Input Tax Credit (Refer Working Note below)				
	IGST credit first utilized towards payment of IGST. Remaining amount can be utilized towards CGST and SGST in any order and in any proportion		1,00,000 (IGST)		9,00,000 (IGST)
	CGST credit set off against CGST liability and SGST credit set off against SGST liability as CGST credit cannot be utilized towards payment of SGST and vice versa.		5,08,000 (CGST)	5,20,000 (SGST)	
			4,92,000	5,80,000	Nil

<sup>1</sup>It has been presumed that there is one supply transaction for 100 ACs and thus, the discount has been given in the invoice itself. Alternatively, even if there have been multiple supply transactions for the ACs during the month and the discount has been given vide credit note, it has been presumed that the credit note has been issued in October 2020 and all other conditions prescribed in section 15(3)(b) of the CGST Act, 2017 have been complied with. Thus, the effect of the discount has been adjusted in the month of October 2020 itself.

#### Working Note

Particulars		CGST(Rs.)	SGST(Rs.)	IGST(Rs.)
Opening balance of ITC		58,000	70,000	10,00,000
Intra-State inward supplies				
Raw material	20,00,000	1,80,000	1,80,000	



Gym membership for employees [ITC on membership of a health and fitness centre is blocked if there is no statutory obligation for the employer to provide the same.]	50,000	Nil	Nil	
Truck purchased for transportation of goods [ITC on motor vehicles used for transportation of goods is not blocked.][It has been assumed that depreciation has not been claimed on tax component.]	30,00,000	2,70,000	2,70,000	
Total ITC		5,08,000	5,20,000	10,00,000

Note: In the above answer, tax payable in cash has been computed by setting off the IGST credit against CGST liability. However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in different other ways as well. In all such cases, net CGST and net SGST payable in cash will differ though the total amount of net GST payable (Rs. 10,72,000) in cash will remain the same.

### Question 39

A Ltd. procured the following goods in the month of December, 2020.

	Inward Supplies	GST (Rs.)
(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	9,350
(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	8,250

Compute the amount of ITC available with A Ltd. for the month of December 2020 by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled.

[CA Inter Exams MTP Sept. 2024, 6 Marks][CA Inter Exams July 2021, 6 Marks]

**Answer:**

Computation of amount of ITC available for the month of December 2020

S. No.	Particulars	GST (Rs.)
(1)	Goods used in construction of additional floor of office building [ITC on goods received by a taxable person for construction of an immovable property on his own account is blocked even if the same is used in the course or furtherance of business. It has been	Nil



	assumed that cost of construction of additional floor has been capitalized.]	
(2)	Goods given as free samples to prospective customers [ITC on goods disposed of by way of free samples is blocked.]	Nil
(3)	Trucks used for transportation of inputs in the factory [ITC on motor vehicles used for transportation of goods is not blocked.]	11,000
(4)	Inputs used in trial runs [Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed.]	9,850
(5)	Confectionary items for consumption of employees working in the factory [ITC on food or beverages is blocked unless the same is used in same line of business or as an element of the taxable composite or mixed supply. Further, ITC on goods and/or service used for personal consumption is blocked.]	Nil
(6)	Cement used for making foundation and structural support to plant and machinery [ITC on goods used for construction of plant and machinery is not blocked. Plant and machinery includes foundation and structural supports through which the same is fixed to earth.]	8,050
	<b>Total eligible ITC</b>	<b>28,900</b>

**Question 40**

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:

SN	Particulars	Amount (Rs.)
(i)	Inter-State	85,00,000
(ii)	Intra-State	15,00,000

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

S. No.	Particulars	CGST paid (Rs.)	SGST paid (Rs.)
(i)	Raw material A (of which 70% of inputs procured were used and 30% were in stock at the end of the January, 2020)	60,000	60,000
(ii)	Raw material B (of which 90% material received in factory and remaining material completely damaged due to a road accident on the way to factory. There was no negligence on the part of the KNK Ltd.)	50,000	50,000
(iii)	Construction of pipelines laid outside the factory premises	30,000	30,000
(iv)	Insurance charges paid for trucks used for transportation of goods.	55,000	55,000



## Additional Information:

- 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.
- Details of GST paid on inward supplies are available in GSTR-2B except for item (i) i.e. Raw Material A, for which supplier has not filed its GSTR-1 for the month of January 20XX, hence corresponding input tax credit (ITC) is not reflecting in GSTR-2B of KNK Ltd. in January, 20XX.

Compute the following:

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

Working notes should form part of your answer.

**Modified, CA Inter Nov. 2020, 8 Marks**

**Answer:**

- Computation of amount of eligible ITC available for the month of January, 20XX

SN	Particulars	CGST (Rs.)	SGST (Rs.)
(i)	Raw materials B (90%) [Note-1]	45,000	45,000
(ii)	Construction of pipelines laid outside the factory premises [Note-2]	Nil	Nil
(iii)	Insurance charges paid for trucks used for transportation of goods [Note-3]	55,000	55,000
(iv)	Raw materials A [Note-4]	Nil	Nil
(v)	Eligible ITC on invoices the details of which are available in GSTR-2B	1,00,000 (45,000 + 55,000)	1,00,000 (45,000 + 55,000)
	<b>Total eligible ITC</b>	<b>1,00,000</b>	<b>1,00,000</b>

**Notes:**

- ITC on goods destroyed is blocked under section 17 of the CGST Act, 2017.
- ITC on works contract services availed for construction of plant and machinery is allowed but pipelines laid outside the factory premises are excluded from the definition of plant and machinery and hence, ITC thereon is blocked.
- ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is also allowed on insurance services relating to motor vehicles, ITC on which is allowed.
- Where invoice has not been furnished by the supplier in its GSTR-1, as amended by GSTR-1A, then No ITC can be availed in respect of such invoice.

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

Particulars	Value (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
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Inter-State outward supplies	85,00,000			15,30,000
Intra-State outward supplies	15,00,000	1,35,000	1,35,000	
Total output tax payable		1,35,000	1,35,000	15,30,000
Less: Set off of CGST and SGST credit against CGST and SGST liability respectively		(1,00,000)	(1,00,000)	
Minimum net GST payable in cash		35,000	35,000	15,30,000

**Question 41**

Who can impose restrictions on utilization of input tax credit (ITC) available in the electronic credit ledger and under what circumstances can restrictions be imposed under the CGST Rules 2017?

**CA Inter Nov. 2020, 5 Marks**

**Answer:** The Commissioner or an officer (not below the rank of an Assistant Commissioner) authorised by him has been empowered to impose restrictions on utilization of ITC available in the electronic credit ledger.

The restrictions can be imposed under the CGST Rules, 2017 in the following circumstances:

- (i) ITC has been availed on the basis of tax invoices/valid documents –
  - issued by a non-existent supplier or by a person not conducting any business from the registered place of business; or
  - without receipt of goods and/or services; or
  - the tax in relation to which has not been paid to the Government.
- (ii) Registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business; or
- (iii) Registered person availing ITC is not in possession of tax invoice/valid document.

**Question 42**

Mr. Himanshu, a registered supplier of chemicals, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies for the month of September 2018:

Intra-State supply of goods	Rs. 25,00,000
Inter-State supply of goods	Rs. 5,00,000

He has also made the following inward supply :

Intra-State purchase of goods from registered dealer	Rs. 14,00,000
Intra-State purchase of goods from unregistered dealer	Rs. 2,00,000
Inter-State purchase of goods from registered dealer	Rs. 4,00,000

Balance of ITC at the beginning of September 2018:

CGST	Rs. 95,000
SGST	Rs. 60,000
IGST	Rs. 50,000



## Additional Information:

- He purchased a car (Intra-State supply) used for business purpose at a price of Rs. 6,72,000/- (including CGST of Rs. 36,000 & SGST of Rs. 36,000) on September 15, 2018. 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 Rs. 1,00,000 were received on October 3, 2018 due to road traffic jams.

## Note:

- Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
- Both inward and outward supplies given above are exclusive of taxes, wherever applicable.
- 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, 2018.

[CA Inter May 2019, 8 Marks]

## Answer:

## Computation of net GST payable in cash of Mr. Himanshu for September, 2018

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Total tax 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 tax liability (A)		2,25,000	2,25,000	90,000
Input Tax Credit (ITC)				
Brought forward ITC		95,000	60,000	50,000
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 and 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)		2,21,000	1,86,000	1,04,000
Net GST liability = (A)-(B)		4,000	39,000	(14,000)
Less: Set off from IGST credit [Note-5]		4,000	10,000	
Net GST payable in cash		Nil	29,000	Nil

## 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, are exempt from the whole of the tax leviable thereon under reverse charge till 30.09.2019. Since no tax has been paid, so no credit is available.
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. 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 Rs. 1,00,000 have not been received by Mr. Himanshu in the month of September 2018, credit in respect of same cannot be claimed in the said month.
5. Under the amended position of law, the IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash [i.e. GST liability] as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

#### Question 43

Documents based on which ITC is taken should contain at least certain details. What are they?

**[CA Inter Nov. 2019, 4 Marks]**

**Answer:** The documents based on which ITC is taken should contain at least the following details:

- (i) Amount of tax charged
- (ii) Description of goods or services
- (iii) Total value of supply of goods and/or services
- (iv) GSTIN of the supplier and recipient
- (v) Place of supply in case of inter-State supply

#### Question 44

Fun Pharma Private Limited, a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information of GST paid on the purchases made/input services availed by it during the month of September 2017 :

	Particulars	GST paid (Rs.)
(i)	Purchase of cabs used for the transportation of its employees	3,30,000
(ii)	Inputs consisting of three lots, out of which first lot was received during the month	1,25,000
(iii)	Capital Goods (out of three items, invoice for one item was missing and GST paid on that item was Rs. 25,000)	2,50,000
(iv)	Outdoor catering service availed on Women's day	72,000



Determine the amount of input tax credit available with M/s Fun Pharma Private Limited for the month of September, 2017 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.

CA Inter May 2018, 4 Marks

**Answer:** Computation of input tax credit available with Fun Pharma Pvt Ltd. for the month of Sep., 2017

Particulars	Rs.
Purchase of cabs used for the transportation of its employees [Note-1]	Nil
Inputs consisting of three lots, out of which first lot was received during the month [Note-2]	Nil
Capital goods [Note-3]	2,25,000
Outdoor catering service availed on Women's day [Note-4]	Nil
Total ITC	2,25,000

**Notes:-**

1. Section 17 of CGST Act, 2017 provides that ITC on motor vehicles can be availed, inter alia, when they are used for making the taxable supply of transportation of passengers i.e., if the taxable person is in the business of transport of passengers. In the given case, since the supplier is a manufacturer, it cannot avail credit on cabs used for transportation of its employees.
2. When inputs are received in instalments, ITC can be availed only on receipt of last instalment in terms of section 16 of CGST Act, 2017.
3. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC vide section 16 of CGST Act, 2017.
4. ITC on outdoor catering is specifically disallowed 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 in terms of section 17 of CGST Act, 2017.

#### Question 45

Bharat Associates Pvt. Ltd. purchased machinery worth Rs. 9,00,000 (excluding GST) on 20-07-2017 on which it paid GST @ 18% and availed the ITC. On 05-03-2018, it sold the machinery for Rs. 7,00,000 (excluding GST) to Hindustan Associates Pvt. Ltd. The GST rate on sale is 18%. What will be the course of action for Bharat Associates Pvt. Ltd. to follow under CGST Act, 2017?

CA Inter May 2018, 4 Marks

**Answer:** If capital goods or plant and machinery on which input tax credit (ITC) has been taken are supplied outward by a registered person, he must pay an amount that is higher of the following:

- (a) ITC taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods or
- (b) tax on transaction value.

Accordingly, the amount payable on supply of machinery by Bharat Associates Pvt. Ltd. shall be computed as follows:



Particulars	Rs.
ITC taken on the machinery (Rs. 9,00,000 × 18%)	1,62,000
Less: ITC pertaining to the period of usage of the capital goods = (Rs. 1,62,000 × 5%) × 3 quarters	24,300
Amount of reduced ITC based on percentage points (A)	1,37,700
Duty leviable on transaction value (Rs. 7,00,000 × 18%) (B)	1,26,000
Amount payable towards disposal of machinery is higher of (A) and (B)	1,37,700

**Question 46**

Mr. Ajay, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 2017:

S. No.	Particulars	(Rs.)
(i)	Inter-state taxable supply of goods	10,00,000
(ii)	Intra state taxable supply of goods	2,00,000
(iii)	Intra state purchase of taxable goods	5,00,000

He has the following input tax credit at the beginning of August 2017:

Nature	ITC Amount in (Rs.)
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 2017.

[CA Inter May 2018, 6 Marks][MTP Nov. 2018, 6 Marks]

**Answer:**

**Computation of net GST payable by Mr. Ajay for the month of August, 2017**

**Working of GST payable on Outward supplies**

S.No.	Particulars	(Rs.)	GST (Rs.)
(i)	Intra-State taxable supply of goods		
	CGST @ 9% on Rs. 2,00,000	18,000	
	SGST @ 9% on Rs. 2,00,000	18,000	36,000
(ii)	Inter-State taxable supply of goods		



IGST @ 18% on Rs. 10,00,000	1,80,000
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## Computation of total ITC

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

## Computation of GST payable from cash ledger

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
GST payable	18,000	18,000	1,80,000
Less: ITC	(18,000)-CGST	(18,000)-SGST	(25,000)-IGST
			(47,000)-CGST
			(57,000)-SGST
Net GST payable	Nil	Nil	51,000

Note: ITC of IGST, CGST & SGST have been used to pay IGST in that order.

## Question 47

M/s J & Co. Chartered Accountants, a partnership firm, having its registered and 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 2017-18 was Rs. 60 lakh. Firm has submitted following information for the month of August, 2018 :

Particulars	Amount (Rs.) (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, 2018:

Particulars	Amount (Rs.)	CGST	SGST	IGST
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	(excluding GST)			
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	1,800	1,800	Nil

Notes:

- Rate of CGST, SGST and IGST to be 9%, 9% & 18% respectively, on outward supplies.
- All the conditions necessary for availing the ITC have been fulfilled.
- 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, 2018 after adjusting the GST credit. Brief reasoning should form part of your answer.

[CA Inter Nov. 2018, 4 Marks]

Answer:

Computation of net GST payable by M/s J &amp; Co. for the month of August, 2018

SN	Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
(i)	Professional services and services of ITR filing and IT consultancy [Rs. 1,00,000]	9,000	9,000	-
(ii)	Internal audit services [Rs. 50,000]	4,500	4,500	-
(iii)	Statutory audit services [Rs. 70,000]	-	-	12,600
	Total GST	13,500	13,500	12,600
	Less: ITC (Refer working note)	2,250	2,250	600
	Net GST payable	11,250	11,250	12,000

Working note: Computation of ITC available for set-off

SN	Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
(1)	ITC on courier services [Rs. 5,000]	450	450	-
(2)	ITC on railway travelling expenses for conducting of audit of M/s Tirupati Pvt. Ltd. [Rs. 12,000]	-	-	600
(3)	ITC on services availed from another professional firm at Mumbai [Rs. 20,000]	1,800	1,800	-
	Total ITC	2,250	2,250	600



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 2018:

	Particulars	GST Paid (Rs.)
(i)	Purchase of Machinery where debit note is issued	1,15,000
(ii)	Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
(iii)	Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	50,000
(iv)	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 2018 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.

[CA Inter Nov. 2018, 4 Marks]

**Answer:** Computation of input tax credit (ITC) available with CANWIN Ltd. for the month of January 2018

Particulars	GST (Rs.)
Purchase of machinery where debit note is issued [Note-1]	1,15,000
Inputs directly delivered to a job worker supported by a valid document	80,000
Computers [Note-2]	Nil
Works contract services availed for construction of staff quarters within the company premises [Note-3]	Nil
<b>Total ITC</b>	<b>1,95,000</b>

Notes:-

- Input tax credit on goods purchased on the basis of debit note which is a valid document is allowed.
- Where depreciation has been claimed on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component is not allowed.
- Input tax credit on works contract services supplied for construction of an immovable property is specifically disallowed except where it is an input service for further supply of works contract service.

#### Question 49

From the following information, compute the Net GST payable for the month of March, 2018:-

Output GST	Amount in Rs. Opening ITC as Per credit ledger
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CGST	2,000	Nil
SGST	15,000	1,000
IGST	24,000	37,000

CA Inter Nov. 2018, 4 Marks

Computation of net GST payable for the month of March, 2018

Particulars	CGST (Rs.)	SGST(Rs.)	IGST (Rs.)
Output tax payable	2,000	15,000	24,000
Less: Opening ITC as per credit ledger	(Nil) -CGST	(1,000)-SGST	(24,000)-IGST
	(2,000)-IGST	(11,000)-IGST	
Net GST payable	Nil	3,000	Nil

Note: Input tax credit of IGST has been used to pay IGST, CGST and SGST in that order.

## Question 50

Ms. Jimmy wants to adjust input tax credit for payment of interest, penalty and payment of tax under reverse charge. Explain whether she can do so.

CA Inter Nov. 2018, 3 Marks

**Answer:** The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger which may be used for making any payment towards output tax.

"Output tax" inter alia excludes tax payable on reverse charge basis.

Thus, Ms. Jimmy cannot adjust input tax credit for payment of interest, penalty as also for payment of tax under reverse charge.

## Question 51

Insight Ltd. is operating in West Bengal. The tax liability for the month of August, 2017 is as follows :

S. No.	Tax liability	West Bengal (Rs.)
		24,000
(1)	Output CGST payable	9,000
(2)	Output SGST payable	3,000
(3)	Output IGST payable	7,000
(4)	Input CGST	14,000
(5)	Input SGST	12,000
(6)	Input IGST	

CA Inter Nov. 2018, 4 Marks

Calculate tax payable and carry forward for the month of August, 2017.

**Answer:** Computation of net tax payable and carry forward for the month of August, 2017



Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Output tax payable	24,000	9,000	3,000
Less: Input tax credit [Refer note below]	(7,000)-CGST	(14,000)-SGST	(3,000)-IGST
	(9,000)-IGST		
Net GST payable	8,000	(5000) Nil	Nil

Note: ITC of IGST has been used to pay IGST and CGST in that order. Further, ITC of SGST cannot be utilised towards payment of CGST.

### Question 52

Advise regarding availability of input tax credit (ITC) under the CGST Act, 2017 in the following independent cases:-

- AMT Co. Ltd. purchased a mini bus having seating capacity of 16 persons for transportation of its employees from their residence to office and back.
- Bangur Ceramics Ltd., a manufacturing company purchased two trucks for transportation of its finished goods from the factory to dealers located in various locations within the country.
- "Hans premium" dealing in luxury cars in Chankyapuri, Delhi purchased five Skoda VRS cars for sale to customers.
- Sun & Moon Packers Pvt. Ltd. availed outdoor catering service to run a canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory.

### Answer:

[MTP May 2020, 4 Marks][RTP Nov. 2019]

Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for certain specified purposes.

Since in the given case, the mini bus has a seating capacity of 16 persons, the ITC thereon will not be blocked.

- Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons with certain exceptions. Thus, ITC on motor vehicles for transportation of goods is allowed unconditionally.

Therefore, ITC on trucks purchased by Bangur Ceramics Ltd for transportation of its finished goods from the factory to dealers located in various locations within the country is allowed.

- Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for making further supply of such motor vehicles. Being a dealer of cars, "Hans Premium" has purchased the cars for further supply. Therefore, ITC on such cars is allowed even though seating capacity is less than 13.

- Section 17(5) of the CGST Act, 2017 inter alia, blocks input tax credit in respect of outdoor catering services. However, ITC is available on such services, when the same are provided by an employer to its employees under a statutory obligation.



Thus, in view of the above-mentioned provisions, Sun & Moon packers Pvt Ltd can avail ITC in respect of outdoor catering services availed by it as the same is being provided under a statutory obligation.

**Question 53**

Mr. Charlie, a registered supplier of goods at Bhatinda who pays GST under regular scheme, has made the following transactions (exclusive of tax) during April 20XX:

Source	Purchases (Rs.)	Sales (Rs.)	Tax Rate
Rajasthan	5,00,000	10,00,000	18%
Punjab	2,50,000	8,00,000	9% each for SGST & CGST
Total	7,50,000	18,00,000	

He has complied with all the conditions for availing the input tax credit (ITC) and has the following ITC credit on 01-04-20XX:

Source	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Taxes	50,000	30,000	1,00,000

Compute the minimum net CGST, SGST and IGST payable by Mr. Charlie during April 20XX in cash?

[MTP May 2020, 8 Marks]

**Answer:**

Computation of net CGST, SGST and IGST payable in cash by Mr. Charlie during April, 20XX

Particulars	Amount (Rs.)	CGST @ 9%(Rs.)	SGST @ 9%(Rs.)	IGST @ 18%(Rs.)
Sales made outside Bhatinda (Rajasthan) - [Being inter-State sale, the same is liable to IGST.]	10,00,000			
Sales made in Punjab	8,00,000	72,000	72,000	
Total GST payable		72,000	72,000	1,80,000
ITC available during April 20XX for set off [Refer Working Note Below]	72,500	1,80,000	52,500	1,90,000
Less: Set off of IGST ITC against IGST and SGST tax liability respectively			(10,000) IGST	(1,80,000) IGST
Less: Set off of CGST ITC against CGST tax liability		(72,000) CGST		
Less: Set off of SGST ITC against SGST tax liability			(52,500) SGST	



Net tax liability payable in cash		Nil	9,500	Nil
Net ITC available		500	Nil	Nil

**Working Note**

ITC available during April, 20XX is computed as under:-

Particulars	Amount(Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening balance of ITC		50,000	30,000	1,00,000
Purchases from Rajasthan [Being inter-State purchase, IGST would have been paid on it.]	5,00,000			90,000
Purchases from Punjab	2,50,000	22,500	22,500	
Total input tax credit		72,500	52,500	1,90,000

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross-utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow.

**Question 54**

Prithviraj Pvt. Ltd., a registered supplier, is engaged in manufacturing heavy steel fabrication machine. The details pertaining to pricing of each such machine is as follows:

Sl.	Particulars	Amount (Rs.)
(1)	Price of the machine (exclusive of taxes and discounts)	5,50,000
(2)	Part fitted in the machine at the premises of the recipient [Amount has been paid by recipient directly to the supplier. However, it was Prithviraj Pvt. Ltd.'s liability to pay the said amount.]	20,000
(3)	Installation and testing charges at the premises of the recipient	25,000
(4)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the price of the machine]	50,000

Items given in points (ii) to (iv) have been excluded while arriving at price of the machine given in point (i) above. The contract includes installation and testing of machine at the recipient's premises.

Prithviraj Pvt. Ltd. has made supply of 10 such machines in the month of July. It also provided the following details pertaining to the purchases made/services availed during said month:

Sl.	Particulars	Amount (Rs.)
-----	-------------	--------------



(1)	Raw material (to be received in September)	10,00,000
(2)	Membership of a club availed for employees working in the factory	6,00,000
(3)	Trucks used for transport of raw material	3,50,000
(4)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those two items is Rs. 18,000)	7,00,000

Compute the net GST payable in cash by Prithviraj Pvt. Ltd. for the given month assuming that all the inward and outward supplies are intra-State supplies. 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. All the conditions necessary for availing the ITC have been fulfilled. Opening balance of the input tax credit for the relevant period is Nil. **1017 Nov. 2022**

**Answer:**

1. **Computation of net GST payable by Prithviraj Pvt. Ltd. for the month of July**

Particulars	CGST (Rs.)	SGST (Rs.)
GST payable on outward supplies (Refer Working note – 1)	5,80,500	5,30,500
Less: ITC (Refer Working note – 2) [ITC of CGST is utilised for payment of CGST and ITC of SGST is utilised for payment of SGST.]	76,500	76,500
Net GST payable in cash	5,04,000	5,04,000

**Working note – 1**

**Computation of GST payable on outward supply made by Prithviraj Pvt. Ltd. for the month of July**

Particulars	Amount (Rs.)
Price of machine (exclusive of taxes and discounts)	5,50,000
Amount paid by the recipient directly to the supplier (Prithviraj Pvt. Ltd.) for the part fitted in the machine [Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply.]	20,000
Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply.]	25,000



Subsidy received from Shri Ram Trust [Since the subsidy is received from a non - Government body and directly linked to the price, the same is includible in the value of supply.]	50,000
Value of taxable supply of 1 machine	6,45,000
Value of taxable supply of 10 machines [Rs. 6,45,000 x 10]	64,50,000
<b>GST payable on outward supplies</b>	
CGST @ 9%	5,80,500
SGST @ 9%	5,80,500
[Since all the outward supplies are intra-State supplies, CGST and SGST are payable on the same.]	

**Working note - 2**

Computation of ITC available with Prithviraj Pvt. Ltd. for the month of July

Particulars	CGST (Rs.)	SGST (Rs.)
Raw Material [ITC not available as raw material is not received in July]	Nil	Nil
Membership of a club availed for employees working in the factory [Blocked credit]	Nil	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles used for transportation of goods is allowed]	31,500	31,500
Capital goods [ITC of GST paid on items for which invoice is missing is not available. So, ITC of Rs. 18,000 is not available] [Rs. 63,000 - Rs. 18,000]	45,000	45,000
<b>Total ITC available</b>	<b>76,500</b>	<b>76,500</b>

Note - Since all the inward supplies are intra-State supplies, CGST @ 9% and SGST @ 9% are payable on the same.

**Question 55**

A registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. State the exceptions to said rule. **MTP May 2015**

**Answer:** The condition of payment of value of supply plus tax within 180 days does not apply in the following situations:

- Supplies on which tax is payable under reverse charge
- Deemed supplies without consideration
- Additions made to the value of supplies on account of supplier's liability in relation to such supplies being incurred by the recipient of the supply.



## Question 56

M/s. ABC & Co., a chartered accountancy firm, has its office in Bengaluru and is registered under GST in the State of Karnataka. It submitted the following information for the month of April

S.N.	Particulars	Amount of services provided excluding GST (Rs.)
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

M/s. ABC & Co. had also incurred the following expenses in the month of April for the purpose of providing the taxable services:

S.N.	Particulars	CGST (Rs.)	SGST (Rs.)
1.	Car purchased by firm for the use of senior partner of the firm for official use	42,000	42,000
2.	Office rent paid to landlord who is registered in State of Karnataka	450	450
3.	Professional fee paid to Mr. Rajesh, a practicing Chartered Accountant, for professional services availed [TDS of Rs. 20,000 is deducted under section 194J of the Income-tax Act, 1961]	18,000	18,000
4.	Computer purchased for office purpose	3,000	3,000

Out of the above 4 suppliers/service providers, landlord of office to whom rent was paid did not furnish his GSTR-1, as amended by GSTR-1A, within the specified time allowed under GST resulting in the GST amount not being reflected in GSTR-2B of M/s. ABC & Co.

Compute the net GST payable in cash by M/s. ABC & Co. for the month of April.

Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively assuming that all the remaining conditions of utilisation of ITC are fulfilled.

MTP May 2023

Answer:

Computation of net GST payable by ABC & Co. for the month of April

Particulars	Value of supply	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
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		25,200	25,200	32,400



Less: ITC [Refer Working Note]		(21,000)	(21,000)	
[CGST credit is set off against CGST liability and SGST credit is set off against SGST liability since CGST credit cannot be utilized towards payment of SGST liability and vice versa.]				
Net GST payable		4,200	4,200	32,400

Working Note:

Computation ITC that can be availed

Particulars	CGST (Rs.)	SGST (Rs.)
Computation of eligible ITC		
Car purchased for official use by senior partner [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 [No ITC since the supplier did not furnish the details of invoice in his GSTR-1, as amended by GSTR-1A and said details are not being reflected in GSTR-2B of recipient.]	NIL	NIL
Professional fee paid [ITC on services used in the course/furtherance of the business is allowed.]	18,000	18,000
Computer for office purpose [ITC on goods used in the course/furtherance of the business is allowed.]	3,000	3,000
Total eligible ITC which can be availed [ITC in respect of invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of recipient.]	21,000	21,000

## Question 57

Mr. Ekaant, a supplier registered in Delhi, is engaged in the business of sale and purchase of plastic raincoats. He furnishes the following information pertaining to inward/outward supply made by him for the month of July, 20XX:

Particulars	Amount (in lakh)
Value of inter-State outward supply to registered persons	30
Value of intra-State outward supply to registered persons	50
Value of intra-State outward supply to unregistered persons	15
Value of intra-State inward supply from registered persons	10
Value of inter-State inward supply from registered persons	5



Value of intra-State inward supply from unregistered persons

Following additional information is also provided by Mr. Ekaant:-

2

Particulars	Amount (in lakh)
IGST credit on capital goods purchased in the month of July	1.5
CGST/ SGST credit on other inward supplies [including credit Rs. 5,000 (CGST and SGST each) on account of membership of a club]	0.5
Availed consultancy services from Mr. Sujit, lawyer located in Delhi [Intra-State services]	1

The amount of ITC brought forward in the month of July, 20XX is as under:- CGST: Rs. 2 lakh  
SGST: Rs. 2 lakh      IGST: Rs. 5 lakh

Calculate the net GST liability (CGST and SGST or IGST, as the case may be) to be paid in cash for the month of July, 20XX by assuming the rates of GST as under:

CGST 9%      SGST 9%      IGST 18%

Note:

- All the amounts given above are exclusive of taxes.
- All the conditions necessary for availing the ITC have been fulfilled.

[RTP May 2019]

#### Computation of net GST liability of Mr. Ekaant

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Total tax liability				
Value of intra-State legal consultancy services i.e. inward supplies liable to reverse charge mechanism (to be paid in cash) (A) [Note-1]	1,00,000	9,000	9,000	-
Value of inter-State outward supplies (B1)	30,00,000	-	-	5,40,000
Value of intra-State outward supplies to registered as well as unregistered persons (B2) (Rs. 50,00,000 + Rs. 15,00,000)	65,00,000	5,85,000	5,85,000	-
Total (B) = (B1) + (B2)		5,85,000	5,85,000	5,40,000
Input tax Credit				
Brought forward ITC		2,00,000	2,00,000	5,00,000
Value of intra-State inward supplies from registered person [Note-2]	10,00,000	90,000	90,000	



Value of inter-State inward supplies from registered person [Note-2]	5,00,000	-	-	90,000
Value of intra-State inward supplies from unregistered person [Note-3]	2,00,000	-	-	
IGST credit of capital goods [Note- 2]				1,50,000
Credit on other inward supplies purchased in the month of July less credit on membership of a club [Note-2 & 4]		45,000	45,000	
Credit of legal consultancy services [Note-2]		9,000	9,000	
Total (C)		3,44,000	3,44,000	7,40,000
Net liability (B)-(C)		2,41,000	2,41,000	(2,00,000)
Less: Set off from IGST credit [Note-5]		2,00,000	-	-
Liability after set off (D)		41,000	2,41,000	Nil
Net GST liability to be paid in cash (A) + (D)		50,000	2,50,000	Nil

#### Notes:-

- Services supplied by an individual advocate to any business entity located in the taxable territory by way of legal services, directly or indirectly are taxable under reverse charge mechanism. Thus, tax is payable by the recipient (Mr. Ekaant) on said services to the Government.  
Further, as per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger [ITC amount] may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.
- Every registered person is entitled to take credit of input tax charged on any inward supply of goods and/or services which are used or intended to be used in the course or furtherance of his business in terms of section 16 of CGST Act, 2017. Further "input tax" in relation to a registered person includes the tax payable under reverse charge mechanism in terms of section 2(62) of the CGST Act, 2017.
- Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the central tax leviable thereon under section 9(4) till 30.09.2019 [Notification No.8/2017 CT (R) dated 28.06.2017]. Since no tax has been paid, so no credit is available.
- Input tax credit is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.
- Input tax credit of IGST has been used to pay firstly IGST and then CGST. ITC of IGST can also be used pay SGST instead of CGST or can be used for CGST/SGST in any order in any proportion.



Le Marc Ltd. of Nashik, Maharashtra, a registered supplier, is engaged in manufacturing taxable goods. It provides the following details of items purchased and services availed by it from Gujarat, for the month of March, 20XX:

S.No.	Particulars	IGST (Rs.)
1	Motor vehicle purchased for employees to be used for personal as well as business purposes	1,50,000
2	Motor vehicle purchased for transportation of goods within the factory	2,00,000
3	Food items for consumption of employees. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.	2,000
4	Rent-a-cab facility availed for employees to fulfill a statutory obligation in this regard. The Government has notified such service under section 17(5)(b)(iii)(A) of the CGST Act, 2017.	36,000

Calculate the amount of eligible input tax credit for the month of March, 20XX.

2019

RTP May

Answer

#### Computation of eligible input tax credit

Particulars	Eligible ITC (Rs.)
Motor vehicle purchased for employees to be used for personal as well as business purposes [Note-1]	-
Motor vehicle purchased for transportation of goods within the factory [Note-1]	2,00,000
Food items for consumption of employees [Note-2]	-
Rent-a-cab facility given to employees [Note-3]	36,000
<b>Total eligible input tax credit</b>	<b>2,36,000</b>

Notes -

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

1. ITC on motor vehicles and other conveyances is blocked except when they are used—

(i) for making the following taxable supplies, namely :—

(A) further supply of such vehicles or conveyances; or

(B) transportation of passengers; or

(C) imparting training on driving, flying, navigating such vehicles or conveyances;

(ii) for transportation of goods.

Thus, in the given case, ITC on motor vehicle purchased for transportation of goods within the factory will only be allowed



2. ITC in respect of food and beverages is blocked 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. Thus, in the given case, ITC of taxes paid on food for employees is not allowed.
3. ITC on supply of rent-a cab services is not blocked where the Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service.

**Question 59**

Mr. X, a supplier of goods, pays GST under regular scheme. The amount of input tax credit (ITC) available and output tax liability under different tax heads is as under:-

Head	Output tax liability	ITC
IGST	2,000	4,000
CGST	800	2,000
SGST/ UTGST	2,500	500

Compute the minimum GST payable in cash by Mr. X. Make suitable assumptions as required.

[RTP Nov. 2019]

**Answer:** Mr. X can use the ITC to pay his output tax liability. The order of utilisation of ITC is as under:-

- (i) IGST credit should first be utilized towards payment of IGST.
- (ii) Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.
- (iii) Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
- (iv) ITC of CGST should be utilized for payment of CGST and IGST in that order.
- (v) ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.
- (vi) CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.

**Computation of minimum GST payable in cash**

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
GST payable	800	2,500	2,000
Less: ITC	-	(2,000)-IGST	(2,000)-IGST
	(800)-CGST	(500) - SGST	
Net GST payable in cash	Nil	Nil	Nil



Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, it is beneficial to use ITC of IGST to pay SGST (after paying IGST liability) to minimize cash outflow.

**Question 60**

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

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

- 10% of the inter-State supply of office stationery are made to unregistered persons.
- Each combi pack (containing a calculator and a diary) is priced at Rs. 800. The calculator and the diary are individually priced at Rs. 700 and Rs. 200 respectively.
- An invoice of Rs. 40,000 towards purchase of office stationery is missing and no other tax paying document is available in respect of such goods.
- All the figures mentioned above are exclusive of taxes, wherever applicable.
- 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.
- Subject to the information given above, all the necessary conditions for availing input tax credit have been fulfilled.

Details of opening balances of input tax credit as on 1st July is given hereunder:

Tax Amount: CGST = Rs. 5,000, SGST = Rs. 5,000, IGST = Rs. 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.

**RTP Nov. 2020**

**Answer:**

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

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Total tax liability				



Inter-State supply of stationery [Note 1]	2,00,000			36,000
Intra-State supply of 500 combi packs of calculators and diaries [Note-2]	4,00,000 (500 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 a 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		65,000	65,000	36,000
Input tax credit (ITC)				
Brought forward ITC		5,000	5,000	80,000
Inter-State purchase of office stationery [Note-4]	1,00,000			18,000
Intra-State repairing of lorry used for transportation of goods [Note-5]	1,00,000	9,000	9,000	
Total ITC		14,000	14,000	98,000
<u>Minimum net GST payable in cash</u>				
Total tax liability		65,000	65,000	36,000
IGST credit being set off against IGST liability				(36,000)
IGST credit being used to pay CGST and SGST liability in any order and in any proportion		(11,000)	(51,000)	
CGST and SGST credit being used to pay CGST and SGST liability respectively		(14,000) CGST	(14,000) SGST	
Minimum net GST payable in cash		40,000	Nil	Nil

**Notes:-**

1. Taxable supplies made by a registered person are liable to tax irrespective of whether they are made to a registered person or to an unregistered person.
2. Supply of calculator and diary as a combi pack with a single price of Rs. 800 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply which attracts highest rate of tax.



3. Services provided by a business facilitator/ business correspondent to a banking company only with respect to accounts in its rural area branch are exempt and not with respect to accounts in its urban area branch.
4. ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
5. ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.
6. IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

### Question 61

Restrictions have been imposed on the use of amount available in the electronic credit ledger vide rule 86B of the CGST Rules, 2017. Is there any exceptions to rule 86B? If yes, state the exceptions.

RTP May 2022

**Answer:** Restrictions have been imposed on the use of amount available in electronic credit ledger vide rule 86B of the CGST Rules, 2017. Yes, there are exceptions to rule 86B. The exceptions to rule 86B are as under:-

- (i) **Payment of Income Tax more than Rs. 1 lakh:** Rule 86B may not apply in cases whereby person mentioned below have deposited sum of more than Rs. 1 lakh as income tax under the Income-tax Act, 1961 in each of the last 2 financial years for which the time limit to file return of income under section 139(1) of the said Act has expired
  - The registered person or
  - The karta/proprietor/the managing director of the registered person;
  - Any of the two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees of the registered person, as the case may be.
- (ii) **Receipt of refund of input tax credit of more than Rs. 1 lakh:** Rule 86B may not apply whereby registered person has received a refund amount of more than Rs. 1 lakh on account of unutilized input tax credit under the following:
  - zero-rated supplies made without payment of tax
  - Inverted duty structure

It is pertinent to note that refund should have been received in the preceding financial year.

- (iii) **Payment of total output tax liability through electronic cash ledger in excess of 1% of total output tax liability:** If the registered person has paid more than 1% of total output tax liability using electronic cash ledger upto the said month in the current financial year, the restrictions as specified in Rule 86B shall not apply. It is pertinent to note that GST liability paid under reverse charge mechanism should not be taken into account while calculating the total output liability paid through electronic cash ledger.
- (iv) **Specified registered person:** Rule 86B would not be applicable in case of below-mentioned 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.

## Multiple Choice Questions

### Question 1

Mr. Arun, a registered supplier, is engaged in selling sweets. The sweets are sold in boxes and the cost of each sweet box is Rs. 500/-. In order to increase his turnover, he purchased certain juice cans @ Rs. 20/- each and added juice can with every sweet box as a gift. A sweet box along with free juice can is sold at Rs. 500/- each.

Which of the statements is correct?

[RTP Nov. 2019]

- He is liable to pay tax on Rs. 520/- and eligible to claim input tax credit on purchase of juice cans
- He is liable to pay tax on Rs. 500/- and not eligible to claim input tax credit on purchase of juice cans
- He is liable to pay tax on Rs. 500/- and also eligible to claim input tax credit on purchase of juice cans
- Either (a) or (b)

### Question 2

M/s. Comfortable (P) Ltd. is registered under GST in the State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from M/s. High-Fi Infotech (P) Ltd. for Rs. 11,00,000/- (excluding GST @ 18%) on 28-Oct-20XX. Invoice for service rendered was issued on 5-Nov-XX. M/s Comfortable (P) Ltd. made part-payment of Rs. 4,20,000/- on 30-Nov-XX. Being unhappy with service provided by M/s High-fi Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by M/s High-Fi Infotech (P) Ltd. by 15-Feb-XY. M/s. Comfortable (P) Ltd. made payment of Rs. 3,00,000/- on 15-Feb-XY and balance payment was made on 6-June-20XY, i.e. after 180 days of issue of invoice. Input tax credit available in respect of IT engineering services received from M/s. High-Fi Infotech (P) Ltd. in financial year 20XX-XY:

[RTP Nov. 2019]

- Rs. 1,98,000/-
- Nil
- Rs. 64,068/-
- Rs. 1,09,831/-

### Question 3

Mr. Raghu avails services of Mr. Raja, a Chartered Accountant, as under-

[RTP Nov. 2020]

- Audit of financial accounts Rs. 55,000
- Tax audit and annual filing Rs. 10,000
- Income-tax return filing of Mr. Raghu 's wife Rs. 5,000

All the above amounts are exclusive of taxes and the applicable rate of GST on these services is 18%.



The accountant of Mr. Raghu has booked the entire expenses of Rs. 70,000 plus GST in the books of account. Mr. Raghu is eligible to take input tax credit of -

(a) Rs. 13,500

(b) Rs. 11,700

(c) Rs. 9,900

(d) Rs. 1,800

#### Question 4

TT Pvt. Ltd., registered in Rajasthan, furnished following information for the month of June:

- (i) Inter-State sale of goods for Rs. 1,25,000 to JJ Enterprises registered in Haryana
- (ii) Inter-State purchases of goods from XYZ company, registered in Punjab, for Rs. 40,000
- (iii) Intra-State purchases of goods from RR Traders, registered in Rajasthan, for Rs. 65,000

The applicable rate of GST is 18%. All the above amounts are exclusive of taxes. GST liability payable in cash is -

RTP Nov. 2020

- (a) CGST Rs. 1,800 & SGST Rs. 1,800 (b) SGST Rs. 3,600 (c) IGST Rs. 3,600 (d) CGST Rs. 3,600

#### Question 5

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

RTP May 2020

- (a) ABC Ltd. is liable to pay tax on supply of free samples and eligible to claim input tax credit.
- (b) ABC Ltd. is not liable to pay tax on supply of free samples but eligible to claim input tax credit.
- (c) ABC Ltd. is neither liable to pay tax on supply of free samples nor eligible to claim input tax credit.
- (d) ABC Ltd. is liable to pay tax on supply of free samples but not eligible to claim input tax credit.

#### Question 6

Calculate the amount of eligible input tax credit-

RTP May 2020

Sl.	Particulars	GST paid(Rs.)
1.	A Mini bus having seating capacity of 15 persons (including driver) used for running on hire	15,00,000
2.	Car having seating capacity of 8 people used for business purposes	1,00,00,000
3.	Car having seating capacity of 4 persons used for imparting training on driving such car	50,00,000
4.	Special purpose vehicle having seating capacity of 2 persons used for transportation of goods	60,00,000

- (a) Rs. 2,25,00,000/- (b) Rs. 2,10,00,000/- (c) Rs. 1,25,00,000/- (d) Rs. 75,00,000/-

#### Question 7

Akash Ltd. a registered person in Punjab has purchased Air Conditioner for invoice value of Rs. 32,000 (which includes GST at 18%) from Mukesh Ltd. registered in Punjab. Akash Ltd. had capitalized Air



Conditioner in his books of accounts for full value of Rs. 32,000 and taking the benefit of depreciation on the same. Keeping in view of the above situation the input tax credit which Akash Ltd. is required to take in his books of accounts will be:

[MTP Nov. 2020, 2 Marks]

- (a) Nil (b) Rs. 4,881 (c) Rs. 5,760 (d) Rs. 2,880

### Question 8

Input tax credit is not available in respect of

- (i) services on which tax has been paid under composition levy  
 (ii) goods given as free samples  
 (iii) goods used for personal consumption  
 (a) (i) (b) (i) and (ii) (c) (ii) and (iii) (d) (i), (ii) and (iii)

### Question 9

In which of the following situations, recipient needs to reverse the input tax credit availed by him?

- (a) If payment for supplies under forward charge is not made to the supplier within 45 days from the date of invoice  
 (b) If payment for supplies under forward charge is not made to the supplier within 90 days from the date of invoice  
 (c) If payment for supplies under forward charge is not made to the supplier within 180 days from the date of invoice  
 (d) If payment for supplies under forward charge is not made to the supplier within 1 year from the date of invoice

### Question 10

If the goods are received in lots/instalment,\_\_\_\_\_.

- (a) 50% ITC can be taken on receipt of 1st lot and balance 50% on receipt of last lot.  
 (b) ITC can be availed upon receipt of last lot.  
 (c) 100% ITC can be taken on receipt of 1st lot.  
 (d) Proportionate ITC can be availed on receipt of each lot/instalment.

### Question 11

PZY Ltd. is engaged in manufacturing of motor car. The company paid following amount of GST to its suppliers against the invoices raised to it. Compute the amount of ineligible input tax credit under GST law:-

Sl.	Particulars	GST Paid
1.	General insurance taken on cars manufactured by PZY Ltd.	1,00,00,000
2.	Buses purchased for transportation of employees (Seating capacity 23)	25,00,000
3.	Life and health insurance for employees under statutory Obligation	6,00,000
4.	Outdoor catering in Diwali Mela organized for Employees	3,50,000



(a) Rs. 9,50,000

(b) Rs. 3,50,000

(c) Rs. 1,31,00,000

(d) Rs. 28,50,000

[RTP Nov. 2021]

**Question 12**

A supplier takes deduction of depreciation on the GST component of the cost of capital goods as per Income - tax Act, 1961. The supplier can-

- (a) avail only 50% of the said tax component as ITC (b) not avail ITC on the said tax component  
(c) avail 100% ITC of the said tax component (d) avail only 25% of the said tax component as ITC

**Question 13**

ITC of motor vehicles used for making \_\_\_\_\_ is allowed

- (i) Transportation of goods (ii) Taxable supplies of transportation of passengers  
(iii) Taxable supplies of imparting training on driving

- (a) (i) (b) (i) and (ii) (c) (ii) and (iii) (d) (i), (ii) and (iii)

**Question 14**

Mr. A has a tax invoice [dated 20-1-2023] of services received by him. Its input tax credit is lost, if ITC is not availed on or before-

- (a) 20-1-2024 (b) 31-12-2023  
(c) 20-1-2025 (d) 30<sup>th</sup> November, 2023 or actual date of filing of annual return for 2022-23, whichever is earlier.

**Question 15**

Input tax credit shall not be available in respect of:

- (i) Goods used for personal consumption  
(ii) Membership of a club provided by the employer to its employees as per company's internal policy.  
(iii) Travel benefits extended to employees on vacation such as leave or home travel concession as per company's internal policy.

- (a) (i) (b) (i) and (ii) (c) (ii) and (iii) (d) (i), (ii) and (iii)

**Question 16**

Ganesh Traders, engaged in manufacturing of taxable as well as exempt goods, purchased a machinery worth Rs. 17,70,000 (Rs. 15,00,000 plus Rs. 2,70,000 GST). It capitalized full amount including taxes in the books of accounts and claimed depreciation on it as per provisions of the Income Tax Act, 1961. Compute the amount of ITC that can be claimed by Ganesh Traders?

[MTP May 2022, 2 Marks]

- (a) Rs. 2,70,000 (b) Zero  
(c) In proportion of taxable and exempt supply (d) By decreasing percentage points as prescribed

**Answer Key**

01	(c)	02	(a)	03	(b)	04	(c)	05	(c)	06	(c)	07	(a)	08	(d)	09	(c)	10	(b)
11	(b)	12	(b)	13	(d)	14	(d)	15	(d)	16	(b)								



# COMPOSITION SCHEME

CHAPTER  
**06**

## Section A – ICAI Study Material Questions

### Question 1

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 Rs. 130 lakh. The firm wishes to opt for composition scheme under sub-sections (1) & (2) of section 10 of the CGST Act. However, its accountant is of the view that a person engaged in making supply of exempt goods is not eligible for the said scheme. Discuss.

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

**Answer:** The view taken by the accountant of Sultan & Sons is not valid in law. A registered person with an aggregate turnover in a preceding financial year up to Rs. 1.5 crore is eligible for composition levy, under section 10(1) & 10(2). Further, such person must not be engaged in making any supply of goods or Services which are not leviable to tax under this Act and must not be engaged in making any inter-State outward supplies of goods or Services, for being eligible to pay tax under said scheme.

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

### Question 2

A person availing composition scheme, under sub-sections (1) & (2) of section 10 of the CGST Act, in Haryana during a financial year crosses the turnover of 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? Please advise.

(MTP Nov. 2021)

**Answer:** No. The option to pay tax under composition scheme lapses from the day on which the aggregate turnover of the person availing composition scheme for goods during the financial year



exceeds the specified limit (Rs. 1.50 crore). Once he crosses the threshold, he is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days of the occurrence of such event.

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

### Question 3

Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, provided their turnover in preceding year does not exceed Rs. 1.50 crore:

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

[MTP Nov. 2023, 4 Marks]

### Answer:

- (i) A supplier engaged in the manufacture of goods as notified under section 10(2)(e), during the preceding FY is not eligible for composition scheme under section 10(1) and 10(2). Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes, aerated waters (cold drinks), Fly ash bricks, fly ash aggregates, Fly ash blocks, Bricks of fossil meals or similar siliceous earths, Building bricks and Earthen or roofing tiles are notified under this category. However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed Rs. 1.50 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.
- (ii) Since, supplier of inter-State outward supplies of goods or Services is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

### Question 4

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

[MTP Nov. 2021]

### Answer:

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



ineligible for composition scheme. Thus, Subramanian Enterprises either have to opt for composition levy for both the places of business or under normal levy for both the places of business.

### Question 5

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 Rs. 45 lakh.

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme under section 10(1) & 10(2) of the CGST Act, 2017 in the current financial year? Or whether he is eligible to avail benefit of composition scheme under section 10(2A)? Considering the option of payment of tax available to Mr. Ajay, compute the amount of tax payable by him assuming that his aggregate turnover in the current financial year is Rs. 35 lakh. Will your answer be different if Mr. Ajay procures few items required for providing repair services from neighbouring State of Madhya Pradesh?

[RTP Nov. 2019]

**Answer:** Section 10(1) provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore (Rs. 75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, as per proviso to section 10(1), person who opts to pay tax under composition scheme may supply services other than restaurant services, of value not exceeding 10% of the turnover in a State or Union territory in the preceding financial year or Rs. 5 lakh, whichever is higher.

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

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

Thus, in view of the above-mentioned provisions, Mr. Ajay is eligible to avail the composition scheme under section 10(2A) as his aggregate turnover in the preceding FY does not exceed Rs. 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 Rs. 2,10,000 [6% of Rs. 35 lakh].

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

### Question 6



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 Rs. 120 Lakh.

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

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

- (i) Whether the firm can opt for the composition scheme, under section 10(1) and 10(2) of the CGST Act, 2017, for the current financial year, as the turnover may include supply of both goods and services?
- (ii) If yes, up to what amount, the services can be supplied?

[MTP May 2023, 6 Marks][CA Inter Nov. 2019, 5 Marks]

**Answer:**

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

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

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

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

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

Thus, M/s United Electronics can supply repair and maintenance services up to a value of Rs. 12 lakh [10% of Rs. 20 lakh or Rs. 5 lakh, whichever is higher] in the current financial year.

## Section B – Additional Questions

### Past RTPs, MTPs, And Exams Papers

#### Question 7

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

[CA Inter MTP Sept. 24, 5 Marks][CA Inter May 2019, 5 Marks]

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

- (i) he is engaged in supply of service except restaurant & outdoor catering service. However, if an eligible person (i.e. supplier of goods or restaurant & outdoor catering service supplier) who has opted for composition scheme may supply services (other than restaurant & outdoor catering



service), of value not exceeding Rs. 5,00,000/- or 10% of turnover in a State or Union territory in the preceding financial year, whichever is higher.

- (ii) he is supplier of goods or services which are not leviable under the CGST Act/SGST Act/UTGST Act.
- (iii) he is engaged in inter-State outward supplies of goods or services.
- (iv) he is engaged in supplying goods or services through an electronic commerce operator, who is required to collect tax at source under section 52.
- (v) he is Manufacturer of notified goods, namely, ice cream & other edible ice, pan masala, tobacco including manufactured tobacco substitutes and aerated water, containing added sugar or other sweetening matter or flavoured (cold drinks), All goods, i.e. Tobacco & manufactured tobacco substitutes, Fly ash bricks, fly ash aggregates, Fly ash blocks, Bricks of fossil meals or similar siliceous earths, Building bricks & Earthen or roofing tiles.
- (vi) he is a casual taxable person or a non-resident taxable person.

### Question 8

M/s. Ginny and John Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was Rs. 80 lakh and receipts of the interior decorators service was Rs. 22 Lakh in the preceding financial year.

With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?

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

Also discuss whether it is possible for M/s. Ginny and John Company to opt for composition scheme only for readymade garment showroom? **[CA Inter May 2018, 5 Marks] [MTP Series Nov. 2018, 6 Marks]**

**Answer:** A registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore [Rs. 75 lakh in case of special category States except Jammu and Kashmir, Assam and Himachal Pradesh], may opt for composition scheme vide section 10 of CGST Act, 2017.

Further, a composition dealer may also supply marginal services of value not exceeding Rs. 5,00,000 or 10% of turnover in a state or union territory in the preceding financial year, whichever is higher.

In the given case, since T/o of M/s Ginny and John Company is upto Rs. 1.5 Crore in P.F.Y., it is eligible to opt for composition scheme.

Further, he can remain in composition scheme till his turnover of interior decorators service crosses Rs. 10,20,000 [i.e. 10% of T/o in P.F.Y. (i.e. 10% of 102 Lakhs) OR Rs. 5,00,000, Whichever is higher].

Further, the answer will remain same even with the change in the turnovers as given in the second case.

Further, where person having the same Permanent Account Number, has more than one registration, the registered person shall not be eligible to opt for composition scheme unless all such registered persons



opt to pay tax under composition scheme. In other words, all the registrations under the same PAN have to opt for composition scheme.

In view of the same, in the given case, M/s. Ginny and John Company cannot continue with composition scheme only for readymade garment showroom.

### Question 9

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

- Determine whether Sai Trading Company will be eligible for composition levy in the current financial year.
- Will your answer be different, if in the above scenario, M/s Sai Trading Company is making intra state supply within the state of Jammu and Kashmir?

### Answer:

CA Inter May 2018, 3 Marks

- Section 10 of CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore may opt for composition scheme. The turnover limit is Rs. 75 lakh in case of Special Category States. However, for Jammu and Kashmir, Assam and Himachal Pradesh the turnover limit is Rs. 1.5 crore only.

In the given case, the applicable turnover limit for composition scheme will be Rs. 1.5 crore as Andhra Pradesh is not a Special Category State.

Further, since the aggregate turnover of the registered person in the given case does not exceed Rs. 1.5 crore and it satisfies other conditions of composition scheme namely, not making inter-State supplies of goods, it is eligible for composition levy.

- Since the turnover limit for determining the eligibility for composition scheme in the State of Jammu and Kashmir is also Rs. 1.5 crore, Sai Trading Company will be eligible for composition levy with other condition of not making inter-State supplies of goods being fulfilled.

### Question 10

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

- Ketu is a manufacturer of ice-cream and pan masala in State of Maharashtra. His turnover for the year does not exceed Rs. 1.5 Crore. He wants to register for composition levy scheme. Is he eligible for it?
- Jadhu of Gujarat opts for composition scheme during a financial year 2017-18. But on 10-02-2018 his turnover crosses 1.5 Crore, can he continue under composition levy scheme.
- X Ltd. has 2 branches K & L in Delhi, having same PAN. Branch K opts for normal scheme. X Ltd. want to continue composition levy in case of its branch L. Can X Ltd. continue composition levy only for branch L?

CA Inter May 2019, 5 Marks

### Answer:



(1) A registered person who is engaged in manufacture of, inter alia, ice cream and pan masala, is not eligible to opt for composition levy even if his aggregate turnover does not exceed Rs. 1.5 Crore.

Therefore, in the given case, Ketu is not eligible to opt for composition levy.

(2) The option to pay tax under composition levy availed of by a registered person lapses with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of Rs. 1.5 crore. He needs to pay tax under normal scheme from that day.

Since in the given case, the turnover of Jadhu crosses Rs. 1.5 crore on 10.02.2018, he cannot continue under composition scheme from that day.

(3) Where person having the same Permanent Account Number, has more than one registration, the registered person shall not be eligible to opt for composition scheme unless all such registered persons opt to pay tax under composition scheme. In other words, all the registrations under the same PAN have to opt for composition scheme.

In view of the same, in the given case, X Ltd. cannot continue with composition scheme only for branch L.

#### Question 11

Mr. X is running a consulting firm and also a readymade garment showroom in Kolkata registered in same PAN. Turnover of the showroom is Rs. 70 lakh and receipt of consultancy firm is Rs. 15 lakh in the preceding financial year. You are required to answer the following:

Is Mr. X eligible for composition scheme?

[CA Inter May 2019, 2 Marks]

**Answer:** A registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore in a State/UT [Rs. 75 lakh in case of Special Category States except Jammu and Kashmir, Assam and Himachal Pradesh], may opt for composition scheme.

Further, a composition dealer may also supply marginal services of value not exceeding Rs. 5,00,000 or 10% of turnover in a state or union territory in the preceding financial year, whichever is higher.

In the given case, since T/o of Mr. X is upto Rs. 1.5 Crore in P.F.Y., he is eligible to opt for composition scheme.

Further, he can remain in composition scheme till his turnover of consultancy services crosses 10% of T/o in P.F.Y. (i.e. 10% of 85 Lakhs) OR Rs. 5,00,000, Whichever is higher, i.e. Rs. 8,50,000.

#### Question 12

Mr. Zafar of Assam, provides the following information for the preceding financial year 2018-19. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not, for the F.Y. 2019-20.

Particulars	Amount (Rs. In lakh)
Value of taxable outward supplies (out of above Rs. 10 lakh was in course of inter-	50.00



state transactions)	
Value of exempt supplies (which include Rs. 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. 2019, 6 Marks

**Answer**

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

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

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

**Question 13**

Explain in brief the conditions to be fulfilled by a registered person for opting composition scheme under GST as per the provisions of section 10(2A).

CA Inter Nov. 2019, 5 Marks

**Answer:**

The registered person desirous of availing the option to pay GST under composition scheme should -

- not be engaged in making any supply which is not leviable to tax.



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

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

#### Question 14

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

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

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

[MTP May 2024] [RTP May 2021]

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

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

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

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



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

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

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

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

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

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

### Question 15

(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 composition scheme under Section 10(2A) in the said financial year.

The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 20XX was Rs. 20 lakh. Further, for the half year ending 30th September, 20XX, the turnover reached Rs. 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached Rs. 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%.

RTP May 2020

### Answer:

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



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

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

Period	Tax Rate	Turnover (Rs.)	Tax liability (Rs.)
I Quarter	Since turnover did not exceed Rs. 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	20 Lakh	Nil
II Quarter	Effective rate is 6% (CGST+SGST/UTGST)] under Notification No. 2/2019 CT (R)	30 Lakh [(50-20) lakh]	1,80,000
For the month of October, 20XX	Normal rate of GST of 18% is to be applied	20 lakh [(70-50) lakh]	3,60,000
Total tax payable			5,40,000

(b) A registered person can opt for composition scheme u/s 10(2A) of the CGST Act, 2017, only if his aggregate turnover in the preceding financial year did not exceed Rs. 50 lakhs. But, in the current case, the aggregate turnover of Care & Care Beauty Centre in the current financial year has exceeded Rs. 50 lakhs, therefore, Care & Care Beauty Centre cannot opt for composition scheme from the next financial year

### Question 16

Swaminathan started the business of supplying shoes in the State of Kerala from 1<sup>st</sup> April. He makes only intra-State supplies. His turnover for April - June quarter was Rs. 20 lakh and for July - September quarter was Rs. 100 lakh. Further, one-fourth of his total turnover in each of the quarters was exempt from GST. Being eligible for composition scheme, Swaminathan got himself registered under the composition scheme with effect from 1<sup>st</sup> July.

You are required to compute the tax payable by Swaminathan under composition scheme assuming that he is a manufacturer. Will your answer be different if Swaminathan is trader.

**TMTP Nov. 2022**

**Answer:** A registered person opting for composition levy for goods pays tax at the rates mentioned below during the current FY, in lieu of the tax payable by him under regular scheme:

Manufacturers, other than manufacturers of notified goods	1% (1/2% CGST+ 1/2% SGST/UTGST) of the turnover in the State/ Union territory
Trader	1% (1/2% CGST+ 1/2% SGST/UTGST) of turnover of taxable



supplies of goods & services in the State/ Union territory

Turnover prior to obtaining registration will not be considered for determining the turnover in a State/Union Territory

Tax payable by Swaminathan under composition scheme is as follows:

$$\text{CGST} = \text{Rs. } 100 \text{ lakh} \times 0.5\% = \text{Rs. } 50,000 \quad \text{SGST} = \text{Rs. } 100 \text{ lakh} \times 0.5\% = \text{Rs. } 50,000$$

In case where Swaminathan is a trader, tax payable by him under composition scheme will be as follows:

$$\text{CGST} = \text{Rs. } 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = \text{Rs. } 37,500$$

$$\text{SGST} = \text{Rs. } 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = \text{Rs. } 37,500$$

## Multiple Choice Questions

### Question 1

Miss. Raksha is engaged in providing private coaching services in Noida, Uttar Pradesh and is not registered under GST till 25-Sep-20XX. Her aggregate turnover is Rs. 19,00,000/- on 30-Sep-20XX. She got GST registration on 30-Sep-20XX. Which of the following options are available to her?

- (a) She can pay tax @ 18%, charge it from customer and avail full input tax credit on procurements made.
- (b) She can pay tax @ 6% under exemption scheme for service providers but she cannot charge GST from customer and also cannot avail input tax credit.
- (c) She is not liable for registration since her aggregate turnover is less than Rs. 40,00,000/-
- (d) Either (a) or (b)

[RTP Nov. 2019]

### Question 2

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

[RTP Nov. 2020]

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

### Question 3

X & Co., a supplier registered under GST in Meghalaya, wants to opt for composition levy. The aggregate turnover limit for composition levy is-

- (a) Rs. 50 lakh
- (b) Rs. 75 lakh



(c) Rs. 1.5 crore

(d) none of the above

**Question 4**

Which of the following is not eligible for opting composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017?

- (a) M/s ABC, a firm selling garments solely in Ahmedabad, having aggregate turnover of Rs. 78 lakh in the preceding F.Y.
- (b) A start up company exclusively operating a restaurant in Delhi, having aggregate turnover of Rs. 98 lakh in the preceding F.Y.
- (c) A courier service company operating solely in Mumbai having aggregate turnover of Rs. 90 lakh in the preceding F.Y.
- (d) A trader selling grocery items solely in Orissa having an aggregate turnover of Rs. 95 lakh in the preceding F.Y.

**Question 5**

Can a registered person under composition scheme collect GST on his outward supplies from recipients

- (a) Yes, in all cases
- (b) Yes, only on such goods as may be notified by the Central Government
- (c) Yes, only on such services as may be notified by the Central Government
- (d) No

[MTP Nov. 2019]

**Question 6**

Which of the following persons engaged in making intra-state supplies from Uttar Pradesh, as prescribed below, is not eligible for composition levy under sub-sections (1) and (2) of the CGST Act, 2017 even though their aggregate turnover does not exceed Rs. 1.5 crore in preceding FY?

- (a) A person supplying restaurant services
- (b) A person supplying restaurant services and earning bank interest
- (c) A person trading in ice cream
- (d) A person supplying service of repairing of electronic items

**Answer Key**

01	(d)	02	(a)	03	(b)	04	(c)	05	(d)	06	(d)
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## CHAPTER

## 07

# REVERSE CHARGE MECHANISM & ECO



## Section A – ICAI Study Material Questions

### Question 1

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

- Services provided by an arbitral tribunal to any business entity.
- Sponsorship services provided by a company to an individual.
- Renting of immovable property service provided by the Central Government (Ministry of Textiles) to a registered business entity.

### Answer :

- Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory is payable under reverse charge, in the given case, GST is payable by the recipient – business entity.
- GST on sponsorship services provided by any person to any body corporate or partnership firm located in the taxable territory is payable under reverse charge. Since in the given case, services have been provided to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier – company.
- GST on services supplied by Central Government [excluding the Ministry of Railways (Indian Railways)], State Government, Union territory or local authority by way of renting of immovable property to a person registered under CGST Act, 2017 is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered business entity.

### Question 2

Vivek Goyal, director of A2Z Pvt. Ltd., has received sitting fee amounting to Rs. 1 lakh from A2Z Pvt. Ltd. for attending the Board meetings. Who is the person liable to pay tax in this case?

[MTP Nov. 2022, 2 Marks]

**Answer :** GST on supply of services by director of a company to the said company located in the taxable territory is payable on reverse charge basis. Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., A2Z Pvt. Ltd.

### Question 3



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

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

[CA Inter Nov. 2018, 3 Marks] [MTP Nov. 2022, 4 Marks]

#### Answer :

- (i) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm / LLP, GST is liable to be paid under reverse charge by such body corporate or partnership firm / LLP located in the taxable territory. Therefore, in the given case, WE-WIN Cricket Academy is liable to pay GST under reverse charge.
- (ii) In case of services provided by Goods Transport Agency (GTA) (not registered under GST) in respect of transportation of goods by road to, inter alia, any partnership firm whether registered or not under any law; GST is liable to be paid by such partnership firm. Therefore, in the given case, Kapil & Co. is liable to pay GST under reverse charge.

#### Question 4

Legal Fees is received by Sushrut, an advocate, from M/s. Tatva Trading Company having turnover of Rs. 50 lakh in preceding F. Y. Who is the person liable to pay tax in this case?

**Answer :** GST on legal services supplied by an advocate [Mr. Sushrut] to any business entity [M/s. Tatva Trading Company] located in the taxable territory is payable on reverse charge basis. Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Tatva Trading Company.

#### Question 5

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

- (a) Services supplied by an insurance agent to an Insurance Company.
- (b) Services supplied by a recovery agent to a car dealer.
- (c) Security services (services provided by way of supply of security personnel) provided to a registered person.

#### Answer :

- (a) GST on services supplied by an insurance agent to any person carrying on insurance business located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient - Insurance Company.
- (b) GST on services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company located in the taxable territory is payable under reverse charge. However, since, in the given case, services are being supplied by a recovery agent to a car dealer, GST is payable under forward charge by the service provider - recovery agent.
- (c) GST on security services (services provided by way of supply of security personnel) provided to a registered person, located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient - registered person receiving the services.



## Section B – Additional Questions

### Past RTPs, MTPs, And Exams Papers

#### Question 6

State the person liable to pay GST in the following independent services provided:

- Sapna Builders, registered in Haryana, rented out 20 residential units owned by it in Jain Society to Anant Technologies, an IT based company registered in the State of Haryana, for accommodation of its employees.
- M/s. Verma Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of RS. 1,50,000 at a seminar organized by a private NGO (a partnership firm) in Delhi.

**Answer:**

**[MTP May 2024, 4 Marks]**

- Services provided by way of renting of residential dwelling for use as residence except where the residential dwelling is rented to a registered person is exempt from GST. Further, tax on service provided by way of renting of residential dwelling to a registered person is payable by the recipient under reverse charge.

Therefore, in the given case, Anant Technologies is liable to pay GST on the residential dwellings taken on rent by it from Sapna Builders, under reverse charge mechanism.

- In case of services provided by any person by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory.

Since in the given case, sponsorship services are being provided by the private NGO to a partnership firm – M/s. Verma Consultants, GST is payable by Verma Consultants on said services under reverse charge.

#### Question 7

Examine given cases and determine the persons liable to pay tax in each of the following independent cases:

- Dharam Shastri, an independent director of Universe Pvt. Ltd., has received sitting fee amounting to ₹ 1 lakh from Universe Pvt. Ltd. for attending the Board meetings.
- Chandan Associates provided sponsorship services to Virat Cricket Academy, an LLP.
- Legal Fees is received by Gaba, an advocate, from M/s. Naveen Consultants having turnover of ₹50 lakh in preceding financial year.

**[MTP Nov. 2022, 6 Marks]**

**Answer :**



- (i) GST on supply of services by director of a company to the said company located in the taxable territory is payable on reverse charge basis. Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., Universe Pvt. Ltd.
- (ii) In case of services provided by any person by way of sponsorship to anybody corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory. Further, for the reverse charge purposes, Limited Liability Partnership formed and registered under the provisions of the Limited Liability Partnership Act, 2008 is also be considered as a partnership firm. Therefore, in the given case, Virat Cricket Academy is liable to pay GST under reverse charge.
- (iii) GST on legal services supplied by an advocate [Mr. Gaba] to any business entity [M/s Naveen Consultants] located in the taxable territory is payable on reverse charge basis. Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Naveen Consultants.

### Question 8

State, with reason, person liable to pay GST in each of following independent cases. Assume recipient is located in taxable territory.

- (i) Rental income received by Tamil Nadu State Government from renting an immovable property to Mannappa Pvt. Ltd. (Taxable Turnover of the company was Rs. 42 lakhs in the preceding F. Y.)
- (ii) Legal Fees received by Mr. Sushrut, a senior advocate, from M/s. Tatva Trading Company having turnover of Rs. 50 lakhs in preceding F. Y.

[CA Inter May 2018, 3 Marks]

### Answer :

- (i) GST is payable on reverse charge basis on the services supplied by the Central Government excluding the Ministry of Railways (Indian Railways), State Government, Union territory or local authority by way of renting of immovable property, if the recipient is registered under GST.

In the given case, the taxable turnover of the recipient in the preceeding financial year is Rs. 42 lakhs. It means, recipient is registered under GST. Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., Mannappa Pvt. Ltd.

- (ii) GST on legal services supplied by a senior advocate [Mr. Sushrut] to any business entity [M/s. Tatva Trading Company] located in the taxable territory is payable on reverse charge basis. Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Tatva Trading Company.

### Question 9

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 Rs. 20 lakh of consideration from PQR Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under



section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book.

**Answer :**

- (i) In case of a GTA service, where GTA does not opt to pay GST under forward charge mechanism and recipient is one of the specified recipients, GST is payable @ 5% by the recipient of service under reverse charge.

**CA Inter Nov. 2020, 4 Marks**

However, where GTA opts to pay GST under forward charge mechanism, GST is payable @ 12% by the supplier of service (i.e. GTA). Therefore, in the given case, tax is payable under forward charge by "Veer Transport", a registered GTA.

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

- (ii) Supply of services by an author by way of transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory is taxable under reverse charge mechanism.

Thus, in the given case, the recipient of service, i.e. PQR Publications Ltd. is liable to pay GST. The tax can be paid by the author under forward charge if the author is a registered person. Since in the given case, the author is an unregistered person, the said option is not available to him.

### Question 10

"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 MTP Sept. 2024, 5 Marks][CA Inter May 2022, 5 Marks]**

**Answer :** Tax on following services supplied by the Central Government or State Government to a business entity in India is payable by the supplier of services:

- (1) services of renting of immovable property provided to an unregistered business entity [except where services of renting of immovable property is provided by the Ministry of Railways (Indian Railways)].
- (2) services by the Department of Posts and the Ministry of Railways (Indian Railways).
- (3) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.
- (4) services of transport of goods or passengers.

### Question 11

Mr. Vicky Frankyn, an unregistered famous author, received Rs. 3 crore of consideration from Shiv Bhawan Publications (SBP) located in Indore for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. He finished his work & made available the book to the publisher but has yet not raised the invoice.

Mr. Vicky Frankyn is of the view that SBP is liable to pay tax under reverse charge on services provided by him. SBP does not concur with his view and is not ready to deposit the tax under any circumstances.



Examine whether the view of Mr. Vicky Frankyn is correct. Further, if the view of Mr. Vicky Frankyn is correct, what is the recourse available with Mr. Vicky Frankyn to comply with the requirements of GST law as SBP has completely refused to deposit the tax.

[CA Inter Jan. 2021, 5 Marks] [RTP May 2021]

**Answer :** Yes, the view of Mr. Vicky Frankyn is correct. GST is payable under reverse charge in case of supply of services by an author by way of transfer/permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary work to a publisher located in the taxable territory in terms of reverse charge Notification No. 13/2017 CT(R) dated 28.06.2017. Therefore, in the given case, person liable to pay tax is the publisher - SBP. 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 on the same. For the purpose, he needs to fulfill the following conditions:

- (i) since he is unregistered, he has to first take registration under the CGST Act, 2017
- (ii) he needs to file a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) of the CGST Act and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option;
- (iii) he has to make a declaration on the invoice, which he would issue to SBP, in prescribed form.

## Multiple Choice Questions

### Question 1

Which of the following services are notified under section 9(3) of CGST Act, 2017 or section 5(3) of IGST Act, 2017 the tax on which shall be paid on reverse charge basis by the recipient of such supply:

- (i) Supply of security services provided by a person other than a body corporate to a composition taxpayer
- (ii) Services supplied by an insurance agent to insurance company located in taxable territory
- (iii) Supply of services by way of renting of hotel accommodation through e-commerce operator.
- (iv) Supply of notified categories of goods or services or both by a supplier, who is not registered, to specified class of registered persons.

Choose from the following options:

- (a) (i) & (ii)                      (b) Only (ii)                      (c) (i), (ii), (iii)                      (d) (i) & (iv)

[RTP Nov. 2019]

### Question 2

XX, registered in Delhi, purchased books from PC Traders, registered in Uttar Pradesh. Books are exempt from GST. XX arranged the transport of these books from a goods transport agency (GTA) (not registered under GST) which charged a freight of Rs. 9,000 for the same. GST is payable @ 5% on such GTA services. Which of the following statement is correct in the given context :

- (a) GST of Rs. 450 is payable by XX on reverse charge basis.

[RTP Nov. 2020]



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

**Question 3**

GST is not payable by recipient of services in the following cases:-

- (i) Services provided by way of sponsorship to ABC Ltd. located in India.
- (ii) Services supplied by a director (registered under GST) of Galaxy Ltd. to Mr. Krishna.
- (iii) Services by Department of Posts by way of speed post to MNO Ltd. located in India.
- (iv) Services supplied by a recovering agent to SNBP Bank located in India.
- (a) (i) & (iii)                      (b) (i) & (iv)                      (c) (ii) & (iii)                      (d) (ii) & (iv)

**Question 4**

Which of the following services does not fall under reverse charge provisions as contained under section 9(3) of the CGST Act?

- (a) Services supplied by arbitral tribunal to business entity located in Ladakh.
- (b) Sponsorship provided to any partnership firm located in Jammu & Kashmir.
- (c) Sponsorship provided to any body corporate located in Kerala.
- (d) Service of renting of motor vehicle for passengers provided to a recipient other than body corporate.

**Answer Key**

01	(b)	02	(a)	03	(c)	04	(d)
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# PLACE OF SUPPLY

## CHAPTER

# 08



## Section A – ICAI Study Material Questions

### Question 1

In case of a domestic supply, what is the place of supply where goods are removed?

**Answer:** As per section 10(1)(a), the place of supply of goods is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

### Question 2

What will be the place of supply if the goods are delivered by the supplier to another person on the direction of a third person?

**Answer:** As per section 10(1)(b), it would be deemed that the third person has received the goods and the place of supply of such goods will be the principal place of business of such person.

### Question 3

What is the place of supply where the goods or services are supplied on board a conveyance, such as a vessel, an aircraft, a train or a motor vehicle?

**Answer:** As per section 10(1)(e), in respect of goods, the place of supply is the location at which such goods are taken on board. However, in respect of services, the place of supply is the location of the first scheduled point of departure of that conveyance for the journey in terms of sections 12(10).

### Question 4

The place of supply in relation to immovable property (situated in India) is the location of immovable property. Suppose a road is constructed from Delhi to Mumbai covering multiple states. What will be the place of supply of construction services?

**Answer:** Where the immovable property is located in more than one State, the supply of service is treated as made in each of the States in proportion to the value for services separately collected or determined, in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other reasonable basis as may be prescribed in this behalf [Explanation to section 12(3)]. In the absence of a contract or agreement between the supplier and recipient of services in this regard, the proportionate value of services supplied in different States/Union territories (where the immovable property is located) is computed on the basis of the area of the immovable property lying in each State/ Union territories [Rule 4 of the IGST Rules].

### Question 5



What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States?

[MTP May 2024, 5 Marks]

**Answer:** In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard [Explanation to section 12(7)]. In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with rule 5 of the IGST Rules by the application of generally accepted accounting principles.

#### Question 6

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

**Answer:** If the recipient is registered, the location of such person is the place of supply. However, if the recipient is not registered, the place of supply is the place where the goods are handed over for transportation.

#### Question 7

What will be the place of supply of passenger transportation service, if a person travels from Mumbai to Delhi and back to Mumbai?

**Answer:** If the person is registered, the place of supply of passenger transportation service will be the location of recipient. If the person is not registered, the place of supply for the forward journey from Mumbai to Delhi will be Mumbai, the place where he embarks [Section 12(9)].

However, for the return journey, the place of supply will be Delhi as the return journey has to be treated as separate journey [Explanation to section 12(9)].

#### Question 8

What is the place of supply for mobile connection? Can it be the location of supplier?

**Answer:** The location of supplier of mobile services cannot be the place of supply as the mobile companies are providing services in multiple states and many of these services are inter-state. The consumption principle will be broken if the location of supplier is taken as place of supply and all the revenue may go to a few states where the suppliers are located.

The place of supply for mobile connection would depend on whether the connection is on postpaid or prepaid basis. In case of postpaid connections, the place of supply is the location of billing address of the recipient of services on the record of supplier of services.

In case of pre-paid connections, if the service is supplied:-

- through a selling agent or a re-seller or a distributor of SIM card or re-charge voucher, the place of supply is the place address of the selling agent or re-seller or distributor as per the record of the supplier at the time of supply; or
- by any person to the final subscriber, the place of supply is the location where such prepayment is received or such vouchers are sold;



(c) In other cases, the place of supply is the address of the recipient as per the records of the supplier of services and where such address is not available, the place of supply shall be location of the supplier of services.

However, if the recharge is done through internet/e-payment, the location of recipient of service on record of the supplier will be taken as the place of supply [Section 12(11)].

#### Question 9

A person from Mumbai goes to Kullu-Manali and takes some services from ICICI Bank in Manali. What is the place of supply?

**Answer:** The place of supply in case of banking services to any person shall be the location of the recipient of services on the records of the supplier of services. However, if the location of recipient of services is not on the records of the supplier, the place of supply shall be the location of the supplier of services i.e. Kullu-Manali, Himachal Pradesh [Section 12(12)].

#### Question 10

An unregistered person from Gurugram travels by Air India flight from Mumbai to Delhi and gets his travel insurance done in Mumbai. What is the place of supply of insurance services?

**Answer:** When insurance service is provided to an unregistered person, the location of the recipient of services on the records of the supplier of insurance services is the place of supply. So Gurugram is the place of supply [Section 12(13)].

#### Question 11

What would be the place of supply of services provided by an event management company for organizing an event which is held in multiple States?

[MTP Sep. 2024, 5 Marks]

**Answer:** In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with relevant provisions of GST law by the application of generally accepted accounting principles.

#### Question 12

With reference to GST law, Determine the place of supply with reasons in the following independent circumstances:-

[RTP May 2024]

- (i) Miss Kanika of Kolkata (West Bengal) visited to Jodhpur Law University (Rajasthan) and paid her college fees by purchasing a demand draft from a bank located in the University campus. Miss Kanika did not have any account with the bank.
- (ii) Mizu Machine Ltd, registered in the State of Andhra Pradesh, supplied a machinery to Keyan Wind Farms Ltd, registered in the State of Karnataka. However, this machinery was assembled and installed at the wind mill of Keyan Wind Farms Ltd, which was located in the State of Tamilnadu.

**Answer:**



- (i) Section 12(12) of the IGST Act, 2017 provides that the place of supply of banking and other financial services, including stock broking services to any person is the location of the recipient of services in the records of the supplier of services. However, if the location of recipient of services is not available in the records of the supplier, the place of supply is the location of the supplier of services.

Therefore, since the location of recipient is not available in the records of the supplier, the place of supply is the location of the supplier of services, i.e. Rajasthan (or Jodhpur).

- (ii) Section 10(1)(d) of the IGST Act, 2017 provides that if the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly. Thus, the place of supply is the site of assembly of machine, i.e. Tamilnadu.

### Question 13

Examine the following independent cases and determine the place of supply:

- 1) Mr. Joy, an unregistered person of Kolkata, West Bengal sends a courier through Kolkata, West Bengal based Mohan Courier Agency to his sister in Mumbai, Maharashtra.
- 2) Mr. Nitin, an unregistered person, resides at Rewa, Madhya Pradesh books a two way air journey ticket from Prayagraj, Uttar Pradesh to Jaipur, Rajasthan on 6 September and back. He leaves Prayagraj on 11 September in a morning flight and land in Jaipur the same day. He leaves Jaipur on 15 September in a late night flight and lands in Prayagraj the next day.
- 3) Rimjhim Pvt. Ltd, located at Lucknow, Uttar Pradesh, purchases a manufacturing machine from Manav Steel Industries Ltd., located at Jaipur, Rajasthan, for Haridwar, Uttarakhand.

CA Inter Exams May 24, 5 Marks

### Solution

- 1) The place of supply of services by way of transportation of goods by courier provided to an unregistered person is the location at which such goods are handed over for their transportation. Therefore, the place of supply, in the given case is Kolkata, West Bengal.
- 2) The place of supply of passenger transportation service to an unregistered person is place where the passenger embarks on the conveyance for a continuous journey wherein the return journey is treated as a separate journey, even if the tickets for onward and return journey is issued at the same time.
- 3) Therefore, the place of supply for the outward and return journey are the locations where Mr. Nitin embarked on the conveyance for the continuous journey, i.e. Prayagraj, Uttar Pradesh for outward journey and Jaipur, Rajasthan, for return journey.

If the supply involves goods which are to be installed at site, the place of supply is the place of such installation.

Therefore, the place of supply, in the given case is Haridwar, Uttarakhand.

### Question 14

Discuss briefly the place of supply of goods purchased over the counter in one State and transported to another State by the buyer.

CA Inter Exams May 24, 5 Marks



**Answer:** There are cases where an unregistered person purchases goods over the counter (OTC) in one State and thereafter, transports the goods to another State (generally, the State where he resides). For instance, migrant workers, tourists, etc. who come to a State for work, tourism, etc. and purchase goods in that State to take it to their respective State. Similarly, in automobile sector, the residents of a State may travel to another State to purchase vehicle from that State to take advantage of lower registration charges and road tax, which vary from State to State and thereafter, take the vehicle to their State.

Where the supply of goods is made to a person other than a registered person, the place of supply shall be the location as per the address of the said person recorded in the invoice issued in respect of the said supply and the location of the supplier where the address of the said person is not recorded in the invoice.

For this purpose, recording of the name of the State of the said person in the invoice shall be deemed to be the recording of the address of the said person.

### Question 16

Determine the place of supply in the following independent cases:-

- (i) Harpreet (New Delhi) boards the New Delhi-Kota train at New Delhi. He sells the goods taken on board by him (at New Delhi), in the train, at Jaipur during the journey.
- (ii) LP Refineries (Mumbai, Maharashtra) gives a contract to Bhansali Ltd. (Ranchi, Jharkhand) to supply a machine which is required to be assembled in a power plant in its refinery located in Kutch, Gujarat.

(MTP Sep. 2024, 6X2 = 5 Marks)

### Answer:

- (i) The place of supply of goods supplied on a board a conveyance like aircraft, train, vessel, motor vehicle is the location where such goods have been taken on board.

Place of supply of goods supplied on board a conveyance is determined under this provision even if the supply has been made by any of the passenger on board the conveyance and not by the carrier of the conveyance.

Thus, in the given case, the place of supply of goods is the location at which the goods are taken on board, i.e. New Delhi and not Jaipur where they have been sold.

- (ii) If the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly.

This is a case of composite supply of goods wherein two supplies are involved, supply of goods and ancillary supply of installation/assembling service. The principal supply is supply of goods which are being installed.

Thus, the place of supply is the site of assembly of machine, i.e. Kutch even though LP refineries is located in Maharashtra.

**"Kar Har Maidaan Fateh"**



# EXEMPTIONS UNDER GST

## CHAPTER 09

### Section A – ICAI Study Material Questions

**Question 1**  
Exempt supply includes supply of any goods or services or both which attracts nil rate of tax and which may be wholly exempt from tax, but excludes non-taxable supply. Discuss the validity of the statement.

**Answer:** The statement is not fully valid in law. Exempt supply has been defined as supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax and includes non-taxable supply.

**Question 2**  
Services provided by an entity registered under section 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'.

[MTP Sept. 2024, 5 Marks][MTP Nov. 2023, 5 Marks]

**Answer:** The term 'charitable activities' mean activities relating to-

- 1) public health by way of-
  - A. care or counseling of
    - (a) terminally ill persons or persons with severe physical or mental disability;
    - (b) persons afflicted with HIV or AIDS;
    - (c) 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;
- 2) advancement of religion, spirituality or yoga;
- 3) 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;
- 4) preservation of environment including watershed, forests & wildlife.

#### Question 3

Examine which of the following independent services are exempt from GST:



- (a) Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.
- (b) An RWA, registered under GST, collects the maintenance charges of Rs. 6,500 per month per member.

WTP May 2023, 4 Marks

**Answer:** (a) Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. Food supplied to the in-patients by a canteen run by the hospital, as advised by the doctor/nutritionists, is a part of composite supply of healthcare and not separately taxable.

(b) Supply of service by a RWA (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 up to an amount of Rs. 7500 per month per member for providing services and goods for the common use of its members in a housing society/a residential complex are exempt from GST. Hence, in the given case, services provided by the RWA are exempt from GST since the maintenance charges collected per month per member do not exceed Rs. 7500.

#### Question 4

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

**Answer:** Services provided to a recognized sports body by an individual, inter alia, as a referee in a sporting event organized by a recognized sports body is exempt from GST.

Since in the first case, the football match is organized by Sports Authority of India, which is a recognized sports body, services provided by the individual as a referee in such football match will be exempt.

However, when he acts as a referee in a charity football match organized by a local sports club, he would not be entitled to afore-mentioned exemption as a local sports club is not a recognized sports body and thus, GST will be payable in this case.

#### Question 5

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

The proceeds of the concert is Rs. 1,25,000.

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

CA Inter Exams July 2021, 6 Marks

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

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

Since Ms. Mahima is the brand ambassador of 'Forever Beauty' soap manufactured by XYZ Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by



XYZ Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST.

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

### Question 6

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

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

**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.

### Question 7

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.

**Answer:** Services by way of giving on hire, inter alia, to a State Transport Undertaking, a motor vehicle meant to carry more than 12 passengers is exempt from GST.

Since the motor vehicles given on hire by Fast Cab Renting to the State Transport Undertaking are meant to carry 8-10 passengers, the same would not be eligible for exemption and would thus, be liable to GST.

### Question 8

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. Determine whether Indiana Engineering College is liable to pay GST on the same.

**Answer:** Services provided by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee are exempt from GST.

Since in the given case, services provided by Indiana Engineering College - an educational institution - are by way of conduct of entrance examination against entrance fee, the same is exempt and thus, GST is not payable in this case.

### Question 9

Decide with reason whether the following independent services are exempt under CGST Act, 2017

- M/s Fast Trans, a goods transport agency, transported relief materials meant for victims of Kerala floods being a natural disaster, by road from Delhi to Ernakulam, for a Limited Co.
- Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of organizing business exhibition at Pragati Maidan in New Delhi as part of Make in India initiative.

CA Inter May 2018, 3 Marks

**Answer:** (i) Services provided by a goods transport agency, by way of transport in a goods carriage of, inter alia, relief materials meant for victims of inter alia natural or man-made disasters are exempt from GST. Therefore, services provided by M/s Fast Trans will be exempt from GST.



- (ii) Services provided by an organiser to any person in respect of a business exhibition held outside India is exempt from GST. Since in the given case, the exhibition is organized in India, the services of organization of event by Keyan Enterprises will not be exempt from GST.

#### Question 10

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 Rs. 7,500 per truck per day. Examine whether GST is payable in the given case.

**Answer:** GST is not payable in case of hiring of trucks to Titu Transporters. Services by way of giving on hire, inter alia, to a goods transport agency, a means of transportation of goods are exempt.

#### Question 11

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 Rs. 6,000. He seeks your advise on the taxability or otherwise of the service so availed by him.

**Answer:** Services by way of fumigation in a warehouse of agricultural produce are taxable under GST. In the present case, since Gupta Pest Control Co. provides services by way of fumigation in the warehouse of sugarcane [although being an agricultural produce], said services are taxable and GST is payable on the same.

#### Question 12

Ekta Charitable trust, registered under section 10(23C)(v) of the Income tax Act, 1961, manages a temple in Rohini, Delhi. It has given on rent a community hall, located within temple premises, to public for celebration of Teej Mela. Rent charged is Rs. 9,500. You are required to determine whether the services provided by Ekta Charitable trust are liable to GST.

**Answer:** Services by a person by way of renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a trust or an institution under section 10(23C) (v) of the Income-tax Act are exempt provided renting charges of premises, community halls, kalyanmandapam or open area are not Rs. 10,000 or more per day. Thus, in the given case, renting of community hall by Ekta Charitable Trust is exempt from GST, as rent is less than Rs. 10,000 per day.

#### Question 13

Determine the taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (Rs.)
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA or 12AB of the Income-tax Act, 1961	50000
Amount charged by business correspondent from banking company 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 selectors to a recognized sports body	520000



## Computation of value of taxable supply

Particulars	Gross amount charged (Rs.)
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA Or 12AB of the Income-tax Act, 1961 [Note-1]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-2]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-3]	5,00,000
Service provided by selectors to a recognized sports body [Note-4]	5,20,000

## Notes:

1. Services by an entity registered under section 12AA or 12AB of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
2. Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
3. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are taxable under GST. [This exemption is withdrawn by NN 04/2022 - CT(R), w.e.f. 18.07.2022]
4. 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. Thus, services provided by selectors are liable to GST.

## Section B - Additional Questions

### Past RTPs, MTPs, And Exams Papers

## Question 14

Evershine Pvt. Ltd., a GST registered supplier located in Jaipur, Rajasthan is engaged in taxable supply of packaging goods and consultancy services. It provides following details of various activities undertaken during the month of September, 2023:

## (A) Details of Outward Supplies:

- (1) Supply of goods of Rs. 18,00,000 to Vaidehi Enterprises, a registered person of Udaipur, Rajasthan. Further, received Rs. 50,000 from Vaidehi Enterprises towards freight charges (as agreed to deliver the goods at Vaidehi Enterprises' premises) which was not included in above value of supply.
- (2) Supply of goods worth Rs. 35,00,000 to Calc. Exim, a registered person of Prayagraj, Uttar Pradesh. Further, the amount of Rs. 60,000 charged separately (not included above) from Calc. Exim on account of municipal taxes levied in relation to such outward supply.



- (3) Supply of services to Sunshine Ltd., a registered person in Jodhpur, Rajasthan before discount worth Rs. 6,00,000. Further, discount of Rs. 30,000 which has been given at the time of supply of service and duly recorded in the invoice.
- (4) It delivered the goods worth Rs. 2,00,000 to Jeevan Solutions, a registered person located at Bikaner, Rajasthan on the direction of Raghu Enterprise, a registered person of Mumbai Maharashtra and tax invoice was issued by Evershine Pvt. Ltd. to Raghu Enterprise of Mumbai Maharashtra.

**(B) Details of Inward Supplies:**

- (1) Purchased raw material goods worth Rs. 20,00,000 from PQR Ltd; a GST registered dealer, located at Kanpur, Uttar Pradesh. Goods worth Rs.1,00,000 out of total purchases were not received during the month.
- (2) Purchased machinery for manufacturing process worth Rs.2,00,000 from MPQ Pvt. Ltd., a GST registered dealer, located at Bengaluru, Karnataka. Company has claimed depreciation under Income Tax Act 1967 on full value of the machine, including the GST component.
- (3) Purchased truck worth Rs.15,00,000 from GST registered dealer, located at Ajmer, Rajasthan for transportation of its goods. GST rate on truck is: CGST 14%, SGST 14%, IGST 28%.
- (4) Purchased car (having seating capacity of 7 persons) costing to Rs.10,00,000 excluding GST from Mihir Automobiles Pvt. Ltd., a GST registered dealer, located at Ajmer, Rajasthan for use of its director for official purpose. GST rate on car: CGST 14%, SGST 14%, IGST 28%.
- (5) Purchased goods worth Rs.5,00,000 from DEF Buildwell Pvt. Ltd., a registered person of Jaipur Rajasthan for construction of an additional floor of factory building, of Evershine Pvt. Ltd.

Opening balance of Input tax credit as on the beginning of September 2023—CGST Rs.20,000, SGST Rs.50,000 and IGST Rs.75,000.

Rate of GST applicable on both inward and outward supply of goods & CGST 9%, SGST 9% and IGST @18%, except where otherwise provided.

**Notes:**

- (i) All the figures mentioned above are exclusive of taxes.
- (ii) Subject to the information given above, conditions necessary for claiming ITC were complied with.
- (iii) All inward supplies are used for taxable goods only.
- (iv) Brief and suitable notes should form part of your answer.

Calculate the amount of net minimum GST payable in cash by Evershine Pvt. Ltd.

**Answer** Computation of minimum net GST payable in cash by Evershine Pvt. Ltd. for the month of September 2023

Particulars	Value of supply (Rs.)	CGST@ 9% (Rs.)	SGST@9% (Rs.)	IGST@ 18% (Rs.)
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Output tax payable					
Intra-State supply of goods to Valdehi Enterprises [Since arranging freight is the liability of supplier, it is a composite supply and thus, freight charges are added to the value of principal supply.]	Place of supply is location where movement of goods terminates	18,50,000	1,66,500	1,66,500	Nil
Inter-State supply to Calc. Exim [Municipal tax is includible in value since it is a tax levied under law other than GST law and is charged separately.]		35,60,000	Nil	Nil	6,40,800
Intra-State supply to Sunshine Ltd. [Place of supply is location of recipient. Discount given at the time of supply is deductible since duly recorded in the invoice.]		5,70,000	51,300	51,300	Nil
Inter-State supply to Raghu Enterprise [Place of supply in case of bill to ship model is principal place of business of a third person at whose instructions the goods are delivered by supplier to recipient. Thus, it is considered as Inter State supply.]		2,00,000	Nil	Nil	36,000
Total output tax			2,17,800	2,17,800	6,76,800
Less: ITC available [Refer note below] [IGST credit be utilized first towards payment of IGST.]			Nil	Nil	(4,17,000)
CGST credit utilized for payment of CGST and IGST in that order			(2,17,800)	Nil	(12,200)
SGST credit utilized for payment of SGST and IGST in that order			Nil	(2,17,800)	(42,200)
Minimum net GST payable in cash			Nil	Nil	2,05,400

Working Note:

Computation of ITC available

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
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Opening balance			20,000	50,000	75,000
Inter-State purchase of raw material [ITC is not available on goods worth Rs. 1,00,000 since not received during the month]	Place of supply is location where movement of goods terminates	19,00,000	Nil	Nil	3,42,000 [19,00,000 × 18%]
Purchase of machinery [ITC is not available since depreciation has been claimed on the GST component.]		2,00,000	Nil	Nil	Nil
Intra-State purchase of truck <sup>1</sup> [ITC on motor vehicles used for transportation of goods is available.]		15,00,000	2,10,000 [15,00,000 × 14%]	2,10,000 [15,00,000 × 14%]	Nil
Purchase of car [ITC on motor vehicles for transportation of persons with seating capacity up to 13 persons (including driver), is blocked, except when used for specified purposes.]		10,00,000	Nil	Nil	Nil
Purchase of goods for construction of an additional floor <sup>2</sup> [ITC on goods used in construction of immovable property (other than plant on machinery) on one's account is blocked if capitalized in the books.]		5,00,000	Nil	Nil	Nil
Total			2,30,000	2,60,000	4,17,000

**Note** — In above answer, where location of supplier and place of supply are in two different States, it is an inter-State supply and where location of supplier and place of supply are in same State, it is an intra-State supply.

1. It is logically assumed that depreciation is not claimed on trucks.



2. It is logically assumed that amount spent on purchase of goods is capitalized in the books

Question 18  
Mr. Ravindra, a registered person in Bhopal, Madhya Pradesh has provided the following information regarding outward transactions made during the month of January, 2024

1. He was appointed by recognized sports body as a chief selector of hockey team and received Rs. 5,00,000 as remuneration.
  2. Services of pure labour contract was provided for construction of independent residential unit for Rs. 7,80,000.
  3. He rented out his warehouse for warehousing of sugarcane and received rental income of Rs. 75,000.
  4. Provided services to Municipal Corporation of Bhopal for slum improvement and up gradation for Rs. 6,50,000.
  5. He has charged consideration of Rs. 1,25,000 against western music dance performance in an event
- You are required to compute the taxable value of supply on which GST is to be paid by Mr. Ravindra for the month of January, 2024. All the amount stated above are exclusive of GST, wherever applicable. Suitable Notes should form part of answer.

CA Inter Exams May 24, 5 Marks

Answer  
Computation of taxable value of supply on which GST is to be paid by Mr. Ravindra

Particulars	Amount (Rs. )
Remuneration received as a chief selector of hockey team. [Taxable since services provided to a recognised sports body by an individual only as a player, referee, umpire, coach or team manager are exempt.]	5,00,000
Service labour contract for construction of independent residential unit [Services of pure labour contracts of construction of original works pertaining to a single residential unit otherwise than as part of a residential complex are exempt.]	NIL
Rental income from warehousing of sugarcane [Warehousing of sugarcane being an agricultural produce is exempt.]	NIL
Services to Municipal Corporation of Bhopal for slum improvement and upgradation* [Services provided to a Local Authority by way of slum improvement and upgradation are exempt.]	NIL
Consideration received against western music dance performance in an event [Taxable, since the amount received for western music dance performance but the exemption is available for performance in folk or classical art forms of music or dance. If the consideration charged for such performance is not more than 1,50,000.]	1,25,000
Value of taxable supply on which GST is to be paid by Mr. Ravindra	6,25,000



**Note:** It has been assumed that either the services provided are pure services or composite supply where value of supply of goods is upto 25% of value of such supply and consequently, said supply has been considered as exempt from GST.

However, it is also possible to assume that it is a composite supply with value of supply of goods more than 25% of value of such supply. In that case, said supply will be liable to GST.

### Question 10

Mr. Dhanwan, an individual registered supplier of Ahmedabad (Gujarat), received the following amount towards rendering of the intra-state supply of various services in the month of January 2023:

SN	Particulars	Amount (Rs.)
(i)	Consideration received from security and housekeeping services provided to "Holy Foundation", an educational institution providing services by way of pre-school education, outside the school premises on its annual day function.	60,000
(ii)	Amount received as an honorarium for participation as guest anchor on "Apna TV" in relation to a debate.	2,25,000
(iii)	Sum received as hiring charges for provision of non-air conditioned contract carriage for transportation of employees to and from the work to M/s. Siddhi Pvt. Ltd, a registered person under the GST. Such hiring is for 3 months. Use of the contract carriage is at the disposal of the company.	1,50,000
(iv)	Amount received for provision of training in recreation activities of music.	90,000
(v)	Renting of residential flat to Mr. Sahil, proprietor of M/s. Dayaram & Sons, a registered person under GST for the purpose of his own residence (in personal capacity)	30,000

You are required to compute the value of supply on which GST is to be paid by Mr. Dhanwan for the month of January, 2023. All the amounts stated above are exclusive of GST, wherever applicable. Suitable notes should form part of the answer.

[CA Intermediate Nov. 2023, 6 Marks]

**Answer:** Computation of value of supply on which GST is to be paid by Mr. Dhanwan

SN	Particulars	Amount(Rs.)
(i)	Security and housekeeping services provided to an educational institution [Not exempted, since security and housekeeping services are performed outside the educational institution.]	60,000
(ii)	Honorarium for participation as guest anchor [Liable to GST since it is not specifically exempt and it is also not covered in Schedule III of the CGST Act, 2017 (neither supply of good nor supply of service) ]	2,25,000



(iii)	Hiring charges for non-air conditioned contract carriage [Not exempt, since exemption available only where transportation take place over pre-determined route and pre-determined schedule and contract carriage is hired for a period of time, during which the contract carriage is at the disposal of the recipient]	1,50,000
(iv)	Training in recreational activities of music [Services by way of training in recreational activities relating to arts or culture, by an individual are exempt.]	-
(v)	Renting of residential flat to Mr. Sahil [Renting of residential dwelling to a proprietor (registered under GST) of a proprietorship concern in his personal capacity for use as his own residence and on his own account is exempt.]	-
	Value of taxable supply on which GST is to be paid by Mr. Dhanwan	4,35,000

**Question 17**

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

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

In each of the above scenario explain whether Suraksha Hospital should levy GST or not in line with the relevant provisions of the GST laws.

[CA Intermediate May 2023, 4 Marks]

Health care services by a clinical establishment are exempt from GST.

However, services provided by a clinical establishment by way of providing room having room charges exceeding Rs. 5,000 per day to a person receiving health care services are not exempt.

In view of the same, only the room rent of Rs. 14,000 (Rs. 7,000 per day × 2 days) is liable to GST. Other than room rent, all other nature of services provided by Suraksha Hospital are exempt from GST.

**Question 18**

Examine the implications of GST on payment of honorarium to the Guest Anchors.

[WTP Nov. 2022]

**Answer:** Circular No. 177/09/2022 GST dated 03.08.2022 clarifies the applicability of GST on honorarium paid to Guest Anchors. Sansad TV and other TV channels invite guest anchors to participate in their shows and pay remuneration to them in the form of honorarium.

It is clarified that supply of all goods & services are taxable unless exempt or declared as 'neither a supply of goods nor a supply of service'. Services provided by the guest anchors in lieu of honorarium attract GST liability.

However, guest anchors whose aggregate turnover in a financial year does not exceed Rs. 20 lakh (Rs. 10 lakh in case of specified Special Category States) shall not be liable to take registration and pay GST.

**Question 19**



Mr. Prithviraj, registered under GST, is engaged in supplying services (as discussed in the table below) in Maharashtra. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

SN	Particulars	Amount (Rs.)
(i)	Carnatic music performance given by Mr. Prithviraj to promote a brand of readymade garments (Intra-State transaction)	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised for his prospective customers (Intra-State transaction)	50,000
(iii)	Services of transportation of students provided to Subhaskar College providing education as part of a curriculum for obtaining a recognised qualification (Intra-State transaction)	1,00,000
(iv)	Legal services availed for official purpose from an advocate located in Gujarat (Inter-State transaction)	1,75,000
(v)	Services provided to Wealth Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area (Intra-State transaction)	2,00,000
(vi)	Recovery agent's services provided to a car dealer (Intra-State transaction)	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes (Intra-State transaction)	40,000

Note:

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- All inward and outward supplies are exclusive of taxes, wherever applicable.
- All the conditions necessary for availing the ITC have been fulfilled.
- The turnover of Mr. Prithviraj was Rs. 2.5 crore in the previous financial year. Compute the net GST payable in cash, by Mr. Prithviraj for the month of February.

[MTP May 2024][RTP May 2025]

Particulars	Value of supply (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
GST payable under forward charge				
Carnatic music performance given to promote a brand of readymade garments [Carnatic music performance by Mr. Prithviraj is not exempt from GST even though the consideration charged does not exceed Rs. 1,50,000 since said performance has been made by him as a	1,40,000	12,600	12,600	Nil



brand ambassador.]				
Services of transportation of students provided to Subhaskar College [Services of transportation of students provided to an educational institution other than an institution providing pre-school education or education up to higher secondary school, are not exempt.]	1,00,000	9,000	9,000	Nil
Services provided to Wealth Bank as a business correspondent [Services provided by a business correspondent to a banking company are not exempt when such services are provided with respect to accounts in its urban area branch.]	2,00,000	18,000	18,000	Nil
Services provided as a recovery agent [Tax is payable under forward charge since recovery agent's services are being provided to a person other than banking company/financial institution/ non-banking financial company.]	15,000	1,350	1,350	Nil
Total GST payable under forward charge (A)	40,950	40,950	Nil	40,950
GST payable under reverse charge				
Legal services availed from an advocate	1,75,000	Nil	Nil	31,500
[Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (Rs. 20 lakh) are not exempt and tax on the same is payable under reverse charge.]				
Total GST payable under reverse charge (B)		Nil	Nil	31,500
Total GST payable [(A)+(B)]		40,950	40,950	31,500

## Computation of total ITC available

Particulars	Value of supply (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
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Outdoor catering services availed [ITC on outdoor catering services is blocked except when such services are (i) used by the taxpayer who is in the same line of business or (ii) provided by the employer to its employees under a statutory obligation.]	50,000	Nil	Nil	Nil
Legal services availed [ITC is available as said services are used in course or furtherance of business.]	1,75,000	Nil	Nil	31,500
General insurance taken on a car (seating capacity 5) used for official purposes [ITC on motor vehicles for transportation of persons with seating capacity $\leq$ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.]	40,000	Nil	Nil	Nil
Total ITC available		Nil	Nil	31,500

#### Computation of net GST payable in cash

Particulars	CGST@ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
GST payable under forward charge	40,950	40,950	Nil
Less: ITC of IGST1	15,750)	(15,750)	
	IGST	IGST	
	25,200	25,200	Nil
Add: GST payable under reverse charge in cash [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.]	Nil	Nil	31,500
Net GST payable in cash	25,200	25,200	31,500



Note: CGST and SGST is payable on the intra-State transaction and IGST is payable on the inter-State transactions.

Miss. P, a registered supplier of Rajasthan, has received the following amounts in respect of the activities undertaken by her during the month of April:

S.No.	Particulars	Amount (in Rs.)
1	Amount received for warehousing of sugarcane	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

All the transactions stated above are inter-State transactions and all amounts are exclusive of GST.

You are required to compute total GST payable by Miss. P for the month of April assuming the rate of GST to be 18%.

WTP May 2023, 4 Marks

Computation of value of taxable supply on which GST is to be paid by Miss. P

Particulars	IGST* (Rs.)
Amount received for warehousing of sugarcane [Warehousing of agricultural produce is exempt from GST.]	Nil
Commission received as business facilitator [Services provided by a business facilitator to a banking company with respect to accounts only in its rural area branch are exempt from GST. In the given case since services are being provided to urban branch of the bank, they are taxable. However, the tax payable thereon is to be paid by the recipient of services i.e. banking company, under reverse charge. Hence, Miss P will not be liable to pay GST on commission received for said services.]	Nil
Amount received for services by way of labour contracts [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. Since such services are being provided for repairing the residential unit, they are not eligible for exemption.]	1,800 [10,000 X 18%]
Total IGST payable	1,800

\*Note: IGST is payable on inter-State supply.

### Question 21

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



- (i) Teja & Co, a tour operator, provides services to a foreign tourist for tour conducted in Jammu & Kashmir and receives a sum of Rs. 3,00,000.
- (ii) Ms. Poorva acts as a Team Manager for Indian Sports League (ISL), a recognised sports body, for a Tennis tournament organised by Multi brand retail company and received a remuneration of Rs. 2,00,000.

**Answer:**

- (i) Services provided by a tour operator to a foreign tourist are exempt from GST provided such services are in relation to a tour conducted wholly outside India. Thus, since in the given case, services provided by Teja & Co. are in relation to a tour conducted within India, the same are not exempt from GST.
- (ii) Services provided by a team manager to a recognised sports body for participation in a sporting event are exempt from GST provided said sporting event is organised by a recognised sports body. Thus, since in the given case, the sporting event is not organised by a recognised sports body, the services provided by Ms. Poorva are not exempt from GST.

**Question 22**

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

Sl.	Particulars	Amount (Rs.)
(i)	Intra-State supply of taxable goods including Rs. 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 registered under GST. GST is payable @ 12% (It is an inter-State transaction)	2,00,000
(iv)	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 (Rs.)
CGST	57,000



SGST	Nil
IGST	50,000

Note:

- Rates 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.
- The turnover of Neelkanth Pvt. Ltd. was Rs. 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.

[ITP Nov. 22] [ITP Nov. 22]

Answer:

#### Computation of GST payable on outward supplies

Sl.	Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
(i)	Intra-State supply of goods for Rs. 4,00,000 [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided by way of training in recreational activities relating to sports [Note-3]	Nil	Nil	18,00	18,00
(iv)	Inter-State security services provided to ABC higher secondary school for their annual day function to be held in Fintex Auditorium. [Note-4]	Nil	Nil	2,700	2,700
	Total GST payable	45,000	45,000	4,500	94,500

Notes

- As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.
- Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. Labour contracts for repairing are thus, taxable.
- Services by way of training or coaching in recreational activities relating to sports is exempt under GST vide Notification No. 12/2017 CT(R) dated 28.06.2017, only if provided by charitable entities registered under section 12AA of the Income-tax Act. Thus, in the given case, said service is taxable.



4. Security services provided to ABC higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017.

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods from a composition dealer [No tax is payable on the goods purchased under composition scheme]	Nil	Nil	Nil
Add: Membership of a club [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge (RCM) basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA). But, if GTA is registered under GST & has opted to pay GST under forward charge mechanism (FCM), then, RCM will not be applicable. Here, in the present case, GTA is registered under GST and given applicable GST rate is 12% which is applicable only where FCM is applicable. So, in this case, RCM will not apply. In this case, input tax credit is available for the services received from GTA.]	Nil	Nil	24,000
Add: Inputs to be received in 4 lots, out of which 2nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
Total ITC	57,000	Nil	74,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
GST payable	45,000	45,000	4,500	94,500



Less ITC (First ITC of IGST should be utilized in full first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow)	(24,500)	(45,000)	(4,500)	24,000
	IGST	IGST	IGST	
	(3)	(2)	(1)	
	(20,500)			20,500
CGST				
Minimum GST payable in cash	Nil	Nil	Nil	Nil

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow.

### Question 23

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

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

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

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

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unless otherwise mentioned.
- (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 Sreshth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

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

(MTP Nov. 2022, 8 Marks)

Answer

#### Computation of GST payable on outward supplies

S. No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Total (₹)
	GST payable under forward charge				
(i)	Intra-State supply of goods [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services provided to a foreign diplomatic mission located in India [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to Torrent higher secondary school for their annual day function to be held in Katyani Auditorium. [Note-4]	Nil	Nil	2,700	2,700
	Total GST payable under forward charge	45,000	45,000	4,500	94,500
	GST payable under reverse charge				
	GTA services availed [As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12% and services have been received by	Nil	Nil	10,000	10,000



the specified recipient. Since in the given case, services have been received from a GTA where GST is payable @ 5% and recipient is one of the specified recipients, reverse charge provisions will be applicable.]

Notes:

1. Intra-State supply of goods is leviable to CGST and SGST.
2. Services by a foreign diplomatic mission located in India are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. However, no exemption is available with respect to the services provided to a foreign diplomatic mission located in India.
3. Services by an organiser to any person in respect of a business exhibition are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017, only if such business exhibition is held outside India. Thus, in the given case, said service is taxable.
4. Security services provided to Torrent higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017.

#### Computation of total ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods destroyed due to fire before being put into the production process [ITC is blocked on lost goods, stolen goods, destroyed goods and goods that are written off]	Nil	Nil	Nil
Add: Purchase of food items for being served to the customers, free of cost [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [ITC is available for the services received from GTA since it is used in course or furtherance of business.]	Nil	Nil	10,000
Add: Inputs to be received in 3 lots, out of which 2nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
Total ITC	57,000	Nil	60,000

#### Computation of minimum GST payable from electronic cash ledger



Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Total (₹)
GST payable under forward charge	45,000	45,000	4,500	94,500
Less: ITC [First ITC of IGST should be utilized in full – first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(10,500) IGST (1)	(45,000) IGST (2)	(4,500) IGST (3)	60,000
	(34,500)			34,500
GST payable under reverse charge on GTA services [Payable in cash since 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]			10,000	
Minimum GST payable in cash	Nil	Nil	10,000	Nil

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow.

#### Question 24

M/s. Pradyumn Corporation Pvt. Ltd., a registered dealer of Mumbai furnishes you following information for the month of October, 20XX.

S.No.	Particulars	Amount (Rs.)
(i)	Intra state sale of taxable goods (out of above Rs. 50,000 was received as advance in September, 20XX)	2,00,000
(ii)	Goods purchased from unregistered dealer (purchase on 20th October, 20XX) (10,000 in case of Inter-State & Balance Intra-State)	50,000
(iii)	Received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is Intra-State transaction)	50,000
(iv)	Professional fees paid to Ms. Udadhi located in a non-taxable territory (It amounts to Inter- State transaction)	50,000

Compute GST liability (CGST, SGST or IGST, as the case may be) of M/s Pradyumn Corporation Pvt. Ltd. for the month of October, 20XX.

Assume the rates of GST as under:

CGST / SGST 9%                      IGST                      18%

Note: Turnover of M/s. Pradyumn Corporation Pvt. Ltd. was Rs. 2 crore in the previous financial year.



Computation of GST liability of M/s. Pradyumn Corporation Pvt. Ltd. For the month of October, 20XX

Particulars	Value of Supply CGST (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Intra State sale of taxable goods [Note-1]	2,00,000	18,000	18,000	
Goods purchased from unregistered dealer on 20th October, 20XX [Note-2]	Nil	Nil	Nil	
Receipt for services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-3]	50,000	4,500	4,500	
Professional fees paid to Ms. Udadhi located in a non-taxable territory [Note-4]	50,000			9,000
Total GST liability for the month of October, 20XX (It has been assumed that intra-State sale of taxable goods and receipts towards labour contracts for repairing services are exclusive of taxes.)		22,500	22,500	9,000

Notes:

- As per Notification No. 66/2017 CT dated 15.11.2017, in case of supply of goods by a registered person (excluding composition supplier), GST is to be paid on the outward supply of goods on the date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Therefore, in the present case, M/s. Pradyumn Corporation Pvt. Ltd. is not required to pay any GST on receipt of advance payment of Rs. 50,000. Further, since, it has supplied the goods in the month of October, 20XX, therefore, GST liability of the company will arise on entire Rs. 2,00,000 in the month of October, 20XX only.
- Intra-State and inter-State procurements made by a registered person from unregistered person are not liable to GST under reverse charge liability (Except for Promoters).
- 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. Labour contracts for repairing are thus, taxable.
- In case of service supplied by a person located in a non-taxable territory to a person other than non-taxable online recipient, GST is payable under reverse charge by such recipient.

#### Question 25

Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February 2018:

S. No.	Particulars	Amount in Rs.
(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 Love all University, Pune (recognized by law), being an inter-state transaction	16,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Thiraj for the month of February, 2018.

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

All the amounts given above are exclusive of taxes.

ICA Inter Nov. 2018, 6 Marks

**Answer** Computation of net GST liability by Mr. Thiraj for the month of February, 2018

S.No.	Particulars	Value of supply (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
<b>Output supply</b>					
(i)	Intra-State taxable supply of services	5,20,000	46,800	46,800	
(iv)	Services towards conduct of exams in Loveall University, Pune [Note-1]	16,000			Exempt
<b>Inward supply</b>					
(ii)	Legal fee paid to lawyer located within State [Note-2]	20,000	1,800	1,800	
(iii)	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 [A] [Note-4]			(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	
Net GST liability [A] + [B]			46,800	46,800	

Notes:-

- 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.
- 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, inter alia, State Government by way of renting of immovable property to a person registered under the CGST Act, GST is payable under reverse charge by the recipient of service.

\* 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.

Worldwide Pvt. Ltd. (a registered taxable 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, 2018.

S.No.	Particulars	Amount (Rs.)
(1)	Running a boarding school	2,40,000
(2)	Fees from prospective employer for campus interview	1,70,000
(3)	Education services for obtaining the qualification recognised by law of foreign country	3,10,000
(4)	Renting of furnished flats for temporary stay to different persons (Rent per day is less than Rs. 1,000 per person)	1,20,000
(5)	Conducting Modular Employable Skill Course, approved by National Council for Vocational Education and Training	1,40,000
(6)	Conducting private tuitions	3,00,000

Compute the value of taxable supply and the amount of GST payable. The above receipts don't include the GST amount. Rate of GST is 18%.

**Answer** Computation of value of taxable supply and amount of GST payable

S.No.	Particulars	Rs.
(1)	Running a boarding school [Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil
(2)	Fees from prospective employer for campus interview [Not exempt.]	1,70,000
(3)	Education services for obtaining the qualification recognised by law of foreign country [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.]	3,10,000
(4)	Renting of furnished flats for temporary stay of different persons [Taxable, because Hotel accommodation is taxable irrespective of rent per day]	1,20,000



(5)	Conducting Modular Employable Skill Course [An institution providing Modular Employable Skill Course, approved by National Council for Vocational Education and Training, qualifies as educational institution. Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil
(6)	Conducting private tuitions [Not exempt.]	3,00,000
	Value of taxable supply	9,00,000
	GST payable @ 18%	1,62,000

JP Charitable Institution, an entity registered under Section 12AA or 12AB of Income Tax Act, 1961 and registered in GST, has furnished you the following details with respect to the activities undertaken by it during the month of January, 2018. You are required to compute its taxable value and GST from the information given below, assuming that the rate of GST is 18%. Brief reasoning should be part of your answer.

Particulars	Amount (Rs.) Excluding GST
Membership fees received from members	10,00,000
Amount received for advancement of educational programs relating to abandoned or orphaned or homeless children	4,00,000
Amount received for renting of commercial property owned by Trust	5,00,000
Amount received for counselling of terminally ill person	3,50,000
Fees charged for Yoga Camp conducted by Trust	2,00,000
Amount received relating to preservation of forest & wildlife	6,00,000

**Answer**

ICA Inter Nov. 2018, 5 Marks

Computation of value of taxable supply of J P Charitable Institution for the month of January, 2018

	Particulars	Rs.
(i)	Membership fees received from members	10,00,000
(ii)	Amount received for advancement of educational programs relating to abandoned/orphaned/homeless children	Nil
(iii)	Amount received for renting of commercial property owned by Trust (It has been logically assumed that the commercial property owned by the Charitable Trust is not within the precincts of a religious place meant for general public.)	5,00,000



(iv)	Amount received for counselling of terminally ill person	Nil
(v)	Fee charged for Yoga Camp conducted by Trust	Nil
(vi)	Amount received relating to preservation of Forest & Wildlife	Nil
	Taxable Value	15,00,000
	Charitable activities provided by an entity registered under section 12AA or 12AB of the Income-tax Act, 1961 are exempt. Since JP Charitable Institution is registered under section 12AA or 12AB of the Income-tax Act, 1961 and activities mentioned at points (ii), (iv), (v) and (vi) are included in charitable activities, the same are exempt.	

M/s Maheshwari Corporation Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka, having turnover of Rs. 200 lakhs in the last financial year. It has furnished the following information for the month of June, 2018.

Sr. No.	Particulars	Amount (Rs.) Excluding GST
1	Services provide by way of labour contract for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction.)	1,30,000
2	Intra-State sale of taxable goods including Rs. 50,000 received as advance in April, 2018. The invoice for the entire sale value is issued on 15th June, 2018	2,50,000
3	Goods transport services received from GTA (registered under GST), GTA is paying tax @ 12 % (It is an inter-State transaction.)	1,30,000
4	Goods purchased from unregistered dealer on 20th June, 2018 (Inter-State purchases are worth Rs. 45,000 and balance purchases were intra-State).	30,000

Compute net GST liability (CGST, SGST, IGST as the case may be) of M/s Maheshwari Corporation Pvt Ltd. for the month of June, 2018 assuming the rates of GST, unless otherwise specified, as under:

CGST - 9%, SGST - 9%, IGST - 18%

CA Inter May 2018, 8 Marks

Answer

Computation of net GST liability of M/s Maheshwari Corporation Pvt. Ltd.

Particulars	Value of Supply	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Services by way of pure labour contracts of construction, erection, commissioning, or installation of original	1,30,000	11,700	11,700	-



works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt. Labour contracts for repairing are thus, taxable.]				
Intra State sale of taxable goods [Time of supply of goods is the time of issue of invoice. So, advance received in April, 2018 will also be taxed in June, 2018]	2,50,000	22,500	22,500	
Goods purchased from unregistered dealer on 20th June, 2018 [All intra-State and inter-State procurements made by a registered person from unregistered person have been exempted from reverse charge liability.]	Nil	Nil	Nil	
Less: ITC of GST paid on GTA services received [Since GTA is registered under GST & is paying tax @ 12%, tax is payable under forward charge. Further, ITC of IGST (Rs. 1,80,000) $12\% = 21,600$ paid on the same is available]		(21,600)		
Net GST liability		12,600	34,200	Nil
ITC of IGST has been used to pay CGST as there is no IGST liability, However IGST ITC can be used to pay CGST and SGST liability in any order, in any proportion.				

## Question 29

M/s. Apna Bank Limited, a Scheduled Commercial Bank has furnished the following details for the month of August, 2018:

Particulars	Amount Rs. in Crores (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. [CA Inter May 2019, 8 Marks]

## Answer:

Computation of value of taxable supply of M/s. Apna Bank Limited for the month of August, 2018

Particulars	Amount in
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	crores (Rs.)
Housing loan extended to customers	Nil
[Since money does not constitute goods, extending housing loan is not a supply.]	
Processing fee collected on sanction of loan [Interest does not include processing fee on sanction of the loan. Hence, the same is taxable.]	20
Commission collected on bank guarantee [Any commission collected over and above interest on loan, advance or deposit are not exempt.]	30
Interest income on credit card issued by the bank [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax. However, interest involved in credit card services is not exempt.]	40
Interest received on housing loan [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax.]	Nil
Minimum balance charges collected from current account and saving account holder [Any charges collected over and above interest on loan, advance or deposit are not exempt.]	01
Value of taxable supply	91

## Question 20

Decide with reason whether the following independent services are exempt under CGST Act, 2017:

- Gokul Residents' Welfare Association received Rs. 9,000 per month as contribution from each member for sourcing of goods and services from third persons for common use of its members.
- Mr. Vikalp, a performing artist, has received Rs. 1,58,000 from performance of classical dance and Rs. 90,000 from acting in TV Serial during the month of June 2018. [CA Inter May 2019, 4 Marks]

## Answer

- Service by an unincorporated body or a registered non-profit entity, to its own members by way of share of contribution up to an amount of Rs. 7,500 per month per member for sourcing of goods/services from a third person for the common use of its members in a housing society or residential complex, is exempt.

In the given case, monthly contribution per month per member received by Gokul Residents' Welfare Association exceeds Rs. 7,500.

Therefore, No exemption will be available and GST would be payable on the entire amount of Rs. 9,000.

- Services by an artist by way of a performance in folk or classical art forms of music, dance, or theatre, if the consideration charged for such performance is not more than Rs. 1,50,000 are exempt from GST.

In the given case, since the consideration received by the performing artist - Mr. Vikalp for performance of classical dance is more than Rs. 1,50,000, said services are not exempt.



Further, consideration received for acting in TV serial is also not exempt since said performance is not in folk/classical art forms of theatre.

Mr. Uttam Kumar a registered supplier of service in Kolkata, has provided following information for the month of October, 2018:

Sl.	Particulars	Amount in (Rs.)
1.	Intra-State taxable supply of service	6,40,000
2.	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
3.	Paid legal fee to senior advocate for one legal matter within State, being Intra-State transaction.	50,000
4.	Amount received for service provided by him as a commentator to a local recognized sports body, being Intra-State transaction	1,20,000
5.	Amount received for acting as a coach in recreational activities relating to arts or culture, being Intra- State	30,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Uttam Kumar for the month of October, 2018.

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 May 2019, 8 Marks]

#### Computation of net GST liability of Mr. Uttam Kumar October, 2018

Particulars	Amount (Rs)	CGST (Rs)	SGST (Rs)
Intra-State taxable supply of service	6,40,000	57,600	57,600
Add: Amount received from Kapola Pvt. Ltd. for service provided to company, being intra-State transaction. [Note-1] (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.)	5,00,000	Nil	Nil
Add: Legal fee paid to senior advocate for one legal matter within the State, being intra-State transaction [Note-2] (It has been assumed that the turnover of Mr. Uttam Kumar in the previous year 2017 -18 exceeded Rs. 20,00,000)	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 [Note-3]	1,20,000	10,800	10,800



Add: Amount received for acting as a coach in recreational activities relating to arts or culture, being intra-State transaction [Note-4]	30,000	Nil	Nil
Total tax payable on outward supply		68,400	68,400
Less: ITC of tax paid on legal fees paid to senior advocate (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.)		4,500	4,500
Output tax payable after set off of ITC [A]		63,900	63,900
Add: Legal fee paid to senior advocate for one legal matter within the State, being intra-State transaction [Note-2] (It has been assumed that the turnover of Mr. Uttam Kumar in the previous year 2017-18 exceeded Rs. 20,00,000) [B]	50,000	4,500	4,500
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 and 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 and 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 vide exemption notification. However, services provided as a commentator to a local recognized sports body is taxable.
4. Services by way of training or coaching in recreational activities relating to arts or culture by an individual are exempt from GST vide exemption notification.
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.

### Question 32

Alfa Institute of Management (AIM), a private college, is registered under GST in the State of Punjab. AIM provides the following particulars for the month of April, 2019 :

Sl.	Particulars	Amount (Rs.)
i.	Tuition fee received from students pursuing management courses recognised by Punjab University, established by an Act of State Legislature	18,00,000
ii.	Tuition fee received from students pursuing under - graduate courses recognised by Stan University, London under Dual Degree programmes	8,50,000
iii.	Fee received from students of competitive exam training academy run by a Department of AIM	5,40,000



iv.	Mess fees received from students (Mess is run by AIM on its own)	3,20,000
v.	Amount paid to Local Municipal Corporation for premises taken on rent for conducting coaching classes for competitive exams	50,000
vi.	Legal services availed from Top Care & Co., a Partnership firm of advocates, for the competitive exam training academy (Intra-state transaction)	20,000

Note:

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both outward and inward supplies.

All the amounts given above are exclusive of taxes, wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled, wherever applicable.

No opening balance of ITC under any head of tax.

From the information given above, you are required to calculate the Value of taxable supply and net GST liability (CGST, SGST or IGST as the case may be) to be paid in cash, if any, by AIM for the month of April, 2019.

CA Inter Nov. 2019, 3 Mar.

Answer:

Computation of value of taxable supply and net GST liability to be paid in cash by AIM for April, 2019

Particulars	Amount (Rs.)
Tuition fee received from students pursuing recognized management courses [Note-1]	Nil
Tuition fee received from students pursuing under-graduate courses recognized by Foreign University [Note-2]	8,50,000
Fee received from students of Competitive Exam Training Academy [Note-3]	5,40,000
Mess fees received from students [Note-4]	Nil
Total value of taxable supply	13,90,000

Particulars	CGST (Rs.)	SGST (Rs.)
GST liability under forward charge @ 9% [Note-5]	1,25,100	1,25,100
Services on which tax is payable under reverse charge:		
Rent paid to Local Municipal Corporation [Note-6]	4,500	4,500
Legal services received from Top Care & Co., a partnership firm of advocates (It has been assumed that the aggregate turnover of AIM in the preceding financial year exceeds Rs. 20 lakh.) [Note-7]	1,800	1,800
GST liability under reverse charge payable in cash [A] [Note-8]	6,300	6,300



Output tax payable against which ITC can be set off		
Less: ITC of renting of immovable property and legal services	1,25,100	1,25,100
Output tax payable after set off of ITC [B]	6,300	6,300
Net GST liability payable in cash [A] + [B]	1,18,800	1,18,800
	1,25,100	1,25,100

Notes:-

1. Services provided by an educational institution to its students are exempt. Further, educational institution means inter alia an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by an Indian law.  
Therefore, tuition fee received by Punjab University, being an educational institution, is exempt since it provides qualification recognised by Indian law.
2. Tuition fee received by Stan University is taxable since Stan University is not an educational institution as qualification provided by it is not recognised by Indian law.
3. Fee received from students of competitive exam training academy is taxable as Department of AIM is not an educational institution since competitive exam training does not lead to grant of a recognized qualification.
4. Catering services provided by educational institutions to its students are exempt. It has been assumed that the mess fees has been charged from the students pursuing the qualification recognised by law.
5. Since all the services provided are intra-State, CGST and SGST @ 9% is charged
6. GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.
7. GST is payable under reverse charge in case of legal services supplied by a firm of advocates to a business entity
8. The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

### Question 23

Discuss about the exemption available to the services provided by an Old Age Home under the CGST Act 2017.

CA Inter May 2019, 4 Marks

**Answer:** The services provided by an old age home to its residents are exempt if the following conditions are fulfilled:

- (i) the old age home is run by Central Government, State Government or an entity registered under section 12AA or 12AB of the Income-tax Act, 1961
- (ii) The consideration charged is upto Rs. 25,000 per month per member.
- (iii) The consideration charged is inclusive of charges for boarding, lodging and maintenance.
- (iv) The residents of the old age home are aged 60 years or more.



## Question 34

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

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

All the above receipts are exclusive of GST. Compute the value of taxable supplies under GST laws for the month of February, 2020. [CA Inter NTP Sept. 2024, 5 Marks] [CA Inter Jan. 2021, 5 Marks]

- (b) Satya Sai Residents Welfare Association, a registered person under GST has 30 members each paying Rs. 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 Rs. 59,000 (inclusive of GST of Rs. 9,000) and availed input services for Rs. 23,600 (inclusive of GST of Rs. 3,600) for common use of its members during February 2020.

Compute the total GST payable, if any, by Satya Sai Residents Welfare Association, for February 2020.

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

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

[CA Inter Jan. 2021, 4 Marks]

## Answer

- (a) Computation of value of taxable supplies

Particulars	Amount (Rs.)
Services relating to rearing of sheep [Exempt since services relating to rearing of all life forms of animals, except horses, for food etc. are exempt.]	Nil
Services by way of artificial insemination of horses [Not exempt since services of artificial insemination are exempt only of livestock other than horses.]	4,00,000
Processing of sugarcane into jiggery [Not exempt, since processes which alter the essential characteristics of agricultural produce are not exempt and processing of sugarcane into jaggery changes the essential characteristics of sugarcane.]	8,00,000
Milling of paddy into rice [Not exempt, since this process, being carried out after cultivation is over, is not an intermediate production process in relation to cultivation of plants and it also changes the essential characteristics of paddy.]	7,50,000
Services by way of fumigation in a warehouse of agricultural produce [Taxable	1,80,000



under GST]

Value of taxable supplies

21,30,000

(b) Computation of total GST payable by Satya Sai Residents Welfare Association

Particulars	Value (Rs.)	GST @ 18% (Rs.)
Maintenance charges received [Rs. 8,000 x 30 members] [Services by RWA to its members for sourcing of goods or services from a third person for the common use of its members in a housing society are exempt provided the share of contribution per month per member is up to Rs. 7,500. Otherwise, entire amount is taxable.]	2,40,000	
Total GST payable [It has been logically presumed that maintenance charges are exclusive of GST.]		43,200

Note: Residents Welfare Association is entitled to take ITC of GST paid by them on capital goods, goods and input services, used by it for making supplies to its members and use such ITC for discharge of GST liability on such supplies where the amount charged for such supplies is more than Rs. 7,500 per month per member. Thus, Satya Sai Residents Welfare Association can avail ITC of GST paid on water pump purchased (Rs. 9,000) and input services availed (Rs. 3,600). Net GST payable in that case will come out Rs. 30,600.

## Question 25

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

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

All the above amounts are exclusive of GST

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



## Computation of value of taxable supplies of AB Ltd.

Particulars	Amount (Rs.)
Services of transportation of students, faculty and staff to Commerce College [Not exempt, since transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	2,50,000
Online monthly magazine to students of PQR Law College [Services of supply of online educational journals provided to an educational institution providing qualification recognized by law are exempt.]	Nil
Housekeeping services to T Coaching Institute [Not exempt]	50,000
Security services to N Higher Secondary School [Security services provided to an educational institution providing education up to higher secondary school are exempt.][It has been assumed that security services are performed in N Higher Secondary School.]	Nil
Services of providing breakfast, lunch and dinner to students of ABC Medical College [Not exempt, since catering services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	5,80,000
Value of taxable supplies	8,80,000

## Question 36

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

[CA Intermediate May 2022]

**Answer:** The said statement is invalid. Services provided by a GTA to an unregistered person, including an unregistered casual taxable person are exempt except when provided to a:

- Factory
- Society
- co-operative society
- body corporate
- partnership firm
- registered casual taxable person

## Question 37

Mr. Jayesh, a registered supplier of Mumbai, received the following amounts in respect of the various activities undertaken by him during the month of October, 2022.

Sl.	Particulars	Amount (Rs.)
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(i)	Commission received as a recovery agent from a Non-Banking Finance Company (NBFC)	80,000
(ii)	Actionable claim received from normal business debtors	10,50,000
(iii)	Amount received from ABC Ltd. for performance of classical dance in one program.	1,74,500
(iv)	Business assets (old computers) given to a friend free of cost, the market value of all the computers was Rs. 51,000. No input tax credit has been availed on such computers when used for business.	No amount Charged
(v)	Consideration received for one month rent from a registered individual person for renting of residential dwelling for use as residence.	15,200

Details of Input services:

Particulars	Amount (Rs.)
Paid to an unregistered Goods Transport agency for various consignments of transportation of goods by road. (Each individual consignment in a single carriage was of less than Rs. 1,450.)	15,100

Notes:

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

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

You are required to compute Gross value of supplies, on which GST to be paid by Mr. Jayesh for the month of October, 2022.

[CA Intermediate May 2023, 6 Marks]

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

Particulars	Amount (Rs.)
Commission received as a recovery agent from Non-Banking Financial Company [Tax is payable by NBFC under reverse charge.]	-
Actionable claim received from normal business debtors [No tax is payable as actionable claims other than lottery, betting and gambling are covered under Schedule III, i.e. they are neither supply of goods nor supply of services.]	-
Amount received from ABC Ltd. for performance of classical dance [Taxable since consideration for classical dance performance exceeds Rs. 1,50,000.]	1,74,500
Business assets given free of cost [Not a supply as it is made without consideration and not covered in Schedule I because ITC is not availed on the same.]	-
Rent from registered individual person [Tax is payable by the registered individual]	-



person under reverse charge]	
Services from unregistered GTA [Tax on services provided by unregistered GTA is payable under reverse charge by Mr. Jayesh being a registered person.]	15,100
Gross value of taxable supply on which GST is to be paid by Mr. Jayesh	1,89,600

### Question 19

Examine whether supply of food and drink in the following independent cases is exempt from GST:-

- "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 Rs. 8,00,000 per annum.
- 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.

[RTP May 2020, 5 Marks] [RTP May 2019]

- Services provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent, by way of catering is exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended. Thus, in the given case, services provided by BTV Caterers to Smart Kids are exempt from GST.
- Services by way of health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended.

In this regard, CBIC has clarified that food supplied by the hospital canteen to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare services and is not separately taxable. Thus, it is exempt from GST. However, other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable.

In view of the same, GST is exempt on the food supplied by Tasty Foods to the in-patients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or attendants/visitors of the in-patients is taxable.

### Question 20

State with reasons, whether GST is payable in the following independent cases:-

- Services provided to recognized sports body as curator of national team.
- Services provided by way of transportation of passenger in Metered Cab.
- Services by way of public conveniences such as provision of facilities of washrooms.
- Services provided by a player to a franchisee which is not a recognized sports body.

### Answer:

[RTP Nov 2020, 4 Marks] [RTP Nov 2019]

- 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 are



- exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is payable in case of services provided to a recognized sports body as curator of national team.
- (ii) Service of transportation of passengers, with or without accompanied belongings, inter alia, by metered cabs are specifically exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is not payable in this case.
- (iii) Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets are not liable to GST as it is specifically exempt as per Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is not payable in this case.
- (iv) Services provided by a player to a franchisee which is not a recognized sports body is taxable as it is not exempt under Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is payable in this case.

**Example 10**  
Mutiservices Private Ltd., registered in Punjab, is engaged in supplying a variety of services. Its turnover was Rs. 35 lakh in the preceding financial year. It has provided the following information for the month of April:

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

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

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

**Solution**

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

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



Security and housekeeping services in Dhaani Public School [Note-4]	36,000			
Total GST liability		56,160	56,160	

Notes:-

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

#### Question 41

M/s. Grey, a registered taxable person under regular scheme provides following information in respect of supplies made by it during the month of April, 2019:

	(All amount in rupees)
(i) Inter-state supply of goods	Rs. 1,00,000
(ii) Intra-state supply of 500 packets of detergent @ Rs. 400 each alongwith a plastic bucket worth Rs. 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	
(iii) Supply of online educational journals to M/s. Pinnacle, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply	Rs. 50,000

M/s. Grey has also received the following inward supplies:

(iv) Inter-state supply of goods (out of which invoice for goods worth Rs. 20,000 is missing and no other tax paying document is available)	Rs. 70,000
(v) Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply.	Rs. 50,000

Details of opening balances of ITC as on 1-4-2019 are as follows:

CGST	Rs. 5,000
SGST	Rs. 5,000



IGST

Rs 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, 2019.

CA Inter Nov. 2019, 8 Marks

Computation of minimum net GST payable in cash by M/s. Grey for the month of April, 2019

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Total tax liability				
Inter-State supply of goods	1,00,000			18,000
Intra-State supply of 500 packets of detergents along with a plastic bucket [Note-1]	2,00,000 (500x400)	28,000 (2,00,000 x 14%)	28,000 (2,00,000 x 14%)	
Supply of online educational journal to private coaching centre [Note-2]	50,000	4,500 (50,000 x 9%)	4,500 (50,000 x 9%)	
Total tax liability (A)		32,500	32,500	18,000
Input tax credit (ITC)				
Brought forward ITC		5,000	5,000	40,000
Inter-State purchase of goods [Note-3]	50,000			9,000
Repairing of bus with seating capacity of 20 passengers [Note-4]	50,000	4,500	4,500	
Total ITC (B)		9,500	9,500	49,000
Minimum net GST payable in cash				
Total tax liability		32,500	32,500	18,000
Less: Set off of IGST liability from IGST credit				(18,000)
Set off IGST credit against CGST and SGST liability in any order and in any proportion		(23,000)	(8,000)	
Set off of CGST and SGST credit against		(9,500) CGST	(9,500) SGST	



CGST and SGST liability respectively				
Minimum net GST payable in cash		Nil	15,000	Nil

**Notes:-**

1. Supply of detergent and bucket together with a single price of Rs. 400 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply that attracts highest rate of tax (28%).
2. Supply of online educational journal is exempt only when the same is provided to an educational institution which provides a qualification recognised by law. Since, the private coaching centre does not provide any recognised qualification, the supply of online educational journals to the same will be taxable.
3. 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.
4. ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

**Note:** Under the amended position of law, the IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash [i.e. GST liability] as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

**Question 42**

ABC Ltd., a registered supplier in Surat, Gujarat has calculated output net GST liability after adjusting ITC in the books for the month of February 2021:

CGST: Rs. 3,00,000    SGST: Rs. 2,50,000    IGST: Rs. 3,00,000

During the above month, the following additional information is provided by ABC Ltd.:

Sl.	Particulars	Amount (Rs.) (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 Rs.7,500 per truck per day	3,75,000
2.	The company sold goods to X & Co. of Delhi on 6th January 2021 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6th January 2021. X & Co. paid the consideration for the goods on 20th February along with applicable interest.	5,00,000
3.	The company sought legal consultancy services for it's business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat.	1,50,000



4.	The company ordered 3,000 packets of tools which are to be delivered by the supplier of Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full quantity in February 2021 and the last lot would be delivered in April 2021.	5,00,000
5.	The company supplied 10,000 packets of tools to one of its customer at Rs. 10/- per packet in Gujarat in January 2021. Afterwards, the company re-values it at Rs. 9 per packet in February 2021 and the company issued credit note to the customer for Rs. 1 per packet.	

The rate of GST is 9% CGST, 9% SGST and 18% IGST.

You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February 2021.

CA Inter Exams Dec. 2021, 8 Marks

Computation of net GST liability of ABC Ltd. to be paid in cash for February 2021

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Net output GST liability as given		3,00,000	2,50,000	3,00,000
Add: Trucks given on hire to GTA [Services by way of giving a means of transportation of goods on hire to a goods transport agency are exempt.]	3,75,000	—	—	—
Add: Interest on delayed payment of 15 days <sup>1</sup> (6th February, 2021 to 20 <sup>th</sup> February, 2021) [Includible in value in terms of section 15 of the CGST Act, 2017.]	5,900 [5,90,000 × 2% × 15/30]	—	—	900 [5900 × 18/118]
Total output tax liability		3,00,000	2,50,000	3,00,900
Less: ITC in respect of legal services paid as reverse charge is available <sup>2</sup>	1,50,000	(13,500) [1,50,000 × 9%]	(13,500) [1,50,000 × 9%]	
Net output tax liability (A)		2,86,500	2,36,500	3,00,900
Legal consultancy services received(B) [Tax is payable under reverse charge on legal services received by a business entity <sup>3</sup> from a partnership firm of advocates. Further, tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	1,50,000	13,500 [1,50,000 × 9%]	13,500 [1,50,000 × 9%]	
Total GST payable in cash [(A) + (B)]		3,00,000	2,50,000	3,00,900



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

<sup>2</sup>The reversal provisions under rule 42 of the CGST Rules, 2017 have not been given effect to in the above answer, as rule 42 is not in the intermediate syllabus.

<sup>3</sup>It has been most logically assumed that the aggregate turnover of ABC Ltd. in the preceding FY was above the threshold limit for registration under GST law.

#### Notes:

- (1) ITC on goods received in lots is available on receipt of last lot. Hence, ITC on tools received will not be available in February 2021.
- (2) Since discount given by ABC Ltd. on the packets of tools was not known at the time of supply, it shall not be excluded from its value of supply.

#### Question 43

- (a) 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 Rs. 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. If yes, determine the amount of GST so payable.

Will your answer change, if the charges of a single deluxe room per day charged by Holiday Guest House are Rs. 1,000?

- (b) M/s Damodar Ltd. provides services by way of storage of seasonal fruits and vegetables in Bhatinda, Punjab. The monthly rental for a godown is Rs. 15,000. Examine whether GST is payable by M/s Damodar Ltd.

[RTP May 2020]

#### Answer:

- (a) The exemption in respect of "Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having value of supply of a unit of accommodation below or equal to Rs. 1,000 per day or equivalent" is withdrawn by NN. 04/2022 – CT (R), w.e.f. 18.07.2022 and is made taxable w.e.f. 18.07.2022.

Thus, in view of the above-mentioned provisions, GST is payable by Holiday Guest House on the booking done by Mr. X irrespective of the charges for a unit of accommodation.

The answer will remain the same even if the charges of a single deluxe room per day is Rs. 1,000. Thus, GST is payable by Holiday Guest House on the booking done by Mr. X irrespective of the charges for a unit of accommodation.

- (b) Services by way of storage or warehousing of cereals, pulses, fruits, and vegetables have been exempted from GST under an exemption notification under GST.

Thus, no GST is payable on the services provided by M/s Damodar Ltd. by way of storage of seasonal fruits and vegetables in Bhatinda, Punjab.

#### Question 44



M/s Cute & Co., a partnership firm, registered supplier under GST in Bengaluru (Karnataka State), has provided the following information for the month of October, 2023:

S.No.	Details of transactions	Amount (Rs.)
(i)	Intra-State taxable supply of Direct Selling Agent (DSA) service to public sector Bank.	2,50,000
(ii)	Services provided to a Governmental authority by way of sanitation conservancy.	99,900
(iii)	Rent paid to a residential dwelling taken for running an office for providing DSA services; Owner of the residential property was not registered under GST; This is an intra-State supply availed.	25,000
(iv)	Purchased a car for the official use of managing partners of the Firm for business use (Inter-State purchase).	9,00,000
(v)	Availed Information Technology services for their business from Partner's friend Mr Allan Waugh from Melbourne, Australia. Mr. Waugh refused to take any consideration. Open Market value of said service was Rs.1,25,000. (Inter-State transactions).	Nil
(vi)	Provided training and performance appraisal services in Bengaluru to following persons: (a) ABC Private Limited, a registered supplier in the State of Kerala (b) Babu Cones, a proprietorship concern of Rajasthan, which was not registered under GST	3,00,000 1,00,000

Note:

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
  - All the amounts given above are exclusive of taxes.
  - All the conditions necessary for availing the ITC have been fulfilled.
  - There was no opening balance of any input tax credit.
  - The turnover of M/s Cute & Co was Rs. 2 crore in the previous financial year.
- Compute the net GST payable in cash, by M/s Cute & Co. for the month of October, 2023. Correct legal provisions should form part of your answer.

**Answer:**

Computation of net GST payable in cash

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Output tax liability [Refer Working Note 1]	31,500	31,500	54,000



Less: ITC available [Refer Working Note 2]	2,250	2,250	-
Net GST payable	29,250	29,250	54,000
Add: Tax Payable under reverse charge to be paid in cash [The amount available in the electronic credit ledger may be used for making any payment towards output tax. Further, output tax means the tax chargeable on taxable supply of goods and/or services but excludes tax payable on reverse charge basis. Thus, tax liability under reverse charge has to be paid in cash]	2,250	2,250	
Total GST Payable in cash	31,500	31,500	54,000

### Working Notes

1. Computation of total value of taxable supplies made by M/s Cute & Co. for the month of October, 2023

Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
<b>Taxable under Forward Charge</b>				
Intra-State taxable supply of DSA service [Since DSA services are provided by partnership firm, so taxable under forward charge]	2,50,000	22,500	22,500	
Services provided to a Governmental authority by way of sanitation conservancy [Specifically exempt under GST]	99,900			
Information Technology services [Import of services from a non-related person without consideration, in the course or furtherance of business is not a supply.]	Nil			
Training and performance appraisal services to ABC Private Limited [Taxable; the place of supply of services in to training and performance appraisal to a registered person, shall be the location of such person. Thus, place of supply is Kerala and hence an inter-State transaction.]	3,00,000			54,000



training and performance appraisal services to Rohu Cones. [Taxable, the place of supply of services is relative to training and performance appraisal to an unregistered person shall be the location where the services are actually performed. This place of supply is Bengaluru hence Intra State transaction]	1,00,000	3,000	3,300	
	7,49,900	31,300	31,300	34,000
<b>Taxable under Reverse Charge</b>				
Rent paid for residential unit [Service by way of renting of residential dwelling to a registered person is taxable under reverse charge mechanism]	25,000	2,250	2,250	
	7,74,900	33,750	33,750	34,000

2. Computation of ITC that can be availed by M/s Cute & Co. for the month of October 2023:

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Rent paid to residential dwelling for providing DSA services [ITC is available as services are used in the course or furtherance of business]	2,250	2,250	
Purchase of car [Blocked credit in terms of section 17(5) of the CGST Act, 2017]			N/A
<b>Total ITC</b>	2,250	2,250	

#### Question 49

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:

Sl.	Description of Services provided
(i)	Supply of manpower for cleanliness of roads but maintaining any supply of goods
(ii)	Service provided by rail three days owned by Gita Services Limited to supply of goods on charge under Public Distribution System against commercial bill of the Government
(iii)	Service of maintenance of a car supplied to the Government. The car is used for official purposes only and is not used for private purposes.



spares constitutes 35% of the supply of service.

- (iv) Service of brochure distribution provided under a training programme for which 70% of the total expenditure is borne by the Government.

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

Sl.	Particulars	Taxability
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods. [Pure services provided to Government are exempt.]	Exempt
(ii)	Service provided by Fair Price Shops by way of sale of sugar under Public Distribution System [Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against consideration in the form of commission is exempt.]	Exempt
(iii)	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. [Composite supply of goods and services to Government in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply is exempt. Since, in this case value of supply of goods constitutes 35% of the supply of composite service, same is taxable.]	Taxable
(iv)	Service of brochure distribution provided under a training programme. [Services provided to the Government under any training programme for which 75% or more of the total expenditure is borne by the Government is exempt. Since in the given case, 70% of the total expenditure is borne by the Government, it is taxable.]	Taxable

#### Question 46

Craftmodel Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. It is not engaged in renting of cars business. The company provided the following details for the month of January, 2024.

Sl. N.	Particulars			Amount in Rs
(i)	Outward supply of goods made during the month to various non-related persons:			As given in particulars column
		Particulars	Market value (Rs)	
	a.	in the State of Bihar (Intra State)	3,00,000	
	b.	To other States (Inter-State)	7,50,000	
			Transaction Value (Rs)	



(ii)	The company pledged its 5% equity shares to the merchant banker for the purpose of proposed initial public offer.	
(iii)	Stock transfer of goods worth Rs. 58,000 without consideration to its branch at Gaya (Bihar). Branch has been declared as an additional place of business in the registration certificate.	
(iv)	Intra-State inward supply of various services for use in the course or furtherance of business (30 invoices). Out of 30 invoices, details of 10 invoices amounting to Rs. 2,50,000 were not furnished by the suppliers in their GSTR-1s and resultantly, were not reflected in Craftmodel Limited's GSTR-2B.	12,00,000
(v)	Outward supply of services of milling of paddy into rice (Intra-State)	2,00,000
(vi)	Outward supply of services of giving trucks on hire to a Governmental authority (Intra-State)	1,50,000
(vii)	Amount paid to IIM Ahmedabad, Gujarat for providing 15 days' management training to 10 managers from 10th January. The IIM provided Participation Certificates at the end of the training program.	5,00,000
(viii)	Purchased air tickets for its employees from Patna to Guwahati, Assam airport in economy class. Total fare was Rs. 1,00,000, out of which basic fare was Rs. 80,000.	

## Additional Information

- (a) All the amounts given above are exclusive of taxes, wherever applicable.
- (b) During the course of arranging and filing documents, the Accountant of Craftmodel Limited observed that an invoice for Rs. 30,000 (excluding tax) dated 2nd December, 2023 was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January, 2024. This invoice was issued by Mr. Rahuketu of Patna, from whom Craftmodel Limited had taken cars on rental basis. Invoice included cost of fuel also.
- (c) Regarding pledging of shares, the face value of shares is Rs. 5,00,000. The market value of shares is Rs. 8,00,000.
- (d) Rate of GST applicable on various supplies are as follows:

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

- (e) No opening balance of input tax credit exists in the beginning of the relevant tax period.
- (f) Subject to the information given above, conditions necessary for claiming ITC were complied with.



You are required to calculate the amount of net GST liability payable in cash by Craftmodel Limited for the month of January 2024.

**Answer:** Computation of net GST payable in cash by Craftmodel Ltd. for the month of January, 2024

Particulars	CGST (Rs)	SGST (Rs)	IGST (Rs)
Outward intra-State supply of goods made in the State of Bihar [Value of supply is the transaction value of the goods.]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
Outward supply of goods made to other States. [Value of supply is the transaction value of the goods.]			1,08,000 [6,00,000 × 18%]
Pledging of 5% equity shares to the merchant banker [Supply includes supply of goods and services. Shares being securities are neither goods nor services. Thus, transfer of shares which is neither goods nor services is not a supply.]			Nil
Intra-State stock transfer to Gaya Branch with no separate registration. [Stock transfer between 2 units of a legal entity under single registration is not a deemed supply under GST and hence, the same is not liable to tax under GST since branch with same GSTIN is not a distinct person.]	-	-	
Services of milling of paddy into rice. [Milling of paddy into rice cannot be considered as an intermediate production process in relation to cultivation of plants for food, fibre or other similar products or agricultural produce. Thus, it is not eligible for exemption.]	18,000 (2,00,000 × 9%)	18,000 (2,00,000 × 9%)	
Services of giving trucks on hire to a Governmental authority [Services by way of giving motor vehicles on hire to a Governmental authority are taxable.]	13,500 (1,50,000 × 9%)	13,500 (1,50,000 × 9%)	
<b>Total output tax</b>	<b>67,500</b>	<b>67,500</b>	<b>1,08,000</b>
Less: Input Tax Credit [Refer Working Note below] IGST credit should first be utilized			(90,000)



towards payment of IGST.			
ITC of CGST should be utilized for payment of CGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST	(67,500) (CGST)		(18,000) (CGST)
ITC of SGST should be utilized for payment of SGST and IGST in that order. However, ITC of SGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully. ITC of SGST cannot be utilized for payment of CGST.		(67,500) (SGST)	-
Minimum Net GST payable in cash	Nil	Nil	Nil
ITC balance to be carried forward next month	-	18,000	-

Working Note:

Computation of ITC available

Particulars	CGST (Rs)	SGST (Rs)	IGST (Rs)
Intra-State inward supply of services used in the course of business. [ITC cannot be availed by a registered person in respect of invoices, the details of which have not been furnished by the supplier in GSTR-1.]	85,500 (9,50,000 x 9%)	85,500 (9,50,000 x 9%)	-
Training course organized by IIM, Gujarat. [Not exempt. Short duration programmes offered by IIMs for which participation certificate is awarded are not 'qualification recognized by law'. ITC is available in respect of supply of services which are used in the course or furtherance of his business. Further, the place of supply of services in relation to training and performance appraisal to a registered person, shall be the location of such person. Thus, place of supply is Patna (Bihar). Further, where the location of the supplier and the place of supply are in two different States, it shall be treated as inter-State supply of services.]	-	-	90,000 (5,00,000 x 18%)
Air tickets from Patna to Guwahati. [Transport of passengers by air terminating in an airport located in Assam is exempt from GST as said			



transportation is in economy class.]			
<p>Cars taken on rental basis from Mr. Rahuketu</p> <p>[Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a non-body corporate to a body corporate and CGST/SGST is charged @ 2.5% each, is payable under reverse charge.</p> <p>Time of supply of such services is 1st February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, 2024, tax liability on the same does not arise in said month.</p> <p>Further, ITC on renting of motor car services received is blocked since the recipient-Craftmodel Ltd. Is not in the same line of business]</p>			
<b>Total ITC available</b>	<b>85,500</b>	<b>85,500</b>	<b>90,000</b>

#### Question 47

Briefly examine the taxable value of supply in the following independent cases:

- Jivan Limited, registered under GST, provided services amounting to Rs. 10,00,000 to a Governmental Authority by way of sanitation conservancy.
- Raju Transporters, a registered Goods Transport Agency (GTA) provided service of transportation of goods to Kukreja & Kukreja Co.-a unregistered partnership firm. Kukreja & Kukreja Co. paid Rs. 8,000 to Raju Transporters as consideration.
- Amardeep Hospital provided services in Neo natal Intensive Care for 2 days for which Rs. 15,000 are charged per day from Mr. Chopra for his new born son, Viraat.

- Services provided to a Governmental Authority by way of inter alia sanitation conservancy is exempt under GST. Thus, services provided by Jivan Limited, registered under GST amounting to Rs. 10,00,000 to a Governmental Authority by way of sanitation conservancy is exempt under GST.
- Services provided by a GTA to an unregistered person, including an unregistered casual taxable person other than, inter alia, any partnership firm whether registered or not under any law including association of persons is exempt under GST. Thus, GTA services provided to partnership firm including AOP - whether or not registered under GST law, are liable to tax. Hence, consideration of Rs. 8,000 paid by Kukreja & Kukreja Co. is taxable under GST.



- (iii) The services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU)/Critical Care Unit (CCU)/Intensive Cardiac Care Unit (ICCU)/Neo natal Intensive Care Unit (NICU)] having room charges exceeding Rs. 5000 per day to a person receiving health care services is taxable under GST. Since, in the given case Amardeep Hospital provided services in Neo natal Intensive Care, so the entire amount of Rs. 30,000 charged from Mr. Chopra is exempt under GST law.

## Multiple Choice Questions

Sahil, a resident of Delhi, is having a residential property in Vasant Vihar, Delhi which has been given on rent to a family for Rs. 50 lakh per annum for use as a residence. Determine whether Sahil is liable to pay GST on such rent.

- Yes, as services by way of renting is taxable supply under GST.
- No, service by way of renting of residential property to other than registered person is exempt.
- No, service by way of renting of residential property does not constitute supply.
- Sahil, being individual, is not liable to pay GST.

[MTP May 2024][RTP May 2021]

Which of the following services is exempt from GST?

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

[RTP May 2019]

### Question 3

Kala Niketan School is an educational institution providing pre-school education and education up to higher secondary school. Which of the following services are exempt if provided to Kala Niketan School?

- Transportation of students, faculty and staff
  - Catering services
  - Cleaning services performed in such educational institution
- (a) (i)                      (b) (i) and (iii)                      (c) (ii) and (iii)                      (d) (i), (ii) and (iii)

[RTP May 2020]

### Question 4

Which of the following service is not exempt under GST?

- Loading and unloading of paddy
- Loading and unloading of sugarcane
- Loading and unloading of tea bags
- Loading and unloading of potato

[RTP May 2020]

### Question 5

Which of the following supply of services are exempt under GST?

[RTP Nov 2020, 2 Marks]

- testing of agricultural produce
- supply of farm labour
- warehousing of agricultural produce



- (a) (i) (b) (i) and (ii) (c) (ii) and (iii) (d) (i), (ii) and (iii)

### Question 6

Which of the following services is exempt under health care services provided by clinical establishments?

- (a) Chemist shop in the hospital selling medicines to public at large  
 (b) Food supplied by canteen run by the Hospital to in-patients as per diet prescribed by the hospital's dietician.  
 (c) Food supplied to the visitors or attendants of the patients in the hospital by canteen run by the Hospital.  
 (d) Advertisement services provided by the hospital to a pharmaceutical company for their asthma pump by displaying it prominently in the hospital building

MTP Nov 2018

### Question 7

Mr. Narayan Goel has booked a room on rent in Sunshine Hotel for the purpose of lodging on 10th August. GST is not payable by Mr. Narayan Goel in case value of supply for accommodation is

- (a) Taxable, irrespective of the value (b) Rs. 800 (c) Rs. 11,000 (d) Rs. 1,500

### Question 8

Services of transportation of goods by \_\_\_\_\_ are exempt from GST.

- (i) road (ii) inland waterways (iii) goods transportation agency (iv) courier agency  
 (a) (i) & (ii) (b) (iii) & (iv) (c) (i) and (iv) (d) (i) [except (iii) & (iv)] & (ii)

### Question 9

Transportation of \_\_\_\_\_ by rail from Chennai to Gujarat are exempt from GST.

- (i) pulses (ii) military equipments (iii) electric equipments (iv) jaggery  
 (a) (i) & (ii) (b) (i) & (iii) (c) (ii) & (iv) (d) (i), (ii), (iii) & (iv)

### Question 10

Services by way of warehousing of \_\_\_\_\_ is exempt from GST.

- (i) tea (ii) jiggery (iii) betel leaves (iv) processed cashew nuts  
 (a) (i) & (iv) (b) (i), (ii), (iii) & (iv) (c) (iv) (d) none of the above

### Question 11

Which of the following services are not exempt from GST?

- (a) Yoga camp conducted by a charitable trust registered under section 12AA or 12AB of the Income-tax Act, 1961.  
 (b) Services provided by business correspondent with respect to Savings Bank Accounts in the rural branch of a bank  
 (c) Service provided by umpire to a recognized sports body  
 (d) Services provided by cord blood bank for preservation of stem cells.

### Question 12

Which of the following services are exempt from GST?

- (a) Services by an artist by way of a performance in classical art forms of painting/sculpture making etc. with consideration thereof not exceeding Rs. 1.5 lakh.



01	(b)	02	(d)	03	(d)	04	(c)	05	(d)	06	(b)	07	(a)	08	(d)	09	(a)	10	(d)	11	(d)
12	(d)	13	(d)	14	(a)	15	(d)	16	(d)	17	(d)										



## CHAPTER

## 10

## REGISTRATION

## Section A – ICAI Study Material Questions

## Question 1 SM Illustration

Examine, with reason, whether registration is required under CGST Act, 2017 in the following independent cases:

- (i) Aadhav Computers of Gujarat is providing Computer Maintenance Service. Aggregate turnover of Aadhav Computers is Rs. 15 Lakh which comprises both inter- state and intra-state supply.
- (ii) Soft Wings of West Bengal, exclusively trading in garments, supplies its taxable goods to various States in India. Aggregate turnover of Soft Wings is Rs. 35 Lakh.

[CA Inter Nov. 2019, 4 Marks]

## Answer:

- (i) Registration is compulsory for suppliers engaged in inter-State supply. However, threshold exemption of Rs. 20 lakh [Rs. 10 lakh in case of Specified Special Category States] is available in case of inter-State supply of taxable services.

Therefore, Aadhav Computers (aggregate turnover Rs. 15 lakh) is not required to obtain registration as it is engaged in inter-State supply of taxable services and thus, is eligible for threshold exemption of Rs. 20 lakh applicable for Gujarat.

- (ii) The threshold limit for registration in the State of West Bengal for the persons engaged exclusively in supply of goods, is Rs. 40 lakh. However, registration is compulsory if the supplier is engaged inter-State supply of goods. The threshold exemption of Rs. 20 lakh/ Rs. 10 lakh is not available in case of inter-State supply of taxable goods.

Thus, Soft Wings is required to obtain registration.

## Question 2 SM Illustration

Examine whether the liability to register compulsorily under section 24 arises in each of the independent cases mentioned below:

- (i) Meenu, a supplier in Maharashtra, is exclusively engaged in supply of potatoes produced out of cultivation of her own land, within Maharashtra and also outside Maharashtra.
- (ii) Jinu Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Further, it provides intra-state services of refining of oil to customers. Total turnover of supply of machine oil is Rs. 10 lakh, supply of petrol is Rs. 5 lakh and supply of services is Rs. 6 lakh.



- (iii) Tilu is working as an agent, he is supplying taxable goods as an agent of Tiku (who is registered taxable person) and its aggregate turnover does not exceed the applicable threshold limit during the financial year. Invoices to customers are issued in name of Tilu. **ICA Inter May 2019**

**Answer:**  
(i) Section 24 provides that persons making any inter-State taxable supply of goods are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover. However, as per section 23, an agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to registration. Meenu is exclusively engaged in cultivation and supply of potatoes. Thus, she is not liable to registration irrespective of the fact that she is engaged in making inter-State supply of goods. Further, Meenu will not be liable to registration, in the given case, even if her turnover exceeds the threshold limit.

- (ii) Section 24 specifies the categories of persons who are required to be mandatorily registered under GST irrespective of the quantum of their aggregate turnover.

In the given case, Jinu Oils does not fall in any of the specified categories. Therefore, it is not required to obtain registration compulsorily under GST.

However, as per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making supply of both goods and services is

Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland and

Rs. 20 lakh for the rest of India. Thus, the applicable threshold limit for the State of Gujarat is Rs. 20 lakh for supply of both goods and services. Further, aggregate turnover includes exempted turnover of goods or services.

Accordingly, Jinu Oils is liable obtain registration since its aggregate turnover [Rs. 21 lakh (including turnover of exempt supply of petrol)] exceeds the threshold limit of Rs. 20 lakh.

- (iii) Section 24 provides that persons who make taxable supply of goods and/or services 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.

Therefore, Tilu will be mandatorily required to obtain registration.

### Question 3

Determine the effective date of registration in following cases:

- (a) The aggregate turnover of Dhampur Footwear Industries of Delhi has exceeded the applicable threshold limit of Rs. 40 lakh on 1<sup>st</sup> September. It submits the application for registration on 20<sup>th</sup> September. Registration certificate is granted to it on 25<sup>th</sup> September.
- (b) Mehta Teleservices is an architect in Lucknow. Its aggregate turnover exceeds Rs. 20 lakh on 25<sup>th</sup> October. It submits the application for registration on 27<sup>th</sup> November. Registration certificate is granted to it on 5<sup>th</sup> December. **MTP May 2020, Q Mehta**

### Answer:

- (a) Every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit [Rs. 40 lakh in this case] in a financial year. Since in the given case, the turnover of Dhampur Industries exceeded Rs. 40 lakh on 1<sup>st</sup> September, it becomes liable to registration on said date.



Further, since the application for registration has been submitted within 30 days from such date, the registration shall be effective from the date on which the person becomes liable to registration [Section 25 read with rule 10]. Therefore, the effective date of registration is 1st September.

- (b) Since in the given case, the turnover of Mehta Teleservices exceeds the applicable threshold limit [Rs. 20 lakh] on 25th October, it becomes liable to registration on said date.

Further, since the application for registration has been submitted after 30 days from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration. Therefore, the effective date of registration is 5th December.

#### Question 4

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 one exception to it.

**Answer:** A Permanent Account Number is mandatory to be eligible for grant of registration. One exception to this is a non-resident taxable person. A non-resident taxable person 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)].

#### Question 5

State which of the following suppliers are liable to be registered:

- Agent supplying taxable goods on behalf of some other taxable person and its aggregate turnover does not exceed the applicable threshold limit during the financial year.
- An agriculturist who is only engaged in supply of produce out of cultivation of land and its aggregate turnover exceeds the applicable threshold limit during the financial year.

**Answer:**

- Section 22 stipulates that every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit in a financial year. However, as per section 24, a person making taxable supply of goods/services or both on behalf of other taxable persons whether as an agent or not is liable to be compulsorily registered even if its aggregate turnover does not exceed the applicable threshold limit during the financial year.
- As per section 23, an agriculturist who is only engaged in supply of produce out of cultivation of land is not required to obtain registration even if his turnover exceeded the applicable threshold limit for registration.

#### Question 6

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.

S.N	Particulars	Amount (Rs.)*
(i)	Supply of machine oil in Delhi	1500000
(ii)	Supply of high speed diesel in Delhi	1000000
(iii)	Supply of machine oil made in Punjab by Pure Oils from its branch located in	1000000



Punjab

\*excluding GST

Determine whether Pure Oils is liable for registration.

[MTP May 2021, 6 Marks] [MTP Nov. 2022, 6 Marks]

As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:

- Rs. 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- Rs. 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- Rs. 40 lakh for rest of India except persons engaged in making supplies of Ice cream and other edible ice, whether or not containing cocoa; Pan masala; Tobacco & manufactured tobacco substitutes; Fly ash bricks; fly ash aggregates; Fly ash blocks; Bricks of fossil meals or similar siliceous earths; Building bricks; or Earthen or roofing tiles.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:

- Rs. 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- Rs. 20 lakh for the rest of India.

As per section 2(6), aggregate turnover includes the aggregate value of:

- all taxable supplies,
- all exempt supplies,
- exports of goods and/or services and
- all inter-State supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

Section 9(2) provides that CGST is not leviable on five petroleum products i.e. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. As per section 2(47), exempt supply includes non-taxable supply. Thus, supply of high speed diesel in Delhi, being a non-taxable supply, is an exempt supply and is, therefore, 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:

Sl.	Particulars	Amount (Rs.)*
(i)	Supply of machine oil in Delhi	1500000
(ii)	Supply of high speed diesel in Delhi	1000000
(iii)	Add: Supply of machine oil made by Pure Oils from its branch located in Punjab	1000000
	Aggregate Turnover	3500000



Pure Oils is making exclusive supply of goods and hence the threshold limit for registration would be Rs. 40,00,000. Since the aggregate turnover does not exceed Rs. 40,00,000, Pure Oils is not liable to be registered.

### Question 7

What will be your answer if in above question, in S.No. (ii), Pure Oils supplies the high speed diesel in Delhi in the capacity of an agent of Mixed Oils Ltd.?

**Answer:** In case Pure Oils makes the supply in capacity of an agent of Mixed Oils Ltd.: Section 24 provides that an agent who is engaged in making taxable supplying of goods on behalf of other taxable persons, shall be liable to obtain registration irrespective of the threshold turnover limit. 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.

### Question 8

Examine whether the supplier 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 Rs. 28 lakh. He has another showroom in Tripura with a turnover of Rs. 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.
- (iii) Harshit of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is Rs. 24 lakh.
- (iv) Ankit of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is Rs. 25 lakh.
- (v) Sanchit of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is Rs. 30 lakh. [MTP Nov. 23][MTP Nov. 2020][RTP Nov. 22][CA Inter Exams July 2021][MTP Nov. 21][RTP Nov. 2019][MTP Nov. 22][MTP May 2024]

**Answer:** As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra - State taxable supplies of goods is as under:-

- (a) Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (b) Rs. 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) Rs. 40 lakh for rest of India. However, the higher threshold limit of Rs. 40 lakh is not available to persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

- (a) Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland
- (b) Rs. 20 lakh for the rest of India.



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. Rs. 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 Rs. 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover exceeds Rs. 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 Pulkrit in the given case is Rs. 40 lakh as he is exclusively engaged in intra-State taxable supply of goods. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.
- (iii) Harshit being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of Rs. 40 lakh. The applicable threshold limit for registration in this case is Rs. 20 lakh. Thus, Harshit is liable to get registered under GST.
- (iv) Though Ankit is dealing in Assam, he is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods while he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is Rs. 20 lakh and hence, Ankit is liable to get registered under GST.
- (v) Since Sanchit is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is Rs. 20 lakh. Thus, Sanchit is liable to get registered under GST as his turnover is more than the threshold limit.

### Question 9

What are the advantage of taking registration in GST?

**Answer:** Registration will confer following advantages to the business:

- Legally recognized as supplier of goods or services.
- 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.
- 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.
- Become eligible to avail various other benefits and privileges rendered under the GST laws.

### Question 10

Can a person without GST registration collect GST and claim ITC?

**Answer:** No, a person without GST registration can neither collect GST from his customers nor can claim any input tax credit of GST paid by him.

### Question 11

If a person is making taxable supplies from different States, with the same PAN number, can he operate with a single registration?

**Answer:** No. Every person who is liable to take a registration will have to get registered separately for each of the States where he has a business operation (and making taxable supplies) provided his aggregate turnover exceeds applicable threshold limit.

### Question 12



Can a person having multiple places of business in a State obtain separate registrations for each place of business?

**Answer:** Yes. In terms of the proviso to sub-section (2) of section 25, 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.

#### Question 13

Is there a provision for a person to get himself voluntarily registered though he may not be liable to pay GST?

CA Inter Nov. 2018, 2 Marks

**Answer:** Yes. In terms of sub-section (3) of section 25, a person, though not liable to be registered under sections 22 or 24 may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered taxable person, shall apply to such person.

#### Question 14

Can the Department, through the proper officer, suo-moto proceed to register a person under GST?

**Answer:** Yes. In terms of sub-section (8) of section 25, 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.

#### Question 15

Whether the registration granted to any person is permanent?

**Answer:** Yes, the registration certificate once granted is permanent unless surrendered, cancelled, suspended or revoked.

#### Question 16

Is it necessary for the UN bodies to get registration under GST?

**Answer:** In terms of section 25(9) of the CGST Act, 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 services received by them, and for any other purpose as may be notified.

#### Question 17

What is the responsibility of the taxable person making supplies to UN bodies?

**Answer:** 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).

#### Question 18

What is the validity period of the registration certificate issued to a casual taxable person and non-resident taxable person?

**Answer:** In terms of section 27(1) read with proviso thereto, the certificate of registration issued to a "casual taxable person" or a "non-resident taxable person" shall be valid for a period specified in the application for registration or 90 days from the effective date of registration, whichever is earlier.



However, the proper officer, at the request of the said taxable person, may extend the validity of the aforesaid period of 90 days by a further period not exceeding 90 days.

**Question 19**

What happens when the registration is obtained by means of willful mis-statement, fraud or suppression of facts?

**Answer:** In such cases, the registration may be cancelled with retrospective effect by the proper officer [Section 29(2)(e)].

**Question 20**

Is there an option to take centralized registration for services under GST Law?

**Answer:** No, the tax payer has to take separate registration in every State from where he makes taxable supply of services.

**Question 21**

What could be the liabilities (in so far as registration is concerned) on transfer of a business?

[MTP Nov. 2019, 2 Marks]

**Answer:** 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 [Section 22(3)].

**Question 22**

At the time of registration, will the assessee have to declare all his places of business?

**Answer:** 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.

**Question 23**

Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled?

[MTP Nov. 2020, 3 Marks]

**Answer:** Yes, as per section 29(5) of the CGST Act, every registered taxable person whose registration is cancelled shall pay an amount, by way of debit in the electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.

## Section B – Additional Questions

### Past RTPs, MTPs and Exams Papers

**Question 24**

Explain the procedure for revocation of cancellation of registration where the registration of a person is cancelled suo-motu by the proper officer as per the provisions of CGST Act, 2017.

[CA Intermediate Nov. 2023, 5 Marks]

**Answer:** Where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation of registration to such proper officer, within 30



days (or within extended time period) from the date of service of the order of cancellation of registration.

If the proper officer is satisfied that there are sufficient grounds for revocation of cancellation, he may revoke the cancellation of registration, by an order within 30 days of receipt of application and communicate the same to applicant.

Otherwise, he may reject the revocation application. However, before rejecting the application, he has to first issue SCN to the applicant who shall furnish the clarification within 7 working days of service of SCN.

The proper officer shall dispose the application (accept/reject the same) within 30 days of receipt of clarification.

### Question 25

List the inclusions and exclusions for computing the "Aggregate Turnover" under CGST Act, 2017.

[CA Inter May 2018, 5 Marks]

**Answer:** Aggregate turnover includes the aggregate value of all:

- (i) Taxable supplies,
- (ii) Exempt supplies,
- (iii) exports of goods and/or services and
- (iv) inter-State supplies of persons having the same PAN., to be computed on all India basis

Aggregate turnover excludes: -

- (i) value of inward supplies on which tax is payable by a person on reverse charge basis,
- (ii) central tax, State tax, Union territory tax, integrated tax and
- (iii) cess

### Question 26

State with reason whether following statement is true or false:

"When the change in constitution of business results in change in PAN, the business entity can apply for amendment of registration in prescribed manner within 15 days."

[CA Inter May 2018, 2 Marks]

**Answer:** The said statement is FALSE.

When a change in constitution of a business results in change of PAN of the registered person, the said person shall apply for fresh registration. The reason for the same is that GSTIN is PAN based. Any change in PAN would warrant a new registration.

### Question 27

State the persons who are not liable for registration as per provisions of Section 23 of Central Goods and Service Tax Act, 2017.

[CA Inter Nov. 2018, 5 Marks]

**Answer:** As per provisions of Section 23 of CGST Act, 2017, the persons who are not liable for registration are as under-

- a. Person engaged exclusively in supplying goods/services/both that are wholly exempt from tax
- b. Person engaged exclusively in supplying goods/services/both 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 or both liable to reverse charge.
- e. Persons making inter-State supplies of taxable services up to an aggregate turnover of Rs. 20 lakh (Rs. 10 lakh in case of Manipur, Mizoram, Nagaland and Tripura).
- f. Casual Taxable Persons making taxable supplies of specified handicraft goods up to an aggregate turnover of Rs. 20 lakh (Rs. 10 lakh in case of Manipur, Mizoram, Nagaland and Tripura) subject to specified conditions.
- g. Persons making inter-State supplies of specified handicraft goods up to an aggregate turnover of Rs. 20 lakh (Rs. 10 lakh in case of Manipur, Mizoram, Nagaland and Tripura) subject to the specified conditions.
- h. Persons supplying services through an E-Commerce operator, if such service provider is having aggregate turnover upto Rs. 20 Lakhs in a financial year.
- i. Persons supplying goods through an E-Commerce operator, if such supplier is having aggregate turnover upto Rs. 20 Lakhs in the preceding & current financial year, subject to the specified conditions.

### Question 28

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 RC granted to him?
- (iv) Will he be able to extend the validity of his registration? If yes, what will be the period of extension?

[CA Inter Nov. 2018, 5 Marks]

### Answer:

- (i) Mr. Allan, being a non-resident person, should apply for registration, irrespective of the threshold limit, at least 5 days prior to the commencement of business.
- (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) Registration Certificate granted to Mr. Allan will be valid for:

- a. Period specified in the registration application, or
  - b. 90 days from the effective date of registration
- whichever is earlier.

- (iv) Yes, Mr. Allan can get the validity of his registration extended. Registration can be extended further by a period not exceeding 90 days.

### Question 29



Determine with brief reasons, whether the following statements are True or False:

Registration under the CGST Act, 2017 can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within three months from the date of registration.

[CA Inter Nov. 2018]

**Answer:** The said statement is False. – Registration under the CGST Act, 2017 can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within six months from the date of registration.

### Question 30

- (i) There is a dairy farm selling (intra state) milk and milk products in Delhi. The turnover of his dairy farm is as below:

Milk (Exempted) : Rs. 19,90,000

Butter (Taxable) : Rs. 50,000

What is the registration liability under GST for the above mentioned person assuming he has same PAN?

- (ii) Amit, a taxable person, is operating in Tamilnadu, Punjab and West Bengal, with the same PAN. Can he operate with a single registration in West Bengal?

[CA Inter Nov. 2018, 2 Marks]

**Answer:**

- (i) The threshold limit for registration in the State of Delhi for the persons engaged exclusively in supply of goods, is Rs. 40 lakh.

Further, aggregate turnover, inter alia, means the aggregate value of all taxable supplies as well as exempt supplies.

Thus, in the given case, aggregate turnover:

$$= \text{Rs. } 19,90,000 + \text{Rs. } 50,000 = \text{Rs. } 20,40,000$$

Since, aggregate turnover of the dairy farm in Delhi does not exceed Rs. 40 lakh, it is not liable to get registered.

- (ii) No, Amit cannot operate with a single registration in West Bengal if he is making taxable supplies from Tamilnadu and Punjab also. Every person who is liable to take a registration will have to get registered separately for each of the States where he has a business operation and is liable to pay GST.

However, if he is not making taxable supplies from Tamilnadu and Punjab, he can operate with a single registration in West Bengal.

### Question 31

The aggregate turnover of Vikas Enterprise of Mumbai (Maharashtra), engaged in supply of services, has exceeded Rs. 20 lakh on 25th January, 2018. It submits the application for registration on 15th February, 2018. Registration certificate is granted on 20th February, 2018. Determine the effective date of registration under CGST Act, 2017.

[CA Inter Nov. 2018, 2 Marks]

**Answer:** A supplier of services whose aggregate turnover in a financial year exceeds Rs. 20 lakh in a State/UT [Rs.10 lakh in Manipur, Mizoram, Nagaland and Tripura] is liable to apply for registration within 30 days from the date of becoming liable to registration.

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



Since Vikas Enterprise applied for registration within 30 days of becoming liable to registration, the effective date of registration is 25th January, 2018.

### Question 32

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 Rs. 9,00,000 which consists of Rs. 8,00,000 as Intra-State supply and Rs. 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 2017-18 is of Rs. 12 lakhs on his own account and Rs. 9 lakhs on behalf of principal. Both turnovers are Intra -State supply.

[CA Inter May 2019, 4 Marks]

### Answer:

- (i) Person making any inter-State taxable supply of goods is required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

Thus, in the given case Mr. Raghav is required to obtain registration compulsorily under GST laws even though his aggregate turnover does not exceed the threshold limit for registration. [since Assam is not a Special Category State] in the financial year.

- (ii) Persons who make 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.

Aggregate turnover includes all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

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.

### Question 33

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?
- (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 May 2019, 5 Marks]

### Answer:

- (i) 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, a casual taxable person cannot opt for the composition scheme.
- (iii) A casual taxable person (CTP) is liable to obtain registration compulsorily under GST laws, at least 5 days prior to commencement of business.



However, threshold limit of Rs. 20 lakh (Rs. 10 lakh in case of Manipur, Mizoram, Nagaland and Tripura) is available in case of CTP making taxable supplies of specified handicraft goods.

- (iv) The registration certificate issued to a casual taxable person will be valid for:
- the period specified in the registration application, or
  - 90 days from the effective date of registration whichever is earlier.
- (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.

### Question 34

Explain the registration requirements under GST law in the following independent cases:

- Mr. Ahmad of Jammu engaged in the business of supplying tobacco based Pan Masala with an aggregate turnover of Rs. 24 lacs.
- Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of Rs. 13 lacs.

Will your answer be different if Mr. Lepcha is located in Meghalaya? **[CA Inter Nov. 2019, 5 Marks]**

### Answer:

- (i) A person is eligible for enhanced threshold limit of Rs. 40 lakh in the State of Jammu and Kashmir if he is engaged exclusively in intra-State supply of goods.

However, the enhanced threshold limit is not applicable if the person is engaged, inter alia, in the supply of pan masala and all goods of chapter 24 i.e. Tobacco and manufactured tobacco substitutes. In that case, the normal threshold limit of Rs. 20 lakh will be applicable.

In view of said provisions, in the given case, Mr. Ahmad is liable to register since his aggregate turnover (Rs. 24 lakh) exceeds the applicable threshold limit for registration of Rs. 20 lakh.

- (ii) The enhanced threshold limit of Rs. 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 Rs. 10 lakh for registration is applicable for Mizoram.

Thus, in the given case, Mr. Lepcha of Mizoram is liable to register since his aggregate turnover (Rs. 13 lakh) exceeds the applicable threshold limit for registration of Rs. 10 lakh.

The enhanced threshold limit of Rs. 40 lakh is also specifically not applicable in the State of Meghalaya. Instead, the normal threshold limit of Rs. 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 (Rs. 13 lakh) does not exceed the applicable threshold limit for registration of Rs. 20 lakh.

### Question 35

Determine the effective date of registration in the following instances:

- The aggregate turnover of Ganesh Ltd., engaged in taxable supply of services in the state of Punjab, exceeded Rs. 20 lakh on 25th August, 2017. It applies for registration on 19th September 2017 and is granted registration certificate on 29th September, 2017.
- What will be your answer, if in the above scenario, Ganesh Ltd. submits the application for registration on 27th September, 2017 and is granted registration on 5th October, 2017?

**[CA Inter May 2018, 4 Marks] [MTP Nov. 2018, 4 Marks]**



**Answer:** A supplier whose aggregate turnover in a financial year exceeds Rs. 20 lakh in a State/UT (Rs. 10 lakh in Manipur, Mizoram, Nagaland and Tripura) is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of Rs. 20 lakh/Rs. 10 lakh).

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.

In the given case, the applicable turnover limit for registration will be Rs. 20 lakh as Punjab is not a Special Category State.

- (i) Since Ganesh Ltd. applied for registration within 30 days of becoming liable to registration, the effective date of registration is 25th August, 2017.
- (ii) In this case, since Ganesh 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, 2017.

### Question 36

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. 2021, 5 Marks]

**Answer:** Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from:

- (i) the date of submission of the application or
- (ii) the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.

Such person shall not make any taxable supply during the period of suspension and shall not be required to furnish any return.

The expression "shall not make 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.

### Question 37

Explain the circumstances under which proper officer can cancel the registration on his own of a registered person under CGST Act, 2017.

[CA Inter May 2022, 5 Marks] [CA Inter Jan. 2021, 5 Marks]

**Answer:** 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 prescribed 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/services/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) avails input tax credit in violation of the provisions of section 16 of the Act or the rules made thereunder; or



- (f) furnishes the details of outward supplies in FORM GSTR-1, as amended in FORM GSTR-1A if any, for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods; or
- (g) violates the provision of rule 86B [i.e. Restriction on use of amount available in electronic credit ledger in excess of 99% of the output tax liability].
- (ga) In case of Revocation of cancellation of registration, the registered person fails to furnish all returns relating to period from the date of cancellation or effective date of cancellation of registration till the date of order of revocation of cancellation of registration within a period of 30 days from the date of order of revocation of cancellation of registration; or
- (h) a registered person (who is required to furnish returns on monthly basis) has not furnished returns for a continuous period of 6 months; or
- (i) a registered person (who is required to furnish returns on quarterly basis) has not furnished returns for a continuous period of 2 tax periods.
- (ii) A registered person who has opted for composition levy, has not furnished the return for a financial year beyond 3 months from the due date of furnishing the said return.
- (iii) Voluntarily registered person has not commenced the business within 6 months from the date of registration.
- (iv) Registration was obtained by means of fraud, wilful misstatement or suppression of facts.

[Note: Any 5 points out of the above 11 points may be mentioned]

### Question 38

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

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

GST is payable on Reverse Charge for GTA services.

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

CA Inter Exams July 2021, 5 Marks

**Answer:** The term aggregate turnover means the aggregate value of:

- (i) all taxable supplies



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

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

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

### Question 39

Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May 2021 are as follows:

State	Turnover (Rs.)
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 Exams Dec. 2021, 4 Marks]

**Answer:** Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds Rs. 20 lakh in a financial year. An enhanced threshold limit for registration of Rs.40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified



States. However, the applicable threshold limit for registration gets reduced to Rs. 10 lakh in case a person is engaged in making supply from a specified Special Category State provided such supply is a taxable supply.

- (i) Since Q Ltd. is making supply of taxable goods from Tripura – a specified Special Category State, the applicable threshold limit will get reduced to Rs. 10 lakh.

Thus, it is liable to be registered under GST as its aggregate turnover [Rs. 31 lakh] exceeds the said threshold limit.

[It has been assumed that Q Ltd. is not engaged in making supplies of Ice cream and other edible ice, whether or not containing cocoa; Pan masala; Tobacco & manufactured tobacco substitutes; Fly ash bricks; fly ash aggregates; Fly ash blocks; Bricks of fossil meals or similar siliceous earths; Building bricks; or Earthen or roofing tiles.]

- (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 Rs. 10 lakh; enhanced threshold limit of Rs. 40 lakh will be applicable.

Thus, it is not liable to be registered under GST as its aggregate turnover [Rs. 31 lakh] does not exceed the said threshold limit.

#### Question 40

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

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

**Answer:**

**[CA Inter Exams Dec. 2021, 5 Marks]**

- (i) A casual taxable person is required to obtain compulsory registration under GST irrespective of the quantum of its aggregate turnover.

However, a threshold limit of Rs. 20 lakh (Rs. 10 lakh in case of specified Special Category States) is available for registration to a casual taxable person who:

- (i) is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods,
- (ii) is availing the benefit of exemption from registration available to inter-State supply of above-mentioned goods upto the aggregate turnover of Rs. 20 lakh (Rs. 10 lakh in case of specified Special Category States), and
- (iii) has obtained a PAN and
- (iv) has generated an e-way bill.

In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover [It has been assumed that Mr. Q has started supply of goods in October 2021 itself.] does



not exceed Rs. 20 lakh, he will not be liable to registration provided he fulfills other conditions specified herein.

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

#### Question 41

Tirupati Services Pvt. Ltd. started Supplying Services in Andhra Pradesh on 25.01.20XX. On 06.05.20XX, its aggregate turnover exceeded Rs. 10 lakh and on 01.11.20XX, its aggregate turnover exceeded Rs. 20 lakh. It applied for registration on 28.11.20XX and is granted registration certificate on 05.12.20XX. Determine the effective date of registration elaborating the relevant provisions.

[IPCC MTP May 2018, 4 Marks]

**Answer:** As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds Rs. 20 lakh [Rs. 10 lakh in case of special category States except Jammu and Kashmir and States of Arunachal Pradesh, Assam, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand], within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case, threshold limit of registration for Tirupati Services Pvt. Ltd. is Rs. 20 lakh as it is engaged in making taxable supplies of services from Andhra Pradesh. The aggregate turnover of Tirupati Services Pvt. Ltd. exceeded Rs. 20 lakh on 01.11.20XX. Thus, it is liable to get registered by 01.12.20XX [30 days] in the State of Andhra Pradesh.

Since Tirupati Services Pvt. Ltd. applied for registration on 28.11.20XX i.e. before the expiry of 30 days from the date on which it becomes so liable to registration, the effective date of registration in its case is 01.11.20XX.

#### Question 42

Determine the effective date of registration in following cases:

- (i) Apsara Teleservices is an architect in Lucknow. Its aggregate turnover exceeds Rs. 20 lakh on 25th October. It submits the application for registration on 27th November. Registration certificate is granted to it on 5th December.
- (ii) The aggregate turnover of Prink Footwear Industries of Delhi has exceeded the applicable threshold limit of Rs. 40 lakh on 1st September. It submits the application for registration on 20th September. Registration certificate is granted to it on 25th September.

[MTP Nov. 2019, 4 Marks] [CA Inter May 2018, 4 Marks] [MTP May 2020, 6 Marks]

**Answer:**

- (i) Every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit in a financial year. Since in the given case, the turnover of Apsara Teleservices exceeds the applicable threshold limit [Rs. 20 lakh] on 25<sup>th</sup> October, it becomes liable to registration on said date.



Further, since the application for registration has been submitted after 30 days from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration. Therefore, the effective date of registration is 5th December

- (ii) Every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit [Rs. 40 lakh in this case] in a financial year. Since in the given case, the turnover of Prink Industries exceeded Rs.40 lakh on 1st September, it becomes liable to registration on said date.

Further, since the application for registration has been submitted within 30 days from such date the registration shall be effective from the date on which the person becomes liable to registration. Therefore, the effective date of registration is 1st September.

#### Question 43

Mr. Akash Malhotra of Gujarat often participates in the jewellery exhibition at Trade Fair in Delhi which is organised every year in the month of February. Mr. Akash Malhotra 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. Akash Malhotra.

You are required to examine whether any advance tax is to be paid by Mr. Akash Malhotra at the time of obtaining registration?

**[MTP Nov. 20, 4 Marks]**

**Answer:** Yes, advance tax is to be paid by Mr. Akash Malhotra at the time of obtaining registration. Since Mr. Akash Malhotra 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 in terms of section 2(20) of CGST Act, 2017.

While a normal taxable person does not have to make any advance deposit of tax to obtain registration, a casual taxable person shall, at the time of submission of application for registration is required, in terms of section 27(2) read with proviso thereto, to make an advance deposit of tax in an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought. If registration is to be extended beyond the initial period of 90 days, an advance additional amount of tax equivalent to the estimated tax liability is to be deposited for the period for which the extension beyond 90 days is being sought.

#### Question 44

B Enterprises started its business activities in the month of January, in the State of Karnataka. It provides the following information:

S.No.	Particulars	Amount (Rs.)
1.	Value of intra-State outward taxable supply of goods	7,00,000
2.	Value of inter-State outward taxable supply of services	6,00,000
3.	Value of intra-State outward supply on which tax is payable under reverse charge mechanism.	1,00,000
4.	Value of intra-State outward supply of exempted goods from its other place of business in the State of Manipur (under same PAN)	5,00,000



From the information given above, you are required to calculate the aggregate turnover of B Enterprises with necessary explanations and also, specify with reason whether it is liable to get registered under GST Act or not.

**[MTP May 2023, 6 Marks]**

**Answer:** Computation of aggregate turnover of B Enterprises, Karnataka, for January

Particulars	(Rs.)
Intra-State outward taxable supply of goods [Aggregate turnover includes value of all taxable supplies.]	7,00,000
Inter-State outward taxable supply of services [Aggregate turnover includes value of inter-State supplies.]	6,00,000
Intra-State outward supply on which tax is payable under reverse charge mechanism [Aggregate turnover includes value of all taxable supplies whether taxable under reverse charge or forward charge.]	1,00,000
Intra-State outward supply of exempted goods from Manipur [Aggregate turnover includes value of exempt supplies made in all the States under the same PAN]	5,00,000
Aggregate turnover	19,00,000
<p>Persons making any inter-State taxable supply of goods are required to obtain compulsory registration, but in case of inter-State supply of taxable services, threshold limit of Rs. 20 lakh is available.</p> <p>Such threshold limit gets reduced to Rs. 10 lakh in case of specified Special Category State provided taxable supply is being made therefrom.</p> <p>Since B Enterprises is making exempt supplies from Manipur - a specified Special Category State, the applicable threshold limit of registration for B Enterprises is Rs. 20 lakh. Thus, it is not liable to be registered as its aggregate turnover does not exceed the threshold limit.</p>	

#### Question 45

BBD Pvt. Ltd. of Gujarat exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'Z' only within Gujarat and is not registered under GST laws. The turnover of the company in the previous year 2018-19 was Rs. 50 lakh. The company expects the sales to grow by 10% in the current year 2019-20.

However, effective 01.01.2020, exemption available on 'Z' was withdrawn by the Central Government and GST@ 5% was imposed thereon. The turnover of the company for the nine months ended on 31.12.2019 was Rs. 42 lakh.

BBD Pvt. Ltd. is of the opinion that it is not required to get registered under GST for current financial year 2019-20. Examine the above scenario and advise BBD Pvt. Ltd. whether it needs to get registered under GST or not.

**[CA Inter Nov. 20, 4 Marks]**

**Answer:** For a supplier exclusively engaged in intra-State supply of goods, the threshold limit of turnover to obtain registration in the State of Gujarat is Rs. 40 lakh. However, a person exclusively



engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration.

Therefore, since BBD Pvt. Ltd. was engaged exclusively in supplying exempted goods till 31.12.2019, it was not required to be registered till that day; though voluntary registration was allowed.

The position, however, will change from 01.01.2020 as the supply of goods become taxable from that day and the turnover of BBD Pvt. Ltd. is more than Rs. 40 lakh. Since the aggregate turnover limit of Rs. 40 lakh includes exempt turnover also, turnover of 'Z' till 31.12.2019 will be considered for determining the threshold limit even though the same was exempt from GST. Therefore, BBD Pvt. Ltd. needs to register within 30 days from 01.01.2020.

#### Question 46

M/s Siya Ram is a trader of decorative items in Hauz Khas, Delhi. His aggregate turnover exceeded Rs. 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.

[RTP May 2020]

**Answer:** The advice of Mr. Siya Ram's consultant that prior submission of bank details is mandatory to obtain registration is not valid in law.

Rule 10A of the CGST Rules, 2017 allows the registered person to furnish information with respect to the details of bank account on the common portal even after obtaining certificate of registration but such details are required to be furnished within 30 days from the date of grant of registration or before furnishing the details of outward supplies in FORM GSTR-1 or using invoice furnishing facility, whichever is earlier.

This relaxation is however not available for those who have been granted registration as TDS deductor/ TCS collector under rule 12 or who have obtained suo-motu registration under rule 16.

#### Question 47

Examine whether the liability to register compulsorily under section 24 of the CGST Act, 2017 arises in the following case:

Aanya of Telangana is exclusively engaged in intra-State supply of toys. Its aggregate turnover in the current financial year is Rs. 22 lakh.

[RTP Nov. 2021]

**Answer:** As per section 22 of the CGST Act, 2017 read with Notification No. J0/2019 CA dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- Rs. 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- Rs. 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- Rs. 40 lakh for rest of India except persons engaged in making supplies of Ice cream and other edible ice, whether or not containing cocoa; Pan masala; Tobacco & manufactured tobacco



substitutes; Fly ash bricks; Fly ash aggregates; Fly ash blocks; Bricks of fossil meals or similar siliceous earths; Building bricks; or Earthen or roofing tiles.

(d) Since Aanya is making taxable supplies from Telangana, she will not be eligible for higher threshold limit available in case of exclusive supply of goods. The applicable threshold limit for registration for Aanya in the given case is Rs. 20 lakh. Thus, she is liable to get registered under GST.

### Question 48

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 100 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 90 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.

[MTP May 2024] [RTP May 2022]

**Answer:** As per section 29 of the CGST Act, 2017, the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,-

- (a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or
- (b) a registered person (who is required to furnish returns on monthly basis) has not furnished returns for a continuous period of 6 months; or
- (c) a registered person (who is required to furnish returns on quarterly basis) has not furnished returns for a continuous period of 2 tax periods; or
- (d) A registered person who has opted for composition levy, has not furnished the return for a financial year beyond 3 months from the due date of furnishing the said return; or
- (e) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or
- (f) registration has been obtained by means of fraud, wilful misstatement, or suppression of facts.

Thus, in view of the above-mentioned provisions, suo-motu cancellation of registration of Mr. X by proper officer is valid in law since Mr. X, a voluntarily registered person, has not commenced his business within 6 months from the date of registration.

Further, where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation to such proper officer, within 90 days from the date of service of the order of cancellation of registration.



However, such period may, on sufficient cause being shown, and for reasons to be recorded in writing, be extended by the Commissioner or an officer authorised by him in this behalf, not below the rank of Additional Commissioner or Joint Commissioner, as the case may be, for a further period not exceeding 180 days (i.e. 90 + 180 days).

Thus, considering the above provisions, the contention of Department is not valid in law as extension can be sought in the prescribed time limit for revocation of cancellation of registration. The contention raised by Mr. X is valid in law as extension in time limit is allowed on sufficient cause being shown and for reasons to be recorded in writing.

#### Question 49

"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.

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. With regard to existing registrants, section 25(6A) of the CGST Act, 2017 stipulates that every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in the prescribed form, manner and time. New rule 10B of the CGST Rules, 2017 prescribes the manner in which aadhaar authentication needs to be done by a registered person.

A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

- Proprietor, in the case of proprietorship firm,
- Any partner, in the case of a partnership firm,
- Karta, in the case of a Hindu undivided family,
- Managing director or any whole-time director, in the case of a company,
- Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or
- Trustee in the Board of Trustees, in the case of a Trust;

and of the Authorized Signatory, in order to be eligible for the following purposes:

- ✓ for filing of application for revocation of cancellation of registration [Rule 23]
- ✓ for filing of refund application in Form RFD-01 [Rule 89]
- ✓ for refund of the IGST paid on goods exported out of India [Rule 96]

First proviso to section 25(6A) of the CGST Act, 2017 provides that if an Aadhaar number is not assigned to an existing registered person, such person shall be offered alternate and viable means of identification in the prescribed manner. Such manner has been prescribed by rule 10B of the CGST Rules, 2017 as follows:

If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely: —



- (a) his/ her Aadhaar Enrolment ID slip; and
- (b) (i) Bank passbook with photograph; or
- (ii) Voter identity card issued by the Election Commission of India; or
- (iii) Passport; or
- (iv) Driving license issued by the Licensing Authority

However, once Aadhaar number is allotted to such person, he shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

The afore-said rule 10B shall not be applicable to persons notified under section 25(6D) of the CGST Act, 2017, i.e. to persons exempt from aadhaar authentication.

### Question 50

Ranmo Limited, a registered entity under GST has demerged its operations with effect from 31st October, 2023. The registration of Ranmo Limited has been cancelled suo-motu by the Proper Officer. The order of cancellation of registration was passed on 4th November, 2023 and was served on 7th November, 2023.

Ranmo Limited wishes to apply for revocation of cancellation of registration on 4th February, 2024. The tax consultant of Ranmo Limited advised that application for revocation of cancellation or registration is time barred and hence not valid in law.

You are required to examine the technical veracity of the advice given by Tax Consultant of Ranmo Limited.

[CA Inter RTP Sep. 2024]

**Answer:** A registered person, whose registration is cancelled by the proper officer on his own motion, may, subject to the provisions of rule 10B of the CGST Rules, 2017, submit an application for revocation of cancellation of registration, in prescribed form, to such proper officer, within a period of 90 days from the date of the service of the order of cancellation of registration.

However, such period may, on sufficient cause being shown, and for reasons to be recorded in writing, be extended by the Commissioner or an officer authorised by him in this behalf, not below the rank of Additional Commissioner or Joint Commissioner, as the case may be, for a further period not exceeding 180 days.

Thus, in the given case, Ranmo Limited can apply for revocation of cancellation of registration within a period of 90 days from the date of the service of the order of cancellation of registration, i.e. within 90 days from 7th November, 2023. The application submitted for revocation of cancellation of registration is valid in law as the same has been submitted within the prescribed time limits.

Thus, the advice given by Tax Consultant of Ranmo Limited is not valid in law.

## Multiple Choice Questions

### Question 1

Mr. Z of Himachal Pradesh starts a new business and makes following supplies in the first month-



- (i) Intra-State supply of taxable goods amounting to Rs. 17 lakh
- (ii) Supply of exempted goods amounting to Rs. 1 lakh
- (iii) Inter-State supply of taxable goods amounting to Rs. 1 lakh

Whether he is required to obtain registration, if the aforesaid goods are not handicraft goods or predominantly hand-made products, as notified? **[MTP Sept. 2023] [RTP May 2021] [MTP May 2024, 2 Marks]**

- (a) Mr. Z is liable to obtain registration as the threshold limit of Rs. 10 lakh is crossed.
- (b) Mr. Z is not liable to obtain registration as he makes exempted supplies.
- (c) Mr. Z is liable to obtain registration as he makes the inter-State supply of goods.
- (d) Mr. Z is not liable to obtain registration as the threshold limit of Rs. 20 lakh is not crossed.

### Question 2

Mr. Dev Anand is engaged in providing services of facilitating sale and purchase of securities to various clients. He is also engaged in trading of securities. His turnover details are as follows:

Trading of securities Rs. 40,00,000/-

Brokerage on account of facilitating transactions in securities Rs. 30,00,000/- You are required to ascertain aggregate turnover of Mr. Dev Anand under GST: **[RTP Nov. 2019]**

- (a) Rs. 30,00,000/-
- (b) Rs. 40,00,000/-
- (c) Rs. 70,00,000/-
- (d) Rs. NIL.

### Question 3

Mr. Pappu Singh, commenced his business in Feb-20XX. He has established following units:

1. Unit A (in SEZ) and Unit B (non-SEZ) in the State of Maharashtra
2. Unit C in Delhi
3. Unit D and E in the State of Goa

Mr. Pappu Singh has approached you to help him in determining the States and number of registrations he is required to take under GST (presuming the fact that he is making taxable supply from each State and his aggregate turnover exceeds the threshold limit): **[RTP Nov. 2019]**

- (a) Maharashtra-2: Delhi-1, Goa-Optional 1 or 2
- (b) Maharashtra-Optional 1 or 2: Delhi-1, Goa-Optional 1 or 2
- (c) Maharashtra-1: Delhi-1, Goa-1
- (d) Maharashtra-2: Delhi-1, Goa-2

### Question 4

A non-resident taxable person is required to apply for registration:

- (a) within 30 days from the date on which he becomes liable to registration
- (b) within 60 days from the date on which he becomes liable to registration
- (c) at least 5 days prior to the commencement of business
- (d) within 180 days from the date on which he becomes liable to registration

### Question 5

Prem & Sons had taken GST registration on 1<sup>st</sup> January, but failed to furnish GST returns for the next 6 months. Owing to this, the proper officer cancelled its registration on 25<sup>th</sup> July and served the order for cancellation of registration on 31<sup>st</sup> July. Now, Prem & Sons wants to revoke the cancellation of



notification, which date an application for revocation of cancellation of registration can be filed assuming no extension to said time limit has been granted?

(a) 1<sup>st</sup> August

(b) 3<sup>rd</sup> August

(c) 29<sup>th</sup> August

(d) 28<sup>th</sup> October

**ATP Nov 2000**

**Question 6**  
Mr. Ram, a jeweller registered under GST in Mumbai, wants to sell his jewellery in a tourist shop here in Delhi. Which of the following statements is false in his case?

**ATP Sep 20, 2 Marks**

- He needs to get registration in Delhi as casual taxable person.
- He needs to pay advance tax on estimated tax liability.
- He needs to mandatorily have a place of business in Delhi.
- He needs to file GSTR-1, IFF and GSTR-3B for Delhi GSTIN for the month of quarter as the rate may be, when he gets registered in Delhi.

**Question 7**  
Balaji Ltd. has provided following information for the month of April:

**ATP Nov 21, 2 Marks ATP May 2000, 2 Marks**

- Intra-State outward supply Rs. 8,00,000/-
- Intra-State exempt outward supply Rs. 5,00,000/-
- Turnover of exported goods Rs. 10,00,000/-
- Payment made for availing GTA services Rs. 80,000/-

Calculate the aggregate turnover of Balaji Ltd. as per Section 2(e) of the CGST Act, 2017.

- Rs. 8,20,000/-
- Rs. 23,80,000/-
- Rs. 23,00,000/-
- Rs. 15,00,000/-

**Question 8**  
Which of the following statements are correct?

- Revocation of cancellation of registration under SGST/UTGST Act shall be deemed to be a revocation of cancellation of registration under CGST Act.
- Cancellation of registration under SGST/UTGST Act shall be deemed to be a cancellation of registration under CGST Act.
- Revocation of cancellation of registration under SGST/UTGST Act shall not be deemed to be a revocation of cancellation of registration under CGST Act.
- Cancellation of registration under SGST/UTGST Act shall not be deemed to be a cancellation of registration under CGST Act.

- (i) and (e)
- (i) and (iv)
- (i) and (ii)
- (i), (ii) and (iv)

**Question 9**  
The person making inter-State supply of goods from Madhya Pradesh is compulsorily required to get registered under GST, provided such goods are not notified handicraft goods nor predominantly hand-made notified products.

- If his aggregate turnover exceeds Rs. 20 lakh in a financial year.
- If his aggregate turnover exceeds Rs. 10 lakh in a financial year.
- If his aggregate turnover exceeds Rs. 40 lakh in a financial year.



- (d) Irrespective of the amount of aggregate turnover in a financial year since he is making inter-State supply of taxable goods.

### Question 10

Mr. X, a casual taxable person, is not involved in making taxable supplies of notified handicraft goods or predominantly hand-made notified products. Which of the following statements is true for Mr. X - a casual taxable person?

- (a) Mr. X is not required to take registration under GST under any circumstances.
- (b) Mr. X is required to get registration under GST if the aggregate turnover in a financial year exceeds Rs. 20 lakh.
- (c) Mr. X is required to get registration under GST if the aggregate turnover in a financial year exceeds Rs. 40 lakh.
- (d) Mr. X has to compulsorily get registered under GST irrespective of the threshold limit.

### Question 11

The registration certificate granted to non-resident taxable person is valid for \_\_\_\_\_ days from the effective date of registration or period specified in registration application, whichever is earlier.

- (a) 30
- (b) 60
- (c) 90
- (d) 120

### Question 12

How is the aggregate turnover calculated for determining threshold limit for registration?

- (a) Aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis and inter-State supplies), exempt supplies and export of goods/services.
- (b) Aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, export of goods/services and inter-State supplies of a person computed for each State separately.
- (c) Aggregate value of all taxable intra-State supplies, export of goods/services and exempt supplies of a person having same PAN computed for each State separately.
- (d) Aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, export of goods/services and inter-State supplies of a person having same PAN computed on all India basis and excluding taxes if any charged under CGST Act, SGST Act and IGST Act.

### Question 13

Within how many days a person should apply for registration under GST, apart from provisions of voluntary registration?

- (a) Within 60 days from the date he becomes liable for registration.
- (b) Within 30 days from the date he becomes liable for registration.
- (c) No time limit
- (d) Within 90 days from the date he becomes liable for registration.

### Question 14



Xylo & Co. has three branches, in Jalandhar, Amritsar and Ludhiana, in the State of Punjab. Amritsar and Ludhiana branches are engaged in supply of garments and Jalandhar branch engaged in supply of shoes. Which of the following options is/are legally available for registration to Xylo & Co.?

- (i) Xylo & Co. can obtain single registration for Punjab declaring any one of the branches as principal place of business and other two branches as additional place of business.
- (ii) Xylo & Co. can obtain separate GST registration for each of the three branches - Amritsar, Jalandhar and Ludhiana.
- (iii) Xylo & Co. can obtain one GST registration for shoe business (Jalandhar branch) and another GST registration which is common for garments business (Amritsar and Ludhiana).

- (a) ii (b) Either i, ii or iii (c) Either i or ii (d) Either ii or iii

### Question 15

What is the validity of the registration certificate granted under GST for a normal tax payer?

- (a) One year (b) Two years (c) Valid till it is cancelled (d) Five years.

### Question 16

Within how many days an application for revocation of cancellation of registration can be made provided no extension to said time-limit has been granted?

- (a) Within 7 days from the date of service of the cancellation order.
- (b) Within 15 days from the date of the cancellation order.
- (c) Within 45 days from the date of the cancellation order.
- (d) Within 90 days from the date of service of the cancellation order.

### Question 17

'P' Ltd. has its registered office, under the Companies Act, 2013, in the State of Maharashtra from where it ordinarily carries on its business of taxable goods. It also has a warehouse in the State of Telangana for storing said goods. What will be the place of business of 'P' Ltd. under the GST law?

[MTP May 2024, 1 Marks]

- (a) Telangana (b) Maharashtra (c) Both (a) and (b) (d) Neither (a) nor (b)

### Question 18

An exempt supply includes-

- (i) Supply of goods or services or both which attracts Nil rate of tax
  - (ii) Non-taxable supply
  - (iii) Supply of goods or services or both which are wholly exempt from tax under section 11 of the CGST Act or under section 6 of IGST Act
- (a) (i) (b) (i) and (ii) (c) (ii) and (iii) (d) (i), (ii) and (iii)

### Question 19

Which of the following persons is required to obtain compulsory registration?

- (a) Persons exclusively engaged in making intra-State supplies, tax on which is to be paid by the recipient on reverse charge basis under section 9(3) of the CGST Act, 2017.
- (b) Persons making inter-State supplies of taxable services up to Rs. 20,00,000



(a) Period specified in the registration application (b) 90 days from the effective date of registration  
(c) Earlier of (a) or (b) (d) Later of (a) or (b)

### Question 21

- Yes, as his aggregate turnover is more than Rs. 20 lakh.
- No, as his aggregate turnover is less than Rs. 40 lakh.
- No, as services in the course of employment does not constitute supply and therefore, aggregate turnover is less than Rs. 20 lakh.
- Yes, since he is engaged in taxable supply of services.

### Question 22

Determine the effective date of registration of Riya & Co.?

[MTP Sep. 2024, 1 Marks]

- (a) 1st April                      (b) 1st October                      (c) 10th October                      (d) 5th November

### Question 23

(a) 1st April                      (b) 1st October                      (c) 10th October                      (d) 5th November

### Answer Key

01	(c)	02	(a)	03	(a)	04	(c)	05	(d)	06	(c)	07	(c)	08	(a)	09	(d)	10	(d)	11	(c)
12	(d)	13	(b)	14	(b)	15	(c)	16	(d)	17	(c)	18	(d)	19	(d)	20	(c)	21	(c)	22	(b)
23	(b)																				



# TDS & TCS

## CHAPTER

# 11



## Section A – ICAI Study Material Questions

### Question 1

Whether the rate of tax of 0.5% notified under section 52 is CGST or SGST or a combination of both CGST and SGST?

**Answer :** The rate of TCS as notified under CGST Act is payable under CGST and the equal rate of TCS is expected under the SGST Act also, in effect aggregating to 0.5%.

### Question 2

Is every e-commerce operator required to collect tax on behalf of actual supplier?

**Answer :** Yes, every e-commerce operator is required to collect tax where consideration with respect to the supply is being collected by the e-commerce operator.

However, no TCS is required to be collected in the following cases:-

- (i) on supply of services notified u/s 9(5) of the CGST Act, 2017;
- (ii) on exempt supplies;
- (iii) on supplies on which the recipient is required to pay tax on reverse charge basis;
- (iv) on supplies made by unregistered suppliers.

### Question 3

State whether the provisions pertaining to tax collected at source under section 52 of CGST Act, will be applicable, if Fitan Ltd. sells watch on its own through its own website?

**Answer :** As per Section 52, every electronic commerce operator not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator. Hence, if the person sells on his own, provisions pertaining to tax collected at source (TCS) won't be applicable.

### Question 4

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



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

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

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

Further, the ECO shall not be allowed to furnish GSTR - 8 after the expiry of a period of 3 years from the due date of furnishing the said statement, except where the Government allows.

### Question 5

State whether the provisions pertaining to tax collected at source under section 52 of CGST Act, will be applicable, if ABC limited who is dealer of Royul brand sells watches through Slipkart, an electronic commerce operator?

**Answer :** As per Section 52, every electronic commerce operator not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator. If ABC limited who is dealer of Royul brand sells watches through Slipkart, then the provision of TCS will be applicable to Slipkart.

### Question 6 SM Illustration

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

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

### Question 7 SM Illustration

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

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

### Question 8



Ramlala Enterprises, registered in Delhi, is engaged in supply of interior decoration services to Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh). The total contract value inclusive of GST is Rs 15,50,000 and payment for the same is due in October, 2023.

You are required to determine amount of tax, if any, to be deducted in the above case assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively. Will your answer be different, if Ramlala Enterprises is registered under composition scheme?

**(RTP May 2024)**

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

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

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

Proviso to section 51(1) of the CGST Act, 2017 stipulates that no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.

Section 12(3) of the IGST Act, 2017, inter alia, stipulates that the place of supply of services, directly in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi.

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

The answer will remain unchanged even if Ramlala Enterprises is registered under composition scheme.



**Question 9**

Who is liable to collect TCS (collection of tax at source) under Section 52 of the CGST Act, 2017. Briefly explain the provisions relating to registration, filing of return and deposit of TCS to Government as per the provisions of section 52 of the CGST Act, 2017 and rule 12 of the CGST Rules, 2017.

**[CA Inter Exams May 24, 6 Marks]**

**Answer:** Every Electronic Commerce Operator (ECO), not being an agent, has been mandated to collect TCS from the net value of the taxable supplies made through it by other suppliers, whenever ECO collects the consideration on behalf of the supplier.

Such ECO is required to submit a registration application in prescribed form through the common portal. The proper officer shall, after due verification, grant registration within 3 working days from the date of the application. On a request or upon an enquiry or pursuant to any other proceeding under GST law, if the proper officer is satisfied that a person is no longer liable to collect the tax at source, he may cancel his registration.

Such ECO shall furnish a monthly statement in Form GSTR-8 containing the details of the outward supplies of goods and/ or services effected through it, including supplies returned through it and the amount collected by it as TCS during the month within 10 days after the end of each month in which tax has been collected at source.

They also required to file annual statement on or before 31<sup>st</sup> December following the end of the financial year.

The TCS amount collected by the ECO has to be deposited by 10<sup>th</sup> of the month succeeding the month in which TCS has been collected.

## Multiple Choice Questions

**Question 1**

Kids Bazaar Pvt. Ltd., registered in Maharashtra sells kids clothing via an E-commerce operator Champ.com. Mr. Dhruv placed an order of 10 sets of Ethnic wear in different colours each costing Rs. 5,000 (GST @18% not included) on 20<sup>th</sup> January 2023. However, he returned 2 sets back after 2 days in accordance with the exchange policy of Champ.com. Determine the value of supply on which Champ.com should collect TCS from Kids Bazaar Pvt. Ltd.

**[MTP Sep. 2024, 2 Marks]**

- (a) 40,000                      (b) 59,000                      (c) 50,000                      (d) 47,200

**Answer:** (a) Rs 40,000



# PAYMENT OF TAX

## CHAPTER

# 12

### Section A – ICAI Study Material Questions

#### Question 1 SM Illustration

M/s. Daksha Enterprises has made a cash deposit of Rs. 10,000 under minor head 'tax' of major head 'SGST'. It has a liability of Rs. 2,000 for minor head "Interest" under the major head "SGST". State whether M/s. Daksha Enterprises can utilise the amount available for payment of interest.

[CA Inter May 2019, 2 Marks]

**Answer:** The cash available in any minor head of a major head cannot be utilised for any other minor head of the same major head.

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 this Act (i.e. CGST), to the electronic cash ledger for integrated tax, central tax, State tax, Union territory tax or cess, in FORM GST PMT-09 subject to such conditions and restrictions as may be prescribed and such transfer shall be deemed to be a refund from the electronic cash ledger under this Act.

Where any amount has been transferred to the electronic cash ledger under this Act (i.e. CGST), the same shall be deemed to be deposited in the said ledger.

[Note: Same provisions are applicable for IGST & SGST respectively also]

Therefore, in the given case, an amount of Rs. 2,000 out of amount of Rs. 10,000 available under minor head 'tax' of major head 'SGST' can be transferred to the minor head 'interest' and then, it can be utilised for payment of liability of Rs. 2,000 under minor head 'interest' of the same major head.

#### Question 2 SM Illustration

Mr. Alok, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 2019 on 15<sup>th</sup> April, 2019. The prescribed due date to file the said GSTR 3B was 20<sup>th</sup> February, 2019. The amount of net GST payable on supplies made by him for the said month worked out to be Rs. 36,500 which was paid on the same date of filing the return. Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Alok.

[MTP May 2020, 3 Marks] [CA Inter Nov. 2019, 4 Marks]



**Answer:** Interest is payable in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

Thus, the amount of interest payable by Mr. Alok is as under: Period of delay = 21st February, 2019 to 15th April, 2019 = 54 days, Hence, amount of interest = Rs. 36,500  $\times$  18%  $\times$  54/365 = Rs. 972

### Question 3 SM Illustration

Raghav Ltd., have filed their GSTR-3B for the month of July, 20XX within the due date prescribed under Section 39 i.e. 20.08.20XX. Post filing of the return, the registered person has noticed during September 20XX that tax dues for the month of July, 20XX have been short paid for Rs. 40,000. Raghav Ltd., has paid the above shortfall of Rs. 40,000, through GSTR-3B of September 20XX, filed on 20.10.20XX [payment through Cash ledger - Rs. 30,000 and Credit ledger - Rs. 10,000]. Examine the Interest payable under the CGST Act, 2017.

What would be your answer if, GSTR-3B for the month of July 20XX has been filed belatedly on 20.10.20XX and the self-assessed tax of Rs. 40,000/- has been paid on 20.10.20XX [payment through electronic cash ledger - Rs. 30,000 and electronic credit ledger - Rs. 10,000]

**Notes:**

- There exists adequate balance in Electronic Cash & Credit ledger as on 31.07.20XX for the above short fall
- No other supply has been made nor tax payable for the month of July, 20XX other than Rs. 40,000/- missed out to be paid on forward charge basis
- Ignore the effect of leap year, if applicable in this case.

[Modified, MTP May 2021, 6 Marks]

**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, Raghav Ltd., has defaulted in making the payment for Rs. 40,000 on self-assessment basis in the return for the month of July, 20XX. Accordingly, interest is payable on the gross liability and proviso of sub-section 50(1) shall not be applicable.

Thus, the amount of interest payable by Raghav Ltd., is as under:- Period of delay = 21<sup>st</sup> August, 20XX to 20<sup>th</sup> October, 20XX = 61 days

Hence, amount of interest = Rs. 40,000  $\times$  18%  $\times$  61/365 = Rs. 1,203 (Rounded off).

Alternatively, if Raghav Ltd., have filed the return for the month of July, 20XX on 20.10.20XX, beyond the stipulated due date of 20.08.20XX and if the self-assessed tax for July, 20XX has been paid on 20.10.20XX, Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only. Further, in this case, interest is payable only on that amount of net cash tax liability which was not available in electronic cash ledger as on the due date of filing of the return. But, as per



the information given in the question, there exists adequate balance in Electronic Cash & Credit ledger as on 31.07.20XX for the above short fall, therefore, no interest will be payable in this case.

#### Question 4

How many types of electronic ledger/register are there?

**Answer:**

- a) Electronic cash ledger                      b) Electronic credit ledger                      c) Electronic liability register

#### Question 5

What are the main features of GST payment process?

**Answer:** The main features of GST payment process are as follows:-

- Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan;
- Facilitation for the tax payer by providing hassle free, anytime, anywhere mode of payment of tax;
- Convenience of making payment online;
- Realtime data for tax collection in electronic format;
- Faster remittance of tax revenue to the Government Account;
- Paperless transactions;
- Speedy Accounting and reporting;
- Electronic reconciliation of all receipts;
- Simplified procedure for banks;
- Warehousing of Digital Challan.

#### Question 6

Are principles of unjust enrichment applicable for payment made under GST?

**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 this Act shall, unless the contrary is proved by him, be deemed to have passed on the full incidence of such tax to the recipient of such goods or services or both.

#### Question 7

State the name of output tax under GST, where any of the input tax credit under GST can be availed?

**Answer:** IGST, CGST, SGST, UTGST i.e. all input tax credit can be availed against output tax liability known as IGST.

#### Question 8

Mr. A has deposited a sum of Rs. 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 Rs. 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.



**Answer:** Provisions of Section 49(10) of CGST Act, 2017 permit a registered person for transferring 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/UTGS and make the payment of taxes there upon. 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.

### Question 9

M/s ABC & Co., have defaulted in filing the return under Section 39 of CGST Act, 2017 i.e. GSTR-3B for the month of March, 2021 within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 2021, which have been finalised during May 2021. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of Rs. 2,000 under CGST and SGST each. Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger for the late fees. Give your guidance in this regard

**Answer:** Section 49(3) of the CGST Act, 2017 provides that the amount available in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the provisions of this Act or the rules made there under in prescribed manner. Further, section 49(4) provides that the amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the IGST Act in prescribed manner. Accordingly, as per the combined reading of the above provisions, late fees shall be paid only through electronic cash ledger and not possible through electronic credit ledger. Thus, contention of the accountant of M/s ABC & Co., is not correct and the above amount shown on the common portal has to be deposited in Electronic Cash Ledger under appropriate minor head, through any of the specified modes.

### Question 10

Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 2021 and wishes to pay his IGST liability for the month. Since he is 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:

- Are manual challans allowed under GST?
- What is the validity period of the challan?
- Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?

**Answer:** As per the provisions of CGST Act, 2017 read with relevant rules, the deposit in electronic cash ledger can be made through any of the following modes, namely:-

**RTP May 2019**



- a. Internet Banking through authorised banks;
  - b. Unified Payment Interface (UPI) from any bank;
  - c. Immediate Payment Services (IMPS) from any bank;
  - d. Credit card or Debit card through the authorised bank;
  - e. National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
  - f. Over the Counter payment through authorised banks for deposits up to ten thousand rupees 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. 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, the amount available in one major/minor head can be transferred to another major/minor head. And, then, that amount can be utilized.

### Question 11

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 Rs. 75,000 to various vendors. The total input tax involved on the goods and services procured by her is Rs. 13,500. Out of the total bills paid by her, one bill for Rs. 15,000 relates to security services availed for security of her office, tax on which is payable under reverse charge. Input tax involved in such bill is Rs. 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.

**[MTP Nov. 2022, 4 Marks]**

**Answer:** The amount available in the electronic credit ledger, i.e. ITC may be used for making any payment towards output tax [Section 49(4)]. Output tax in relation to a taxable person, means the tax chargeable on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis [Section 2(82)]. Therefore, ITC 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 the GST of Rs. 2,700 on security service through electronic cash ledger.

### Question 12

PPC Ltd., has availed Input Tax credit for Rs. 54,000/- IGST during February 2021 on a particular purchase. Accounting records for the above purchase, indicate that IGST paid to the supplier is Rs. 45,000/- as per the bill received. GSTR1 furnished by the supplier for the above supply indicates Rs. 45,000/- as tax paid. Examine as per GST provisions, what value shall be updated in the ledgers maintained on behalf of PPC Ltd., on the common portal?

**[MTP May 21, 4 Marks]**



**Answer:** PPC Ltd. have accounted and paid Rs. 45,000/- as IGST to the supplier concerned. However, availment of input tax credit has been made for Rs. 54,000/-. As per Section 49(2) of CGST Act, 2017 "The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41, to be maintained in such manner as may be prescribed."

Accordingly, electronic credit ledger of PPC Ltd., shall be updated with a value of Rs. 54,000/- as per self-assessed return to be filed for February 2021, though the input tax credit shown by the supplier is only for Rs. 45,000/-.

## Section B – Additional Questions

### Past RTPs, MTPs, And Exams Papers

#### Question 13

GSTR 3B for the month of January 2024 has been filed by M/s Avisha Limited, a registered person, within the due date prescribed by the CGST Act 2017 which is on February 20<sup>th</sup>, 2024. It came to the notice of the Co. that tax due for the month of January, 2024 has been paid short by Rs. 16,000. The short fall of Rs. 16,000 has been paid through cash ledger and credit ledger at the time of filing GSTR 3B for the month of February 2024 on March 20<sup>th</sup>, 2024 in the following manner:

Particulars	Cash Ledger	Credit Ledger
Shortfall	12,000	4,000

Assume that electronic cash ledger and credit ledger carry sufficient balance for the above short fall.

- You are required to calculate the amount of interest payable if any under section 50 of the CGST Act 2017 and rule 88B of the CGST rules 2017.
- Give the effect if GSTR3B for the month of January 2024 had been filed belatedly on March 20, 2024 and all other conditions remaining same.

Calculation should be rounded off to nearest rupee. As 2024 is leap year, give effect of same.

**CA Inter Exams May 24, 5 Marks**

**Answer:** Interest is payable in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

Above interest is payable on the net tax liability paid in cash only if return in Form GSTR-3B for a tax period has been filed after the due date to furnish such return. Otherwise, interest is payable on gross tax liability.

- Since Avisha Limited has furnished Form GSTR-3B for the month within the prescribed due date, interest is payable on the gross tax liability deposited with a delay of 29 days [21.02.2024 + 20.03.2024 (both inclusive)] as under:

$$= \text{Rs. } 16,000 \times 18\% \times 29/366 = \text{Rs. } 228 \text{ (rounded off)}$$



- (ii) If Avisha Limited has filed Form GSTR-3B for the month after the due date, i.e. on 20.03.2024, interest is payable on the net tax liability paid through Electronic Cash Ledger only, for a delay of 29 days. Further, in this case, interest is payable only on that amount of net cash tax liability which was not available in electronic cash ledger as on the due date of filing of the return. But, as per the information given in the question, Electronic cash ledger and credit ledger carried sufficient balance for the above shortfall, therefore, no interest will be payable in this case.

### Question 14

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

Sr. No.	Particulars	Amount(Rs.)
1.	Tax due for the month of May	25,000
2.	Interest due for the month of May	2,000
3.	Penalty due for the month of May	3,000
4.	Tax due for the month of June	35,000
5.	Liability arising out of demand notice u/s 73	48,000

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

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

[CA Intermediate May 2023, 5 Marks]

**Answer:** The order of discharge of GST liability under section 49(8) of the CGST Act is as under:

- Self - assessed tax, interest, penalty, fee or any other amount related to returns of the previous tax periods.
- Self - assessed tax, interest, penalty, fee or any other amount related to returns of the current tax period.
- any other amount payable including demand determined under section 73 or section 74.

In view of the above provisions, Mr. Manik cannot clear his liability of demand notice u/s 73 first.

The order of discharge of liability of Mr. Manik will be as under:

- Tax, interest and penalty for the month of May, Rs. 30,000
- Tax due for the month of June, Rs. 35,000
- Liability arising out of demand notice u/s 73, Rs. 48,000.

### Question 15

Answer the following with reference to GST Laws :

- What is CIN?
- When is interest payable?
- How does the new payment system benefit the taxpayer & the Commercial Tax Department?

[MTP Nov. 2018, 5 Marks] [CA Inter May 2018, 5 Marks]

**Answer:**



- (i) CIN is Challan Identification Number. It is generated by the banks indicating that the payment has been realized and credited to the appropriate government account against a generated challan.
- (ii) Interest is payable in the following cases in terms of section 50 of CGST Act, 2017:-
- Delay / failure to pay tax, in full or in part within the prescribed period
  - Utilization of wrongly availed ITC.
- (iii) The new payment system benefits the taxpayer and the commercial tax department in the following ways:-

**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 Commercial Tax Department :-**

- Revenue will come earlier into the Government Treasury as compared to the old system.
- Logical tax collection data in electronic format.
- Speedy accounting and reporting.
- Electronic reconciliation of all receipts.
- Warehousing of digital challan.

**Note** - Any two points may be mentioned for Tax payer and Commercial Tax Department.

**Question 16**

M/s Software Limited reduced the amount of Rs. 2,00,000 from the output tax liability by utilising wrongly availed Input Tax Credit (ITC) while paying liability for the month of December 2022. A show cause notice was issued by the Tax Department to pay tax along with interest. M/s Software Limited paid the tax and interest on 31<sup>st</sup> March, 2023. Calculate interest liability (Ignore penalty).

**Modified CA Inter Nov. 2018, 4 Marks**

**Answer:** A taxable person who has utilised wrongly availed ITC shall be liable to pay interest @ 18% p.a. on such amount of wrongly availed ITC which he has utilised. The period of interest will be from the date of utilisation of wrongly availed ITC till the date of reversal of such credit or payment of tax in respect of such amount.

Due date of payment is 20<sup>th</sup> January, 2023 (Assuming return for the month of December 2022 is filed on due date itself)

Period for which interest is due = 21<sup>st</sup> January, 2023 to 31<sup>st</sup> March, 2023 = 70 days

Thus, interest liability = Rs. 2,00,000 × 18% × 70/365 = Rs. 6,904 (approx.)

**Question 17**



Determine with brief reasons, whether the following statement is True or False: Electronic cash ledger balance of Rs. 5,000 under the major head of IGST can be utilized for discharging the liability of major head of CGST.

[CA Inter Nov. 2018, 3 Marks]

**Answer:** The said statement is False. Amount available under one major head cannot be utilised for discharging the liability under any other major head. But, amount can be transferred from one head to another head & then, that amount can be utilised.

### Question 18

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 May 2019, 5 Marks] [CA Inter Nov. 2019, 3 Marks]

**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 a proceeding by an Assessing authority or as ascertained by the taxable person;
- (iii) any amount of interest that may accrue from time to time.

### Question 19

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. 2019, 2 Marks]

**Answer:** If the taxable person under GST law files the GST return under section 39(1) of the CGST Act, 2017, but does not pay the self-assessment tax, the return is not considered as a valid return. Since the input tax credit can be availed only on the basis of a valid return, the taxable person, in the given case, will not be able to claim any input tax credit. He shall also be liable to pay interest, penalty, fees or any other amount payable under the CGST Act for non-payment of tax.

### Question 20

PQR Ltd., have filed their GSTR-3B return for the month of August, 20XX within the due date i.e. 20.09.20XX. It was noticed in October, 20XX that tax dues for the month of August, 20XX have been short paid by Rs. 10,000. The shortfall of Rs. 10,000 was paid through cash ledger and credit ledger amounting to Rs. 7,500 and Rs. 2,500 respectively while filing GSTR-3B of October, 20XX which was filed on 20.11.20XX.

- (i) Examine and compute the interest payable if any under the CGST Act, 2017.
- (ii) What would be your answer if, GSTR-3B for the month of August 20XX had been filed belatedly on 20.11.20XX as above.



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

[Modified, CA Inter Exams Dec. 2021, 5 Marks]

**Answer:** In case of delayed payment of tax, interest is payable @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

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

(i) In the given case, PQR Ltd. has furnished the return for August 20XX by the due date. Hence, interest is payable on the entire amount of short payment of Rs. 10,000, as under:

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

(ii) If PQR Ltd. has furnished the return for August 20XX after the due date, interest is payable only on the short payment which is payable through electronic cash ledger. Further, in this case, interest is payable only on that amount of net cash tax liability which was not available in electronic cash ledger as on the due date of filing of the return. But, as per the information given in the question, Electronic cash ledger and credit ledger carried sufficient balance for the above shortfall, therefore, no interest will be payable in this case.

### Question 21

When shall the interest be payable by a registered person under section 50 of the CGST Act, 2017 and what is the maximum rate of interest chargeable for the same?

[CA Inter May 2018, 5 Marks] [MTP May 2020, 4 Marks]

**Answer:** As per section 50 of the CGST Act, 2017, interest is payable in the following cases:-

- Delay in payment of tax, in full or in part within the prescribed period,
- Utilization of wrongly availed input tax credit.

The maximum rate of interest chargeable for the same is as under-

- (i) 18% p.a. in case of delay in payment of tax, in full or in part within the prescribed period.
- (ii) 18% p.a. in case of utilization of wrongly availed input tax credit.

### Question 22

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 Nov. 2020, 5 Marks] [RTP May 2020]

**Answer:** As per section 49(8) of the CGST Act, 2017, the liability of a taxable person has to be discharged in a chronological order as under :-

- (a) self-assessed tax and other dues for the previous tax periods have to be discharged first;
- (b) the self-assessed tax and other dues for the current period have to be discharged next;
- (c) Once these two steps are exhausted, thereafter any other amount payable including demand determined under section 73 or section 74 of the CGST Act, 2017 to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last.

This sequence has to be mandatorily followed.



Thus, in view of the above-mentioned provisions, Mr. Ram Narayan cannot discharge his self-assessed tax liability for the current period before settling the dues for the previous tax period.

**Question 23**

Discuss whether the amount available in the electronic credit ledger can be used for making payment of any tax under the GST Laws?

**MTP May 2024, 5 Marks**

**Answer:** The amount available in the electronic credit ledger may be used for making any payment towards output tax under the CGST Act or the IGST Act, subject to the provisions relating to the order of utilisation of ITC.

Further, output tax in relation to a taxable person is defined as the tax chargeable on taxable supply of goods or services or both but excludes tax payable on reverse charge mechanism.

Accordingly, it is clarified that any payment towards output tax, whether self-assessed in the return or payable as a consequence of any proceeding instituted under the provisions of GST laws, can be made by utilisation of the amount available in the electronic credit ledger of a registered person.

It is further reiterated that as output tax does not include tax payable under reverse charge mechanism, implying thereby that the electronic credit ledger cannot be used for making payment of any tax which is payable under reverse charge mechanism.

## Multiple Choice Questions

**Question 1**

Balance in electronic credit ledger can be utilized against payment of \_\_\_\_\_.

- (a) Output tax                      (b) interest                      (c) penalty                      (d) late fees

**Answer:** (a)

**Question 2**

Which of the following shall be discharged first, while discharging liability of a taxable person?

- (a) All dues related to previous tax period                      (b) All dues related to current tax period  
(c) Demand raised under section 73 and 74                      (d) No such condition is mandatory.

**Answer:** (a)

**The struggle you're in today is  
developing the strength you  
need for tomorrow**



## CHAPTER

## 13

# TAX INVOICE, DEBIT NOTE, CREDIT NOTE & OTHER DOCUMENTS



## Section A – ICAI Study Material Questions

### Question 1

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

S. No.	Particulars	Date
1.	Commencement of the business of supplying goods and services	1st August
2.	Turnover exceeds Rs. 10,00,000 on	15th August
3.	Turnover exceeds Rs. 20,00,000 on	5th September
4.	Application for registration made on	28th September
5.	Registration certificate granted on	6th October

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

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

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

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



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

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

Further, Luv & Kush Pvt. Ltd. may issue a consolidated revised tax invoice in respect of all taxable supplies made to unregistered dealers during such period. However, in case of inter-State supplies where the value of supply does not exceed Rs. 2.5 Lakh, a consolidated revised invoice may be issued separately in respect of all unregistered recipients located in a State.

## Question 2

Jain & Sons is a trader dealing in stationery items. It is registered under GST and has undertaken following sales during the day:

S. No.	Recipient of supply	Amount (Rs.)
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.

**Answer:** In the given illustration, Jain & Sons can issue a Consolidated Tax Invoice only with respect to supplies made to Oberoi Orphanage [worth Rs.188] and Aaradhya [worth Rs.158] as the value of goods supplied to these recipients is less than Rs.200 as also these recipients are unregistered and don't require a tax invoice.

As regards the supply made to Raghav Traders, although the value of goods supplied to it is less than Rs.200, Raghav Traders is registered under GST. So, Consolidated Tax Invoice cannot be issued.

Consolidated Tax Invoice can also not be issued for supplies of goods made to Dhruv Enterprises and Gaurav although both of them are unregistered. The reason for the same is that the value of goods supplied is not less than Rs.200.

## Question 3



Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March, 2019:

- (i) Value of supply charged in an invoice was Rs. 2,50,000 against the actual taxable value of Rs. 2,30,000.
- (ii) Tax charged in an invoice was Rs. 32,000 against the actual tax liability of Rs. 68,000 due to wrong HSN code being chosen while issuing invoice.
- (iii) Value charged in an invoice was Rs. 3,20,000 as against the actual value of Rs. 4,20,000 due to wrong quantity considered while billing.

Kartik & Co. asks you to answer the following:

- (1) Who shall issue a Debit/Credit Note under CGST Act, 2017?
- (2) Whether Debit Note or Credit Note has to be issued in each of the above circumstances and, if so, quantify the amount for which it is to be issued.
- (3) What is the maximum time-limit available for declaring the credit note in the GST Return?

**[MTP Nov. 21 Series - 1, 2 Marks][CA Inter Exams Nov. 2019, 5 Marks]**

#### **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 exceeds the actual taxable value. The credit note should be issued for the excess value of supply charged in the invoice, i.e. Rs. 20,000.
  - (ii) A debit note is required to be issued as the tax charged in the invoice is less than the actual tax payable. The debit note should be issued for the amount of tax which is charged less, i.e. Rs. 36,000.
  - (iii) A debit note is required to be issued as the value of supply charged in the invoice is less than the actual value. The debit note should be issued for the amount of value which is charged less, i.e. Rs. 1,00,000.
- (3) The details of the credit note cannot be declared later than 30<sup>th</sup> 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.

#### **Question 4**

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

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

#### **Question 5**



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?

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

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

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

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

### Question 6

The aggregate turnover of Sangri Services Ltd., Delhi, exceeded Rs. 20 lakh on 12th August. He applied for registration on 3rd September and was granted the registration certificate on 6th September. You are required to advise Sangri Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices.

**Answer:** As per section 25 read with CGST Rules, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Sangri Services Ltd.'s turnover exceeded Rs. 20 lakh on 12th August, it became liable to registration on same day. Further, it applied for registration within 30 days of so becoming liable to registration, the effective date of registration is the date on which he becomes liable to registration, i.e. 12th August.

As per section 31 read with CGST Rules, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices. Revised Tax Invoices shall be issued within 1 month from the date of issuance of certificate of registration. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.

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

### Question 7



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

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

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

### Question 8

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

- (i) Examine whether the tax invoice has been issued within the time limit prescribed under law.
- (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.

### Answer:

- (i) As per section 31 read with the CGST Rules, in case of taxable supply of services, invoices should be issued before or after the provision of service, but within a period of 30 days [45 days in case of insurer/ banking company or financial institutions including NBFCs] from the date of supply of service. In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e. upto 3rd February. However, the invoice has been issued on 10th February.

- (ii) Section 31 read with the CGST Rules, inter alia, provides that tax invoice in addition to other mandatory details shall also contain the amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess). Further, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

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

### Question 9

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 25<sup>th</sup> September by issuing a tax



invoice amounting to Rs. 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?

**[MTP Nov. 2023, 4 Marks]**

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

### Question 10

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 colors [2 packets]	500
2nd June	254	Poster colors [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?

**[RTP Nov. 2019]**

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

(a) the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or

(b) where the goods supplied are returned by the recipient, or

(c) where goods and/or services supplied are found to be deficient,

the registered person, who has supplied such goods and/or services, may issue to the recipient one or more credit notes for supplies made in a financial year containing prescribed particulars.

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

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

### Question 11

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



**Answer:** Yes. Chidanand Products Pvt. Ltd. may not issue a bill of supply if the value of the goods or services or both supplied is less than Rs. 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.

### Question 12

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.

**Answer:**

[CA Inter Exams May 2018, 3 Marks][MTP Nov. 2018, 4 Marks]

- (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. By virtue of an amendment, a non-banking financial company has been 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.

### Question 13

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

- (i) Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods on 30<sup>th</sup> September, 2018. The goods were removed from the factory at Kolkata on 11<sup>th</sup> October, 2018. As per the agreement, the goods were to be delivered by 31<sup>st</sup> October, 2018. Suraj Enterprises has received the goods on 14<sup>th</sup> October, 2018.
- (ii) Trust and Fun Ltd, an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5<sup>th</sup> June, 2018. Payment for the event was made on 19<sup>th</sup> June, 2018.

**Answer:**

[CA Inter Exams May 2019, 4 Marks]

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

Therefore, in the given case, invoice has to be issued on or before, 11<sup>th</sup> October 2018 (the time of removal of goods).

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

Thus, in the given case, invoice has to be issued within 30 days of 5<sup>th</sup> June 2018 (date of supply of service), i.e. on or before, 5<sup>th</sup> July 2018.

### Question 14



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.

[MTP May 2023, 4 Marks][MTP May 2021, 4 Marks][MTP Nov. 2023, 4 Marks]

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

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

#### Question 15

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

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

## Section B – Additional Questions Past RTPs, MTPs, And Exams Papers

#### Question 16

Dream World Pvt. Ltd is registered under GST in the State of Haryana. During the Financial Year 2022-23, its annual aggregate turnover was Rs. 12 crore. In the month of April 2023, it supplied goods worth Rs. 12 lakh to Nightmare Ltd (a registered taxable person).

- You are required to ascertain whether issue of e-invoice is mandatory in respect of this transaction?
- What would be your answer if Nightmare Ltd is a SEZ (Special Economic Zone) unit?

[CA Intermediate Nov. 2023, 4 Marks]

**Answer:**

- All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than Rs. 5 crore are required to issue e-invoices.



Thus, issuance of e-invoice is mandatory in respect of the given transaction as the aggregate turnover of Dream World Pvt. Ltd. in the preceding financial year exceeded Rs. 5 crore.

- (ii) Issue of e-invoice is exempt in respect of supply BY the SEZ (Special Economic Zone) unit.

Here SEZ unit is receiver of supply. Thus, the issuance of e-invoice is mandatory in respect of given transaction even in case where Nightmare Ltd. is a SEZ (Special Economic Zone) unit.

### Question 17

- (i) Eden Ltd., registered under GST and dealing in educational toys, has an aggregate turnover of Rs. 18 crore in the preceding financial year. The tax consultant of Eden Ltd. advised it to issue e-invoices mandatorily in the current financial year. However, Eden Ltd. is of the view that since it's aggregate turnover is less than the threshold limit applicable for e-invoicing, so it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.
- (ii) Ministry of Communications and Information Technology, a Government Department registered under GST has an aggregate turnover of Rs. 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?

[RTP May 2024] [RTP Nov.2023] [RTP Nov. 22]

### Answer:

- (i) E-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than Rs. 5 crore in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports. Thus, the advice given by tax consultant of Eden Ltd. for issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Eden Ltd. has exceeded the threshold limit i.e. Rs. 5 crore in the preceding financial year.
- (ii) Following entities are exempt from the mandatory requirement of e-invoicing:
- Special Economic Zone units
  - Insurer or banking company or financial institution including NBFC
  - GTA supplying services in relation to transportation of goods by road in a goods carriage
  - Supplier of passenger transportation service
  - Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
  - Government Department and a local authority

Further, the above taxpayers exempted from the mandatory requirement of e-invoicing are required to provide a declaration on the tax invoice stating that though their aggregate turnover exceeds the notified aggregate turnover for e-invoicing, they are not required to prepare an e-invoice.

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds Rs. 5 crore in the preceding financial year from 2017-18 onwards but are required to provide a declaration as discussed above.

Thus, in the given case, Ministry of Communications and Information Technology, being a Government Department is not required to issue e-invoices in the current financial year even if it's aggregate turnover has exceeded Rs. 5 crore.



**Question 18**

Briefly discuss the following with reference to GST law:

- (i) Revised Tax Invoice
- (ii) Bill of Supply

**[MTP May 2023, 2 Marks]**

**[MTP May 2023, 2 Marks]**

**Answer:**

- (i) A registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him may, issue a revised tax invoice against the invoices already issued during said period, within 1 month from the date of issuance of certificate of registration in prescribed manner.
- (ii) A registered person supplying exempted goods and/or services or paying tax under composition levy, shall issue in prescribed manner, a bill of supply instead of a tax invoice, containing prescribed particulars.

**Question 19**

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

**[MTP Nov. 2022, 4 Marks]**

**Answer:** Sitaram Textiles has to issue a delivery challan and not the tax invoice at the time of sending the goods to job-worker. Rule 55, inter alia, stipulates that for the purposes of transportation of goods for job work, the consignor may issue a delivery challan, serially numbered, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following details, namely:-

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

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

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

**Question 20**



Chidanand Products Pvt. Ltd. started its business of supply of goods on 1st August, 2017. Its turnover exceeds the threshold limit for registration on 5<sup>th</sup> September, 2017. It applied for registration on 28<sup>th</sup> September, 2017 & granted registration certificate on 6th October, 2017. Guide the company regarding invoices to be issued between 5th September, 2017 to 6th October, 2017 to registered dealers. Further it had also made supplies to unregistered dealers in that period. How it can raise invoices?

**[MTP Nov. 2019, 6 Marks][CA Inter Exams May 2018, 4 Marks]**

**Answer:** A supplier whose aggregate turnover in a financial year exceeds the threshold limit for registration in a State/UT, is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit for registration) vide section 22 of CGST Act, 2017.

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.

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

In view of the aforesaid provisions, Chidanand Products Pvt. Ltd may issue revised tax invoices against the invoices already issued during the period between effective date of registration (5th September, 2017) and the date of issuance of registration certificate (6th October, 2017), within 1 month from 6th October, 2017.

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

### Question 21

Under what circumstances does the need of issuance of debit note and credit note arise under section 34 of CGST Act, 2017? **[MTP Nov 2018, 5 Marks][MTP Nov. 2020, 5 Marks][CA Inter Exams Nov 2018,**

**5 Marks] [CA Inter Exams May 2019, 5 Marks] [CA Inter Exams May 2018, 5 Marks]**

**Answer:** Debit note is required to be issued

- (i) if taxable value charged in the tax invoice is found to be less than the taxable value in respect of supply of goods and/or services or
- (ii) if tax charged in the tax invoice is found to be less than the tax payable in respect of supply of goods and/or services

Credit note is required to be issued:-

- (i) If taxable value charged in the tax invoice is found to exceed the taxable value in respect of supply of goods and/or services, or
- (ii) If tax charged in the tax invoice is found to exceed the tax payable in respect of supply of goods and/or services, or



- (iii) if goods supplied are returned by the recipient, or
- (iv) if goods and/or services supplied are found to be deficient.

**Question 22**

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

(i)	Date of commencement of providing CSS -	01-10-2017
(ii)	Date of completion of providing CSS -	31-01-2018
(iii)	Date of receipt of payment by Mr. Lakhan -	30-03-2018

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 25-03-2018 as per the contract between them.

**Answer:****[CA Inter Exams Nov. 2018, 5 Marks]**

- (i) Where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.

Thus, in the given case, the invoice should be issued on or before 30.03.2018 (date of receipt of payment by Mr. Lakhan).

- (ii) If payment is linked to the completion of an event, the invoice should be issued on or before the date of completion of that event.

Since in the given case payment is linked to the completion of service, invoice should be issued on or before 31.01.2018 (date of completion of service).

- (iii) Where the due date of payment is ascertainable from the contract, the invoice should be issued on or before the due date of payment.

If M/s. TNB Limited has to make payment on 25.03.2018 as per the contract between them, the invoice should be issued on or before 25.03.2018.

**Question 23**

Jolla provides continuous supply of services regarding Annual Maintenance Contract (AMC) of Air conditioner and all electronic items of Khotu Ltd. He provides following details regarding same.

They made contract for the AMC. As mentioned in contract, AMC will start from 01-10-2017 and will be valid for a year. AMC ends on 30-09-2018. Jolla receives payment for the AMC on 31-10-2018.

Explain the time of issue of invoice in case of Continuous supply of Service (CSS) as per provisions of CGST Act, 2017 and accordingly determine time of issue of invoice in following different circumstances

- (1) As mentioned in contract Khotu Ltd. have to make payment on 05-11-2018
- (2) If terms of payment is not mentioned in AMC and also not agreed by both the parties.

**[CA Inter Exams May 2019, 4 Marks]**



**Answer:** In case of continuous supply of services

- (i) Where due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.
- (ii) Where due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment
- (iii) Where payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.

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

- (1) If it is mentioned in contract that Khotu Ltd. has to make payment on 05.11.2018, the invoice shall be issued on or before 05.11.2018.
- (2) If terms of payment are not mentioned in AMC and are also not agreed by both the parties, the invoice shall be issued on or before 31.10.2018.

**Note:** The question has been answered by considering the annual maintenance contract as continuous supply of service. However, as per section 2(33) of the CGST Act, 2017 "continuous supply of services" inter alia means a supply of services with periodic payment obligations.

#### Question 24

Explain the meaning of consignment note in relation to Goods Transport Agency and state its contents as per provisions of the CGST Act, 2017.

[CA Inter Exams May 2019, 4 Marks]

**Answer:** Consignment note means a document, issued by a Goods Transport Agency (GTA) against the receipt of goods for the purpose of transport of goods by road in a goods carriage, which is serially numbered.

The contents of consignment note are as follows:-

- (i) gross weight of the consignment
- (ii) the name of the consignor and consignee (any one),
- (iii) registration number of the goods carriage in which the goods are transported,
- (iv) details of the goods transported,
- (v) details of the place of origin and destination,
- (vi) GSTIN of the person liable for paying tax
- (vii) other information as prescribed for a tax invoice, under rule 46 of CGST Rules, 2017

#### Question 25

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, 2019, 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 Exams Sept. 2024, 5 Marks][CA Inter Exams Jan. 2021, 4 Marks]**

**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.

**Question 26**

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 Exams Dec. 2021, 5 Marks]**

**Answer:** Dynamic QR code is applicable to invoices issued in respect of supplies made to unregistered persons by a registered supplier provided its aggregate turnover in any preceding financial year from 2017-18 onwards exceeds Rs. 500 crores.

However, it is not applicable to following suppliers issuing invoices to unregistered persons:-

- (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

**Question 27**

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

**Answer:****[CA Inter Exams Dec. 2021, 5 Marks]**

- (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 Rs. 5 crores.

**Question 28**

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



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

**[CA Inter May 2022, 4 Marks]**

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

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

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

### Question 29

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 Rs. 30 crore and Rs. 25 crore respectively. For the month of November in the current financial year, Bali Limited prepares duplicate invoices and does not issue e-invoice as it is of the view that its aggregate turnover does not cross the threshold limit to make it liable for issuing e-invoices.

Briefly explain whether the view taken by Bali Limited is correct in law? Also explain the advantages of e-invoicing, if any.

**[RTP May 2021]**

**Answer:** 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 any of the preceding financial year from 2017-18 greater than Rs. 5 crore onwards are required to issue e-invoices.

The eligibility is based on aggregate annual turnover on the common PAN. Thus, the aggregate total turnover of Bali Limited is more than Rs. 5 crores (considering both the GSTINs) and is required to issue e-invoices.

Further, where 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:-

- (i) **Auto-reporting of invoices into GST return and auto-generation of e-way bill (wherever required).** Under e-invoicing, business has to report the B2B invoice data only once in the e-invoice form and the same is reported in multiple forms (GSTR-1, e-way bill etc.). E-way bill can be auto-generated using e-invoice data. GSTR-1 can also be auto-populated with the e-invoice data. It will become part of the business process of the taxpayer.
- (ii) **Accuracy/Reconciliation.** Since same data is reported to tax department as well as to the buyer to prepare his inward supplies (purchase) register, transcription errors are reduced. On receipt of information through GST System, buyer can do reconciliation with his Purchase Order.
- (iii) **Early payment.** E-invoicing facilitates standardisation and inter-operability leading to reduction of disputes among transacting parties and thus, improving payment cycles.



- (iv) **Cost reduction.** E-invoicing helps in reducing processing costs and thus, leads to improvement of overall business efficiency.
- (v) **Reduction of tax evasion.** Since a complete trail of B2B invoices is available with the Department, it will enable the system-level matching of input tax credit and output tax thereby reducing the tax evasion.
- (vi) **Elimination of fake invoices.** E-invoicing eliminates the fake invoices. Claiming fictitious input tax credit (ITC) by raising fake invoices is also one of the biggest challenges currently faced by tax-authorities. The e-invoice system helps to curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities have access to data in real-time.
- (vii) **Paper Elimination.** E-invoicing helps in paper elimination and thereby it is eco- friendly.

**Question 30**

Determine in which of the following independent cases, e-invoicing is applicable?

- (i) Harnam & Co., dealing in interior decoration products made supplies to various registered and unregistered persons in the preceding financial year. The aggregate turnover of Harnam & Co. in the preceding financial year is Rs. 60 crore.
- (ii) Rich & Poor Bank, registered under GST has an aggregate turnover of Rs. 75 crore in the preceding financial year.

**[RTP Nov. 2021]**

**Answer:** All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than Rs. 5 crore are required to issue e- invoices in respect of B2B supplies (supply of goods and/or services to a registered person).

Further, following entities are exempt from the mandatory requirement of e-invoicing:-

- (a) Special Economic Zone units
- (b) Insurer or banking company or financial institution including NBFC
- (c) GTA supplying services in relation to transportation of goods by road in a goods carriage
- (d) Supplier of passenger transportation service
- (e) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- (f) A Government Department or a Local Authority.

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds Rs. 5 crore in any of the preceding financial year from 2017-18 onwards.

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

- (i) The aggregate turnover of Harnam & Co. exceeds the threshold limit of aggregate turnover applicable for e-invoicing. Thus, Harnam & Co. is mandatorily required to issue e-invoices in respect of supplies made to registered persons.



- (ii) Banking company is specifically exempt from mandatory requirement of e-invoicing even if the turnover exceeds Rs. 5 crore in the preceding financial year. Thus, e-invoicing is not applicable to Rich & Poor Bank.

### Question 31

Mr. X, a registered person under GST has aggregate turnover in the preceding financial year amounting to Rs. 8 crore. He is desirous to know whether e-invoicing is applicable for supplies made by registered person to Government Departments or establishments/Government agencies/local authorities/PSUs which are registered solely for the purpose of deduction of tax at source as per provisions of section 51 of the CGST Act, 2017. You are required to advise Mr. X.

[CA Inter RTP Sep. 2024]

**Answer:** Government Departments or establishments/ Government agencies/ local authorities/ PSUs, which are required to deduct TDS under section 51 of the CGST Act, 2017, are liable for compulsory registration in accordance with section 24(vi) of the CGST Act, 2017.

Therefore, Government Departments or establishments/ Government agencies/ local authorities/ PSUs, registered solely for the purpose of deduction of TDS, are to be treated as registered persons under the GST law as per provisions of section 2(94) of the CGST Act, 2017.

Accordingly, the registered person, whose turnover exceeds the prescribed threshold for generation of e-invoicing, is required to issue e-invoices for the supplies made to such Government Departments or establishments/ Government agencies/ local authorities/ PSUs, etc. under rule 48(4) of the CGST Rules, 2017 [Circular No. 198/10/2023 GST dated 17.07.2023].

### Question 32

Mohan Enterprise is a registered person having principal place of business in Gandhinagar, Gujarat. They received services of Advocate Sameer, a registered person from Ahmedabad, Gujarat. Shekhar, an unregistered person provided services of labour to Mohan Enterprise. Explain the provisions relating to issue of invoice by recipient Mohan Enterprise if he is liable to pay tax under reverse charge under Section 9(3) or 9(4) of the CGST Act, 2017.

[CA Inter Exams May 24, 5 Marks]

**Answer:** A registered person shall issue an invoice in respect of goods and/or services received by him provided:

- (i) he is liable to pay tax under reverse charge [under section 9(3) or 9(4) of the CGST Act, 2017] on such supplies, and
- (ii) supplies are received from the supplier who is not registered on the date of receipt of goods and/or services.

In the given case, tax on services received from advocate Sameer by Mohan Enterprise is payable under reverse charge.

However, Mohan Enterprises is not required to issue an invoice with respect to said supply as supplier Sameer is registered.



Further, tax on labour services received from unregistered person-Shekhar is not payable under reverse charge.

Therefore, Mohan Enterprises is not required to issue an invoice with respect to said supply.

## Multiple Choice Questions

### Question 1

Kidzee Ltd., a wholesaler of toys registered in Chandigarh, is renowned in the local market for the varieties of toys and their reasonable prices. Kidzee Ltd. makes supply of 100 pieces of baby's learning laptops and chat learning phones to Nancy General Store on 25th September, 20XX by issuing a tax invoice amounting to Rs. 1,00,000.

However, the said toys were returned by Nancy General Store on 30th September, 20XX. Which document Kidzee Ltd. is required to issue in such a case?

[RTP May 2019]

- (a) Debit Note      (b) Refund voucher      (c) Credit note      (d) Payment voucher

### Question 2

During the month of May, Z Ltd. sold goods to Y Ltd. for Rs. 2,55,000 and charged GST @ 18%. However, owing to some defect in the goods, Y Ltd. returned the goods by issuing debit note of Rs. 40,000 in the same month. Z Ltd. records the return of goods by issuing a credit note of Rs. 40,000 plus GST in the same month. In this situation, GST liability of Z Ltd. for the month of May will be-

[RTP Nov. 2020]

- (a) Rs. 45,900      (b) Rs. 38,700      (c) Rs. 53,100      (d) Rs. 40,000

### Question 3

Subhas & Co., a registered person, supplies taxable goods to unregistered persons. It need not issue tax invoice, if the value of supply of goods to such persons is \_\_\_\_\_ and the recipient does not require such invoice.

[MTP May 2021, 2 Marks]

- (a) Rs. 1,200      (b) Rs. 600      (c) Rs. 150      (d) Rs. 200

### Question 4

In case of taxable supply of services by a non-banking financial company (NBFC), invoice shall be issued within a period of \_\_\_\_\_ from the date of supply of service.

- (a) 30 days      (b) 45 days      (c) 60 days      (d) 90 days

### Question 5

Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued:

- (a) before/at the time of supply      (b) 6 months from the date of removal  
(c) Earlier of (a) or (b)      (d) Later of (a) or (b)

### Question 6



Invoice shall be prepared in \_\_\_\_\_ in case of taxable supply of goods and in \_\_\_\_\_ in case of taxable supply of services.

(a) Triplicate, Duplicate

(b) Duplicate, Triplicate

(c) Duplicate, Duplicate

(d) Triplicate, Triplicate

### Question 7

Which of the following statements is/are incorrect under GST Law:-

- (i) If the supplier has erroneously declared a value which is more than the actual value of goods or services provided, then he can issue credit note for the same.
- (ii) If the supplier declared some special discount which is offered after the supply is over, then he cannot issue credit note under GST law for the discount offer.
- (iii) If quantity received by the recipient is more than what has been declared in the tax invoice, then supplier can issue debit note for the same.

(iv) There is no time limit to declare the details of debit note in the return.

[RTP Nov. 2021]

(a) (i),(ii) and (iv)

(b) (i) and (iv)

(c) (iv)

(d) (i) and (iii)

### Question 8

Suvidha Enterprises issued invoices pertaining to two independent outward supplies, where in one invoice value of supply was understated by 75,000 and in another invoice, value was overstated by 45,000. Which of the following is correct in respect of document to be issued by the firm for understatement and overstatement of invoice value?

[MTP Sep. 2024, 2 Marks]

- (i) Debit note is to be issued for Rs. 75,000.
- (ii) Credit note is to be issued for Rs. 75,000.
- (iii) Debit note is to be issued for Rs. 45,000.
- (iv) Credit note is to be issued for Rs. 45,000.

(a) (i) & (iii)

(b) (ii) & (iii)

(c) (i) & (iv)

(d) (ii) & (iv)

### Answer Key

01 (c) 02 (b) 03 (c) 04 (b) 05 (c) 06 (a) 07 (c) 08 (c)

**As You Know More, You Grow More...**



# RETURNS UNDER GST

## CHAPTER

# 14



## Section A – ICAI Study Material Questions

### Question 1

Mr. X, a regular taxpayer, did not make any taxable supply during the month of July. Is he required to file a GSTR-3B?

[MTP Nov. 2019, 3 Marks]

**Answer:** A regular taxpayer is required to furnish a return u/s 39 for every month even if no supplies have been effected during such period. In other words, filing of Nil GSTR-3B is also mandatory. Therefore, Mr. X is required to file GSTR-3B even if he did not make any taxable supply during the month of July.

### Question 2

If a return has been filed, how can it be revised if some changes are required to be made?

[MTP Nov. 2023, 5 Marks][MTP May 2020, 4 Marks][MTP May 2021, 5 Marks][MTP Nov. 2022]

**Answer:** In GST, since, the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/ credit notes. Instead of revising the return already submitted, the system allows changing the details of those transactions (invoices or debit/credit notes) that are required to be amended.

The registered person may, after furnishing the details of outward supplies of goods or service or both in FORM GSTR-1 for a tax period but before filing of return in FORM GSTR-3B for the said tax period, at his own option, amend or furnish additional details of outward supplies of goods or services or both in FORM GSTR-1A for the said tax period electronically.

Further, they can be amended in any of the future GSTR-1 also in the tables specifically provided for the purposes of amending previously declared details.

As per section 39(9), omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the month during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in "Amendment Tables". However, no such rectification of any omission or incorrect particulars is allowed after 30th November following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.



**Question 3**

"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 2022, 3 Marks] [CA Inter Nov, 2018, 2 Marks]

**Answer:** The statement is partially valid. A taxpayer cannot file Form GSTR-1 before the end of the current tax period. However, following are the exceptions to this rule:

- a. Casual taxpayers, after the closure of their business
- b. Cancellation of GSTIN of a normal taxpayer.

A taxpayer who has applied for cancellation of registration will be allowed to file Form GSTR-1 after confirming receipt of the application.

**Question 4**

Please answer following individual independent cases with reference to section 37 of the CGST Act, 2017 and rule 59 of CGST Rules, 2017:

- (1) Mr. Kolly is registered supplier in the State of Gujarat. He is filing GSTR 1 every month. During the month of February, 2018 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, 2018. Is he correct?  
[CA Inter May 2019, 1 Mark]
- (2) Mr. Kaji is a registered dealer in Kerala. He was registered as a normal tax payer for FY 2017-18. But w.e.f. 01.04.2018, he converted from normal tax payer to composition tax payer. Is he liable to file GSTR-1 for the month of April, 2018?  
[CA Inter May 2019, 2 Marks]

**Answer:**

- (1) No, Mr. Kolly is not correct. GSTR-1 needs to be filed even if there is no business activity (Nil Return) in the tax period. Therefore, in the given case, even though Mr. Kolly was out of India and thus had not done any transaction during February 2018, he is still required to file GSTR-1 for the said month.
- (2) A person paying tax under composition scheme is not liable to furnish the details of outward supplies in GSTR-1. Further, in cases where a taxpayer has been converted from a normal taxpayer to composition taxpayer, GSTR-1 is to be filed only for the period during which the taxpayer was registered as normal taxpayer. Therefore, in the given case, Mr. Kaji is not liable to file GSTR-1 for April, 2018 since he had already shifted to composition scheme w.e.f. 01.04.2014.

**Question 5**

Mr. Kalpesh is a registered dealer in Kerala paying tax under composition levy from 1<sup>st</sup> April. However he opts to pay tax under regular scheme from 1<sup>st</sup> December. Is he liable to file GSTR-4 for the said F.Y. during which he opted out of composition scheme? Discuss.

[CA Inter Sept. 2024, 3 Marks]

**Answer:** Where a taxpayer opts to withdraw from the composition scheme, he has to file GSTR-4 for the period for which he has paid tax under the composition scheme. Such return is required to be furnished till 30<sup>th</sup> day of June following the end of the financial year during which such withdrawal falls. Therefore, in the given case, Mr. Kalpesh is liable to file GSTR-4 for the said F.Y. during which he opted out of composition scheme by 30<sup>th</sup> June of next F.Y.

**Question 6**



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.

[CA Inter Sept. 2024, 2 Marks]

**Answer:** As per section 39(10), a registered person is not allowed to furnish a return for a tax period if the return for any of the previous tax periods or the details of outward supplies u/s 37(1) for the said tax period has not been furnished by him.

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.

### Question 7

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

[CA Inter Sept. 2024, 2 Marks]

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

- invoice wise details of inter-State and intra-State supplies made to the registered persons;
- debit and credit notes, if any, issued during the month for such invoices issued previously.

### Question 8

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.

**Answer:** 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 can a chartered accountant represent himself as a GSTP.

### Question 9

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. Whether the process followed by Quicktax is correct?

**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. However, there is no requirement to upload the scanned copies of the invoices issued to the customers on the GST portal at the time of 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.

### Question 10



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.

**Answer:** No, the stand taken by Tax Consultant of X Ltd. is not correct. 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.

In the given case, X Ltd., a registered person, is winding up its business and has thus, applied for cancellation of registration. Therefore, it is required to file both annual return and final return.

### Question 11

X has not made any outward supply during the month of September. However, X has procured certain input services during the month. X is of the opinion that he can file Nil GSTR-3B for the month of September through SMS. Whether the understanding of X is correct? Explain.

**Answer:** Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case X has received certain input services, he cannot file Nil GSTR-3B through SMS as the said input services will need to be disclosed in the Table for Eligible ITC in GSTR-3B.

## Section B – Additional Questions Past RTPs, MTPs, And Exams Papers

### Question 12

Can a chartered accountant become a GST practitioner (GSTP)? Discuss.

[MTP Sep. 2024, 5 Marks]

**Answer:** 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 can a chartered accountant represent himself as a GSTP.

### Question 13

Mr. Sameer, a registered person under GST, is unable to file GSTR-1 on the reason being shown that tax payable under GSTR-1 which has been filed in respect of last tax period exceeds the tax payable under GSTR-3B which has been filed for the corresponding tax period. Explain the procedure to be followed by the department and Mr. Sameer for the same as per the provisions of Rule 88C of the CGST Rules 2017.

[CA Intermediate Nov. 2023, 5 Marks]

**Answer:** In the given case, Mr. Sameer would be intimated on the portal and his email address of such difference and be directed to either

- (i) pay the differential tax liability along with interest, or



(ii) explain the difference, within 7 days period.

On receiving such intimation, Mr. Sameer should either

- (i) deposit the amount specified in the said intimation fully or partially, along with interest and furnish the details on the common portal or
- (ii) furnish a reply explaining the reasons for any amount of differential tax liability remaining unpaid, within 7 days period.

Where any amount specified in the said intimation remains unpaid within 7 days period and where no explanation is furnished by Mr. Sameer or where the explanation furnished by him is not found to be acceptable by the proper officer, the said amount shall be recoverable from him.

#### Question 14

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

Please guide to Mr. Sumit regarding the following:

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

- (ii) When goods are transferred by principal to job worker, there is no need to issue e-way bill. Comment on the validity of the above statement with reference to GST Laws.

[CA Intermediate May 2023, 5 (3+2) Marks]

**Answer:**

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

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

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

- (B) Manner of exercising option of QRMP scheme

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

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

#### Question 15



"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. 2020, 3 Marks**

**Answer:** The said statement is not valid. In respect of following outward supplies, consolidated details and not invoice-wise details are required to be uploaded in the GSTR-1:

- (a) Intra-State supplies made to unregistered persons for each rate of tax
- (b) Inter-State supplies made to unregistered persons with invoice value upto Rs. 1,00,000 for each rate of tax separately for each State.

### Question 16

The aggregate turnover of Mr. Prithvi, a registered person for the FY 2022-23 and 2023-24 were Rs. 240 lakh and Rs. 570 lakh respectively. He has not filed the annual return (GSTR-9) under section 44(1) of CGST Act, 2017 before the due date. Discuss the penal provisions, if any, for not filing the returns before the due date.

**[Modified, CA Inter Jan. 2021, 3 Marks]**

**Answer:** The late filing fees for not filing the annual return (GSTR-9) under section 44(1) of the CGST Act, 2017 before the due date are as under :-

- (a) Rs. 100 for every day during which such failure continues,  
or
  - (b) 0.25% of the turnover of the registered person in the State/Union Territory, whichever is lower.
- However, the Government has reduced the late fees for delay in filing of annual return for the financial year 2022-23 onwards, as under:

S.N	Class of Registered Person	Late Fee per day [CGST]	Max. Fee [CGST]
1.	Registered persons having an aggregate turnover of up to Rs. 5 crores in the relevant financial year.	Rs. 25	0.02% of turnover in the State or Union territory
2.	Registered persons having an aggregate turnover of more than Rs. 5 crores and up to Rs. 20 crores in the relevant financial year.	Rs. 50	0.02% of turnover in the State or Union territory

### Question 17

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

**[MTP Nov. 2020, 3 Marks] [CA Inter Nov. 2018, 5 Marks] [CA Inter Exams July 2021, 5 Marks]**

**Answer:** Every registered person who is required to furnish a return and whose registration has been surrendered or cancelled is required to file a final return.

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

- (i) date of cancellation or
- (ii) date of order of cancellation whichever is later.

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

- (i) Rs. 100 for every day during which such failure continues or



(ii) Rs. 5,000 whichever is lower.

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

### Question 18

Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act?

[CA Inter MTP Sept. 2024, 5 Marks] [CA Inter Exams July 2021, 5 Marks]

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

Any person who, (i) is a citizen of India; (ii) is a person of sound mind; (iii) is not adjudicated as insolvent; (iv) has not been convicted by a competent court; and satisfies any of the following conditions, namely that he:

1. is a retired officer of Commercial Tax Department of any State Govt./CBIC who, during service under Government had worked in a post not lower than the rank of a Group-B gazetted officer for a period  $\geq 2$  years, or
2. is enrolled as a Sales Tax Practitioner or Tax Return Preparer under the erstwhile indirect tax laws for a period of not less than 5 years, or
3. acquired any of the prescribed qualifications
4. has passed Graduate/postgraduate degree or its equivalent examination having a degree in specified disciplines, from any Indian University or a degree examination of any Foreign University recognised by any Indian University as equivalent to degree examination
5. has passed any other notified examination
6. has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India

Note: Any 3 points may be mentioned.

### Question 19

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. 2019, 5 Marks]

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

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

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

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

30<sup>th</sup> November following the end of the financial year to which such details pertain

Or

Actual date of filing of the relevant annual return.

### Question 20

Discuss about the late fee levied for delay in filing :

(i) Final Return



(ii) Annual Return

**Answer:**

(i) The late fee levied for delay in filing final return is

(a) Rs. 100 for every day during which such failure continues or

(b) Rs. 5,000,

whichever is lower.

(ii) The late fee levied for delay in filing annual return is:

(a) Rs. 100 for every day during which such failure continues or

(b) 0.25% of the turnover of the registered person in the State/Union Territory,

whichever is lower.

However, the Government has reduced the late fees for delay in filing of annual return for the financial year 2022-23 onwards, as under:

S.N.	Class of Registered Person	Late Fee per day [CGST]	Max. Fee [CGST]
1.	Registered persons having an aggregate turnover of up to Rs. 5 crores in the relevant financial year.	Rs. 25	0.02% of turnover in the State or Union territory
2.	Registered persons having an aggregate turnover of more than Rs. 5 crores and up to Rs. 20 crores in the relevant financial year.	Rs. 50	0.02% of turnover in the State or Union territory

**Question 21**

Explain the provision relating to filing of Annual Return under section 44 of CGST Act, 2017 and Rules there under.

[CA Inter May 2018, 5 Marks] [MTP Nov. 2022, 5 Marks]

**Answer:** Every registered person shall furnish an annual return for every financial year. However, the following persons are not required to furnish annual return:

- (i) Casual Taxable Persons;
- (ii) Non-resident taxable person;
- (ii) Input Service Distributors;
- (iii) Persons authorized to deduct/collect tax at source under section 51/52;
- (iv) Any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force and
- (v) Persons supplying online information and data base access or retrieval services from a place outside India to a person in India.

This return needs to be furnished by 31<sup>st</sup> December of the next Financial Year.

**Question 22**

What kinds of invoice details of outward supplies are required to be furnished in GSTR-1 for outward supplies?

[CA Inter Nov. 2018, 5 Marks]



**Answer:** The invoice details of outward supplies required to be furnished in GSTR-1 are - name of Buyer, GSTN of buyer, invoice no., date, value, taxable value, rate of tax, amount of tax, HSN code in respect of supply of goods, accounting code in respect of supply of services and place of supply. Further, following invoice details of outward supplies are required to be furnished invoice-wise in GSTR-1 -

- (i) intra-State supplies made to the registered persons
- (ii) inter-State supplies made to the registered persons;
- (iii) inter-State supplies made to unregistered persons with invoice value exceeding Rs. 1,00,000.

**Note:** The question may be answered either on the basis of invoice details of outward supplies required to be furnished in GSTR-1 or on the basis of invoice details of outward supplies required to be furnished invoice-wise in GSTR-1.

### Question 23

M/s Cavenon Enterprises, a registered supplier of designer wedding dresses under regular scheme, has aggregate annual turnover of Rs. 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.

During a given tax period in the current financial year, owing to an off-season, M/s Cavenon Enterprises has not made any taxable supply. Therefore, M/s Cavenon Enterprises opines that no return under GST is required to be filed for the said period. You are required to examine the technical veracity of the opinion of M/s Cavenon Enterprises.

**[RTP May 2019]**

**Answer:** Section 37 of the CGST Act, 2017 stipulates that GSTR-1 for a particular month is required to be filed on or before the 11<sup>th</sup> day of the immediately succeeding month, i.e. on a monthly basis.

However, presently, as a measure of easing the compliance requirement for small tax payers, GSTR-1 has been allowed to be filed quarterly by small tax payers with aggregate annual turnover up to Rs. 5 crore in the preceding financial year who have opted to furnish return (GSTR-3B) on quarterly basis. Other tax payers will however continue to file GSTR-1 on a monthly basis.

In view of the same, M/s Cavenon Enterprises can file its GSTR-1 on quarterly basis as its aggregate turnover does not exceed Rs. 5 crore in the preceding financial year if it has opted to furnish return (GSTR-3B) on quarterly basis.

Further, GSTR-1 needs to be filed even if there is no business activity in a tax period. Thus, in the present case, even if no supply has been made by M/s Cavenon Enterprises, a nil Statement is required to be filed for the relevant tax period.

### Question 24

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.

**[RTP May 2020]**



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

Therefore, while the return is to be furnished annually, payment of tax needs to be made on a quarterly basis, by a composition supplier.

### Question 25

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 (Rs.)
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	1,00,000
8	Mr. P, an unregistered person	Inter-State	1,80,000
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 Rs. 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.

**(Modified, RTP May 2020)**

**Answer:** Rule 59 of the CGST Rules, 2017, inter alia, stipulates that the details of outward supplies of goods and/or services furnished in form GSTR-1 shall include the-

(a) invoice wise details of all -

- inter-State and intra-State supplies made to the registered persons; and
- inter-State supplies with invoice value more than Rs. 1,00,000 made to the unregistered persons

(b) consolidated details of all -

- intra-State supplies made to unregistered persons for each rate of tax; and
- State wise inter-State supplies with invoice value upto Rs. 1,00,000 made to unregistered persons for each rate of tax;



Thus, in view of the above-mentioned provisions, Mr. Gauri Shiva should furnish the details of outward supplies of goods made by him during the quarter ending June 20XX in the following manner:-

Supply	Recipient	Nature of supply	Value (Rs.)	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 3 and 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	1,00,000	
8	Mr. P, an unregistered person	Inter-State	1,80,000	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

#### Question 26

- (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.

[RTP May 2021]

#### Answer:

- (a) The advice given by tax consultant is correct.

Under GST law, filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

Therefore, in the given case, even though Miss Kashi was out of station on a religious pilgrimage with her family for 55 days and thus, could not do any business transaction during the month of August, she is still required to file Nil GSTR-3B for that month.



- (b) Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case, Miss Kashi has received certain purchases, she cannot file Nil GSTR-3B, as the said 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) 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.

Thus, 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.

### Question 27

- (a) Mr. Ayushman, a registered person having intra-State aggregate turnover of Rs. 1.2 crores in the preceding financial year did not file GSTR-3B for the month of September, 2021 by 10<sup>th</sup> November 2021. The amount of tax payable for the month of September, 2021 is Rs. 8 lakh. All his supplies are intra-State supplies. Is there any late fee payable for the same? If yes, what is the amount of late fee payable?
- (b) Will your answer be different in (a), if Mr. Ayushman has intra-State aggregate turnover of Rs. 5 crores in the preceding financial year?
- (c) Will your answer be different in (a), if total amount of tax payable in the GSTR-3B for the month of September is Nil?

**[RTP May 2022]**

### Answer

- (a) As per section 47 of the CGST Act, 2017 read with NN. 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is  $\leq$  Rs. 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 Rs. 50 (Rs. 25 each under CGST & SGST or Rs. 50 under IGST) per day for the period during which such failure continues or Rs. 2,000 (Rs. 1,000 each under CGST & SGST or Rs. 2,000 under IGST), whichever is lower.

Thus, late fee is payable in the given case and the amount of late fee payable is Rs. 1,050 (Rs. 525 each under CGST & SGST) [(Rs. 50 per day  $\times$  21 days = Rs. 1,050) or (Rs. 2,000), whichever is lower].

- (b) As per section 47 of the CGST Act, 2017 read with NN. 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is more than Rs. 1.5 crores but less than equal to Rs. 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 Rs. 50 (Rs. 25 each under CGST & SGST or Rs. 50 under IGST) per day for the period during which such failure continues or Rs. 5,000 (Rs. 2,500 each under CGST & SGST or Rs. 5,000 under IGST), whichever is lower.

Thus, late fee is payable in the given case and the amount of late fee payable is Rs. 1,050 (Rs. 525 each under CGST & SGST) [(Rs. 50 per day  $\times$  21 days = Rs. 1,050) or (Rs. 5,000), whichever is lower].

- (c) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, any registered person whose total amount of tax payable in the GSTR-3B is Nil and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of Rs. 20 (Rs. 10 each under CGST & SGST or Rs. 20 under IGST) per day for the period during which such failure continues or Rs. 500 (Rs. 250 each under CGST & SGST or Rs. 500 under IGST), whichever is lower.



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 Rs. 420 (Rs. 210 each under CGST & SGST) [(Rs. 20 per day x 21 days = Rs. 420) or (Rs. 500), whichever is lower].

**Question 28**

How a return can be revised after filing of the same, if some changes are required to be made?

**Answer:** In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/ credit notes. Instead of revising the return already submitted, the system allows amendment in the details of those individual details of those transactions (invoices or debit/credit notes) that are required to be amended. (MTP May 2024, 8 Marks)

The registered person may, after furnishing the details of outward supplies of goods or service or both in FORM GSTR-1 for a tax period but before filing of return in FORM GSTR-3B for the said tax period, at his own option, amend or furnish additional details of outward supplies of goods or services or both in FORM GSTR-1A for the said tax period electronically.

Further, they can be amended in any of the future GSTR-1 also in the tables specifically provided for the purposes of amending previously declared details.

Omission or incorrect particulars discovered in the returns filed under section 39 of the CGST Act, 2017 can be rectified in the return to be filed for the month during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in "Amendment Tables". However, no such rectification of any omission or incorrect particulars is allowed after 30th November following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

**Question 29**

Briefly elaborate the provisions relating to nil GSTR-3B.

(MTP May 2024)

**Answer:** 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.

A Nil GSTR-3B does not have any entry in any of its tables. For example, a Nil GSTR-3B for a tax period cannot be filed, if the taxpayer has made any outward supply (including nil-rated, exempt or non-GST supplies) or has received any supplies which are taxable under reverse charge or it intends to take ITC etc.

A Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-3B submitted through SMS is verified by registered mobile number-based OTP facility.

A taxpayer may file Nil GSTR-3B, anytime on or after the 1st day of the subsequent month/quarter for which the return is being filed for.

**Question 30**



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?

[MTP Nov. 2020, 4 Marks]

**Answer:** The advice given by tax manager is valid in law. Payment of taxes by the normal tax payer is to be done on monthly basis. Cash payments will be first deposited in the Cash Ledger and the tax payer shall debit the ledger while making payment in the returns and shall reflect the relevant debit entry number in his return. However, payment can also be debited from the Credit Ledger. Composition tax payers will need to pay tax on quarterly basis.

### Question 31

Discuss the eligibility for QRMP scheme under GST?

[MTP May 2021]

**Answer:** Registered persons (other than supplier of online information and database access or retrieval services (OIDAR) located in non-taxable territory and providing such services to a non-taxable online recipient), having an aggregate turnover up to Rs. 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 Rs. 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.

### Question 32

What are the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF?

[MTP May 2021]

**Answer:**

- (i) A registered person 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 the preceding month;
- (ii) A registered person, opting for QRMP scheme 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;
- (iii) A registered person, to whom an intimation has been issued on the common portal under the provisions of rule 88C(1) in respect of a tax period, shall not be allowed to furnish the details of outward supplies of goods or services or both in FORM GSTR-1 or using IFF for a subsequent tax period, unless he has either deposited the amount specified in the said intimation or has furnished a reply explaining the reasons for any amount remaining unpaid, as required under the provisions of rule 88C(2);
- (iv) a registered person, to whom an intimation has been issued on the common portal under the provisions of sub-rule (1) of rule 88D in respect of a tax period or periods, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1 or using the invoice furnishing facility for a subsequent tax period, unless he has either paid the amount equal to the excess input tax credit as specified in the said intimation or has furnished a reply



explaining the reasons in respect of the amount of excess input tax credit that still remains to be paid, as required under the provisions of sub-rule (2) of rule 88D;

- (v) a registered person shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1 or using the invoice furnishing facility, if he has not furnished the details of the bank account as per the provisions of rule 10A.

### Question 33

Briefly explain the manner of dealing with difference in ITC available in auto-generated statement containing the details of ITC and that availed in return prescribed in terms of rule 88D of the CGST Rules, 2017.

CA Inter RTP Sep. 2024

**Answer:** Rule 88D of the CGST Rules, 2017 provides as follows:

Where the amount of ITC availed by a registered person in the return for a tax period(s) furnished by him in Form GSTR-3B exceeds the ITC available to such person in accordance with the auto-generated statement containing the details of ITC in Form GSTR-2B in respect of the said tax period(s), by specified amount and percentage, the said registered person shall be given an intimation in prescribed form electronically on the common portal, and a copy of such intimation shall also be sent to his e-mail address provided at the time of registration or as amended from time to time. Said intimation shall highlight the said difference and will direct him to—

- pay an amount equal to the excess ITC availed in the said Form GSTR-3B, along with interest payable under section 50 of the CGST Act, 2017, through prescribed form, or
- explain the reasons for the aforesaid difference in ITC on the common portal, within a period of 7 days.

Such registered person shall, upon receipt of said intimation, either,

- pay an amount equal to the excess ITC, as specified in intimation, fully or partially, along with interest payable, through prescribed form and furnish the details thereof, electronically on the common portal, or
- furnish a reply, electronically on the common portal, incorporating reasons in respect of the amount of excess ITC that has still remained to be paid, within 7 days' period.

Where any amount specified in the intimation remains to be paid within 7 days' period and where no explanation/reason is furnished by the registered person in default or where the explanation/reason furnished by such person is not found to be acceptable by the proper officer, the said amount shall be liable to be demanded in accordance with the provisions of section 73/section 74 of the CGST Act, 2017.

## Multiple Choice Questions

### Question 1

What is the due date for payment of tax for a normal taxpayer?

WTP Nov. 2019

- Last day of the month to which payment relates
- Within 10 days of the subsequent month
- Within 20 days of the subsequent month
- Within 15 days of the subsequent month



**Question 2**

The due date of filing Final Return is

- (a) 20<sup>th</sup> of the next month
- (b) 18<sup>th</sup> of the month succeeding the quarter
- (c) within 3 months of the date of cancellation or date of order of cancellation, whichever is later
- (d) 31<sup>st</sup> December of next financial year

**Question 3**

Kalim & Associates made an application for cancellation of GST registration in the month of September due to closure of its business. Its application for cancellation of GST registration was approved w.e.f. 4th September by the proper officer by passing an order for the same on 14th September. In the given case, Kalim & Associates is:

[RTP Nov. 2020]

- (a) required to file Final Return on or before 4th December
- (b) not required to file Final Return
- (c) required to file Final Return on or before 30th September
- (d) required to file Final Return on or before 14th December

**Answer Key**

01	(c)	02	(c)	03	(d)
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**Jise haarne ka darr nahi  
jeet usse door nahi!**



## CHAPTER

## 15

# ACCOUNTS & RECORDS



## Section A – ICAI Study Material Questions

### Question 1

Who is required to maintain books of accounts and at which place in terms of Section 35 read with relevant rules?

**Answer:** Every registered person shall keep and maintain, his books of accounts at his principal place of business and books of account relating to additional place of business as mentioned in the certificate of registration. Where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.

### Question 2

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

**[MTP May 2024, 5 Marks]**

**Answer:** A supplier who has opted for composition scheme is not required to maintain records relating to;

- Stock of goods: Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
- Details of tax: Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

Thus, Mr. Sky is not required to maintain above mentioned records.

### Question 3

Mr. Harsh Manjula is engaged in the business of works contract services and request your guidance as to specific records required to be maintained by him under GST law, if any.



**Answer:** Mr. Harsh Manjula, executing works contract shall keep separate accounts for works contract showing -

- the names and addresses of the persons on whose behalf the works contract is executed;
- description, value and quantity (wherever applicable) of goods/services received for the execution of works contract;
- description, value and quantity (wherever applicable) of goods/services utilized in the execution of works contract;
- the details of payment received in respect of each works contract; and

the names and addresses of suppliers from whom he received goods or services.

#### Question 4

Chill Chain Cold is operating cold storage warehouse and seeks your guidance on the GST accounts and records to be maintained by them in terms of Section 35.

**Answer:** Chill Chain Cold shall maintain records of the consigner, consignee and other relevant details of the goods in the prescribed manner.

Chill Chain Cold shall also maintain books of accounts with respect to the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt, and disposal of such goods.

Chill Chain Cold shall store the goods in such manner that they can be identified item-wise and owner-wise and shall facilitate any physical verification or inspection by the proper officer on demand.

#### Question 5

Mr. X is of the view that records are to be mandatorily maintained manually only. You are required to examine the view taken by Mr. X?

**Answer:** The view taken by Mr. X is not valid in law. Books of account include any electronic form or data stored on any electronic device. The registered person may keep and maintain such accounts and other particulars in electronic form stored on any electronic device and record so maintained shall be authenticated by means of a digital signature. The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.

Where the accounts and records are stored electronically by any registered person, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stored in such files.

How's the josh...???

"High, Sir!"



# E-WAY BILL

**CHAPTER**
**16**

## Chapter A – ICAI Study Material Questions

What are the documents and devices to be carried by person-in-charge of conveyance under rule 138A of CGST Rules, 2017?

The person-in-charge of a conveyance has to carry -

- (a) the invoice or bill of supply or delivery challan, as the case may be; and
- (b) a copy of the e-way bill in physical form or the e-way bill number in electronic form or mapped to a Radio Frequency Identification Device embedded on to the conveyance [except in case of movement of goods by rail or by air or vessel] in such manner as may be notified by the Commissioner

Explain the meaning of consignment value of goods.

Consignment value of goods shall be the value:

- determined in accordance with the provisions of section 15,
- declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and
- also includes the Central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document and
- shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

### Question 3

Mr. X, a registered person has caused movement of goods of consignment value exceeding Rs. 50,000 in relation to a supply and thus, generated e-way bill. However, after generation of e-way bill, he found a mistake in the e-way bill and wants to edit it. You are required to advise Mr. X whether he can do so with the help of relevant provisions?

(UPT Nov. 2019, UPT Nov. 2020, 4 Marks)



**Answer:** If there is a mistake, incorrect or wrong entry in the e-way bill, then it cannot be edited or corrected. Only option is cancellation of e-way bill within 24 hours of generation and generate a new one with correct details.

Thus, in view of the above-mentioned provisions, Mr. X cannot edit the e-way bill. However, he can cancel the e-way bill within 24 hours of generation and generate a new one with correct details.

#### Question 4

Talli Lal, a registered person, has transported alcoholic liquor for human consumption of consignment value of Rs. 1,50,000 from Delhi to Haryana. He has not generated e-way bill for the same. You are required to examine the correctness of action taken by Talli Lal.

**Answer:** E-way bill is not required to be generated where the goods being transported are alcoholic liquor for human consumption.

Thus, the action of Talli Limited of not generating the e-way bill is correct in law.

#### Question 5

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

**Answer:** Consignment value of goods is the value determined in accordance with the provisions of section 15, and also includes the central tax, state or union territory tax, integrated tax and cess charged, if any, in the document.

Further, since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are to be added in the value of principal supply.

Accordingly, the value of supply as per section 15 in the given case would include the transportation cost in the invoice value i.e. 47,000 (Rs. 40,000 + Rs. 7,000).

Consignment value = Rs. 47,000  $\times$  118% = Rs. 55,460.

Since the movement of goods is in relation to supply of goods and the consignment value exceeds Rs. 50,000, e-way bill is mandatorily required to be issued under GST in the given case.

## Section B – Additional Questions

### Past RTPs, MTPs, And Exams Papers

#### Question 6

Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter.



Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder.

**Answer:** In the given scenario, only one e-way bill is required to be issued.

Part A can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorisation.

Where the goods are transferred from one conveyance to another, the consignor or the recipient who has provided information in Part A, or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in the e-way bill on the common portal in Part B.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, who has filled Part A of the e-way bill or Mehta Transporter can, before the transfer and further movement of goods, update the details of conveyance in Part B of the e-way bill.

Further, the consignor or the recipient, who has furnished the information in Part A, or the transporter may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, or Mehta Transporter can assign the said e-way bill to Parikh Transporter who will thereafter update the details of conveyance in Part B.

However, upon updation of the details of the conveyance by Parikh transporter in Part B, Mr. Shah or recipient, as the case may be, who has furnished the information in Part A shall not be allowed to assign the e-way bill number to another transporter.

**Question 7** "It is mandatory to furnish the details of conveyance in Part-B of E-way Bill."

Comment on the validity of the above statement with reference to provisions of E-Way Bill under CGST Rules, 2017.

**CA Inter Nov. 20, 3 Marks | MTP May 2017**

**Answer:** The given statement is partially valid.

An e-way bill is valid for movement of goods by road only when the information in Part-B which includes details of conveyance is furnished.

However, the details of conveyance may not be furnished in Part-B of the e-way bill where the goods are transported for a distance of upto 50 km within the State/Union territory:

- from the place of business of the consignor to the place of business of the transporter for further transportation or
- from the place of business of the transporter finally to the place of business of the consignee.

### Question 8

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 Nov. 20, 3 Marks | MTP May 2017**

**Answer:** The validity period of e-way bill under rule 138(10) of the CGST Rules, 2017 for transport of cargo by road between two cities situated at a distance of 368 km is as under:



- (i) If it is over dimensional cargo: the validity period of the e-way bill is one day from relevant date upto 20 km and one additional day for every 20 km or part thereof thereafter.

Thus, validity period in given case: = 1 day + 18 days = 19 days

- (ii) If it is a cargo other than over dimensional cargo: the validity period of the e-way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter.

Thus, validity period in given case: = 1 day + 1 day = 2 days

### Question 9

A consignor hands over his goods for transportation on Friday to the transporter. However, assigned transporter starts the movement of goods from consigner's warehouse to its depot located at distance of 600 Km. on Monday. When will the e-way bill be generated and for how many days it will be valid?

[CA Inter June Dec. 2021, 5 Marks]

**Answer:** E-way bill will be generated before commencement of movement of goods by transporter on Monday.

The validity period of the e-way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter.

Thus, validity period in the given case, is 3 days.

### Question 10

"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 2022, 3 Marks]

**Answer:** The statement is invalid. Multiple invoices cannot be clubbed to generate one e-way bill. If multiple invoices are issued by the supplier to recipient, for movement of such goods, multiple e-way bills have to be generated.

Thus, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved.

However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.

### Question 11

Discuss the correctness of the following statements:

- (i) Once generated, an e-way bill cannot be cancelled.

- (ii) E-way bill generated in one State is valid in another State.

[RTP May 2020]

**Answer:**

- (i) The said statement is partially correct. Where an e-way bill has been generated, but goods are either not transported at all or are not transported as per the details furnished in the e-way bill, the e-way bill may be cancelled electronically on the common portal within 24 hours of generation of the e-way bill.

However, an e-way bill cannot be cancelled if it has been verified in transit in accordance with the provisions of rule 138B of the CGST Rules, 2017.



- (ii) The said statement is correct. The 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.

### Question 12

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 Rs. 5,00,000 to be supplied to Mr. Shambhu. Also Mr. Narayan from Jammu approached Mr. Shambhu for purchasing toys amounting to Rs. 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?

MTP May 2024 | RTP May 2022

**Answer:** Rule 138E of the CGST Rules, 2017 contains provisions pertaining to blocking of e-way bill generation facility, i.e. disabling the generation of e-way bill.

A user will not be able to generate e-way bill for a GSTIN if the said GSTIN is not eligible for e-way bill generation as per rule 138E.

Rule 138E as amended vide Notification No. 15/2021 CT dated 18.05.2021 provides that blocking of GSTIN for e-way bill generation would only be for the defaulting supplier GSTIN and not for the defaulting Recipient or Transporter GSTIN.

In terms of rule 138E, a person paying tax under regular scheme who has not furnished the returns for a consecutive period of 2 tax periods is considered as a defaulting person.

Suspended GSTIN cannot generate e-way bill as supplier. However, the suspended GSTIN can get the e-way bill generated as recipient or as transporter.

In other words, e-way bill generation facility is blocked only in respect of any outward movement of goods of the registered person who is not eligible for e-way bill generation as per rule 138E. E-way bills can be generated in respect of inward supplies of said registered person.

Thus, applying the above provisions, there will be no restriction in generating e-way Bill by Mr. Nandi as Mr. Nandi who is making outward movement of goods is a regular return filer.

E-way bill generation is blocked in case of movement of goods made by Mr. Shambhu to Mr. Narayan as it's an outward movement of goods of Mr. Shambhu who has not filed GSTR-3B for past 2 months.

### Question 13

Mr. Venaram proprietor of M/s. Lalit Kirana Stores is registered as a composition dealer in the Jaipur district of Rajasthan. He has not furnished the statement for payment of self - assessment tax in the form GST CMP-08 for two consecutive quarters. He placed an order for purchase of taxable goods worth Rs. 5,50,000 with M/s. Bob & Sons (a partnership firm), a registered dealer in the Bikaner district of



Rajasthan. M/s. Bob & Sons has been regularly filing its GST returns. M/s. Bob & Sons wants to generate E-way bill with respect to intra- state supply to be made to M/s. Lalit Kirana Stores. Whether M/s. Bob & Sons is allowed to generate E-way bill as per the provisions of CGST Act, 2017? Answer with proper reasoning.

CA Intermediate May 2023, 3 Marks

**Answer:** Where a person paying tax under composition scheme has not furnished the statement for payment of self-assessed tax for 2 consecutive quarters, e-way bill shall not be allowed to be generated in respect of any outward movement of goods by such person.

However, this restriction does not apply to generation of e-way bill in respect of inward movement of goods by the defaulter.

Hence, in the given case, M/s. Bob & Sons is allowed to generate e-way bill with respect to supply to be made to M/s Lalit Kirana Stores since M/s. Bob & Sons, who is making the outward movement of goods, is a regular return filer.

#### Question 14

Explain the following terms regarding e-way bill under the relevant CGST Rules:

- (i) Consolidated e-way bill in case of road transport.
- (ii) Acceptance/rejection of e-way bill.

MTP May 2023, 3 Marks

MTP May 2023, 3 Marks

- (i) **Consolidated e-way bill in case of road transport :**

Consolidated e-way bill (EWB) is a single document containing the details of multiple e-way bills (even with different validity periods) in respect of multiple consignments of various consignors and consignees being transported in a single vehicle/ conveyance generated by the transporter to carry a single document instead of carrying separate documents for each consignment in the conveyance.

- (ii) **Acceptance/rejection of e-way bill :**

The details of the e-way bill generated shall be made available to supplier (if registered), where the information in Part A of e-way bill is furnished by recipient/transporter, or recipient (if registered), where the information in Part A of e-way bill is furnished by supplier/transporter, who shall communicate his acceptance or rejection of the consignment covered by the e -way bill.

If such person does not communicate the acceptance/rejection within 72 hours from the time of the details being made available to him on the common portal or the time of delivery of goods, whichever is earlier, it will be deemed that he has accepted the details.

#### Question 15

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 Rs. 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 whether e-way bill is mandatorily required to be generated in respect of such movement of goods as per the provisions of the GST law.

**MTP May 2023, 4 Marks**

**Answer:** E-way bill is mandatorily required to be generated whenever there is a movement of goods of consignment value exceeding Rs. 50,000, inter alia, in relation to a supply.

Consignment value of goods, inter alia, includes the central tax, State/Union territory tax, integrated tax and cess charged, if any. The consignment value of goods, in the given case, will be Rs. 50,740 [Rs. 43,000 + (Rs. 43,000 × 18%)].

Thus, in the given case, since the movement of goods is in relation to supply of goods and the consignment value exceeds Rs. 50,000, e-way bill is mandatorily required to be generated in respect of movement of goods from Maharashtra to Punjab.

## Multiple Choice Question

**Question 1**

Which document is required in case of movement of goods of consignment value of Rs. 1,05,000 for reasons other than supply:-

**CA Inter MTP Nov. 2020, 2 Marks**

- (a) Bill of supply      (b) Receipt Voucher      (c) Payment voucher      (d) E-way bill

**Question 2**

ABC Ltd. generated e-way bill on 12th February at 14.00 hrs. It transported through over-dimensional cargo for a distance of 100 km. The validity period of the e-way bill will expire on \_\_\_ if there is no extension of the same.

**MTP Nov. 2021**

- (a) Midnight of 13<sup>th</sup> - 14<sup>th</sup> February      (b) Midnight of 17<sup>th</sup> - 18<sup>th</sup> February  
(c) At 14.00 hrs. of 13<sup>th</sup> February      (d) At 14.00 hrs. of 14<sup>th</sup> February

**Question 3**

Sanu Associates, Delhi dealing in garments has ordered ladies suits from Sahiba Garments in Ludhiana (Punjab) which is 350 km away from its warehouse. E-way bill is generated by Sahiba Garments and the order is coming by a normal cargo. For how many days will the e-way bill be valid from the time it is generated?

- (a) 24 hours      (b) 2 days      (c) 5 days      (d) 7 days

**Answer Key**

01	(d)	02	(b)	03	(b)
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**Things do not happen,  
Things are made to happen...**