

**CA Final
Answer Sheet-1**

Answer 1:

a)

S.no	Ans	Hints
(1)	(b)	₹ 60,00,000 (sales) + ₹ 3,500 (int on delayed payment) - ₹ 1,00,000 (Subsidy)
(2)	(d)	Refer sec 13(2) - If invoice is not issued within 30 days of supply, TOS is earlier of date of completion or date of payment
(3)	(b)	Refer sec 50 read with rule 88B - ₹ 330730 * 18% p.a. *8/365 days

b)

S.no	Ans	Hints
(1)	(a)	Rule 29 for goods supplied between Bigbang Ltd. & Dhoomketu i.e. Value for Bigbang Ltd. = ₹ 9.82 or 90% of ₹ 10.10 Cr, whichever is beneficial & Value for Dhoomketu = ₹ 10.10 Cr + ₹ 0.65L + ₹ 0.25L
(2)	(b)	Refer rule 89(4) for formula & refund = $75,00,000 * (12,50,000 + 5,50,000) / (12,50,000 + 7,50,000)$
(3)	(a)	Refer sec 17(5), Eligible ITC = ₹ 20,000 + ₹ 5,000 + ₹ 18,000 + ₹ 2,00,000 + ₹ 36,000 + ₹ 16,000

Answer 2:

Computation of net GST payable by Flowchem for the month of July:-

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Output tax liability [Working Note 1]	1,88,100	-	-
Less: ITC of CGST [Working Note 2]	(25,000)	-	-
Less: ITC of SGST has been utilized only after ITC of CGST has been utilized fully as per proviso to section 49(5)(c) [Working Note 2]	(25,000)		
Net GST payable from Electronic Cash Ledger	1,38,100	-	

Working Notes:

1) Computation of output tax liability of Flowchem for the month of July:

Particulars	Amount (₹)
List price of 10 valves (₹ 1,00,000 x 10)	10,00,000
Add: Amount paid by R Refinery to testing agency [Note 1]	15,000
Add: Special packing [Note 2]	10,000
Add: Erection and testing at site [Note 2]	15,000
Add: Freight [Note 3]	5,000
Value of taxable supply	10,45,000
IGST @ 18% [Note 4]	1,88,100

2) Computation of ITC available with Flowchem for the month of July:

Particulars	CGST (₹)	SGST (₹)
Opening ITC (Given)	20,000	20,000
Work contract services availed for erection foundation for fixing the machinery to the earth in the factory [Note 5]	5,000	5,000
Laying of pipeline up to the gate of factory from water source located outside	Nil	Nil

the factory [Note 6]		
Installation of telecommunication towers [Note 6]	Nil	Nil
Services of travel company to provide home travel facility to employees [Note 7]	Nil	Nil
Services of fitness centre to provide wellness services to employees [Note 7]	Nil	Nil
Total ITC	25,000	25,000

Notes:

1)	<ul style="list-style-type: none"> ➤ As per section 15(2)(b) of the CGST Act, the value of supply shall include any amount that the supplier is liable to pay in relation to such supply but <ul style="list-style-type: none"> - which has been incurred by the recipient of the supply and - not included in the price actually paid or payable for the goods &/or services. ➤ In the given case, arranging inspection was the liability of the supplier, the same should be included in the value of supply charges for the same, however, have been paid directly to the third-party service provider by the recipient. ➤ Therefore, the value shall be included in taxable value.
2)	As per section 15(2)(c) of the CGST Act, Value of supply shall include any amount charged for anything done by the supplier in respect of the supply until delivery of goods.
3)	<ul style="list-style-type: none"> ➤ As per section 15(2)(b) of the CGST Act, the value of supply shall include any amount that the supplier is liable to pay in relation to such supply but <ul style="list-style-type: none"> - which has been incurred by the recipient of the supply and - not included in the price actually paid or payable for the goods &/or services. ➤ In the given case, the supply contract is on FOR basis, payment of freight is the liability of supplier but the same has been paid by the recipient and thus, should be included in the value of supply.
4)	<ul style="list-style-type: none"> ➤ As per section 10(1) of the IGST Act, if the supply involves movement of goods, the place of supply is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, which in the given case is Abu Road (Rajasthan). ➤ Since the location of the supplier (Gujarat) and the place of supply (Rajasthan) are in two different States, the supply is an inter-State supply liable to IGST.
5)	<ul style="list-style-type: none"> ➤ As per section 17(5)(c) of CGST Act, ITC is blocked on works contract services supplied for construction of an immovable property (other than Plant & Machinery) except where it is an input Service for further supply of works contract service ➤ Further, plant and machinery includes foundation and structural supports used to fix the machinery to earth.
6)	<ul style="list-style-type: none"> ➤ As per section 17(5)(c) of CGST Act, ITC is blocked on goods &/or services received by a taxable person for construction of an immovable property on his own account including when they are used in the course or furtherance of business. ➤ However, plant and machinery excludes pipelines laid outside the factory premises and telecommunication towers.
7)	As per section 17(5)(b) of CGST Act, ITC is blocked on travel benefits extended to employees on home travel concession and membership of health and fitness centre unless it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

Answer 3:

a) Legal Provision:-

- **Section 54(3)** of CGST Act, 2017 allows refund of unutilized input tax credit (ITC) at the end of any tax period to a registered person where the credit has accumulated on account of inverted duty structure i.e. rate of tax on inputs being higher than the rate of tax on output supplies (other than

nil rated or fully exempt supplies), except supplies of goods &/or services notified by Government on recommendations of Council.

- Further, as per **rule 89(5)** of CGST Rules, 2017, in the case of refund on account of inverted duty structure, refund of ITC shall be granted as per the following formula:-

Maximum Refund Amount=		
$\frac{\text{Turnover of inverted rated Supply of goods and Services} \times \text{Net ITC}}{\text{Adjusted Total Turnover}}$	-	$\left[\text{Tax payable on such inverted rated supply of goods and Services} \times \frac{\text{Net ITC}}{\text{ITC availed on Input \& Input services}} \right]$

Where,

- "Net ITC" means input tax credit availed (ITC) on **inputs** during the relevant period other than ITC availed for which refund is claimed under rule 89(4A) or 89(4B) or both.
- "Adjusted Total turnover" means the sum total of the value of:-
 - The turnover in a State or a Union territory as per section 2(112) excluding the turnover of services and
 - The turnover of zero-rated supply of services as per clause (D) of sub rule 89(4) & non-zero-rated supply of services,

excluding –

 - the value of exempt supplies other than zero-rated supplies and
 - the turnover of supplies for which refund is claimed under rules 89(4A) or (4B) or both, if any, during the relevant period.
- "Relevant period" means the period for which the claim has been filed.

Discussion:-

- In given case, the rates of tax on inputs used in Products A and B (18% each) are higher than rates of tax on output supplies of Products A and B (5% each).
- However, **Product B is notified** as a product for which no refund of unutilised ITC shall be allowed under section 54(3).
- Therefore, **only Product A is eligible for refund under section 54(3).**

Calculation & Conclusion:-

In given case, the maximum refund amount which Super Engineering Works is eligible to claim shall be computed as follows:-

- Tax payable on inverted rated supply of Product A = ₹ 5,00,000 × 5% = ₹ 25,000
- Net ITC = ₹ 1,18,000 i.e. (₹ 54,000 + ₹ 54,000 + ₹ 10,000)
- [Net ITC availed during the relevant period needs to be considered irrespective of whether the ITC pertains to inputs eligible for refund of inverted rated supply of goods or not]**
- ITC availed on inputs and input services = 1,63,000 i.e. (₹ 54,000 + ₹ 54,000 + ₹ 10,000 + ₹ 20,000 + ₹ 20,000 + ₹ 5,000)
- Adjusted Total Turnover = ₹ 9,50,000 i.e. (₹ 5,00,000 + ₹ 3,50,000 + ₹ 1,00,000)
- Turnover of inverted rated supply of Product A = ₹ 5,00,000
- **Thus, Maximum refund amount for Super Engineering Works =**

$$= [5,00,000 \times 1,18,000 / 9,50,000] - [25,000 \times 1,18,000 / 1,63,000]$$

$$= ₹ 44,007 \text{ (rounded off)}$$

b) Legal Provision:-

- As per **CBIC clarification**, the **cost petroleum is not a consideration** received by the oil exploration & production contractors for the services provided to Government under a Production Sharing Contract (PSC) and thus not taxable per se.
- The reason for the same is that the contractors carry exploration and production of petroleum for themselves and **not as a service to Government**.
- They had acquired the right to explore, exploit and sell petroleum in lieu of royalty and a share in profit petroleum.

Discussion & Conclusion:-

- Compensation is received by Mr. Kanjilal Adani in the form of **petroleum silt** which, as per the contract with the Government of Gujarat, **is part of cost petroleum**.
- Consequently, the **cost petroleum** received by Mr. Kanjilal Adani is **not taxable** under GST.

Answer 4:

a) Legal Provision:

- CBIC clarifies that in case of books, where only content is supplied by the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by recipient of supply] is the principal supply and therefore such supplies would constitute **Supply of services**.
- CBIC further clarifies that in case of supply of printed envelopes, by the printer using its physical inputs including paper to print the design, logo etc. supplied by the recipient of goods, predominant supply is supply of goods and the supply of printing of the content is ancillary to the principal supply of goods and therefore, such supplies would constitute **Supply of goods**.
- As per **section 12(2) of CGST Act, 2017 read with notification 66/2017**, the time of supply of goods shall be **earlier of** the following dates:-
 - Date of issue of invoice or
 - last date to issue the invoice u/s 31
- As per **section 31(1)**, the registered person is required to issue invoice before or at the time of delivery of goods or making goods available to the recipient
- As per **section 13(2)(a)** of CGST Act, 2017, if invoice is not issued within the time prescribed u/s 31 (i.e. within 30 days) for supply of services, then the time of supply of such services shall be **earlier of**:-
 - the date of receipt of payment or
 - the date of provision of services

Discussion & Conclusion:

1) For Supply of goods (Envelopes):

- The last date by which invoice have been issued is 7th April.
- Thus, the **time of supply of envelopes 7th April**.

2) For Supply of services (Books):

- Since in the given case, invoice for the services is not issued within 30 days, the time of supply for the advance received is **20th March** [ie earlier of date of receipt of payment (20th March) or date of provision of service (10th April)]
- However, the time of supply for the balance payment is **10th April** [ie earlier of date of provision of service (10th April) or date of receipt of payment (31st May)]

b) Legal Provision:

As per **section 49(8)** of CGST Act, Every taxable person shall discharge his tax and other dues under this Act or the rules made thereunder in the following order, namely:

- Self-assessed tax, and other dues related to returns of previous tax periods
- Self-assessed tax, and other dues related to the return of the current tax period
- Any other amount payable including the demand determined u/s 73 or 74 under CGST Act or rules made thereunder

Discussion & Conclusion:

- In the given case, self-assessed tax of previous tax period i.e. February shall be paid first and later self-assessed tax of current tax period i.e. July shall be paid.
- Payment of taxes under forward charge:

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Output tax payable for July	14,75,000	28,34,000	28,34,000
Less: ITC (Note 1)			
IGST: ₹ 26,52,000	14,75,000	5,88,500	5,88,500
CGST: ₹ 18,32,000	-	18,32,000	x
SGST: ₹ 18,32,000	-	x	18,32,000
Amount payable through electronic cash ledger	Nil	4,13,500	4,13,500

- Total amount payable through electronic cash ledger:

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Amount payable through Electronic cash ledger under forward charge	Nil	4,13,500	4,13,500
Amount payable through electronic cash ledger under reverse charge (Note 2)	36,000	1,44,000	1,44,000
Total amount payable through electronic cash ledger	36,000	5,57,500	5,57,500

- Since, M/s Zinc & Co., have defaulted in payment of taxes for the month of February and the same has been paid during July, interest is payable u/s 50 of the CGST Act, 2017

Notes:

- After utilization of IGST credit towards output IGST liability, balance has been utilized equally amongst CGST & SGST.
- Input tax credit cannot be utilized for discharging tax liability under reverse charge basis, thus payable vide electronic cash ledger.

Answer 5:**a) Legal Provision:**

As per **rule 32(4)** of the CGST Rule 2017, the value of supply of services in relation to life insurance business, when the amount allocated for investment/ savings on behalf of the policy holder is not intimated to the policy holder at the time of supply of service, is -

- in case of single premium annuity policies, 10% of single premium charged from the policy holder
- in all other cases, 25% of the premium charged from the policy holder in the first year and 12.5% of the premium charged from the policy holder in subsequent years
- in case the entire premium paid by the policy holder is only towards the risk cover in life insurance, the premium so paid.

Computation of value of supply for CLICL:

Particulars	Amount (₹)
Premium for only risk cover	25,00,000

Premium from new policy subscribers 25% of ₹ 40,00,000	10,00,000
Renewal premium 12.5% of ₹ 80,00,000	10,00,000
Single premium on annuity policy 10% of ₹ 1,00,00,000	10,00,000
Total value of supply	55,00,000

- b) ➤ Yes, as **per section 54** of CGST Act, 2017, refund has to be sanctioned **within 60 days** from the date of receipt of application complete in all respects.
- If refund is not sanctioned within said 60 days, **interest @ 6% p.a.** is to be paid as per sec 56.
- However, if **provisional refund** to the extent of 90% of the amount claimed is refundable for zero-rated supplies made by certain categories of registered persons, the provisional refund has to be given **within 7 days** from the date of acknowledgement of the claim of refund.

- c) **Legal Provision:-**
As per **para 8(b) of Schedule III to CGST Act 2017**, high seas sale transactions i.e. supply of goods by consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption shall be treated **neither as supply of goods nor as supply of services** under GST.
- Discussion & Conclusion:-**
- In given case, the sale of goods by Mohandas International to Radhakrishnan Export House in high seas shall **not be liable** to GST.
 - Further, the import duty including IGST shall be payable by Radhakrishnan Export House at the time of clearance of goods at port of import.
 - In case the goods are sold back by Radhakrishnan Export House to Mohandas International at a subsequent point of time, the same shall be treated as **normal domestic sale transaction and GST shall be applicable** on the same subject to other conditions prescribed under GST Law.

VSMART ACADEMY