



QUESTION BANK: GST

CONTACT US :

WWW.ICALEAGUE.COM

9022561917



By Yachana Mutha Bhurat
CA, DISA

Index

Ch.No	Chapters	Page no.
1.	GST In India	1.1 - 1.17
2.	Supply Under GST	2.1 - 2.17
3.	Levy And Collection Of Tax	3.1 - 3.9
4.	Reverse Charge Mechanism	4.1 - 4.14
5.	Composition Scheme	5.1 - 5.13
6.	Time Of Supply	6.1 - 6.24
7.	Value Of Supply	7.1 - 7.38
8.	Input Tax Credit	8.1 - 8.51
9.	Job Work	9.1 - 9.12
10	Registration	10.1 - 10.21
11	IGST ACT	11.1 - 11.24
12	Tax Invoice, Debit and Credit Notes	12.1 - 12.9
13	Accounts And Records	13.1 - 13.15
14	Returns	14.1 - 14.7
15	Payment Of Tax, TDS, TCS	15.1 - 15.13
16	Refunds	16.1 - 16.10
17	Assessment And Audit	17.1 - 17.10
18	Inspection, Search, Seizure Arrest	18.1 - 18.8

19	<i>Demands And Recovery</i>	<i>19.1 – 19.10</i>
20	<i>Liability To Pay In Certain Cases</i>	<i>20.1 – 20.6</i>
21	<i>Appeals And Revisions</i>	<i>21.1 – 21.11</i>
22	<i>Advance Ruling</i>	<i>22.1 – 22.7</i>
23	<i>Offences And Penalties</i>	<i>23.1 – 23.12</i>

©Author

No part of this book may be reproduced, stored in a retrieval system, or distributed in any form, or by any means, electronic, mechanical, photocopying, recording, scanning, web or otherwise without the written permission of the author. Information and contents of this book have been collated with utmost care, caution and dedication in order to provide a reliable and comprehensive textual reference for readers. However, any mistake or errors that may have crept in due to any inadvertence does not impose any legal liability over the author.

I - GST in India

1. Write a short note on various Lists provided under Seventh Schedule to the Constitution of India. (ICAI Material)

Answer: It Contains 3 lists which enumerate the matters under which the union and the state government have the authority to make laws:

Schedule VII		
List I (referred as Union List): This list enumerates the matters in respect of which the parliament has an exclusive right to make law	List II (referred to State List): This list enumerates the matter in respect of which the legislature of any state has an exclusive right to make laws.	List III (referred as the concurrent List): This list enumerates the matters in respect of which both the parliament & Legislature of any state have power to make laws.

2. Discuss how GST resolved the double taxation dichotomy under previous indirect tax laws. (ICAI Material)

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

Comprehensive Tax Structure: A comprehensive tax structure covering both goods and services viz. Goods and Services Tax (GST) addresses these problems. Simultaneous introduction of GST at both Centre and State levels has integrated taxes on goods and services for the purpose of set-off relief and ensures that both the cascading effects of CENVAT and service tax are removed and a continuous chain of set-off from the original producer's point/ service provider's point up to the retailer's level/ consumer's level is established.

One Single Tax: In the GST regime, the major indirect taxes have been subsumed in the ambit of GST. The erstwhile concepts of manufacture or

sale of goods or rendering of services are no longer applicable since the tax is now levied on "Supply of Goods and/or services".

3. Explain the concept of "Dual GST" (ICAI Material)

Answer: India has adopted a Dual GST model view of the federal structure of the country. Consequently, Centre and States simultaneously levy GST on taxable supply of goods or services or both which, takes place within a State or Union Territory. Thus, tax is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services. Now, the Centre also has the power to tax intra-State sales & States are also empowered to tax services. GST extends to whole of India including the State of Jammu and Kashmir.

4. List the Central and State levies which have been subsumed in GST in India. (ICAI Material), (ICAI MTP)

Answer: Following are the taxes subsumed under GST: -

Taxes to be Subsumed under GST	
Central Taxes to be subsumed	States Taxes to be Subsumed
Central Excise Duty	VAT / Sales Tax
Additional Excise Duty	Luxury Tax on lottery, Betting and Gambling
Service Tax	Octroi and Entry Tax
Additional Custom Duty (Commonly Known as Countervailing Duty)	Purchase tax
Central Sales Tax	States Surcharges and cesses so far they relate to supply of goods and services
Central Surcharges so far they relate to supply of goods and services	-

5. Bring out the salient features of cross utilization of Input Tax Credit (ITC) under the GST law? (Nov -17 CA Final)

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

- But cross utilization of credit of CGST and SGST / UTGST is not possible i.e. CGST credit cannot be utilized for payment of SGST / UTGST and SGST / UTGST credit cannot be utilized for payment of GST.
- However, cross utilization is allowed between CGST / SGST / UTGST and IGST i.e. credit of IGST can be utilized for the payment of CGST / SGST / UTGST and vice versa.

6. Write a short note on GST Council. (RTP ICAI)

Answer: Article 279A of the Constitution empowers the President to constitute a joint forum of the Centre and States namely, Goods & Services Tax Council (GST Council).

- The provisions relating to GST Council came into force on 12th September, 2016. President constituted the GST Council on 15th September, 2016.
- The GST Council shall consist of the following members, namely:—
 - (a) the Union Finance Minister is the Chairperson;
 - (b) the Union Minister of State in charge of Revenue or Finance is the Member;
 - (c) The Minister in charge of Finance or Taxation or any other Minister nominated by each State Government are the Members.
- The GST Council shall make recommendations to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolutions etc. The GST council has decided the threshold exemption, composition threshold, GST rates, GST legislations including rules and notifications.

Practical Questions:

7. Following Intra State Supply made by following persons:

- Transaction 1 – Taxable Supply of Rs. 10000/- made by Mr. A to Mr. B
- Transaction 2– Taxable Supply of Rs. 12000 (after 20 % value addition) made by Mr.B to Mr. C
- Calculate total tax paid by various person to respective government and the amount of Input tax credit availed under respective transaction.

Solution:

- **Transaction 1: Intra-State Supply**

In case of local supply of goods/ services, the supplier would charge dual GST i.e., CGST and SGST at specified rates on the supply

Supply of Goods / Services by A to B

Particulars	Amount (In Rs.)
Value Charged for Supply of Goods / Services	10000
Add: CGST @ 9%	900
Add: SGST @ 9 %	900
Total Price Charged by A from B for Local supply of Goods / Services	11800

The CGST & SGST charged on B for supply of goods/services will be remitted by A to the appropriate account of the Central and State Government respectively.

A is the first stage supplier of goods/services and hence, does not have credit of CGST, SGST or IGST.

Transaction 2: Supply of goods/services by B to C – Value addition @ 20%

B will avail credit of CGST and SGST paid by him on the purchase of goods/ services and will utilise such credit for being set off against the CGST and SGST payable on the supply of goods/services made by him to C.

Particulars	Amount (In Rs.)
Value Charged for Supply of Goods / Services (Rs. 10000 x 120%)	12000
Add: CGST @ 9 %	1080
Add: SGST @9 %	1080
Total Price Charged by B from C for local supply of Goods / Services	14160

Computation of CGST, SGST payable by B to Government

Particulars	Amount (In Rs.)
CGST Payable	1080
Less : Credit of CGST	-900
CGST Payable to Central Government	180
SGST Payable	1080
Less: Credit of SGST	-900
SGST Payable to State Government	180

Note: Rates of CGST and SGST have been assumed to be 9% each for the sake of simplicity.

Statement of Revenue Earned by Central and State Government

Transaction	Revenue to Central Government	Revenue to State Government
Supply of Goods / Services by A to B	900	900
Supply of Goods / Services by B to C	180	180
Total	1080	1080

8. Following Inter State Supply made by following persons:

- Transaction 1 – Mr. X of “State 1” made taxable supply of Rs. 10000 to Mr. A of “State 1” chargeable @ 18% (CGST & SGST@9% each).
- Transaction 2 – Mr. A of “State 1” made taxable supply of Rs. 12000 (after value addition of @ 20% i.e. Rs. 2000) to Mr. B of “State 2” chargeable @ 18% (IGST @18%)
- Transaction 3 – Mr. B of “State 2” made taxable supply of Rs. 14400 (after value addition of @20% i.e. 2400) to Mr. C of “State2”

Solution: In case of inter-State supply of goods/ services, the supplier would charge IGST at specified rates on the supply.

- **Transaction 1: Supply of Goods / Services by “X” of State 1 to “A” of State 1**

Particulars	Amount (In Rs.)
Value charged for Supply of Goods / Services	10000
Add: CGST @9%	900
Add: SGST @9%	900
Total Price Charged by X for Intra State Supply	11800

- **Transaction 2: Supply of Goods / Services by “A” of State 1 to “B” of State 2 – Value Addition @ 20%**

Particulars	Amount (In Rs.)
Value Charged for Supply of Goods / Services (Rs. 10000 x 120%)	12000
Add: IGST @ 18 %	2160
Total Price Charged by A from B for Inter State Supply	14160

Computation of IGST Payable to Government by “A”

Particulars	Amount (In Rs.)
IGST Payable	2160
Less: CGST Payable	-900
Less: SGST Payable	-900
IGST Payable to Central Government	360

The IGST charged on B of State 2 for supply of goods/services will be remitted by A of State 1 to the appropriate account of the Central Government. State 1 (Exporting State) will transfer SGST credit of Rs. 900 utilised in the payment of IGST to the Central Government.

- **Transaction 3: Supply of goods/services by B of “State 2” to C of “State 2” – Value addition @ 20%**

B will avail credit of IGST paid by him on the purchase of goods/services and will utilise such credit for being set off against the CGST and SGST payable on the local supply of goods/services made by him to C.

Particulars	Amount (In Rs.)
Value Charged for Supply of Goods / Services (Rs. 12000 x 120%)	14400
Add: CGST @9%	1296
Add: SGST @9%	1296
Total Price Charged by B from C for Local supply of Goods / Services	16992

Computation of CGST, SGST Payable to Government by “B”.

Particulars	Amount (In Rs.)
CGST Payable	1296
Less: Credit of IGST	-1296
CGST Payable to Government	0

SGST Payable	1296
Less: Credit of IGST (Rs. 2160 - Rs. 1296)	-864
SGST Payable to Government	432

Central Government will transfer IGST credit of Rs.864 utilised in the payment of SGST to State 2 (Importing State).

(As per the new rule alternatively IGST can also be used first for payment of SGST instead of CGST)

Statement of Revenue earned by Central and State Government.

Transaction	Revenue to Central Government	Revenue to State 1 Government	Revenue to State 2 Government
Supply of goods / Services by X to A	900	900	
Supply of goods/ Services by A to B	360		
Transfer by State 1 to Centre	900	-900	
Supply of goods / Services by B to C			432
Transfer by Centre to State 2	-864		864
Total	1296	0	1296

9. The following are details of purchases and sales etc., effected in Smart Pvt. Ltd. a registered manufacturer under CGST Act, 2017;

- 1) Purchased fabric material from Local dealer Rs. 47040 (including GST @ 12%)
- 2) Purchased textile material from local dealer Rs. 94500 (including GST @ 5%)
- 3) Purchased machinery for manufacture of taxable goods Rs. 318600 (including GST @ 18%) depreciation @ 15% is charged.
- 4) Other direct and indirect expenses Rs. 44570

5) Profit margin on total cost @ 10%

6) For the month November, 2017 only 80% production is sold within the state and applicable GST rate being 18%.

Calculate the amount of CGST and SGST payable after utilizing input tax credit for the month of November, 2017 and no opening balance of input tax credit is available.

Solution:

• **Computation of Total Sales Value:**

Sr No	Particulars	Amount (In Rs.)
1	Purchase fabric material from local dealer (Rs.47040 x 100/112) (WN)	42000
2	Purchase of textile material from local dealer (94500 x 100/105) (WN)	90000
3	Depreciation expenses (3,18,600 x 18/118) x 15%	40500
4	Other direct & Indirect expenses	44570
5	Total cost of goods manufactured	217070
6	Cost of goods sold (80% of goods produced were sold)	173656
7	Add : Profit margin @ 10%	17366
8	Total Sales Value	191022

Note 1: Credit will be available for CGST and SGST charged by local suppliers .Hence the same is not to be included in the cost.

Computation of CGST and SGST payable for the month of November,2017 after utilizing The available input tax credit.

Particulars	CGST	SGST
Output tax liability for the month of November, 2017 @ 18% (Being CGST 9% and SGST 9%) (i.e, 191,022 * 18%) (A)	17192	17192
Less : Eligible input tax credit in respect of purchase of :-		
Fabric material (42000 x 12%)	2520	2520
Textile material (90000 X 5%)	2250	2250

Capital goods (270000 X 18%)	24300	24300
Total Input Tax Credit (B)	29070	29070
Total Credit Available after Utilisation towards Output Tax Liability and to be carried forward. (B-A)	11878	11878

Note: Output tax payable shall be NIL because ITC amount is in excess of Output Tax Payable and balance ITC shall be carried forward to next month.

Multiple Choice Questions: (MCQs)

Q 1. GST Stands for:

- a Good and Simple Tax
- b Geographical Sales Tax
- c Geographical Service Tax
- d Goods and Services Tax

Answer: d; Goods and Services Tax

Q 2. In India GST became effective from

- a 30 June 2017
- b 8 August 2017
- c 1 July 2017
- d 1 October 2017

Answer: c; 1 July 2017

Q 3. GST is a _____ based consumption tax.

- a Origin
- b Destination
- c Supply
- d Both (b) and (c) are correct.

Answer: b; Destination

Q 4. Which of the following tax is not subsumed in GST?

- a Value Added Tax@5% (VAT)
- b Basic Customs Duty (BCD)
- c Additional Customs Duty, commonly known as Countervailing Duty (CVD)
- d Special Additional Duty of Customs – 4% (SAD)

Answer: b; Basic Customs Duty (BCD)

Q 5. For the purpose of GST, which constitution amendment was passed?

- a Constitution (101st Amendment) Act, 2016
- b Constitution (151st Amendment) Act, 2016
- c Constitution (99th Amendment) Act, 2016
- d Constitution (111th Amendment) Act, 2016

Answer: a; Constitution (101st Amendment) Act, 2016

Q 6. Every person registered under GST shall be issued a unique number called as:

- a GSTAN (Based on TAN)
- b GSTIN (Based on PAN)
- c GSPIN (Based on PAN)
- d GSTPIN (Unique Identification Pin)

Answer: b; GSTIN (Based on PAN)

Q 7. Newly Article_____empowering president to constitute of GST Council?

- a 279A
- b 366
- c 269A
- d 246A

Answer: a; 279A

Q 8. Who shall be the Chairman of the GST Council?

- a A Union Finance Minister.
- b President of India.

c Prime Minister of India.

d Chief Justice of India.

Answer: a; Union Finance Minister

Q 9. Which Article of the Indian Constitution defines the GST?

a Article 289

b Article 366(12A)

c Article 279A

d Article 246A

Answer: b; Article 366(12A)

Q 10. _____ Shall be levied on the inter – State Supply.

a IGST

b CGST & SGST

c Service Tax

d CST

Answer: a; IGST

Q 11. GST is payable in the _____

a State where the goods or services or both are finally consumed.

b State where the goods or services or both are procured.

c State where the goods are manufactured

d All of the above

Answer: a; State where the goods or services or both are finally consumed.

Q 12. Which Article of the Indian Constitution empowers the Government of India to levy IGST in case of inter– State supply?

a Article 246A

b Article 279

- c Article 269A(1)
- d Article 366(26A)

Answer: c; Article 269A (1)

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

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

Answer: c; Excise Duty plus GST

Q 14. Alcohol liquor for human consumption shall be subject to which of the following taxes?

- a State Excise duty
- b GST
- c State Excise duty and Vat
- d VAT

Answer: c; Excise Duty plus Vat

Q 15. When was GST implemented in State of Jammu & Kashmir?

- a 8th July 2017
- b 1st July 2017
- c 1st June 2017
- d 30th June 2017

Answer: a; 8th July 2017

Q 16. Which website is used for filing GST returns?

- a www.gst.gov.in
- b www.google.com
- c www.cbic.gov.in

d www.indirecttax.gov.in

Answer: a; www.gst.gov.in

Q 17. What is the meaning of the cascading effect?

- a Dual taxation
- b Double Taxation
- c Tax on personal income
- d Charging tax on tax

Answer: d; Charging tax on tax

Q 18. Which of the following are special category states?

- a Assam, Manipur, Meghalaya
- b Assam, Mizoram, Punjab, Nagaland
- c Assam, J&K, Daman & Diu, Meghalaya
- d Chhattisgarh, Meghalaya, Manipur

Answer: a; Assam, Manipur, Meghalaya

Q 19. Definition of “services” is given in ____

- a Article 279
- b Article 366(26A)
- c Article 246A
- d Article 270

Answer: b; Article 366(26A)

Q 20. HSN stands for _____

- a Harmony system number
- b Harmonised system nomenclature
- c Harmonised systematic number
- d High-level system network

Answer: b; Harmonised system nomenclature

Q 21. While computing compensation to states, tax revenue of this tax/ these taxes is excluded

- a petroleum crude, diesel, petrol, ATF and natural gas
- b Alcohol for human consumption
- c entertainment tax collected by local authorities
- d All of the above

Answer: d; All of the above

Q 22. The first committee to design GST model was headed by-

- a Dr Manmohan Singh
- b Atal Bihari Vajpayee
- c Dr Chidambaram
- d Vijay kelkar

Answer: C; Dr Chidambaram

Q 23. GST Laws are implemented on the recommendation of

- a Central Government
- b Respective State Government
- c GST Council
- d Finance Minister

Answer: c; GST Council

Q 24. President of India did give assent to the Central GST Law?

- a 12th April 2017
- b 12th May 2017
- c 1st July 2017
- d 5th April 2017

Answer: d; 12th April 2017

Q 25. In which section is Common portal referred to?

- a Sec 7 of CGST Act, 2017
- b Sec 20 of CGST Act, 2017
- c Sec 9 of CGST Act, 2017
- d Sec 146 of CGST Act, 2017

Answer: d: Sec 146 of CGST Act, 2017.

Q 26. Which country has first adopted GST

- a France
- b Canada
- c Malaysia
- d Singapore

Answer: a France

Q 27. India has adopted which model of GST?

- a Dual model
- b Single model
- c Bagchi Poddar model
- d None of the above

Answer: a Dual Model

Q 28. Which taxes are not subsumed in GST

- a Customs duty
- b Stamp duty
- c Excise on Liquor
- d All of the above

Answer: d all of the above

Q 29. Credit of CGST cannot be utilized against payment of

- a CGST*
- b SGST*
- c IGST*
- d None of the above*

Answer: SGST

2 -Supply

Exercise Questions & Answers:

Q 1. What is the taxable event under GST? (ICAI Material)

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.

Q 2. What is the tax treatment of composite supply and mixed supply under GST? (ICAI Material)

Answer: Composite supply shall be treated as supply of the principal supply. Mixed supply would be treated as supply of that particular goods or services which attracts the highest rate of tax.

Q 3. Supply of all goods and/or services is taxable under GST. Discuss the validity of the statement. (ICAI Material)

Answer: The statement is incorrect. Supplies of all goods and services are taxable except alcoholic liquor for human consumption. Supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be taxable with effect from a future date. This date would be notified by the Government on the recommendations of the GST Council.

Q 4. Whether transfer of title and/or possession is necessary for a transaction to constitute supply of goods? (ICAI Material)

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.

Q 5. Examine whether the following activities would amount to supply under section 7 of the CGST Act: **(ICAI Material)**

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

Answer: Section 7 of the CGST Act, inter alia, provides that supply must be made for a consideration except the activities specified in Schedule I and in course or furtherance of business. Since, both these elements are missing, donation of clothes and toys to children living in slum area would not amount to supply under section 7 of the CGST Act.

- (b) 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

Answer: Legal Provision:

- 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, where a person who has obtained or is required to obtain registration in a State in respect of an establishment, has an establishment in another State, then such establishments shall be treated as establishments of distinct persons [Section 25 of the CGST Act].

Discussion & Conclusion: In view of the same, factory and depot of Sulekha Manufacturers are establishments of two 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 of the CGST Act.

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

Answer: Legal Provision: As per Schedule I of CGST Act, inter alia, stipulates that import of services by a taxable 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.

Discussion of the case: 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.

Conclusion: Consequently, services provided by Raman’s brother to him would not be treated as supply under Section 7 of CGST Act read with schedule II.

- (d) Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?

Answer: 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. be treated as supply under section 7 of the CGST Act read with Schedule I.

Q 6. State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of the CGST Act: **(ICAI Material)**

(a) Renting of immovable property

Answer: Supply of services

(b) Goods forming part of business assets are transferred or disposed of by/under directions of person carrying on the business, whether or not for consideration.

Answer: Supply of goods

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

Answer: Supply of services

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

Answer: Supply of goods

Q 7. Determine whether the following supplies amount to composite supplies: **(ICAI Material)**

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

(b) A toothpaste company has offered the scheme of free toothbrush along with 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 [Section 2(30) of the CGST Act]. In view of the same,

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

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

Q 8. Whether goods supplied on hire purchase basis will be treated as supply of goods or supply of services? Give reason. (ICAI Material)

Answer: Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date as per Schedule II

Q 9. State the necessary elements for a supply to be chargeable to GST. (ICAI Material)

Answer: The following elements are required to be satisfied for a supply to be chargeable to GST, i.e.-

- a) the activity involves supply of goods or services or both;
- b) the supply is for a consideration unless otherwise specifically provided for;
- c) the supply is made in the course or furtherance of business;
- d) the supply is a taxable supply and
- e) The supply is made by a taxable person.

Q 10. Modest Ltd., registered in Delhi dealing in supply of electronic items transferred some of its stock to its unit located in Haryana (inter-state transfer). Whether such self-supplies are taxable under GST? (ICAI Material)

Answer: Legal Provision: The definition of supply given u/s 7 of CGST Act, 2017 is an inclusive one. It does not specify that supply is to be made by one person to another. So, self-supplies are to be treated as supply in terms of section 7 of CGST Act. Further, section 25(5) provides that where a person who has obtained or is required to obtain registration in a State or Union territory in respect of an establishment, has an establishment in another State or Union territory, then such establishments shall be treated as establishments of distinct persons.

Clause (2) of Schedule I of CGST Act, 2017 inter alia provides that supply of goods between distinct persons as specified in section 25 made in the course or furtherance of business is to be treated as supply even if made without consideration.

Discussion of the case: Inter-state self-supplies such as stock transfers, branch transfers or consignment sales shall be taxable under IGST even though such

transactions may not involve payment of consideration. Every supplier is liable to register under the GST law in the State or Union territory from where he makes a taxable supply of goods or services or both in terms of Section 22 of the CGST Act. However, intra-state self-supplies are not taxable subject to not opting for registration as business vertical.

Conclusion: Yes, transfer of stock made by Modest Ltd. are taxable under GST.

Q // Examine whether the following activities would amount to supply under section 7 of the CGST Act?

1. Hitkari Charitable Trust, a trust engaged in providing medical relief free of cost, donates books & Stationary to children living in slum area.

Answer: Section 7 of the CGST Act, provides that supply must be made for a consideration except the activities specified in Schedule I and in course or furtherance of business. Since, both these elements are missing, donation of books and stationery to children living in slum area would not amount to supply under section 7 of the CGST Act.

11. Karishma Manufacturers have a factory in Jaipur & a Depot in Delhi. Both these establishments are registered in respective states. Finished goods are sent from the factory to the depot without consideration so that the same can be sold.

Answer: Schedule I of CGST Act, provides 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. According to section 25(5) of the CGST Act 2017, where a person who has obtained or is required to obtain registration in a State in respect of an establishment, has an establishment in another State, then such establishments shall be treated as establishments of distinct persons for the purposes of this Act. In view of the same, factory and depot are establishments of two distinct persons. Therefore, supply of goods from Factory to depot without consideration, but in the course of furtherance of business, is supply under section 7 of the CGST Act.

Q 12. Agrawal Carriers is a Goods Transport Agency (GTA) engaged in transportation of goods by road. As per the general business practice, Agrawal Carriers also provides intermediary and ancillary services like loading/unloading, packing/unpacking, transshipment and temporary warehousing, in relation to transportation of goods by road. –

VB With reference to the provisions of GST law, analyse whether such services are to be treated as part of the GTA service, being a composite supply, or as separate supplies

Answer: Legal Provision: Composite supply means a supply made by a taxable person to a recipient consisting 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 [Section 2(30) of the CGST Act].

Discussion of the case: The GTA provides various intermediary and ancillary services, such as, loading/unloading, packing / unpacking, transshipment and temporary warehousing, which are provided in the course of transport of goods by road. These services are not provided as independent services but as ancillary to the principal service, namely, transportation of goods by road. The invoice issued by the GTA for providing the said service includes the value of intermediary and ancillary services.

Conclusion: In view of this, if any intermediary and ancillary service is provided in relation to transportation of goods by road, and charges, if any, for such services are included in the invoice issued by the GTA, such service would form part of the GTA service, being a composite supply, and would not be treated as a separate supply. However, if such incidental services are provided as separate services and charged separately, whether in the same invoice or separate invoices, they shall be treated as separate supplies.

Additional Question For Practice

Q 1. Sahab sales, an AC dealer in Janakpuri, Delhi, needs 4 AC for his newly constructed house in Safdarjung Enclave. Therefore he transfers 4 ACs [on which ITC has been claimed by it] from its stock. For the said purpose. Examine whether the said activity amounts to supply u/s 7 of CGST Act, 2017.

Further, a Janakpuri resident, Rahul, approached Sahab sales. He sold an AC to Sahab sales for Rs. 5000. Rahul had bought the said AC six months before for his residence. Does sale of the AC by Aakash to sahib sales amounts to supply u/s 7 of CGST Act, 2017?

Answer: Section 7 of CGST Act, 2017 stipulates that in order to qualify as supply;

- ✓ the activity involves supply of goods or services or both;
- ✓ the supply is for a consideration unless otherwise specifically provided for;
- ✓ the supply is made in the course or furtherance of business;

Further, Schedule I of the CGST Act, 2017 illustrates the activities to be treated as supply even if made without consideration. One such activity is permanent transfer or disposal of business asset where ITC has been availed on such assets, i.e. said activity be treated as supply even if made without consideration. **In view of said provision permanent transfer of air conditioner by Sahab sales from its stock for personal use at its residence, though without consideration, would amount to supply.**

However, sale of AC by Rahul to Sahab sales will not qualify as supply u/s 7 of CGST Act, 2017 **as although it is made for a consideration, but it is not in the course or furtherance of business.**

Q 2. Manan is an Electronic Commerce Operator in Delhi. His father who is settled in London is a well known Lawyer. Manan has taken legal consultancy from him free of cost with regard to his family dispute. Would your answer be different if in the above case, Manan has taken advise in respect of his business unit in delhi? Examine whether the activitie would amount to supply under section 7 of the CGST Act?

Answer: Schedule I of the CGST Act provides that import of services by a taxable 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, Manan has received legal consultancy from his father free of cost in a personal matter & not in the course of furtherance of business. Hence services provided by Manan's father to him would not be treated as supply under section 7 of the CGST Act. In the above case, if Manan has taken advice with regard to his business unit, services provided by Manan's father to him would be treated as supply under section 7 of the CGST Act as the same are provided in the course of furtherance of business though received from a related person.

Multiple Choice Questions

Q 1. The definition of goods under section 2(52) of the CGST Act does not include-

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

Answer: a; Money and Securities

Q 2. The definition of Money as per Section 2(72) of CGST Act includes:

- a Cheque / promissory Notes
- b Foreign currency
- c Indian Legal tender
- d All of the above

Answer: d; All of the above

Q 3. The definition of Person as per Section 2(84) of CGST Act includes:

- a Individual
- b LLP
- c HUF
- d All of the above

Answer; d; All of the above

Q 4. The definition of Works Contract as per Section 2(119) of CGST Act Includes:

- a. Construction, fabrication, completion, erection, installation, etc. of immovable property
- b. Construction, fabrication, completion, erection, installation, etc. of movable property
- c. Both (a) and (b)
- d. None of the above

Answer: a; Construction, fabrication, completion, erection, installation, etc. of immovable property.

Q 5. _____ is excluded from the definition of goods as well as services

- a. Only Money
- b. Only Securities
- c. Securities and Money
- d. None of the Above

Answer: c; Securities and Money.

Q 6. The definition of Agent as per Section 2(5) means:

- a. A person who arranges or facilitates the supply of goods or services or both, but does not include a person who supplies such goods or services or both on his own account
- b. A person who carries on the business of supply or receipt of goods or services or both on behalf of another
- c. Both (a) or (b)
- d. None of the above

Answer: b; A person who carries on the business of supply or receipt of goods or services or both on behalf of another.

Q 7. Under which Schedule, Activities to be treated as Supply even if the same is made without consideration.

- a. Schedule IV
- b. Schedule III
- c. Schedule II
- d. Schedule I

Answer: D; Schedule I

Q 8. Under which Schedule, The activities / transactions which shall be treated neither as a supply of goods or services

- a. Schedule IV
- b. Schedule III
- c. Schedule II
- d. Schedule I

Answer: Schedule III

Q 9. Which of the following activity to be treated as Supply under **Schedule I** even if made without consideration

- a. Permanent transfer or disposal of business asset where ITC has been availed.
- b. agent to principal of vice -versa, if agent supplies / receives goods on behalf of principal
- c. supply of goods and/or services between related person, except gift upto Rs. 50,000 to employees
- d. All of the above

Answer: d; All of the above

Q 10. Import of services for a consideration_____is treated as Supply?

- a. Transaction in the course or furtherance of business
- b. whether or not in the course or furtherance of business
- c. Not a Supply
- d. none of the above

Answer: b; whether or not in the course or furtherance of business.

Q 11. Which of the following taxes leviable on imports?

- a. Excise Duty

- b. Service Tax
- c. CGST & SGST
- d. IGST

Answer: D; IGST

Q 12. Gift up to value of Rs. 50,000 in a year to an employee___& Gifts in value in excess of Rs. 50,000 _____

- a. shall not be treated as "Supply", shall be taxable as 'Supply'
- b. shall be taxable as 'Supply', shall not be treated as "Supply"
- c. Both activity not covered under supply
- d. None of the above

Answer; a: shall not be treated as "Supply", shall be taxable as 'Supply'

Q 13. Which of the followings Activities which are neither supply of goods nor supply of services:

- a. Services by any court or tribunal
- b. Services related to funeral, burial, Crematorium or mortuary including transportation of the deceased
- c. Services by employee to employer in relation to his employment.
- d. All of the above

Answer: d: All of the above

Q 14. Composite supply is taxable at which tax rate?

- a. Tax rate as applicable on principal supply
- b. Tax rate applicable on supply attracting the highest rate of tax

- c. Tax @ 28%
- d. Tax rate as applicable on respective supply

Answer: a; Tax rate as applicable on principal supply

Q 15. Mixed supply is taxable at which tax rate?

- a. Tax rate applicable on supply attracting the lowest rate of tax
- b. 12%
- c. Tax rate applicable on supply attracting the highest rate of tax
- d. None of the above

Answer: C; Tax rate applicable on supply attracting the highest rate of tax

Q 16. Which factor helps in determining composite supply & Mixed supply

- a. Whether the two supply are naturally bundled
- b. No of items
- c. Both of the above
- d. None of the above

Answer: a, Whether the two supply are naturally bundled

Q 17. What does Composite Supply means under GST?

- a. Comprises of two or more taxable supplies of goods or services or both
- b. Are naturally bundled and supplied in conjunction with each other
- c. in the ordinary course of business and one of which is principal supply
- d. All of the above

Answer: d; All of the above

Q 18. A job worker performed certain dyeing operations on fabrics. Whether this is to be treated as Supply of Goods or Supply of Services?

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

Answer: b; Supply of Services

Q 19. Whether Renting of immovable property to be treated as Supply of Goods or Supply of Services?

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

Answer: b; Supply of Services

Q 20. Which of the following is a mixed supply?

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

Answer: d ; None of the above

Q 21. XYZ industries has a unit in Nagpur and a branch office in Raipur. Nagpur Unit transfers stock to Raipur unit without consideration. Whether the same will be treated as supply or not?

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

Answer: a; Yes

Q 22. Supplier of Goods or Services means

- a. shall mean the person supplying the said goods or services or both
- b. and shall include an agent acting as such on behalf of such supplier
- c. in relation to the goods or services or both supplied
- d. all of the above

Answer: d; All of the above

Q 23. Reliance Ltd. Donated old furniture to charitable organisation and have also claimed the ITC at the time of purchase of the same, whether the same will amount to supply and liable to GST or not?

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

Answer; a; Yes

Q 24. Any gift made by an employer to an employee shall be considered as supply. What is the limit prescribed for the same?

- a. More than 50,000
- b. Less than or equal to 50,000
- c. Less than 75000
- d. More than 75000

Answer: a; More than 50,000.

Q 25. Transfer of rights in goods to be treated as Supply of Goods or Supply of Services?

- a. Supply of goods
- b. Supply of services
- c. Either of two at the option of authority

d. *None of the above*

Answer; b: Supply of Services

Q 26. "Temporary transfer or permitting use or enjoyment of any intellectual property right" whether to be treated as "Supply of Goods" or "Supply of Services"?

a. *Supply of goods*

b. *Supply of services*

c. *Either of two at the option of authority*

d. *None of the above*

Answer; b: Supply of Services

Q 27. Which of the following are naturally bundled?

a. *A packet of Chocolate, Sweets & Cake*

b. *Supply of Lodging facility along with food in Hotel*

c. *Both a & b*

d. *Only b*

Answer: d; Only b

3 – Levy & Collection of tax

Exercise Questions & Answers:

Q 1. What do you mean by Inter State and Intra State Supply?

Answer: Refer relevant para of Section 7 & Section 8 of IGST Act, 2017 of Main book.

Q 2. Are Exports and supplies to SEZ units/Developers out of the ambit of GST?

Answer: No, they are leviable to GST under IGST Act, 2017. However, the tax burden on the same will be neutralized by granting refunds to persons making such supplies u/s 16 of IGST Act as Zero-rated supplies subject to such safeguards, conditions and procedures as may be prescribed. As per section 7 of IGST Act the supplies made to and from SEZ are deemed to be treated as an inter State Supply.

Q 3. Mention the commodities kept outside the purview of GST?

Answer: Goods and services Tax (GST) is a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. So, alcohol for human consumption is kept out of GST by way of definition of GST on constitution.

Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out and GST council shall decide the date from which they shall be included in GST.

Q 4. A hotel owner provided accommodation in Haryana, through an electronic commerce operator –Cool Trips. The hotel owner is not liable to get registered as per the provisions of section 22(1) of the CGST Act. Who is the person liable to pay GST in this case? Would your answer be different if the Electronic Commerce Operator Cool Trips does not have a physical presence in India?

Answer: Legal Provision: Government may notify [on the recommendations of the GST Council] specific categories of services the tax on intra-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it. Services by way of providing accommodation in hotels through electronic commerce operator are a specified service for said purpose.

Discussion & Conclusion: Thus, person liable to pay GST in this case is the Electronic Commerce Operator Cool Trips. All the provisions of the GST law shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services.

Cool Trips does not have a physical presence in India, person liable to pay tax is the person representing the Electronic Commerce Operator -Cool Trips for any purpose in India.

Q 5. Mr. Y, a resident of Mumbai, submits a cab request to speed cabs for travelling from Mumbai to Nasik. Speed cabs is a mobile application owned and managed by Speed Technology Ltd. Located in Mumbai in India. The application facilitates a potential customer to connect with persons providing cab service under the brand name of speed cabs;

After Mr. Y pays the cab charges using his debit card, he gets details of the driver, Mr Y and the cabs registration number. With reference to the GST Act, discuss who is liable to pay GST in this case. Will your answer be different, if speed technologies Ltd. Is located in New York and does not have the representation in India?

Answer: As per section 9(5) of CGST Act and 5(5) of IGST Act, the government via notification 17/2017 CT and notification no. 14/2017 of IGST Act has notified services the tax on such supplies shall be paid by ECO if such services are supplied through it. Services by way of transportation of passengers by a radio taxi, motorcab, maxicab, and motorcycle is one such services among the notified category.

In the given case the above liability to pay GST shall be upon the speed technologies ltd located in India

In 2nd case if speed technologies ltd located in New York i.e. a Non-Taxable territory and also does not have a representation in India then he shall appoint a person in the taxable territory i.e. India for the purpose of paying tax and such person shall be liable to pay tax.

Q 6. Define Taxable Territory & Non-Taxable Territory?

Answer: *As per section 2(109), taxable territory means the territory to which the provision of the CGST applies i.e. whole of territory of India*

Whereas a Non-taxable territory has been defined u/s 2(79) of CGST Act as a Non-taxable territory means the territory which is outside the taxable territory.

Q 7. Differentiate between a taxable supply and Non-taxable supply under GST?

Answer:

<i>Taxable Supply</i>	<i>Non-Taxable Supply</i>
<i>As per Section 2(108) of CGST Act, means supply of goods or services or both which is leviable to GST under this act</i>	<i>As per Section 2(78) of CGST Act, means supply of goods or services or both which is not leviable to GST under this act or under IGST</i>
<i>Falls under the purview of Supply as per Section 7 of CGST Act</i>	<i>Does not fall under the purview of Supply as per Section 7 of CGST Act</i>
<i>E.g. - Supply of Refrigerator, Air Conditioner Etc.</i>	<i>E.g. - Supply pf Petrol & Diesel.</i>

Multiple Choice Questions

Q 1. What are taxes levied on an Intra-State Supply?

- a CGST
- b SGST
- c Both CGST and SGST
- d IGST

Answer: C Both CGST and SGST

Q 2. What is the maximum rate for CGST & SGST tax rate?

- a 40%
- b 20%
- c 28%
- d 56%

Answer: b: 20%

Q 3. Which Section provides for Inter State Supply?

- a Section 7 of IGST Act, 2017
- b Section 8 of IGST Act, 2017
- c Section 9 of CGST Act, 2017
- d Section 5 of IGST Act, 2017

Answer: A: Section 7 of IGST Act, 2017

Q 4. If Location of supplier and place of supply of goods are in two different states, two different union territories or a state or a union territory. Then it is treated as:

- a Intra State Supply
- b Inter State Supply
- c Export of goods
- d None of the above

Answer: B: Inter State Supply

Q 5. Which of the following supply shall be considered as an Inter State Supply as per Section 7 of IGST Act, 2017?

- a when the supplier is located in India and the place of supply is outside India
- b to or by a Special Economic Zone developer or a Special Economic Zone unit
- c in the taxable territory, not being an intra-State supply and not covered elsewhere in this section
- d All of the above

Answer: D: All of the above

Q 6. Lucky Ltd has 2 units in India Unit 1 in Mumbai and Unit 2 in Ahmedabad. State whether 2 units will be considered as an establishment of distinct persons.

- a Both Unit will be considered as an establishment of distinct persons.
- b Both Unit will be considered as a separate entity.
- c Both of above
- d None of the above

Answer: A: Both Unit will be considered as an establishment of distinct persons.

Q 7. Which of the goods have been kept outside the ambit of GST?

- a Petroleum Crude

- b High Speed Diesel*
- c Motor Spirit*
- d All of the above*

Answer: D: All of the above

Q 8. Which of the following services have been notified by government where tax shall be paid by ECO if such services supplied through it.

- a Services by way of transportation of passengers by a radio- taxi, motor cab, maxi cab and motor cycle.*
- b Services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes,*
- c Services by way of house-keeping, such as plumbing, carpentering etc.*
- d All of the above*

Answer: D: All of the above

Q 9. Which of the following services have been notified by government where tax shall be paid by ECO if such services supplied through it.

- a GTA Services*
- b Sponsorship Services*
- c Legal Services*
- d Services by way of transportation of passengers by a radio- taxi, motor cab, maxi cab and motor cycle.*

Answer: D: Services by way of transportation of passengers by a radio- taxi, motor cab, maxi cab and motor cycle.

Q 10. Comment whether the statement is correct or not: If the ECO is located in

taxable territory then the Person liable to pay Tax is the ECO, If the ECO doesn't have physical presence in the taxable territory then Person liable to pay Tax is the person representing ECO.

- a Yes
- b No
- c Both of the above
- d All of the above

Answer: A: Yes.

Q 11. Examine the type of transaction: Mr Kamal (Supplier) of Mumbai supplied some goods to Mr Ankit (Recipient) of Pune. Here location of Supplier and Place of Supply are in same states.

- a Intra State Supply since location of supplier and place of supply are in same states.
- b Inter State Supply since both are in different city
- c Both of the above
- d None of the above

Answer: A: Intra State Supply since location of supplier and place of supply are in same states.

Q 12. Which section provides GST Liability on E Commerce Operator under CGST Act.

- a Section 9 (3) of CGST Act, 2017
- b Section 9 (4) of CGST Act, 2017
- c Section 9 (5) of CGST Act, 2017
- d Section 5 (5) of IGST Act, 2017

Answer: C: Section 9 (5) of CGST Act, 2017

Q 13. If the ECO is located in taxable territory then the person liable to pay tax is:

- a Supplier of Service
- b Recipient of Service
- c ECO
- d None of the above

Answer: C: ECO

Q 14. Imports will be treated as

- a Interstate Supply
- b Intrastate Supply
- c Neither of two
- d Any one depending upon state in which imported

Answer: Interstate supply

Q 15. Reverse Charge is applicable on

- a All Goods
- b All Services
- c Both
- d Notified Goods and services

Answer: d. Notified Goods and services

Q 16. If Mr. A of Mumbai supplies goods to Unit XYZ Ltd in SEZ in Mumbai which tax will be levied ?

- a IGST
- b CGST and SGST
- c CGST and UTGST
- d None of the above

Answer: a IGST

Q 17. Minimum IGST Rate for Goods is

- a 0.05%
- b 0.1%

c 0.2%

d 0.01%

Answer: 0.1%

Q 18. Minimum IGST Rate for Services is

a 5%

b 3%

c 0.25%

d 12%

Answer: 5%

Q 19. Supply of goods or services or both when the supplier is located in India and the place of supply is outside India shall be treated as

a Intra state supplies

b Interstate supplies

c Exports

d Imports

Answer: b interstate supplies

Q 20. Mr. John came to India for 2 months on a visit to India. He stays in Mumbai and purchases goods from a shop in Mumbai, Which tax should be levied on the said purchase?

a CGST

b SGST

c Both CGST and SGST

d IGST

Answer: D: IGST

4 – Reverse Charge Mechanism

Exercise Questions & Answers:

Q 1. Who is responsible to pay taxes?

Answer: Generally, the supplier is liable to pay taxes. However, following are certain exceptions;

- i. **Reverse Charge:** Supply of goods or services or both, as may be notified by the government on the recommendations of the Council under sec 9(3) or as per sec 9(4) supplies made by unregistered person, the tax on which shall be paid by the recipient under reverse charges; and
- ii. **E-Commerce:** Categories of services as may be notified by the Government on the recommendation of Council the tax on which shall be paid by the electronic community operator if such services are supplied through it.

Q 2. State difference between reverse charge u/s 9(3) and u/s 9(4)?

Answer: Following is the difference between Reverse charge u/s 9(3) and 9(4).

Section 9(3)	Section 9(4)
Applicable in case of supply of goods or services or both, notified by the Government on recommendation of council	Applicable in case of specified category of supply of taxable goods or Services of both by an unregistered supplier to a specified class of registered person
It Does no matter whether the supplier is registered or not	It Only where supplier is an unregistered person
Example: Tax in respect of Services of advocate availed by a business entity is payable on reverse charge basis. Here the liability to pay GST shall be upon the Business entity.	Example: Cement is received from an unregistered person, the promoter shall pay tax on supply of such cement on reverse charge basis, under section 9(4) of the CGST Act,

Q 3. What is the effect of reverse charge on input tax credit?

Answer: As regards the recipient who pays tax on reverse charge basis, tax so paid would be available as credit subject to section 17. As regards the supplier whose tax is paid by the recipient, value of such supply will be treated as 'exempt supply' of the Supplier & Supplier is not eligible for ITC u/s 17.

For example: An lawyer has provided legal services to M/s Priya Pvt. Ltd. worth Rs 500000 & GST @ 18% i.e. Rs 90,000 is levied on this service. The liability to discharge the GST of Rs 90000 shall be upon M/s Priya Pvt. Ltd. & the credit of tax so paid would be available as credit to M/s Priya Pvt. Ltd. being the recipient.

For the supplier it shall be treated as an exempt supply & not eligible for ITC u/s 17.

Q 4. In accordance with the provisions of GST Act, Give answers to the following pertaining to Reverse Charge:

- 1. Is GST payable for both the components – CGST and SGST (or UTGST)?*
- 2. Is GST on reverse charge basis payable on inter – State supply also?*
- 3. Is reverse charge applicable on supply of goods also or is it only on supply of services?*
- 4. In case supplier eligible to threshold exemption, is reverse charge applicable?*

Answer:

- 1. Yes, GST in India is a dual – tax and the provision of the CGST Act are applicable in SGST/UTGST Act.*
- 2. Yes, provisions identical to section 9(3) and 9(4) of the CGST Act are available in section 5(3) and 5(4) of the IGST Act.*
- 3. Payment of tax on reverse charge is applicable on both goods & services.*
- 4. Supplier may not have paid tax due to threshold benefit but this does not excuse recipient from liability under section 9(4) which is attracted if 'supplier is not registered' & specified recipient is registered. Thus, even though the supplier is eligible under threshold exemption reverse charge is applicable. In case of 9 (3) even if the supplier is eligible for threshold exemption it does not excuse recipient from liability to pay tax u/s 9(3).*

Q 5. M/s Sibbal, a firm of lawyers rendered legal advice to Mr. Kapil, an architect, and PQR Ltd Consultancy agency during October, 20XX. Both Mr. Kapil and PQR Ltd are not entitled threshold exemption in the said financial year. Who is liable to pay GST in this

case? your answer be different if Mr. Kapil and PQR Ltd. Sought legal advice from Mr. A, a lawyer.

Answer: Legal Provision: As per Notification No. 13/2017 Central tax and Notification No. 10/2017 IGST Act, In case services supplied by an individual advocate including a senior advocate by way of legal service, to a business entity. The liability to pay GST shall be upon the recipient.

Discussion and Conclusion: In the given case, as the services are provided by firm of lawyers M/s Sibbal to PQR Ltd and Mr. Kapil a business entity thus the liability to pay GST shall be upon PQR Ltd and Mr. Kapil. The answer will not change even in case where Mr. Kapil and PQR Ltd seek legal advice from individual lawyer.

Q 6. From the following information determine the person liable to pay Goods & Service tax both supplier and Recipient or located in India-

- i. Mr. Ankit is an agent of Life Insurance Co. The insurance company pays commission (excluding tax) Rs 8 Lakh to him. Mr. Ankit claims that No. GST leviable on services provided by him as his value of taxable service does not exceed Rs 20 lakhs.
- ii. LMN Ltd. availed service of Kamal Goods transport agency for transportation of goods by road from factory located in New Delhi to its Jaipur depot and paid freight of Rs 200000
- iii. AT Jewelers Ltd paid Rs 30 Lakhs for sponsorship of Miss India beauty pageant for sponsorship services.
- iv. Legal services provided by VHB & Co. a partnership firm of New Delhi to Tata Motors Ltd Mumbai Rs 70,00,000
- v. Service provided by a director of a company (not in capacity of employee) to the company: Rs 10 lakh.

Answer: The provisions applicable are as per section 9(3) of CGST Act and 5(3) of IGST Act, the Government via notification 13/2017 CT and Notification No. 10/2017 of IGST Act.

- i. In this case Life Insurance Company will be liable to pay GST on reverse charge basis. Hence, GST liability shall be Rs 800000 i.e. on the value of commission Mr. Ankit's claim that his turnover does not exceeds Rs. 20 lakhs has no relevance here, because under reverse charge/threshold limit is not available.
- ii. If GTA pays tax @ 12% with ITC: In such case normal charge is applicable and GTA

is liable to pay tax. If GTA pays tax @ 5% without benefit of ITC; Then reverse charge shall be applicable and GST shall be paid by XYZ Ltd. since it is liable to pay freight for transportation of goods.

- iii. In this case sponsorship services are received by AT Jewelers Ltd. Hence, it will be liable to pay goods & service tax under reverse charge mechanism.
- iv. In this case goods & service tax shall be paid by Tata Motors Ltd. as the liability to pay tax is on the business entity under reverse charge mechanism.
- v. In case of any service provided by director of company or body corporate to company the goods & service tax is payable by company or body corporate.

Q 7. Falcon Ltd, Nagpur had appointed a senior advocate Mr. Salve for representation of company's legal matter at Mumbai as regarding to representation of the matter there. Determine the GST liability as who is liable to pay? Would your answer differ if Falcon Pvt Ltd. appoints local advocate Mr. Sagar if further appoints Mr Salve for representation.

Answer: Legal Provision: As per section 9(3) of CGST Act, In case of service provided by an individual advocate including a senior advocate by way of legal services directly or indirectly to any business entity located in the taxable territory the liability to pay GST shall be upon the recipient i.e. reverse charge is applicable.

Discussion and Conclusion: No, liability to pay tax is on Falcon Pvt Ltd. (Nagpur) even through Mr. Salve appointed through another advocate Mr. Sagar.

Q 8. Bank of Baroda located in Nagpur appointed Mr. Govind as a recovery agent for collecting outstanding balance of loan from one of its customer Mr. Govind provided service to Bank of Baroda for which is charged a fee. Determine the tax implications as per GST Act.

Answer: Legal Provision: As per section 9(3) of CGST Act, read with Notification No. 13/2017 Central tax (Rate) and Notification No. 10/2017 IGST Act Service supplied by a recovery agent to banking company in such a case reverse charge shall be applicable. Thus the liability to pay GST shall be upon the recipient.

Conclusion: In the given case Bank of Baroda shall be liable to pay GST for services provided by Mr. Govind as a recovery agent.

Q 9. Sudha Murthy a renowned writer and author of book transferred the copyright of his

published book to Film Production Ltd for a consideration. Examine the tax implications as per GST Act?

Answer: Legal Provision: As per section 9(3) of CGST Act read with Notification No. 13/2017 Central tax (Rate) and Notification No. 10/2017 IGST Act, Services supplied by an author by way of transfer or permitting the use of enjoyment of a copyright covered under sec 13(1) (a) of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like reverse charge shall be applicable.

Conclusion: Thus in the given case the liability to pay GST shall be upon Film Production Ltd as it is the recipient of service.

Q 10. Tirupati urban cooperative housing society availed the transport services of Verma transports Pvt. Ltd. for transport of goods by road on a consignment agreement. Determine the tax implication as per GST.

Answer: Legal Provision: As per section 9(3) of CGST Act read with Notification No. 13/2017 Central tax (Rate) and Notification No. 10/2017 IGST Act, Supply of Services by a goods transport agency (GTA) in respect of transportation of goods by road to-
(c) Any co-operative society established by or under any law; The liability to pay GST shall lie upon the recipient of service as per reverse charge mechanism.

Conclusion: Thus in the given case Tirupati cooperative housing society shall pay the GST. If GTA has opted to pay GST @ 5% only then reverse charge will be applicable (a) Sharma transport charged @ 12% (b) claimed ITC (c) Normal charge.

Q 11. M/s X & Sons, tax consultant of Zenson Ltd., have advised them that reverse charge mechanism is applicable only to services. Examine the validity of the advice given by M/s X & Sons.

Answer: The advice given by M/s X & Sons is not valid in law. The reverse charge mechanism applies to supplies of both goods and services, as notified by the Government on the recommendations of the GST Council vide section 9(3)/5(3) of CGST/IGST Act, 2017. Notification No. 13/2017-Central Tax (Rate) have been issued. Similar notifications have been issued under IGST Act also.

Reverse charge also applies to specified supplies received by a specified registered person

from unregistered persons under section 9(4)/5(4) of CGST/IGST Act, 2017.

Q 12. State person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:

- a) Services provided by an arbitral tribunal to any business entity.*
- b) Sponsorship services provided by a company to an individual.*
- c) Renting of immovable property service provided by the Central Government to a registered business entity.*

Answer: *a) Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory tax is payable under reverse charge, in the given case, GST is payable by the recipient - business entity.*

b) GST on sponsorship services provided by any person to anybody corporate or partnership firm case. In this 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.

c) As per Sl. No. 5A, services supplied by CG, SG, Union Territory / Local authority by way of renting of immovable property to a person registered under CGST Act, 2017 then the recipient of services being a registered person shall be liable to pay taxes under reverse charge basis. Applying the above provision in given case business entity being a registered person shall be liable to pay tax.

Multiple Choice Question

Q 1. Mr. A has supplied services to Mr. B which are covered under RCM. Both of them are located in Maharashtra. Which tax shall be paid?

- a CGST & SGST*
- b IGST*
- c Central Sales Tax (CST)*
- d UTGST & IGST*

Answer: a; CGST & SGST

Q 2. Goods transportation agency (GTA) is registered and does not avail the ITC. He provides GTA services to another registered person. Will this transaction fall under RCM? What shall be the GST Rate?

- a RCM Applicable, Rate – 5%*
- b Forward Charge Applicable, Rate – 12%*
- c Forward Charge Applicable, Rate – 18%*
- d Supply is exempt*

Answer: a; RCM Applicable, Rate – 5%

Q 3. Reverse charge is applicable:

- a Only on intra-State supplies*
- b Only on inter-State supplies*
- c Both intra-State and inter-State supplies*
- d None of the above*

Answer: c; Both Intra – State and Inter State Supplies

Q 4. Who are the persons liable to pay tax under reverse charge mechanism?

- a Registered Supplier*
- b Registered Recipient*
- c Unregistered Supplier*
- d Unregistered Recipient*

Answer: b; Registered Recipient

Q 5. What are the supplies to which the reverse charge mechanism could be applied?

- a. Outward supplies of Goods or Services or both
- b. Supply which is not liable to GST
- c. Exempted Supply of Goods or Services
- d. Inward supplies of Goods or Services or both

Answer: d; Inward supplies of Goods or Services or both

Q 6. Input tax credit in case of reverse charge mechanism can be availed by:

- a. Recipient of Goods or Services
- b. Supplier of the Goods / Services
- c. Transporter
- d. Both a and b

Answer: a; Recipient of Goods or Services

Q 7. Is ITC available to the supplier, supplying goods / services under Reverse Charge Mechanism

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

Answer: b; No.

Q 8. Is Reverse Charge mechanism applicable to E – Commerce Operator?

- a. Yes
- b. No
- c. Not Applicable
- d. As may be prescribed by authority.

Answer: a; Yes.

Q 9. What is the manner of payment of tax under Reverse charge?

- a. Through Electronic credit Ledger

- b Through Electronic cash Ledger*
- c Through Electronic liability Ledger*
- d None of the above*

Answer: b; Through Electronic cash Ledger.

Q 10. Can the person avail the input tax credit of the tax paid under RCM?

- a Yes*
- b No*
- c May be*
- d None of the above*

Answer: a: Yes

Q 11. Mr. Pramod a lawyer provides representational services to Xylo Ltd. having a turnover of Rs.15 lakhs. Is RCM applicable?

- a. Yes*
- b. No*
- c. May be*
- d. None of the above*

Answer: b: No

Q 12. Central Government gave a piece of land on rent to M/s ABC Pvt. Ltd., registered in Delhi who shall pay tax? Is RCM applicable?

- a. CG – RCM Applicable*
- b. CG – RCM Not Applicable*
- c. ABC Ltd. – RCM Applicable*
- d. ABC Ltd. – RCM not Applicable*

Answer: c: ABC Ltd. – RCM Applicable

Q 13. RIL Ltd. appointed Mrs. Neeta Ambani as their independent director and paid him the sitting fees. Is this supply covered under RCM?

- a. Yes, RCM Applicable
- b. No
- c. Supply of Director is Exempt
- d. None of the above

Answer: a: Yes, RCM Applicable

Q 14. Comment on the correctness of the sentence – “Person can take the credit of the tax paid under RCM only when he has paid the tax.”

- a Correct
- b Incorrect
- c Partly Correct
- d None of the above

Answer: a; Correct

Q 15. Supply under reverse charge mechanism involves movement of goods / provision of services by:

- a. Registered supplier to registered recipient
- b. Unregistered supplier to specified registered recipient
- c. (a) and (b), both
- d. None of the above

Answer: c; a & b both

Q 16. Can Input tax credit standing in the Electronic credit ledger be utilized for payment of tax under Reverse Charge Mechanism?

- a Yes
- b No
- c Not applicable
- d none of the above

Answer: b: No.

Q 17. Which of the following services covered under RCM?

- a Services by Director
- b Services by Insurance Agent to Insurance Company
- c GTA Services
- d All of the above

Answer: d: All of the above

Q 18. Mr A avails a service on which tax amounting to Rs. 40000/- is payable under Reverse charge basis and he is having Rs. 45000 in his credit ledger. State whether he can utilise the same for payment of tax under RCM basis?

- a Pay Rs. 40000/- using credit ledger
- b Pay Rs. 40000/- using cash ledger
- c Pay Rs. 20000/- using credit ledger and balance using cash ledger.
- d Any of the above

Answer: b: Pay Rs. 40000/- using cash ledger

Q 19. GTA is under expansion mode and is acquiring lot of trucks for the transportation. It wants to take the ITC on such capital goods. What rate shall he charge in order to avail the ITC?

- a 18%
- b 12%
- c 5%
- d 28%

Answer: b: 12%

Q 20. Mr. Rahul, a lawyer provides representational services to ABC Pvt Ltd. having a turnover of Rs. 25 Lakhs. Whether RCM is applicable on such supply?

- a Yes
- b No
- c May be
- d None of the above

Answer: A: Yes

Q 21. Bank of India appoints Mr. Abhay as a recovery agent in order to recover the amount paid to a defaulter Mr. B. who shall pay the tax in this supply?

- a Bank of India (Recipient)
- b Mr Abhay (Supplier)
- c Mr B
- d Supply of such services is exempt

Answer: a: Bank of India (Recipient)

Q 22. Which of the following services are covered under Reverse Charge Mechanism of CGST Act, 2017?

- I. Legal Consultancy
 - II. Goods Transport Agency
 - III. Manpower Supply
 - IV. Rent-a-Cab
- a i & iii
 - b i & iv
 - c i & ii
 - d All the above

Answer: c: I & II

Q 23. In case of GTA services provided to an Individual not registered under GST and not a business entity, liability to pay GST is on

- a Supplier
- b Recipient
- c Both
- d Exempt

Answer: d: Exempt

Q 24. In case of sponsorship services provided by Mr. A to M/s AB Ltd., liability to pay GST is on:

- a Mr. A (Supplier)
- b M/s AB Ltd. (Recipient)
- c Both
- d None of the above

Answer: b: M/s AB Ltd. (Recipient)

Q 25. In case of renting of land, inside an Industrial estate, by State Government to a registered manufacturing company, GST is:

- a Exempted
- b Normal Charge Applicable
- c Reverse Charge Applicable
- d None of the above

Answer: C: Reverse Charge Applicable

Q 26. Sitting fees received by director of XYZ Ltd., is liable for GST in the hands of the

–

- a Director
- b XYZ Ltd.
- c Both of above
- d None of the above

Answer: b: XYZ Ltd.

Q 27. Reverse charge under section 9(3) of the CGST Act is applicable on:-

- a Only on Notified services
- b Only on Notified Goods
- c Notified goods & Services
- d None of the above

Answer: c: Notified goods & Services

Q 28. In case M/s. PQR Ltd., a registered person, has availed rent-a-cab service from M/s ABC Travels (Proprietor) service then which one of the following is true:

- a Reverse charge is applicable as this is a notified service.
- b Reverse charge is applicable is not applicable.
- c Joint charge is applicable
- d None of the above

Answer: b: Reverse charge is applicable is not applicable.

Q 29. Shraddha Sharma, a Playback Singer sings a song for Saregama India Ltd. for consideration of Rs. 5 Lakh. Who is liable to pay tax on the same.

- a Shraddha Sharma (Supplier of Service)
- b Saregama India Ltd. (Recipient of Service)
- c Service is Exempt from GST
- d None of the above

Answer: B: Saregama India Ltd. (Recipient of Service)

Q 30. As per IGST Provisions, Goodluck Ltd. of Mumbai imports some machinery from China through sea by taking transportation services from COSCO Shipping Co. (a vessel transport company located outside India) and pays the freight for the same. Who is liable to pay tax on freight charges.

- a COSCO Shipping Co. (Supplier of Service)
- b Goodluck Ltd. (Recipient of services)
- c Service is exempt
- d None of the above

Answer: B: Goodluck Ltd. (Recipient of services)

5 – Composition Scheme

Exercise Questions & Answers

Q 1. Pepper & Salt Ltd., registered in Madhya Pradesh has the turnover amounting to Rs. 80 lakh in the FY 2017-18. It wants to avail the benefit of composition scheme in the FY 2018-19. You are required to advise Pepper and Salt Ltd. regarding the availability of composition scheme in the year 2018-19. Would your answer be different if Pepper & Salt Ltd. Would be engaged in Arunachal Pradesh?

Answer: Legal Provision: Pepper & Salt Ltd. can avail the benefit of the composition scheme in the year 2018-19 as the threshold for composition scheme is Rs. 1.5 Crore of aggregate turnover in the preceding financial year* under section 10(1) of CGST Act, 2017. The benefit of composition scheme can be availed up to the turnover of Rs. 1.5 Crore in current financial year. However, it has to be ensured that Pepper & Salt Ltd. fulfills the following conditions as given under section 10(2) of CGST Act, 2017:-

- (a) Either he is not at all engaged in supply of services other than restaurant services or
In case he supplies services other than restaurant services, value of such services does not exceed 10% of the turnover in a State/Union Territory in the preceding financial year or 5 lakh, whichever is higher.
- (b) It is not engaged in making any supply of goods which are not taxable under the CGST Act/SGST Act/ UTGST Act.
- (c) Pepper & Salt Ltd. do not make any inter-State outward supplies of goods.
- (d) It does not supply goods through an electronic commerce operator.
- (e) It does not manufacture ice cream, pan masala and tobacco etc.

The limit of aggregate is Rs. 75 lakhs for 8 special category states viz 1. Arunachal Pradesh, 2. Uttarakhand, 3. Manipur, 4. Meghalaya, 5. Mizoram, 6. Nagaland, 7. Sikkim, 8. Tripura,

Conclusion: If Pepper & Salt Ltd. is registered in Arunachal Pradesh, it can not avail the benefit of composition in the year 2018-19 as its turnover in the preceding financial year (Rs. 80 lakhs) exceeds the threshold limit (Rs. 75 lakhs).

Q 2. A person availing composition scheme in Haryana during a financial year crosses the turnover of Rs. 1.5 crore during the course of the year i.e. he crosses the turnover of Rs. 1.5 crore in December? Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March?

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 during the financial year exceeds the specified limit (1.5 crore). He is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days from the day on which the threshold limit has been crossed.

Q 3. Determine whether the supplier in the following cases are eligible for composition levy provided their turnover in preceding year does not exceed Rs. 1.5 crore:

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

Answer:

- i. As per Section 10(2) of CGST Act, 2017. Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

Q 4. Mohan Enterprises has two registered business verticals in Delhi. Its aggregate turnover for the preceding year for both the business verticals was Rs. 90 lakh. It wishes to pay tax under composition levy for one of the vertical in the current year while under normal levy for other vertical. You are required to advice Mohan Enterprises whether he can do so?

Answer: Legal Provision: As per Section 10(2), A registered person with an aggregate turnover in a preceding financial year up to Rs. 1.5 crore is eligible for composition levy in Delhi. Since the aggregate turnover of Mohan Enterprises does not exceed Rs. 1.5 crore, it is eligible for composition levy in the current year.

However as per proviso to section 10(2), 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.

Discussion & Conclusion: Thus, Mohan Enterprises either have to opt for composition levy for both the verticals or under normal levy for both the verticals.

Q 5. XYZ Ltd is a manufacturing company located in Bangalore. During the financial year 2016-17 total value of supplies including inward supplies taxed under reverse charge basis are 1,04,00,000. The breakup of supplies is as follows:-

- i. Intra state supplies of goods chargeable to Nil rate of GST- Rs.15,00,000
- ii. Intra state supplies made under forward charge - Rs.75,00,000
- iii. Intra state supplies of goods exempted under section 11 of CGST act Rs.9,00,000
- iv. Inward supplies of goods on which tax is payable under RCM - Rs.5,00,000

Explain whether XYZ is eligible to opt for Composition scheme in Financial year 2017-18.

Answer: Legal Provision: As per section 10 (1) of CGST Act, a registered person whose aggregate turnover in the preceding financial year does not exceed 1.5 crore may opt for payment of tax under composition scheme (notification no 46/2017 of central tax)

Firstly, we shall compute the aggregate turnover as per section 2 (6) of CGST Act, which means the aggregate value of –

- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person or reverse charge basis)
- exempt supplies
- export of goods or services or both and
- inter state supplies of persons having the same permanent account number
to be computed on all india basis
- excludes :- central tax , state tax , union territory tax , integrated tax , and cess

Computation of aggregate turnover for the above cases :-

Sr No	Particulars	Amount (In Rs.)
1	Supplies chargeable to nil rate of GST	1500000
2	Supplies made under forward charge	7500000
3	Supplies of goods under exempted category	900000
4	Inward supplies of goods on which tax is payable under RCM (to be excluded)	0
Total		9900000

Since, the aggregate turnover does not exceed Rs. 1.5 Crore during the preceding financial year i.e. 2016-2017, thus XYZ Ltd shall be eligible to opt for composition scheme for the financial year 2017-2018.

Q 6. Laksh Ltd. is a manufacturing Company located in Karnataka, has been registered under composition scheme furnishes the following information for the financial year 2018-19. It requires you to determine its composition tax liability and total tax liability in financial year 2018-2019 total value of supplies including inward suppliers taxed under reverse charge basis are Rs. 82,00,000. The breaking of suppliers is as follows :-

- i) Intra state suppliers of auto spares V units chargeable to 12% GST Rs. 24,00,000
- ii) Intra state suppliers of auto spares X units chargeable to 5% GST Rs. 36,00,000
- iii) Inward suppliers on which tax payable under RCM (GST Rate 12%) Rs.640,000
- iv) Intra state suppliers wholly exempt under section 11 of CGST Act Rs. 15,60,000

Answer: The composite tax liability of Laksh Ltd. shall be as under:

1) Computation of turnover in state and composite tax for financial year 2018 -2019

Sr No	Particulars	Amount (In Rs.)
1	Intra state suppliers of auto spares "Y" units	2400000
2	Intra state suppliers of auto spares "X" units	3600000
3	Inward suppliers on which tax payable under RCM (GST Rate 12%)	Nil
4	Intra state suppliers wholly exempt under section 11 of CGST Act	1560000
Total Turnover in State		7560000
CGST @ 0.5%		37800
SGST @ 0.5%		37800
Total Composite Tax		75600

2) Tax payable under reverse charge basis:

Sr No	Particulars	Amount (In Rs.)
	Inward supplies on which tax payable under RCM	640000
	Rate of GST	12%
	Tax payable under RCM	76800

Therefore, total tax payable by Laksh Ltd. is **Rs. 1,52,400** i.e., **composite tax + tax Payable under RCM.**

Q 7. Mr. Zaid, registered in Himachal Pradesh is engaged in making inter-State outward supplies of apparels. The aggregate turnover of Mr. Zaid in the financial year 2017-18 is 70 lakh. He opted for composition levy in the year 2018-19 and paid tax for the quarter ending June, 2018 under composition levy. The proper officer has levied penalty on Mr. Zaid in addition to the tax payable by him.

You are required to examine the validity of the action taken by proper officer.

Answer: Legal Provision: Section 10(1) of CGST Act, 2017 inter alia provides that the benefit of composition levy can be availed by a registered person if the aggregate turnover in the preceding financial year does not exceed Rs. 1.5 crore. However, the said threshold is reduced to Rs. 75 lakh in case of special category states. Further, section 10(2) inter alia specifies that registered person is eligible to opt for composition levy if he is not engaged in making any inter-state outward supplies of goods.

Discussion: In the present case, Mr. Zaid is engaged in making inter-State outward supplies of goods. So, he is not eligible to opt for composition levy irrespective of aggregate turnover in the preceding financial year. Moreover, section 10(5) provides that if a person who has paid under composition levy is found as not being eligible for compounding then such person shall be liable to penalty to an amount equivalent to the tax payable by him under the provisions of the Act i.e., as a normal taxable person and that this penalty shall be in addition to the tax payable by him.

Conclusion: Thus, levy of penalty on Mr. Zaid is valid in law in terms of section 10(5). The action taken by proper officer is valid in law.

Q 8. Bansal and Chandok is a partnership firm of Chartered Accountants in Jaipur (Rajasthan). The firm specialises in bank audits providing services to banks across India. It has an annual turnover of Rs. 110 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-

- (a) the turnover of the firm is Rs. 90 lakhs?
- (b) Bansal and Chandok is not a partnership firm of Chartered Accountants but a partnership firm providing support services to restaurants like booking tables, advertisement etc.?

Answer: Legal Provision: As per section 10(1) of the CGST Act, 2017, a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at such rate as may be prescribed, Further, sub-section (2) of section 10 lays down that the registered person shall be eligible to opt for composition levy if:—

- (a) Either he is **not at all engaged in supply of services other than restaurant services** or
In case he supplies services other than restaurant services, value of such services does not exceed 10% of the turnover in a State/Union Territory in the preceding financial year or ` 5 lakh, whichever is higher.
- (b) he is not engaged in making any supply of goods which are not leviable to tax under CGST Act; 2017
- (c) he is not engaged in making any inter-State outward supplies of goods;
- (d) he is not engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52; and
- (e) he is not a manufacturer of such goods as may be notified by the Government on the recommendations of the Council.

Discussion: Basis above provisions, a firm of Chartered Accountants, being a supplier of professional services is not eligible to apply for composition scheme. Therefore, it has to discharge its tax liability under regular provisions at the applicable rates.

Conclusion:

(a) The answer will not change even if the turnover of the firm had been ` 90 lakh since the ineligibility of the firm to opt for composition scheme is not linked with the turnover of the firm, but with the nature of the services supplied by the firm.

Therefore, since even with turnover of ` 90 lakh the ineligibility in respect of nature of services supplied by firm exists i.e., the firm provides professional services and not restaurant services; it will not be eligible for composition scheme.

(b) The answer will not change even if the firm is providing support services to restaurants as only the supplier providing restaurant services *per se* are eligible for composition scheme.

Q 9. Ramsewak has opted for composition scheme in the financial year 2019-2020. His aggregate turnover in FY 2018-19 is ₹ 60 lakh. In FY 2019-2020 upto what value services he can supply ?

Answer : In FY 2019-2020, he can supply services [other than restaurant services] upto a value of not exceeding:

- (a) 10% of ₹ 60 lakh, i.e. ₹ 6 lakh or
- (b) 5 lakh,

whichever is higher.

Thus, he can supply services upto a value of ₹ 6 lakh in FY 2019-2020.

Q 10. Mr. Siddhant is a service provider and not a registered person during Financial Year 2018-19. From 1st April 2019 to September 2019, he achieves the aggregate turnover of Rs. 20 Lakhs and is liable for registration under GST Laws w.e.f. 1st October 2019. From October 2019 to December 2019, he made outward supply of Rs. 30 Lakhs. And, from Jan 2020 to March 2020, he made outward supply of Rs. 15 lakh. Determine the eligibility of levy of concessional rate under Notification No. 2/2019-Central Tax (Rate) Dated 7th March 2019 of 6% ?

Answer : His turnover of Rs 50. Lakh for recognising his benefit under this scheme {Notification No. 2/2019-Central Tax (Rate) Dated 7th March 2019} will be counted from 1st April 2019. However, tax under this scheme shall be payable only for the supplies made during October 2019 to December 2019 (i.e. on Rs. 30 lakhs).

As the limit of Rs. 50 Lakhs under this scheme exhausted till 31st December 2019 (i.e. Rs. 20 Lakhs before registration and Rs. 30 Lakhs after registration), hence, from 1st January 2019 onwards, tax shall be payable under normal provisions of GST as applicable for regular dealer.

Multiple Choice Questions

Q 1. What is the threshold limit of turnover in the preceding financial year for opting to pay tax under composition scheme for States other than special category States?

- a. Rs. 20 lacs*
- b. Rs. 10 Lacs*
- c. Rs. 50 Lacs*
- d. Rs. 1.5 Crore*

Answer: d: Rs. 1.5 Crore

Q 2. What is the threshold limit of turnover in the preceding financial year for opting to pay tax under composition scheme for special category states?

- a. Rs. 75 Lacs*
- b. Rs. 20 Lacs*
- c. Rs. 50 Lacs*
- d. Rs. 1 Crore*

Answer: a: Rs. 75 Lacs

Q 3. What is the rate applicable under CGST to a registered person being a manufacturer opting to pay taxes under composition scheme?

- a. 2.5%*
- b. 1%*
- c. 0.5%*
- d. No composition for manufacturer*

Answer: C: 0.5 %

Q 4. What is the rate applicable under GST to a registered person being a hotelier (providing restaurant and accommodation services) opting to pay taxes under composition scheme?

- a. 1%
- b. 0.5%
- c. 2.5%
- d. 2.5% CGST + 2.5% SGST

Answer: D: 2.5% CGST + 2.5% SGST

Q 5. Mr. Roshan, a trader in Mumbai has opted for composition scheme of taxation under GST. Determine the rate of total GST payable by him under composition scheme:

- a. 0.5% CGST & 0.5% SGST
- b. 2.5% CGST & 2.5% UTGST
- c. 5% IGST Only
- d. 2.5 % UTGST Only

Answer: A: 0.5% CGST & 0.5% SGST

Q 6. A Business Person has 3 Business vertical and opted to register 1 vertical under Composition scheme and other 2 under normal scheme. State Whether he can do so or not?

- a. Yes
- b. No
- c. Yes, subject to prior approval of the Central Government
- d. Yes, subject to prior approval of the concerned State Government

Answer: B: No

Q 7. Which of the following persons can opt for composition scheme?

- a. Person making any supply of goods which are not leviable to tax under this Act;
- b. Person making any inter-State outward supplies of goods and services (except

restaurant services);

- c. Person effecting supply of goods through an e- commerce operator liable to collect tax at source
- d. Person providing restaurant services

Answer: D: Person Providing Restaurant Services

Q 8. Can composition scheme be availed if the registered person effects inter-State supplies?

- a. Yes
- b. No
- c. Yes, subject to prior approval of the Central Government
- d. Yes, subject to prior approval of the concerned State Government

Answer: B: No

Q 9. A dealer registered under composition scheme, can he avail the ITC on inward supply?

- a. Yes
- b. No
- c. Yes, subject to prior approval of the Central Government
- d. Yes, subject to prior approval of the concerned State Government

Answer: B: No

Q 10. Can a registered person opting for composition scheme collect tax on his outward supplies?

- a. Yes
- b. No
- c. Yes, subject to prior approval of the Central Government
- d. Yes, subject to prior approval of the concerned State Government

Answer: B: No

Q 11. Which of the following will be excluded from the computation of 'aggregate turnover'?

- a. Value of taxable supplies
- b. Value of exempt Supplies
- c. Non-taxable supplies
- d. Value of inward supplies on which tax is paid on reverse charge basis

Answer: D: Value of inward supplies on which tax is paid on reverse charge basis

Q 12. If a person registered under composition scheme and turnover crosses the specified limit during the year, state whether the assessee will continue to pay tax under the composition scheme during the remaining part of the year?

- a. He will cease to remain under the composition scheme from the quarter following the quarter in which the aggregate turnover exceeds threshold limit
- b. He can continue under composition scheme till the end of the financial year
- c. He will be liable to pay tax at normal rates of GST on the entire turnover for the financial year
- d. He will cease to remain under the composition scheme with immediate effect

Answer: D: He will cease to remain under the composition scheme with immediate effect

Q 13. Tax rate applicable in hands of Restaurant under composition scheme –

- a. 2% (CGST + SGST)
- b. 5% (CSGT + SGST)
- c. 18% (CGST + SGST)
- d. 2.5% (CGST + SGST)

Answer: B: 5% (CSGT + SGST)

Q 14. Which of the following persons are not eligible of composition scheme?

- a. The scheme is not available for services sector, except restaurants.
- b. Supplier of goods which are not taxable under the CGST Act/SGST Act/UTGST Act is not eligible to register under this scheme
- c. Tax payers making inter - state supplies is not eligible for composition scheme
- d. All of the above

Answer: D: All of the above

Q 15. What is the tax rate applicable on a composite dealer falling under Reverse Charge Mechanism?

- a. Said Supply is Exempt
- b. Taxable as applicable to normal taxpayer
- c. RCM not applicable in composite supply
- d. none of the above

Answer: b: Taxable as applicable to normal taxpayer

Q 16. Is RCM applicable on supplies procured by a composition dealer?

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

Answer: a: Yes

Q 17. In which of the following special category states limit of turnover for composition scheme will be Rs. 1.5 Crore?

- a. Arunachal Pradesh
- b. Assam
- c. Himachal Pradesh
- d. Uttarakhand

Answer: C: Himachal Pradesh

Q 18. A person is engaged in supplying of restaurant services along with that he is also engaged in supplying of services which is wholly exempt from GST. State whether he is eligible for composition scheme or not?

- a. Yes
- b. No
- c. Eligible if turnover crosses limit of Rs. 1.5 crore
- d. Eligible but prior intimation of commissioner is required

Answer: A: Yes

Q 19. Definition of Aggregate turnover includes

- a. the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis),
- b. exempt supplies, exports of goods or services or both and
- c. inter-State supplies
- d. All of the above

Answer: D: All of the above

Q 20. Definition of Exempt Supply includes

- a. Supply of goods or services which attract nil rate of tax
- b. Which may be wholly exempt from tax
- c. And includes non-taxable supply
- d. All of the above

Answer: D: All of the above

6 – Time of Supply

Exercise Questions & Answers:

Q 1. The time of liability to pay GST is independent of the time of supply of goods/ services. Discuss the correctness of the statement?

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

Q 2. Explain the meaning of continuous supply service and date of issue of invoice? also, determine time of supply for continuous supply service.

Answer: Continuous supply of services in terms of section 2(33) of the CGST Act, 2017 means supply of services which is provided or agreed to be provided continuously or on recurrent basis, under a contract for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may subject to such conditions as it may be notified specify issue of invoice: In terms of provision of section 31(5)–

(a) Where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment

(b) Where the due date for 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.

(c) Where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.

Determination of Time of Supply: The time of supply will be determined as per Sec 13(2) in following manner:

Case	Time of Supply
<i>If the invoice is issued within the period prescribed under sec 31</i>	<i>The date of issue of invoice by the supplier or the date of receipt of payment whichever is earlier.</i>
<i>If the invoice is not issued within the period prescribed under sec 31</i>	<i>The date of provision of service or the date of receipt of payment whichever is earlier</i>
<i>If a case where the provisions of cause (a) or (b) do not apply</i>	<i>The date on which the recipient shows the receipt of services in his books of account</i>

Q 3. Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

Sr No	Date of receipt of goods	Date of payment by recipient of goods	Date of issue of invoice by supplier of goods
1	01 July 2018	10 August 2018	29 June 2018
2	01 July 2018	25 June 2018	29 June 2018
3	01 July 2018	Part payment made on June 30 and balance amount paid on July 20	29 June 2018
4	05 July 2018	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	01 June 2018
5	01 July 2018	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	29 June 2018
6	01 August 2018	10 August 2018	29 June 2018

Answer: Determination of time of Supply as per the relevant provision of CGST Act.

Sr No	Date of receipt of goods	Date of payment by recipient of goods	Date of issue of invoice by supplier of goods	Date immediately following 30 days from date of invoice	Time of supply of goods
1	01 July 2018	10-08-2018	29-06-2018	30-07-2018	01 July 2018
2	01 July 2018	25-06-2018	29-06-2018	30-07-2018	25-06-2018
3	01 July 2018	Part payment made on June 30 and balance amount paid on July 20	29-06-2018	30-07-2018	June 30 for part payment made and July 1 for balance amount
4	05-07-2018	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	01-06-2018	02-07-2018	June 28 (i.e., when payment is entered in the books of account of the recipient)
5	01 July 2018	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	29-06-2018	30-07-2018	June 26 (i.e., when payment is debited in the recipient's bank account)

6	01-08-2018	10-08-2018	29-06-2018	30-07-2018	July 30 (i.e., 31st day from issuance of invoice)
---	------------	------------	------------	------------	--

Q 4. Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

Sr No	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services
1	10 August 2018	29 June 2018
2	10 August 2018	01 June 2018
3	Part payment made on June 30 and balance amount paid on September 1	29 June 2018
4	Payment is entered in the books of account on June 28 and debited in recipient's bank account on July 3	01 June 2018
5	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	29 June 2018

Answer: Determination of Time of Supply as per the relevant provision of CGST Act, 2017.

Sr No	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services	Date immediately following 60 days from invoice	Time of supply of goods [Earlier of (1) & (3)]
1	10-08-2018	29-06-2018	29-08-2018	10-08-2018
2	10-08-2018	01-06-2018	01-08-2018	01-08-2018
3	Part payment made on June 30 and balance	29-06-2018	29-08-2018	June 30 for part payment and

	amount paid on September 1			August 29 for balance amount.
4	Payment is entered in the books of account on June 28 and debited in recipient's bank account on July 3	01-06-2018	01-08-2018	June 28 (i.e. when payment is entered in the books of account of the recipient)
5	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	29-06-2018	29-08-2018	June 26 (i.e. when payment is debited in the recipient's bank account)

Q 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?

Note: Transporter's service is taxed on reverse charge basis.

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

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

Discussion & Conclusion: 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, that is 17th June, will be treated as the time of supply of service [Section 13(3)(a)]

Q 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: Legal Provision: 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):

- (a) Date of provision of service
- (b) Date of receipt of payment

Discussion and Conclusion: 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

Q 7. Investigation shows that 150 cartons of ceramic capacitors were despatched on 2nd August but no invoice was made and the 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: Legal Provision: 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.

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

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

Q 8. An order is placed on Ram & Co. on 18th August for supply of a consignment of customised 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: Legal Provision: 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.

Discussion and Conclusion: In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31. Therefore, time of supply is the date of issue of invoice, which is 2nd December.

Q 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?

Answer: 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.

Q 10. A firm of advocates lawyers 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.

Note: Legal services are taxable on reverse charge basis.

Answer: Legal Provision: Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13(3):

c) Date of payment [3rd November]

d) 61st day from the date of issue of invoice [19th April]

Discussion and Conclusion: 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 supplier's invoice has to be taken as the time of supply. This fixes 19th April as the time of supply.

Q 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?

Answer: Legal Provision: 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)]. **Discussion and Conclusion:** In this case, the service is provided on 5th September but not invoiced within the prescribed time limit. Therefore, the date of provision of service, i.e., 5th September, will be the time of supply.

Q 12. An online portal, Best Info, raises invoice for database access on 21st February on Roy & Bansal Ltd. The payment is made by Roy & Bansal Ltd. by a demand draft sent on 25th February, which is received and entered in the accounts of Best Info on 28th February. Best Info encashes the demand draft and thereafter, gives access to the database to Roy & Bansal Ltd from 3rd March. In the meanwhile, the rate of tax is changed from 1st March 2017. What is the time of supply of the service of database access by Best Info?

Answer: As issuance of invoice and receipt of payment (entry of the payment in Best Info's accounts) occurred before the change in rate of tax, the time of supply of service by the online portal is earlier of the date of issuance of invoice (21st February) or date of receipt of payment (28th February) i.e., 21st February. This would be so even though the service commences after the change in rate of tax [Section 14(b)(ii)].

Q 13. Mr. P supplied goods for the value of Rs. 10,000 to its customer Miss Prem on 01.01.2018 on the condition that payment for the same will be made within a week. However, Miss Prem made payment for the said goods on 02.02.2018 and thus paid interest amounting to Rs. 500. What is the time of supply with regard to addition in the value by way of interest in lieu of delayed payment of

consideration?

Answer: Legal Provision: As per section 12(6) of CGST Act, 2017, the time of supply with regard to an addition in value on account of interest, late fee or penalty or delayed payment of consideration shall be the date on which the supplier received such additional consideration. **Discussion and Conclusion:** Thus, time of supply in respect of interest would be the date on which the supplier has received such additional consideration, i.e. 02.02.2018. Further, Mr. P is required to make payment of tax on or before 20th of March, 2018.

Q 14. Investigation shows that ABC & Co carried out service of cleaning and repairs of tanks in an apartment complex, for which the Apartment Owners' Association showed a payment in cash on 4th April to them against work of this description. The dates of the work are not clear from the records of ABC & Co. ABC & Co have not issued invoice or entered the payment in their books of account.

Answer: Legal Provision: The time of supply cannot be determined vide the provisions of clauses (a) and (b) of section 13(2) as neither the invoice has been issued nor the date of provision of service is available as also the date of receipt of payment in the books of the supplier is also not available. Therefore, the time of supply will be determined vide clause (c) of section 13(2) i.e., the date on which the recipient of service shows receipt of the service in his books of account.

Discussion and Conclusion: Thus, time of supply will be 4th April, the date on which the Apartment Owners' Association records the receipt of service in its books of account.

Q 15. Gas is supplied by a pipeline. Monthly payments are made by the recipient as per contract. Every quarter, invoice is issued by the supplier supported by a statement of the goods dispatched and payments made, and the recipient has to pay the differential amount, if any. The details of the various events are:

August 5, September 5, October 6	Payments of Rs. 2 lakhs made in each month
October 03	Statement of accounts issued by supplier, with invoice for the quarter July – September
October 17	Differential payment of Rs. 56,000 received by supplier for the quarter July – September as per statement of accounts

Answer: Legal Provision: 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.

As per section 31(4), in case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice is issued before or at the time of each such statement is issued or, as the case may be, each such payment is received. Therefore, invoice should be issued on August 5, September 5 and October 6 when monthly payments of ` 2 lakh are received.

Discussion and Conclusion: Thus, time of supply will be August 5, September 5 and October 6 respectively for goods valued at ` 2 lakh each. Time of supply for goods valued at ` 56,000 will be October 3, the date of issuance of invoice.

Q 16. Determine the time of supply from the given information.

May-04	Supplier invoices goods taxable on reverse charge basis to Bridge & Co. (30 days from the date of issuance of invoice elapse on June 3)
May-12	Bridge & Co receives the goods
May-30	Bridge & Co makes the payment

Answer: Legal Provision: The time of supply, being the earliest of the three stipulated dates namely,

- receipt of goods,
- date of payment and
- date immediately following 30 days of issuance of invoice [Section 12(3)].
(Here, date of invoice is relevant only for calculating thirty days from that date.)

Conclusion: Here, May 12 will be time of supply

Q 17. Determine the time of supply from the given information.

May 4	Supplier invoices goods taxable on reverse charge basis to Pillar & Co. (30 days from the date of issuance of invoice elapse on June 3)
June 12	Pillar & Co receives the goods, which were held up in transit
July 3	Payment made for the goods

Answer: Here, June 4, 31st day from the date of supplier's invoice, will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)].

Q 18. Determine the time of supply from the given information.

6 th May	Booking of convention hall, sum agreed Rs 15000, advance of Rs. 3000 received
15 th September	Function held in convention hall
27 th October	Invoice issued for Rs. 15000, indicating balance of Rs. 12000 payable

3 rd November	Balance payment of Rs. 12000 received
--------------------------	---------------------------------------

Answer: As per section 31(2) read with rule 47 of CGST Rules, the tax invoice is to be issued within 30 days of supply of service. In the given case, the invoice is not issued within the prescribed time limit. As per section 13(2)(b), in a case where the invoice is not issued within the prescribed time, the time of supply of service is the date of provision of service or receipt of payment, whichever is earlier.

Therefore, the time of supply of service to the extent of Rs. 3,000 is 6th May as the date of payment of Rs. 3000 is earlier than the date of provision of service. The time of supply of service to the extent of the balance Rs. 12,000 is 15th September which is the date of provision of service.

Q 19. Pillai Pvt. Ltd. of Chennai is in business of providing taxable goods. It received an order from Raghu Pvt. Ltd. to deliver the goods (which involved movement of goods) at their office located in Mumbai. Following are the details provided.

Determine the Time of Supply in the following cases:

Sr No.	Date of Removal	Date of Invoice	Date when goods made available to recipient	Date of recipient of Payment
1	2/11/2018	3/11/2018	4/11/2018	15/12/2018
2	3/10/2018	1/10/2018	4/10/2018	25/11/2018
3	4/11/2018	4/11/2018	6/11/2018	10/10/2018

Answer: Legal Provision: As per Section 12 of the CGST Act, 2017, the time of supply of goods shall be the earliest of the following:

- (a) Date of issue of invoice; or
- (b) Last date of issue of invoice; or

Note : As per Sec 31(1) in case of movement of goods the invoice shall be issued before or at the time of removal of goods for supply to the recipient

- (c) Date on which payment is entered in books of accounts of the supplier; or

(d) Date on which payment is credited to the bank account.

Sr No	Date of Removal	Date of Invoice	Time of supply
1	02/11/2018	03/11/2018	02/11/2018
2	03/10/2018	01/10/2018	01/10/2018
3	04/11/2018	04/11/2018	04/11/2018

Note: As per N/N 66/2017 – CT Dated 15/11/2017, time of supply of goods shall be as per section 12(2) (a) i.e. Invoice or last date of invoice. Thus in case of supply goods TOS is not on invoice received & the above provision is applicable to all registered persons.

Q 20. Fortune Ltd has purchased for its employees 100 vouchers dated 14/12/2017 worth ₹ 2000 each from ABC Ltd, a footwear manufacturing company for specific footwear. The vouchers were issued by ABC 15/12/2017. The vouchers can be encashed at retail outlets of ABC Ltd. The employees of XYZ Ltd. encashed the same on 01/01/2018, Determine the time of supply for the same.

Answer: Legal Provision: In terms of Section 12(4) of the CGST Act, 2017, time of supply of vouchers shall earliest of the following:

- (a) Date of issue of voucher, if the supply is identifiable at that point; or
- (b) Date of redemption of voucher, in all other cases.

Discussion: As per the above stated Section time of supply shall be the date of issue of voucher if the supply is identifiable at that point. In the above case supply is identifiable as it specifically pertains to footwear.

Conclusion: Hence, time of supply is 15/12/2017

Q 21. Ms Vidhi purchased a gift voucher from shoppers stop (a departmental store) Rs.

2500 on 30/10/2017 and gifted it to her friend on occasion of her birthday on 04/12/2017 friend encashed the same on 01/01/2018. Determine the supply

Answers: Legal Provision: In terms of Section 12(4) of the CGST Act, 2017, time of supply of voucher shall be earliest of the following:

- (a) Date of issue of voucher, if the supply is identifiable at that point; or
- (b) Date of redemption of voucher, in all other cases.

Discussion: As per the above stated Section time of supply shall be the date of redemption of the voucher in case the supply is not identifiable at that point. The voucher given is that of a departmental store offering a variety of products and the voucher can be purchase any product.

Conclusion: hence, time of supply is 1/1/2018

Q 22. Mr. A a registered supplier supplied certain goods to Mr. B on 6 Months credit with a penalty clause in the agreement levying a penalty of 12% p.a. of the invoice value in case of delayed payment. The invoice was dated 01/12/2017 and invoice value was ₹ 2000. Mr. B could not make the payment on the due date due, to unavoidable reasons. He however made the payment of the invoice value on 01/06/2018. Mr. A raised a debit note for the penalty amount. There being dispute on this, the matter was in arbitration which was finally resolved with Mr. B agreeing to pay half of the penalty amount. The amount was paid by 12/12/2018 Determine the time of supply.

Answer: Legal Provision: The above case falls within the purview of Section 12(6) of CGST Act. The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value. i.e. Date of Receipt of Payment.

Discussion: As per the above stated Section time of supply to the extent it relates to an addition value of supply by way of interest, late fee or penalty for delayed payment consideration shall be the date on which the supplier receives such addition in value.

Conclusion: For the amount received as penalty the time of supply shall be 12/12/2018.

Q 23. Excel 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 same dispute about the condition of the devices on return. The payments made in December. What is the method to fix the time of supply of the service?

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

Q 24. Determine whether the following services amount to continuous supply of following case:

XYZ & Co., a firm of interior decorators, enters in to a contract with Mr. X 01.08.2018 for doing up the interiors of his newly constructed home for consideration of ₹ 60 lakh. As per the terms of the contract, XYZ & Co. will complete work by 31.01.2019 and consideration will be paid in six equal installments on the, of each month covered during the period of contract.

Answer: Legal Provision: As per sec 2(33) of CGST Act, "Continuous supply of services" supply of services which is provided, or agreed to be provided, continuously or on basis, under a contract, for a period exceeding three months with periodic

obligations and includes supply of such services as the Government may, subject conditions, as it may, by notification, specify.

Conclusion: Since in the given case, service is provided for a period of six months obligation of periodic payment, the same will amount to continuous supply of services.

Q 25. Mr. X took telecommunication service from Idea Cellular Ltd. For the month of January, 2019 amount was ₹ 5,000. He made a payment of ₹ 5,500 with an instruction to excess payment against next month's bill, and hence the same was adjusted by case of his next month bill payable on 5/3/2018 (invoice issued on same date). Determine the time of supply with regard to such excess payment in light of the GST law.

Answer: legal Provision: As per the Section 13(2) where the supplier of taxable service receives an amounts to one thousand rupees in excess of the amount indicated in the tax invoice, the of supply to the extent of such excess amount shall, at the option of the said shall be the date of issue of invoice in respect of such excess amount. Excess amount above case is ₹ 500.

Conclusion: Hence, time of supply is 5/3/2018

Multiple Choice Questions

Q 1. Which of the section governs the provisions regarding determining time of supply of goods?

- a. Section 12 of CGST Act, 2017
- b. Section 7 of CGST Act, 2017
- c. Section 11 of CGST Act, 2017
- d. Section 13 of CGST Act, 2017

Answer: a; Section 12 of CGST Act, 2017

Q 2. Which of the section governs the provisions regarding determining time of supply of Services?

- a. Section 12 of CGST Act, 2017
- b. Section 7 of CGST Act, 2017
- c. Section 11 of CGST Act, 2017
- d. Section 13 of CGST Act, 2017

Answer: D; Section 13 of CGST Act, 2017

Q 3. As section 12, what is the date of receipt of payment?

- a. Date on which payment is entered in the books of account
- b. Date on which payment is credited to the bank account
- c. Either of (a) or (b)
- d. Earlier of (a) or (b)

Answer: D; Earlier of (a) or (b)

Q 4. As per Section 13, supplier of taxable Services receives an amount up to _____ in excess of the amount indicated in the tax invoice, the time of supply to the extent of such excess amount shall, at the option of the said supplier, be the date of issue of invoice in respect of such excess amount.

- a. 1000
- b. 100

- c. 500
- d. 5000

Answer: A; 1000

Q 5. As per section 12, Time of supply of goods in case of reverse charge mechanism will be earlier of following –

- a. Date of receipt of goods
- b. Date on which the payment is made
- c. Date immediately following 30 days from the date of issue of invoice by the supplier
- d. Earlier of (a) or (b) or (c)

Answer: D; Earlier of (a) or (b) or (c)

Q 6. 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 or at the date of supply
- b. 6 months from the date of removal
- c. Earlier of (a) or (b)
- d. Later of (a) or (b)

Answer: C; Earlier of (a) or (b)

Q 7. The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date.

- a. on which the supplier receives such addition in value. i.e. Date of Receipt of Payment.
- b. Date of invoice in relation to such payment
- c. Earlier of (a) or (b)
- d. Neither of (a) or (b)

Answer: A; on which the supplier receives such addition in value. i.e. Date of Receipt of Payment.

Q 8. Continuous supply of services means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding_____with_____payment obligations.

- a. 1 year, annual
- b. 3 months, periodic
- c. 6 months, half yearly
- d. 1 year, periodic

Answer: B; 3 months, periodic

Q 9. In case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be the

- a. date of entry in the books of account of the recipient of supply or
- b. the date of payment,
- c. earlier of (a) or (b)
- d. Later of (a) or (b)

Answer: C; earlier of (a) or (b)

Q 10. Mr. Harish has received the payment, but has not deposited the cheque in the bank account, what is the date of receipt of payment?

- a. Date of receipt of payment
- b. Date of credit in the bank account
- c. Date on which payment is entered in the books of account of the supplier
- d. Earlier of (b) or (c)

Answer: D; Earlier of (b) or (c)

Q 11. As per Section 14, Determine the amount of GST in case of supply of service of Rs.10,00,000 on 04.09.2018 and invoice has also been issued on the same date. The date of payment is 30.8.2018. the CGST rate has been increased from 5% to 12% w.e.f. 1.9.2018.

- a. Rate – 5 %, GST – Rs. 50000
- b. Rate – 12%, GST – Rs. 120000

c. Rate – 5%, GST – Rs. 120000

d. Rate – 12%, GST – Rs. 50000

Answer: B; Rate – 12%, GST – Rs. 120000

Q 12. GST Council, has issued **Notification No. _____** to specify that a registered person (excluding composition supplier) should 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.

a. Notification no. 10/2017 – CT dated 15.11.2017

b. Notification no. 66/2017 – CT dated 15.11.2017

c. Notification no. 70/2017 – CT dated 15.11.2017

d. None of the above

Answer: B; Notification no. 66/2017 – CT dated 15.11.2017

Q 13. As per section 14, In which of the following situations, 'Old rate' shall be applicable?

a. When the supply of goods and receipt of payment has been done after the change in rate of tax but issue of invoice is before the change in rate of tax.

b. When the goods have been supplied before the change in rate of tax but issue of invoice and receipt of payment is after the change in rate of tax.

c. When the goods have been supplied after the change in rate of tax but issue of invoice and receipt of payment is before the change in rate of tax.

d. When the supply of goods and issue of invoice has been done after the change in rate of tax but receipt of payment is before the change in rate of tax.

Answer: C; When the goods have been supplied after the change in rate of tax but issue of invoice and receipt of payment is before the change in rate of tax.

Q 14. Mr. A entered into a contract with Mr. C and agreed to make the payment by 30th September, 2018. If the payment is not made in time, then he shall pay late

fees Rs.100 / day. No payment of late fees has been made so far. What shall be the time of supply in respect of the late fees due on Mr. A?

- a. 30th September, 2018
- b. 31st October, 2018
- c. TOS has not arisen since payment of late fees has not been made
- d. None of the above.

Answer: C; TOS has not arisen since payment of late fees has not been made

Q 15. What is time of supply of goods, in case of forward charge?

- a. Date of issue of invoice
- b. Due date of issue of invoice
- c. Date of receipt of consideration by the supplier
- d. Earlier of (a) & (b)

Answer: D; Earlier of (a) & (b)

Q 16. Mr Roshan made some purchase of shoes from Metro shoes worth Rs. 5000/- and got a free voucher worth Rs. 1500/- which is redeemable at any outlet of metro shoes. Here what will be time of supply of voucher issued?

- a. Date of issue of voucher
- b. Date of redemption of voucher
- c. Earlier of (a) & (b)
- d. Later of (a) & (b)

Answer: A; Date of issue of voucher

Q 17. What is the time of supply of service if the invoice is issued within 30 days from the date of provision of service?

- a. Date of issue of invoice
- b. Date on which the supplier receives payment
- c. Date of provision of service

d. Earlier of (a) & (b)

Answer: D; Earlier of (a) & (b)

Q 18. What is the time of supply of service in case of reverse charge mechanism?

a. Date of payment

b. Date immediately following 60 days from the date of issue of invoice

c. Date of invoice

d. Earlier of (a) or (b)

Answer: D; Earlier of (a) or (b)

Q 19. Value of services rendered is Rs. 1,00,000/-. Date of issue of invoice is 5th October 2018. Advance Received is Rs. 25,000/- on 20th September 2018. Balance amount received on 7th October 2018. What is the time of supply for Rs. 1,00,000/-

a. 5th October 2018 for Rs. 1,00,000/-

b. 20th September 2018 for Rs. 1,00,000/-

c. 20th September 2018- Rs.25,000/- and 5th October 2018 for Rs. 75,000/-

d. 20th September 2018- Rs. 25,000/- and 7th October 2018 for Rs. 75,000/-

Answer: C; 20th September 2018- Rs.25,000/- and 5th October 2018 for Rs. 75,000/-

Q 20. There was increase in tax rate from 20% to 24% w.e.f.1.09.2018. Which of the following rate is applicable when services are provided after change in rate of tax in September 2018, but invoice issued and payment received, both in August, 2018:

a. 20% as it is lower of the two

b. 24% as it is higher of the two

c. 20% as invoice and payment were received prior to rate change

d. 24% as the supply was completed after rate change

Answer: C; 20% as invoice and payment were received prior to rate change

Q 21. There was increase in tax rate from 20% to 24% w.e.f.1.9.2018. Which of the following rate is applicable if the supplier has not opted for composition levy say Sita Manufacturers, Delhi supplies goods to Aakash Electronics, Dehradun. Further, Goods were removed from its factory in Delhi on 31.08.2018; invoice is issued on 31.08.2018 and payment is received on 4.09.2018.

- a. 20% as it is lower of the two
- b. 24% as it is higher of the two
- c. 20% as date of invoice and dispatch of goods from factory, has happened before change of rate
- d. 24% as both, payment and completion of supply, has happened after change of rate

Answer: C; 20% as date of invoice and dispatch of goods from factory, has happened before change of rate

Q 22. The time limit for issue of tax invoice in case of continuous supply of goods:

- a. At the time of issue of statement of account where successive accounts are involved
- b. At the time of receipt of payment, if payments are received prior to issue of accounts
- c. On a monthly basis
- d. As and when demanded by the recipient.

Answer: A; At the time of issue of statement of account where successive accounts are involved

7 – Value of Supply

Exercise Questions & Answers:

Q 1. In accordance with the provisions of GST Act, Give answer for the following pertaining to supply:

1. Are the valuation provisions similar for both Inter – state and intra – state supplies?
2. Will the valuation rules provided in Section 15 apply to IGST payable on import of goods?
3. Will the Customs Valuation apply to IGST payable on import of services?

Answer: Answer to above questions are mentioned below:

- 1) As per sec 9 of CGST Act, levy is on into state supply where value shall be determined as per sec 15 of CGST act. Also, as per sec 5 of IGST Act, levy is on interstate supply of goods or services where value shall be determined as per sec 15 of CGST Act. Hence, Valuation provisions are similar for interstate & interstate supply.
- 2) As per proviso to sec 5(1) IGST is payable on imported goods, where value shall determined as per the provisions of Customs Act, Hence provision of sec 15 is not applicable for calculation IGST on imported goods.
- 3) No, Value of import services shall be determined as per the provisions of sec 15 CGST Act read with Rules.

Q 2. Can any addition be made to the contracted price when 'Transaction Value' is acceptable?

Answer: Yes. Section 15 of CGST Act, provides for inclusions to the transaction value (on which GST will be payable). The below are broadly, the inclusions prescribed:

- (a) Any taxes, duties, ceases, fees and charges levied under a law other than the GST law, if charged separately by the suppliers;
- (b) Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by recipient, but not included in the price;

- (c) Incidental expenses, including commission and packing, charged by the supplier to the recipient, and any amount charged for anything done by the supplier in respect of the supply until delivery of goods or supply of services;
- (d) Interest or late fee or penalty for delayed payment of any consideration for any supply; and
- (e) Subsidies directly linked to the price excluding subsidies provided by the Government.

Q 3. In certain cases, the selling price of the final product is less since subsidy is received from Government. Are subsidies received from Government required to be included in the transaction value?

Answer: As per the definition of Consideration, any subsidy received from the government shall not be treated as a part of consideration for supply of goods or services. Also, as per sec 15(2)(e), Subsidies received by the supplier, from Central / State Governments are not required to be included in the transaction value of supplies affected by him, even if the subsidies are directly linked to the supplies made by him.
Hence, Subsidy received from Government is not to be added in the transaction value.

Q 4. In accordance with GST Act, Give answer to the following pertaining to value of supply:

1. Are transport charges for supply, paid by the supplier required to be included in the transaction value?
2. Will GST be applicable on any interest charged for payment after the credit period?

Answer:

- 1) As per Section 15(2)(c) All the expenses incurred by the supplier, in relation to the supply, - are required to be included, also expenses related to anything done by supplier to be added in value in the transaction value to the extent they are charged for.

Even if the contract is for delivery of goods ex – factory, and the supplier incurs the cost of transportation on behalf of the recipient for delivery of goods to the recipient, the cost should be included in the transaction value if the supplier charged the recipient for the same.

- 2) As per section 15(2)(d) Interest, penalty or late fee charged from the customer would also be liable to GST. As per provision of Sec 13(6) of Time of supply the GST liability on such values can be paid only on receiving such additional amounts.

Q 5. Mr. Lokesh has conducted a market survey for Mr. Vishal. However, Mr. Lokesh has not charged any fee for such services as Mr. Vishal happens to be his best friend is GST payable on such free service? Explain.

Answer: As per Section 7(1)(a) of CGST Act, when any supply of goods or services are made or agrees to be made for consideration in the course of business then it is liable to GST.

Thus free supply of goods or service not liable to GST unless it is covered in Schedule I. In the given case Mr. Lokesh & Mr. Vishal both are best friends & not related party here not covered in Schedule I.

Hence, no GST is payable on free supply of service by Mr. Lokesh

Q 6. Asha Traders dealing in supply of garments and details mentioned below:

- a) Value of Taxable Supply of garments is Rs 45,000
- b) Subsidy directly linked to the supply and received from a Trust engaged in promotion of such garment is Rs 12,000
- c) Subsidy from Central Government for promoting such units is Rs 9,000, determine the Transaction Value of supply as per section 15 of CGST Act.

Answer: Computation of value of supply as per section 15 of CGST Act

Particulars	Amount
Value of taxable of supply of garments	45000
Subsidy received from trust (As per Section 15(2)(e) since the subsidy is not received from CG or SG so it will be included in value of supply)	12000

Subsidy received from government of India (As per section 15(2)(e) of CGST ACT, 2017 such subsidy amount shall not be included)	0
Value of taxable of supply	57000

Q 7. M/s. Sam Pvt. Ltd. supplied tool parts to ABC Pvt. Ltd. for a consideration of Rs. 2,50,000 exclusive of taxes. ABC Pvt. Ltd. also gave some material to M/s. Sam Pvt. Ltd. as consideration for such supply whose value was Rs. 50,000 exclusive of Taxes M/s. Sam has supplied the same goods to another person at a price of Rs. 3,25,000 inclusive of GST @ 18% Determine the value of supply.

i) What would your answer be if price of Rs. 3,25,000 is not available at the time of supply of goods to ABC Pvt. Ltd.

ii) What would your answer be in above case if open market value of supply is also not available but at the time of supply of goods by M/s. Sam. Identical goods have been supplied at value of Rs. 3.17,000 excluding taxes.

Answer: Legal Provision: As per Sec. 15 value of Supply shall be transactions value if:

- buyer and seller are not related and
- price is not sole consideration;

As per Rule 27 of CGST Rules, 2017 where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall:

- a) be the open market value of such supply
- b) if the open market value is not available, be the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money and if such further amount is known at the time of supply.
- c) If the value of supply is not determinable under clause (a) or clause (b) be the value if supply of goods or services or both of like kind and quality.

Determination of value of taxable supply for the given cases:

In case where open market value is available then it shall be taken as value of supply this shall be determined as under:

Particulars	Amount
Price charged from another recipient	325000
Less: GST included in the above price (Rs. 325000 x 18/118)	49576
Open market value of supply of goods	275424

Thus, the value of supply shall be Rs. 275,424

- I. If open market value is not available, the value of taxable supply shall be determined as under:

Particulars	Amount
Consideration in money	250000
Value of Non-monetary consideration –Value of goods Known at time of supply	50000
Value of taxable supply	300000

- II. If open market value is not available as well as value of equivalent consideration is not available then value of supply shall be value of like kind and quality i.e., Rs. 3,17,000

- Q 8. Determine the value of supply and the GST liability, to be collected and paid by the owner, with the following particulars:

Particulars	Amount
Rent of the commercial building	1800000
Maintenance charges collected by local society from the owner and reimbursed by the tenant	250000
Owner intends to charge GST on refundable advance, as GST is applicable on advance	600000
Municipal taxes paid by the owner	300000

Rent and maintenance charges are exclusive of GST.

GST rates applicable on renting of business premises is as follows:

CGST 9%

SGST 9%

Provide suitable explanations where required.

Answer: Computation of Value of Taxable Supply

Particulars	Amount
Rent of the commercial building	1800000
Maintenance charges collected by the local society from the owner and reimbursed by the tenant [Note-1]	250000
Refundable advance [Note-2]	Nil
Municipal taxes paid by the owner [Note-3]	Nil
Value of Supply	2050000
CGST @ 9%	184500
SGST @ 9%	184500

Notes:-

- Being reimbursed by the tenant, such charges ultimately form part of the rent paid by the tenant to the owner and thus, will form part of the value.
- Being refundable, the advance is in the nature of security deposit which does not constitute consideration in terms of section 2(31) of the CGST Act, 2017 and thus, is not includible in the value.
- Being an expenditure incurred by the supplier, the same is not includible in the value, assuming that such taxes are not charged to the recipient.

Q 9. Cool Trade Links Pvt. Ltd. is a registered manufacturer of premium ceiling fans. It sells its fans exclusively through distributors appointed across the country. The maximum retail price (MRP) printed on the package of a fan is Rs. 10,000. The company sells the ceiling fans to distributors at Rs. 7,000 per fan (exclusive of applicable taxes). The applicable rate of GST on ceiling fans is 18%. The stock is dispatched to the distributors on quarterly basis - stock for a quarter being dispatched in the second week of the month preceding the relevant quarter.

However, additional stock is dispatched at any point of the year if the company receives a requisition to that effect from any of its distributors. The company charges Rs. 1,000 per fan from distributors towards packing expenses. The company has a policy to offer a discount of 10% (per fan) on fans supplied to the distributors for a quarter, if the distributors sell 500 fans in the preceding quarter. The discount is offered on the price at which the fans are sold to the distributors (excluding all charges and taxes). The company appoints Gupta Sales as a distributor on 1st April and dispatches 750 fans on 8th April as stock for the quarter April-June. Gupta Sales places a purchase order of 1,000 fans with the company for the quarter July-September. The order is dispatched by the company on 10th June and the same is received by the distributor on 18th June. The distributor makes the payment for the fans on 26th June and avails applicable input tax credit. The distributor reports sales of 700 fans for the quarter April-June and 850 fans for the quarter July-September. Examine the scenario with reference to section 15 of the CGST Act, 2017 and compute the taxable value of fans supplied by Cool Trade Links Pvt. Ltd. to Gupta Sales for the quarter July-September.

Note: The supplier and the recipient of supply are not related and price is the sole consideration for the supply. Make suitable assumptions, wherever necessary.

Answer: Legal Provision: Section 15(3)(a) of the CGST Act allows discounts to be deducted from the value of taxable supply if the same is given before or at the time of the supply and if such discount has been duly recorded in the invoice issued in respect of such supply. In other words, pre-supply discounts recorded in invoices are allowed as deduction. Further, post supply discounts are also allowed as deduction from the value of supply under section 15(3)(b) of the CGST Act 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.

Discussion & Conclusion: In the given case, Gupta Sales is entitled for 10% discount on fans supplied by Cool Trade Links Pvt. Ltd. for the quarter July-September as it has sold more than 500 fans in the preceding quarter April-June. However, since the entire stock for the quarter July-September has already been despatched by Cool Trade Links Pvt. Ltd. in the month of June, the discounts on the fans supplied to Gupta Sales for the quarter July-September will be a post-supply discount.

Such post-supply discount will be allowed as a deduction from the value of supply since the discount policy was known before the time of such supply and the discount can be specifically linked to relevant invoices (invoices pertaining to fans supplied to Gupta Sales for the quarter July- September) provided Gupta Sales reverses the input tax credit attributable to the discount on the basis of document issued by Cool Trade Links Pvt. Ltd.

The value of supply will thus, be computed as under:

Particulars	Amount (In Rs.)
Price at which the fans are supplied to Prakash Sales [Note 1]	7000
Add: Packing expenses [Note 2]	1000
Less: Discount [Note 3]	-700
Value of taxable supply of one unit of fan	7300
Value of taxable supply of fans for the quarter July-September [Rs. 7,300 x 1,000]	73,00,000

Notes:

- (1) The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of section 15(1) of the CGST Act.
- (2) The value of supply includes incidental expenses like packing charges in

terms of section 15(2)(c) of the CGST Act.

- (3) Since all the conditions specified in section 15(3)(b) of the CGST Act have been fulfilled, the post-supply discount will be allowed as deduction from the value of supply presuming that Gupta Sales has reversed the input tax credit attributable to such discount on the basis of document issued by Cool Trade Links Pvt. Ltd. The input tax credit to be reversed will work out to be Rs. 1.26 lakh $[1,000 \times (7,000 \times 10\%) \times 18\%]$.

Q 10. 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	Amount
Service charges	500000
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)]	20000
Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d) – Refer note below] (rounded off)	12712
Value of taxable Supply	532712

Note: The interest for delay in payment of consideration will be includible in the value of supply but the time of supply of such interest will be the date when such interest is received in terms of section 13(6). Such interest has been assumed

to be inclusive of GST and the value computed by making back calculations $[\text{Interest} / 100 + \text{tax rate}) \times 100]$.

Q 11. AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten or specified chemical residues. AKJ Foods Pvt. Ltd. does the testing and charges a testing fee for the same from the customer. AKJ Foods Pvt. Ltd. argues that such testing fees should not form part of the consideration for the sale as it is a separate activity. Is his argument correct in the light of section 15?

Answer: Legal Provision: Section 15(2) mandates the addition of certain elements to transaction value to arrive at taxable value. 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 taxable value.

Discussion & Conclusion: Since AKJ Foods Pvt. Ltd. does the testing before the delivery of goods, the charges therefor will be included in the taxable value. Therefore, AKJ Foods Pvt. Ltd.'s argument is not correct. The testing fee should be added to the price to arrive at taxable value of the consignment.

Q 12. A philanthropic association makes a substantial donation each year to a reputed private management institution to subsidise 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 taxable value of the service of coaching and instruction provided by the institution?

Answer: Legal Provision: 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 from the Government but is from a philanthropic association.

Conclusion: Therefore, the subsidy is to be added back to the price to arrive at the taxable value, which comes to Rs. 5 lakh a year.

Q 13. Mezda Banners, an advertising firm, gives an interest-free credit period of 30 days for payment by the customer. Its customer ABC paid for the supply 32 days after the supply of service. Mezda Banners waived the interest payable for delay of two days. The Department wants to add interest for two days as per contract. Should notional interest be added to the taxable value?

Answer: This is a supply that is valued as per transaction value under section 15(1) as the price is the sole consideration for the supply and the supply is made to unrelated person. The concept of transaction value has been expanded to include certain elements like interest which are actually payable. Once waived, the interest is not payable and is therefore, not to be added to transaction value.

Q 14. Easy Coupons Ltd. sells coupons that are redeemable against specified luxury food products at retail outlets. Each coupon has a face value of Rs. 900 but is redeemable for supplies worth Rs. 1000. What is the value of supply of such coupon under GST laws?

Answer: In terms of rule 32(6) of the CGST Rules relating to valuation, the value of a coupon is the money value of the goods redeemable against it. Therefore, though the coupon is sold for Rs.900, its value is Rs.1000.

Q 15. The supplies of commodity 'y' to the market are channelled through a State Marketing Corporation which conducts an auction each day to arrive at the price. Gupta and Co. supplies commodity 'y' through the State Marketing Corporation. How will this supply of 'y' by Gupta and Co. be valued for paying tax?

Answer: Legal Provision: The State Marketing Corporation is an 'agent' in the meaning of the expression as defined in section 2(5), which includes an auctioneer. Therefore, the value of supply of 'y' will be determined in terms of rule 29 of CGST Rules relating to valuation.

There is no open market for the first supply of commodity 'y', as it is compulsorily supplied to the State Marketing Corporation. However, Gupta & Co. has the option of valuing the supply of 'y' at 90% of price of goods of like kind and quality sold by the State Marketing Corporation to its unrelated customers.

If the value cannot be determined by this method, it needs to be determined on the basis of the cost plus 10% mark up as per rule 30 or on the basis of Best Judgement Method as per rule 31, in that order.

Q 16. A pharmaceutical company supplies a drug intermediate to its own unit in another State for conversion into formulations. The product is exclusive to this company, and there is no market sale in India of this drug intermediate. Goods of like kind and quality are also not available. How will the value of the supply of this drug intermediate be determined under GST laws?

Answer: *Since the supply is made to a distinct person, the same will be valued in accordance with rule 28 of CGST Rules relating to valuation.*

There is no open market value of the drug intermediate as also there are no like goods. Therefore, value of supply of such drug intermediate will be determined in terms of clause (c) of rule 28 i.e., by using rule 30. Thus, the value of supply of such drug intermediate will be 110% of its cost of production or manufacture.

However, if the recipient unit is eligible for full ITC, the value declared in the invoice will be deemed to be the open market value of the drug intermediate and thus, the invoice value will be the value of taxable supply.

Q 17. Siddhi Ltd. exported some goods to Samson Inc. of USA. It received US \$ 9,000 as consideration for the same and sold the foreign currency @ Rs. 61 per US dollar. Compute the value of supply of money changing service under GST law and rules made thereunder in the following cases:-

- a RBI reference rate for US dollar at that time is Rs. 62 per US dollar.*
- b RBI reference rate for US dollars is not available.*

- c What would be the value of supply if US \$ 9,000 are converted into UK £ 4,500. RBI reference rate at that time for US \$ is ` 63 per US dollar and for UK £ is ` 101 per UK Pound.

Answer:

- a Rule 32 of CGST Rules, 2017 inter alia provides that for a currency, when exchanged from, or to, Indian Rupees (INR), the value shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India (RBI) reference rate for that currency at that time, multiplied by the total units of currency. Hence, in the given case, value of taxable service would be as follows:-

$$\begin{aligned} & (\text{RBI reference rate for \$} - \text{Selling rate for \$}) \times \text{Total units of US \$} \\ & = \text{Rs. } (62-61) \times 9,000 \\ & = \text{Rs. } 9,000 \end{aligned}$$

- b If the RBI reference rate for a currency is not available, the value shall be 1% of the gross amount of Indian Rupees provided or received, by the person changing the money.

Hence, in the given case, value of taxable service would be as follows: -

$$\begin{aligned} & 1\% \text{ of Rs. } (61 \times 9,000) \\ & = \text{Rs. } 5,490. \end{aligned}$$

- c Here neither of currencies exchanged are in INR. Hence value supply shall be % of lesser of 2 amounts the person changing money would have received by converting them to INR on that day at reference rate of RBI

$$\text{Value 1} = \$ 9000 \times \text{Rs. } 63 / \$ = \text{Rs. } 567000$$

$$\text{Value 2} = £ 4,500 \times \text{Rs. } 101 / £ = \text{Rs. } 454500$$

Hence value of supply shall be 1 % of lower of above i.e. Rs. 4545 (1% of Rs. 454500)

Q 18. A manufacturer of machinery supplied a special machine to LM Furnishers.

Following details are provided in relation to amounts charged:

Sr No	Particulars	Amount
1	Price of machinery excluding taxes (before cash discount)	600000
2	Transit insurance	11000
3	Packing charges	9000
4	Extra charges for designing the machine	20000
5	Freight	12000

Charges mentioned in (ii) to (v) are not included in (i) above. Other information furnished is -

1. Cash discount @ 2% on price of machinery has been allowed to the customer at the time of supply and also recorded in invoice.
2. GST rate - 18%.

Calculate value of supply of the special machine.

Answer: Computation of value of special machine

Particulars	Amount
Price of machinery	600000
Add: Transit insurance [Note 1]	11000
Packing charges [Note 2]	9000
Extra design charges [Note 3]	20000
Freight [Note 1]	12000
Total	652000
Less: 2% cash discount on price of machinery [6,00,000 x 2%] [Note 4]	-12000
Value of Taxable Supply	640000

Notes:

- The given supply is a composite supply involving supply of goods (special machine) **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. Thus, tax rate applicable to the goods (special machine) has been considered

- ii. 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.
- iii. 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 includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.
- iv. 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.

Q 19. MNO is manufacturer of tobacco products, during the manufacturing process certain incidental expenses have been incurred by MNO Ltd which amounts to a total of Rs 75,000, purchase value of tobacco is Rs 1,75,000 also is subject to levy of excise duty charged of Rs 37,500 and GST is to be levied @ 28%. Compute the transaction value.

Answer: Computation of transaction value as per section 15 of CGST Act,

Particulars	Amount
Purchase value of tobacco	1,75,500
Add: incidental expenses (As per Section 15(2) any incidental expenses are to be included in value of supply)	75,000
Excise duty (Note)	37,500
Transaction value	2,87,500
GST @28%	80,500

Note: 1. As per section 15(2) (a) of CGST Act 2017, any taxes, duties, cases, fees and charges levied under a law other than the GST law, if charged separately

by the supplied should be included in the transaction value. Thus excise duty levied upon such goods shall be included.

Q 20. Mr. Shubham located in Nagpur purchases 1000 Parker ink pens worth Rs 500000 from SK enterprises wholesalers located in Pune. Mr. Shubham's wife is an employee of SK Enterprises. The price of each Parker pen in the open market is Rs. 400/ Per unit. The supplier additionally charges Rs 4000 for delivery of the goods to the business premises of recipient. Determine the value of supply as per GST Act.

Answer: Legal Provision: As per sec 15(1), Value of supply is transaction value i.e. price actually paid or payable for supply where

- Buyer & Seller are not related &
- Price is sole consideration

Discussion & Conclusion: In given case, Mr. Shubham's wife is employee in SK enterprises, they are not treated as related person henceforth the value of supply is actual price i.e. Rs. 500000 & delivery charges of Rs 4,000 to be included i.e. Rs 5,04,000.

Note: Delivery charges incidental expenses as per sec 15(2)(c) to be added to transaction value.

Q 21. An assessee sold certain goods to ABC Ltd. for Rs 30,000 (excluding GST and other taxes) on 15.10.2017. The buyer, ABC Ltd. is a related person as defined under GST Act. It did not sell the goods, but used it as intermediary product. The cost of production of the said goods determined as per CAS - 4 was Rs 14,000. Determine the value of supply in the given case.

Answer: Legal Provision: The given case falls under the ambit related person it seems to be stock transfer of goods where supply of goods is been used as an intermediary in manufacture of product.

The transaction value shall not be accepted whereas value shall be computed as per Rule 28 of CGST Rules, which is specific for supply to related person.

Discussion & Conclusion: Thus, the value of supply shall be the open market value or like kind & quality if available but in the given case it's not given and also value of goods of like kind & quality not available and so we shall apply Rule 30 of CGST Rules i.e. value of supply = $14,000 \times 110\% = \text{Rs } 15,400$.

If the buyer eligible for ITC then declared value is treated as open market value.

Q 22. M/s Mayur Ltd, Delhi is an authorized money changer registered under FEMA, 1999 has entered the following transaction of supply of money changing:

1. 500 transactions of conversion of Dollar into Indian Rupees of Rs 30000 per transaction
2. 600 transactions of conversion of Dollar into Indian Rupees of Rs 1,20,000 per transaction
3. 800 transactions of conversion of Indian Rupees in Dollar of Rs 5,00,000 per transaction
4. 300 transactions of conversion of Dollar into Euro of Rs 100 lakhs per transaction

Compute the value of taxable supply and GST payable where M/s Mayur Ltd opted for option under Rule 32(2) (b) of CGST Rules. GST rate applicable is 18%

Answer:

Particulars	Rs
1. Conversion of Dollar into INR (up to Rs 1,00,000) $(\text{Rs } 30,000 \times 1\%) = \text{Rs } 300$ Hence higher amount of Rs 300 to be considered Rs 300 x 500	1,50,000
2. Conversion of Dollar into INR (up to Rs 10,00,000) $\text{Rs } 1,000 + (\text{Rs } 20,000) \times 0.5\%$ Rs 1100 x 600 transactions	6,60,000
3. Conversion of INR into Dollar (up to Rs 10,00,000) $\text{Rs } 1,000 + (\text{Rs } 4,00,000) \times 0.5\%$ Rs 3,000 x 800 transactions	24,00,000
4. Conversion of Dollar into Euro (exceeding Rs 10,00,000)	43,50,000

Rs 5,500 + (Rs. 9000000) x 0.1%	
Rs 14500 x 300 transactions [subject to a maximum of Rs 60,000]	

Q 23. Mr. Jai a 2nd hand car dealer purchases from Mr. Veeru and further sells the very same car to Mr. Gabbar after painting and renovation. The purchase price is Rs 300000 whereas the sale price is Rs 3,50,000 Mr. Jai has not taken input tax credit paid on purchase of such goods. Determine the value of supply as per GST. What would be your answer if ITC was taken on such goods?

Answer: Legal Provision: As per Rule 32(5) of CGST Rules, where a taxable supply is provided by a person dealing in buying and selling of second hand goods i.e., used goods as such or after such mines processing which does not change the nature of the goods and where no input tax credit has been availed on the purchase of such goods.

Discussion & Conclusion: Thus, the value of supply shall be the difference between the selling price and the purchase price i.e. Rs 50,000 (Rs 3,50,000 - Rs 3,00,000) as per GST Act.

If in case ITC was taken on such goods then the answer will be different as in that case the supplier would not be eligible to opt of marginal scheme and the GST shall be charged on the entire sales value i.e. on Rs 3,50,000/-

Q 24. Mr. Ramu has taken a loan on 01-01-2018 from SREI Finance corp ltd. worth of Rs 5,00,000 and he purchased a il0 Car. He has defaulted in paying the loan amount and subsequently the lending company repossessed the il0 car from Mr. Ramu on 01.06.2018. The said goods were sold by the SREI Finance corp on 01-02-2020. Determine the value of supply for levy of GST?

Answer: Legal Provision: As per proviso to Rule 32(5) of CGST rules, the purchase value of goods repossessed from a defaulting barrower, who is not registered, for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting barrower reduced by 5% for every quarter

or part thereof, **between the date of purchase and the date of disposal by the person making such repossession.**

Discussion & Conclusion: Thus, in the given case purchase value for lending company will be Rs 275000 (Rs 5,00,000 – 5% per quarter i.e. January 2018 to February 2020 = 9 quarter).

Q 25. Power Engineering Pvt. Ltd., a registered supplier, is engaged in providing expert maintenance and repair services for large power plants that are in the nature of immovable property, situated all over India. The company has its Head Office at Bangalore, Kamataka and branch offices in other States. The work is done in the following manner.

- The company has self-contained mobile workshops, which are container trucks fitted out for carrying out the repairs. The trucks are equipped with items like repair equipment's, consumables, tools, parts etc. to handle a wide variety of repair work.
- The truck is sent to the client location for carrying out the repair work. Depending upon the repairs to be done, the equipment, consumables, tools, parts etc. are used from the stock of such items carried in the truck.
- In some cases, a stand-alone machine is also sent to the client's premises in such truck for carrying out the repair work.
- The customer is billed after the completion of the repair work depending upon the nature of the work and the actual quantity of consumables, parts etc. used in the repair work.
- Sometimes the truck is sent to the company's own location in other State(s) from where it is further sent to client locations for repairs.
- Work out the GST liability [CGST & SGST or I GST, as the case may be] of Power Engineering Pvt. Ltd., Bangalore on the basis of the facts as described, read with the following data for the month of November 20XX.

Sr. No.	Particulars	Amount
A	Truck sent to own location in Tamil Nadu (i) Value of items contained in the truck - Rs. 3,00,000 (ii) Value of truck- Rs. 25,00,000	
B	Truck sent to a client location in Tamil Nadu for carrying out repairs. Stand- alone machine is also sent in the truck to client location for repairs (i) Value of items contained in the truck - Rs. 2,85,000 (ii) Value of stand-alone machine - Rs. 4,00,000 (iii) Value of truck-Rs. 20,00,000 (Billing for repairs to be done afterwards depending upon the actual items used)	
C	Truck sent to a client location in Karnataka for carrying out repairs (i) Value of items contained in the truck - Rs. 1,06,000 (ii) Value of truck-Rs. 20,00,000 (Billing for repairs to be done afterwards depending upon the actual items used)	
D	Invoices raised for repair work carried out in Tamil Nadu [including the invoice for repair work done in 'B'] -	7000000
E	Invoices raised for repair work carried out in Karnataka [including the invoice for repair work done in 'C']	1200000

Also, specify the document(s), if any, which need to be issued by Power Engineering Pvt. Ltd., Bangalore for the above transactions. All the given amounts are exclusive of GST, wherever applicable. Assume the rates of taxes to be as under:

Items used for repairs		
CGST - 6%	SGST - 6%	IGST - 6%
Container truck Stand-alone machines		
CGST - 2.5%	SGST - 2.5%	IGST - 2.5%
Works contract for repairs and maintenance of immovable property		
CGST - 9%	SGST - 9%	IGST - 9%

You are required to make suitable assumptions, wherever necessary

Answer: Computation of GST Liability of power Engineering Pvt. Ltd, Bangalore for the month of November 20XX

Sr	Particulars	Notes	Amount
A	Items sent in container truck to own location in Tamil nadu - 1GST @12%	Note 1	36000
	Container truck sent to own location in Tamil nadu	Note 2	-
B	Standalone machine sent in container truck to client location in Tamil nadu , for carrying out repairs	Note 3	-
	Container truck sent to client location in Tamil nadu	Note 3	-
	Items sent in container truck to client location in Tamil nadu, for carrying out repairs	Note 4	-
C	Container truck sent to client location in Karnataka	Note 3	-
	Items sent in container truck to client location in Karnataka, for carrying out repairs	Note 4	-
D	Invoices raised for repair work carried out in Tamil Nadu: 1GST @18%	Note 5 & 6	1260000
E	Invoices raised for repair work carried out in Karnataka: CGST 9% +SGST 9%	Note 5 & 7	2160000
Total GST Liability			2196000

Working Notes:

- Movement of goods without any considerations to a distinct person as specified in section 25 (4) of the CGST Act, 2017 is deemed to be a supply in terms of schedule I of the said Act. the purchase value is taken as taxable value, being the open market value in terms of rule 28 (a) of the CGST

rules 2017. (However, if the regional office is eligible to take full input tax credit, any value may be declared in the tax invoice and that will be taken to be the open market value in terms of the second provision to the same rules).

In the given case,

- The location of the supplier is in Bangalore (Karnataka) and
- The place of supply of items at which the movement of goods terminates for delivery to the recipient i.e. Tamil nadu in terms of section 10(1) (a) of the IGST Act, 2017.

Therefore the given supply of items is an inter –state supply as the location of the supplier and the place of supply are in two different states [section 7(1) (a) of IGST Act, 2017] thus the supply is leviable to IGST in terms of section 5(1) of the IGST Act, 2017. Since the activity is a supply, a tax invoice is to be issued by power engineering pvt. ltd in terms of section 31(1) (a) of the CGST act, 2017 for sending the items to its own location in Tamil nadu.

- ii. As per section 25(4) of the CGST Act, 2017 a person who has been 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 ,can be treated as ‘distinct person’. Schedule 1 to the CGST Act, 2017 specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between ‘distinct persons’ as specified in section 25 of the CGST Act, 2017 , when made in the course or furtherance of business is one such activity included in schedule 1 under para 2. However, in view of the GST councils recommendations it has been clarified that the inter-state movement of various modes of conveyances between “distinct persons” as specified including trucks carrying goods or passengers or both for repairs and maintenance may be treated neither as a supply of goods nor supply of services and therefore will not be leviable to IGST applicable CGST/SGST/IGST, however shall be leviable on repairs and

maintenance done for such conveyance [circular no.1/1/2017/GST dated 07.07.2017] Since the activity is not a supply, tax invoice is not required to be issued by power engineering pvt. ltd however a delivery challan is to be issued by the company in terms of rule 55(1) (c) of CGST rules 2017 for sending the truck to its own location in Tamil nadu.

- iii. Supply of goods without consideration is deemed to be a supply inter alia when the goods are supplied to a distinct persons. however in this case stand-alone machine and container truck are move to client location and not between distinct persons, hence the same will fall outside the scope of definition of supply and will not be leviable to GST Here again a delivery challan is to be issued in terms of rule 55(1) © of CGST rules 2017 for sending the stand alone machines and container truck to client location.*
- iv. As per section 2(119) of the CGST Act, 2017, “works contract” means a contract for, inter alia, repair, maintenance of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract.*

In this case, the supplier provides maintenance and repair services for power plants that are in the nature of immovable property and uses consumables and parts, wherever necessary, for the repair. Hence, the contract is the contract is that of a works contract.

Further, as per section 2 (30) of the CGST Act,2017, a works contract is a ‘ composite supply’ as it consists of taxable supplies of both goods and services which are naturally bundled and supplied in conjunction with each other. The composite supply of works contract is treated as supply of service in terms of para 6 (a) of Schedule II to the CGST Act, 2017 The items used in relation to the repair and maintenance work could be consumables or could be identifiable items/parts. In either case, the transfer of prop0erty in goods is incidental to composite supply of works contract service. Thus, the value of the items actually used in the repairs will be included in the

invoice raised for the service and will be charges to tax at that point of time.

Here again, a delivery challan is to be issued in terms of rule 55(1) (c) of CGST Rules, 2017 for sending the items for carrying out the repairs.

- v. The activity is a composite supply of works contract, which is treated as supply of service. 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.

Since the activity is a supply of service, a tax invoice is to be issued by Power Engineering Pvt. Ltd. In terms of section 31 (2) of the CGST Act, 2017.

- vi. In the given case.

- The location of the supplier is in Bangalore (Karnataka) ; and
- The place of supply of works contract services relating to the power plant (immovable property) is the location at which the immovable property is located i.e., Tamil Nadu in terms of section 12(3)(a) of the IGST Act, 2017

Therefore, the given supply is an inter- State supply as the location of the supplier and the place of supply are in two [different State Section 7(1) (a) of IGST Act, 2017] Thus, the supply will be leviable to IGST in terms of section 5 (1) of the IGST Act, 2017.

- vii. In the given case, the location of the supplier and the place of supply of works contract services are within the same State. Therefore, the given supply is an intra-State supply in terms of section 8(1) of IGST Act, 2017 and thus, chargeable to CGST and SGST.

Q 26. ABC Ltd. Noida (Uttar Pradesh) is a supplier of machinery used for making bottle caps. The supply of machinery is effected as under :-

- The wholesale price of the machinery (excluding all taxes and other expenses at which it is supplied in the ordinary course of the business to various customers is Rs. 42,00,000. However the actual price at which the machinery is supplied to an individual customer varies within a range of + 10% depending upon the terms of contract of supply with the particular customer.
- Apart from the price of the machinery, ABC Ltd. charges from the customer the following incidental expenses:

A. associated handling and loading charges of Rs. 10,000

B. installation and commissioning charges of Rs. 100000

The machinery can be dismantled and erected at another site, if required. The above charges are compulsorily levied in every case of supply of machinery.

- Transportation of machinery to the customer's premises is arranged by ABC Ltd. through a third-party service provider (Goods Transport Agency (GTA)). The customer enters into a separate service contract with the GTA. and pays the freight directly to it.
- The Company provides one-year free warranty for the machinery. However, the Company also provides an extended two-year warranty on payment of additional charge of Rs. 300,000
- A cash discount of 2% on the price of the machinery is offered at the time of supply if the customer agrees to make the payment within 15 days of the receipt of the machinery at his premises. In the event of failure to make the payment within the stipulated time, the company recovers
 - A. the discount given; and
 - B. charges interest @ 1% per month or part of the month on the total amount due from the customer (towards the machinery supplied) from the date of making the supply till the date of payment. However, no interest is charged on the tax dues.
- For every machinery supplied ABC Ltd. receives a grant of Rs. 200,000 from its holding company DEF Ltd.

ABC Ltd. has supplied a machinery to D. Pvt. Ltd. on August 1, 20XX at a price of Rs. 40,00,000 (excluding all taxes) D. Pvt. Ltd. has its corporate office in New Delhi. However, the machinery has been installed at its manufacturing unit Located in Gurugram (Haryana) D. Pvt. Ltd. has paid the freight directly to the GTA and opted for two-year warranty. Discount @ 2% was given to D Pvt. Ltd. as it agreed to make the payment within 15 days. However, D Pvt. Ltd. paid the consideration on 31st October, 20XX.

Assume the rates of taxes to be as under:

Electric Motor Making Machine		
CGST - 6%	SGST - 6%	IGST - 6%
Service of transportation of Goods		
CGST - 2.5 %	SGST - 2.5%	IGST - 2.5%
Other Supply involved in the above supply		
CGST - 9 %	SGST - 9 %	IGST - 9 %

Calculate the GST payable [CGST & SGST or IGST, as the case may be] on the machinery and support your conclusions with legal provisions in the form of explanatory notes.

Make suitable assumptions, wherever needed.

Answer: Computation of GST Liability of Sudhir Works:

Particulars	Amount
Price of machine [Note 1]	4000000
Handling and loading charges [Note 2]	10000
Installation and commissioning charges [Note 2]	100000
Transportation cost [Note 3]	Nil
Additional warranty cost [Note 4]	300000
Grant from Randhir Engineering Ltd. [Note 5]	200000
Total price of the machine	4610000
Less: 2% cash discount on price of machinery = Rs. 40,00,000 × 2% [Note 6]	-80000
Taxable value of supply	4530000
Tax liability for the month of August, 20XX [Note 10]	

IGST @ 12% [Note 7 and Note 8]	543600
Tax liability for the month of November, 20XX [Note 10]	
Interest collected @ 3% on Rs. 44,10,000 [Note 9]	132300
Add: Cash discount recovered [Note 9]	80000
Cum-tax value of interest and cash discount	212300
IGST = (Rs. 2123000 / 112) x 12%	22746
Total IGST payable on the machinery	566346

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 when the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply. It is assumed that Sudhir Works Ltd. and Durga Pvt. Ltd are not related and the price is the sole consideration for the supply.
2. All incidental expenses 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. 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 includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.
3. Transportation cost has not been included in the value of supply of the machinery as it is a separate service contract between the customer and the third-party service provider. The customer pays the freight directly to the service provider.
The supplier (Sudhir Works Ltd.), in this case, merely arranges for the transport and does not provide the transport service on its own account. Tax will be separately levied on the supply of service of transportation of goods under reverse charge.
4. Warranty cost is includible in the value of the supply since transaction value includes all elements of the price excluding those that can be specifically excluded as per section 15 of the CGST Act.

5. Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments are includible in the value of supply in terms of section 15(2)(e) of the CGST Act, 2017.
6. Cash discount was deducted by Sudhir Works Ltd. upfront at the time of supply on September 1, 20XX and hence, the same is excluded from the value of supply as it did not form part of the transaction value.
7. In the given case-
- the location of the supplier is in Gurgaon (Haryana); and
 - the place of supply of machinery is the place of installation of the machinery i.e., New Delhi in terms of section 10(1)(d) of the IGST Act, 2017.

Therefore, the given supply is an inter-State supply as the location of the supplier and the place of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply will be leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

8. The given supply is a composite supply involving supply of goods (machinery) **and** services (handling and loading and installation and commissioning) 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. Thus, tax rate applicable to the goods (machinery) has been considered.
9. Interest for the delayed payment of any consideration for any supply is includible in the value of supply in terms of section 15(2)(d) of the CGST Act, 2017. Further, discount recovered will also be includible in the value of supply as now the transaction value i.e., the price actually paid for the machinery is devoid of any discount.

The cash discount not allowed and interest have to be considered as cum tax value and tax payable thereon has to be computed by making back calculations in terms of rule 35 of CGST Rules, 2017.

10. It has been assumed that the invoice for the supply has been issued on 1st August 2018, the date on which the supply is made. Thus, the time of supply of goods is 1st August 2018 in terms of Section 12(1)(a) of the CGST Act, 2018.

As per Section 12(6) of CGST Act, 2017, the time of supply in case of addition in value by way of interest, late fees, penalty etc. for delayed payment of consideration for goods is the date on which the supplier receives such addition in value.

Multiple Choice Questions

Q.1 As per section 15(1), transaction value of supply shall be -

- a. which is the price actually paid or payable for the said supply of goods or services or both
- b. where the supplier and the recipient of the supply are not related and
- c. The price is the sole consideration for the supply
- d. All of the above

Answer: D: All of the above.

Q.2 The rate of exchange for determination of value of taxable goods shall be the applicable rate of exchange as

- a. Notified by Board u/s 14 of Customs Act, 1962
- b. Rate as per GAAP
- c. Rate as prescribed by GST Council
- d. Prevailing Rate as per RBI

Answer: A: Notified by Board u/s 14 of Customs Act, 1962

Q.3 Consideration excludes:

- a. Payment in money or otherwise for supply
- b. Monetary value of an act or forbearance
- c. Subsidy by the Central and State Government
- d. All of the above.

Answer: C: Subsidy by the Central and State Government

Q.4 As per Section 15(2)(a), value of supply shall exclude:

- a. Any taxes, duties, cesses, fees etc
- b. CGST, SGST, UTGST
- c. Compensation Cess
- d. Both (b) and (c)

Answer: d: Both (b) and (c)

Q.5 What are the deductions allowed in transaction value?

- a. Discounts specified in the invoice
- b. Any payment made by customer on behalf of supplier
- c. Packing charges
- d. All of the above

Answer: a: Discounts specified in the invoice

Q.6 What are the conditions to be satisfied for excluding any expenditure incurred by a supplier as a pure agent of the recipient of supply under valuation?

- a. The supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorization by such recipient.
- b. The payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service
- c. The supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account
- d. All of the above

Answer: D: All of the above

Q.7 Incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services should be :

- a. Included in the value
- b. Excluded from the value
- c. As may be prescribed by GST Council
- d. None of the above

Answer: A: Included in the value

Q.8 The value of supply should include

- a. Any non-GST taxes, duties, cesses, fees charged by supplier separately
- b. Interest, late fee or penalty for delayed payment of any consideration for any supply of goods or services
- c. Subsidies directly linked to the price except subsidies provided by the Central and State Government
- d. All of the above

Answer: D: All of the above

Q.9 When can the transaction value be rejected for computation of value of supply

- a. When the buyer and seller are related and price is not the sole consideration
- b. When the buyer and seller are related or price is not the sole consideration
- c. It can never be rejected
- d. When the goods are sold at very low margins

Answer: B: When the buyer and seller are related or price is not the sole consideration

Q.10 What deductions are allowed from the transaction value

- a. Discounts offered to customers, subject to conditions
- b. Packing Charges, subject to conditions
- c. Amount paid by customer on behalf of the supplier, subject to conditions
- d. None of the above

Answer: A: Discounts offered to customers, subject to conditions

Q.11 Rule 30 of the CGST Rules inter alia provides value of supply of goods or services or both based on cost shall be% of cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services

- a. 100
- b. 10
- c. 90
- d. 110

Answer: D: 110

Q.12 As per Rule 31 of the CGST Rules, residual method for determination of value of supply of goods or services or both will apply when:

- a. Value of supply cannot be determined under Rules 27 to 30
- b. Value of supply determined is more than the open market value of goods
- c. Value of supply determined is more than the Value of supply of like kind and quality
- d. All of the above

Answer: A: Value of supply cannot be determined under Rules 27 to 30

Q.13 In terms of Rule 32(7) of the CGST Rules, the value of taxable services provided by such class of service providers as may be notified by the Government, on the recommendations of the Council, as referred to in paragraph 2 of Schedule 1 of the CGST Act between distinct persons as referred to in section 25, where ITC is available, shall be deemed to be ____

- a. Nil
- b. Value as may be prescribed by GST council
- c. 110% of value of Invoice
- d. None of the above

Answer: A: Nil

Q.14 Mr. Santa located in Nashik purchases 10,000 Hero ink pens worth Rs.4,00,000 from Lekhana Wholesalers located in Mumbai. Mr. Santa's wife is an employee in Lekhana Wholesalers. The price of each Hero pen in the open market is Rs.52. The supplier additionally charges Rs.5,000 for delivering the goods to the recipient's place of business. The value of such supply will be :

- a. Rs. 5,20,000
- b. Rs. 5,25,000
- c. Rs. 4,00,000
- d. Rs. 4,05,000

Answer: D: Rs. 405000.

Q.15 What will be the value of supply if Shashank supply Sony television set for Rs. 85000 along with the exchange of an old TV and if the price of the Sony television set without exchange is Rs. 1,00,000, the open market value of the Sony television set is:

- a. Rs. 85000
- b. Rs. 100000
- c. Rs. 185000
- d. None of the above

Answer: B: Rs. 100000

Q.16 Mr. X makes a supply of 30 shoes to Mr. Y. Here both are related persons. Mr. Y as such intends to further supply such shoes to his customers for Rs. 3,000. Open market value of such shoes is Rs.3,000. In such case, what shall be the value of supply per shoes?

- a. Rs. 3300
- b. Rs. 3000
- c. Rs. 2700
- d. (b) or (c) at the option of supplier

Answer: D: (b) or (c) at the option of supplier

Q.17 Salim is selling a product to Salman for Rs. 40,000. Open market value of the product is Rs.72,000. Both of them are related parties. Further, Salman is eligible to claim the ITC on the product. What shall be the value of supply in this case?

- a. Rs. 40,000
- b. Rs. 72,000
- c. Rs. 36000
- d. Rs. 44,000

Answer: A: Rs. 40,000

Q.18 Mr. A sells the goods to Mr. B for Rs.20,000 on 1st April, 2018 and allows him a credit period on 15 days post that penalty of Rs.10 per day shall be levied on the same for delayed payment. Mr. B makes a payment of Rs.20,150 on 30th April, 2018. What shall be the value on which tax shall be levied?

- a. Rs. 20,000
- b. Rs. 20,150
- c. (a) or (b) whichever is lower
- d. None of the above

Answer: B: Rs. 20150.

Q.19 ABC consultancy firm is engaged to register a company for XYZ Ltd. Other than professional fees ABC consultancy also recovers fees paid to ROC on behalf of the XYZ Ltd. Determine Value of Supply?

- a. Professional Fees
- b. ROC fees paid on behalf of XYZ Ltd.
- c. Both (a) and (b)
- d. None of the above

Answer: A: Professional Fees

Q.20 ABC Enterprises sold a bike for Rs .40,000 to XYZ Enterprises. Open market price of the bike is Rs.80,000. Both firms are registered under the same PAN. Determine the value of supply keeping in mind the fact that XYZ enterprises cannot take the credit of the same.

- a. Rs. 40000
- b. Rs. 80000
- c. Rs. 36000
- d. Rs. 88000

Answer: B: Rs. 80000

Q.21 M Ltd. sold a product for Rs.34,000 to Mr. N. Open market value of such supply is Rs. 60,000. Mr. N is selling the same like kind of product to his consumer for

Rs.60,000. Mr. N holds 30% share in M Ltd. Determine the value of supply for the purpose of levy of GST.

- a. Rs.34000
- b. Rs. 60000
- c. Rs. 54000
- d. Either (b) or (c), depending on the option of Mr. M

Answer: D: Either (b) or (c), depending on the option of Mr. M

Q.22 Mr. Arihant is selling a product for Rs. 11800/- (inclusive of tax) and applicable rate of CGST and SGST is 9 % each. Determine the value of supply.

- a. Rs. 11800
- b. Rs. 10000
- c. Rs. 10826
- d. Rs. 13924

Answer: B: Rs. 10000

Q.23 Mr. Yash is an Air Travel agent. He collected INR 50,000 (Basic fare for domestic booking) and INR 1,00,000 (Basic fare for International Booking). What shall be the value of supply under this case?

- a. Rs. 2,500
- b. Rs.10,000
- c. Rs.12,500
- d. Lower of (a), (b) and (c)

Answer: C: Rs. 12500

Q.24 What are the conditions prescribed for deduction of discount from the value of taxable supply, when made after supply?

- a. Discount allowed is linked to the relevant invoices
- b. Reversal of Proportionate ITC by the recipient of supply
- c. The discount is given as per agreement entered into at or before such supply
- d. All of the above

Answer: D: All of the above

Q.25 Mr. Sharad purchased certain goods worth INR 20,000 from ABC Ltd. As a matter of security, Mr. Sharad made a request to the supplier to provide for an additional packaging on the given item for safe transportation which cost around INR 1500. The supplier charged value of the additional packaging separately after the supply was made. What is the final value of such supply made?

- a. Rs. 20000
- b. Rs. 21500
- c. Lower of (a) & (b)
- d. None of the above

Answer: b: 21500

Q.26 XYZ Pvt. Ltd. gives discount of 30% on the list price to its distributors as per its contract. As per invoice raised on the items supplied per carton, the list price on the same amounts to INR 10000. What shall be the taxable value of such supply, given that the discount is allowed at the time of supply and shown in invoice?

- a. Rs. 7000
- b. Rs. 13000
- c. Rs. 8000
- d. Rs. 4200

Answer: A: Rs. 7000.

Q.27 What shall be the value of supply in case of Life Insurance Business services?

- a. The gross premium charged from a policy holder reduced by the amount allocated for investment, or savings on behalf of the policy holder
- b. In case of single premium annuity policies, 10% of single premium charged from the policy holder
- c. 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
- d. Either of the above options

Answer: D: Either of the above options depending upon the type of policy

Q.28 When are the provisions of Valuation Rules applicable?

- a. Price is not the sole consideration
- b. Parties are related
- c. Supplies are notified
- d. All of the above

Answer: D: All of the above

Q.29 ABC Private Ltd. being a registered person under GST purchased 2000 USD from XYZ at the rate of INR 70 per USD. RBI reference rate as on the date was INR 70.50. What shall be the value of such supply?

- a. Rs. 1000
- b. Rs. 2000
- c. Rs. 500
- d. Rs. 140000

Answer: A: Rs. 1000

Q.30 ABC Pvt. Ltd. being a registered person under GST sold 2000 USD to XYZ at the rate of INR 70 per USD. RBI reference rate is not available. What shall be the value of such supply?

- a. Rs. 140000
- b. Rs. 1400
- c. Rs. 500
- d. Rs. 1000

Answer: B: Rs. 1400

8 – Input tax Credit

Exercise Questions & Answers

1. 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.

2. What are the conditions necessary for obtaining ITC?

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

- a) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
- b) he has received the goods or services or both;
- c) the supplier has actually paid the tax charged in respect of the supply to the Government; and
- d) he has furnished the return under section 39.

3. One of the conditions to claim credit is that receiver is possession of tax invoice or debit note or any other taxpaying documents. What are the taxpaying documents on which Input Tax Credit is available?

Answer: The taxpaying documents have been prescribed under Rule 36 of the CGST Rules.

The ITC shall be availed by a registered person [including the Input Service Distributor (ISD)] on the basis of any of the following documents:

- An invoice issued by supplier of goods or services or both;
- An invoice raised by the recipient in case of inward supplies on account of reverse charge mechanism supplies, subject to payment of tax;

- **A debit note** issued by a supplier of goods or services or both;
- **A bill of entry** or any similar document prescribed under the Customs Act, 1962 or Rules made there under for the assessment of integrated tax on imports;
- **An Input Service Distributor (ISD) Invoice** or ISD Credit Note or any other document issued by an Input Service Distributor for distribution of credit.

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

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 and Schedule I cases.

5. What is the time limit for taking ITC and reasons therefor?

Answer: Refer point (vi) "Time limit for availing ITC: Due date of filing return for the month of September of succeeding financial year or date of filing of annual return, whichever is earlier" under Heading No. 3 "Eligibility and Conditions for Taking Input Tax Credit [Section 16]".

6. What is the ITC entitlement of a newly registered person?

Answer: A person applying for registration can take input tax credit of :

- ✓ Inputs held in stock and
- ✓ Inputs contained in semi- finished or
- ✓ Finished goods held in stock

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

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

Answer: In case of supply of capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to the ITC taken on the said capital goods or plant and machinery reduced by 5% per quarter or part thereof from the date of invoice or the tax on the transaction value of such capital goods, whichever is higher. However, in case of refractory bricks, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

8. A flying school imports an aircraft for use in its training activity, and takes ITC of the IGST paid on the import. The departmental audit raises an objection that aircrafts fall within the definition of “conveyance” in section 2(34) of the Act and that ITC is not allowed on conveyances. Offer your comments.

Answer: Under section 17(5)(aa) of the CGST Act, ITC is allowed on aircraft if they are used to make the taxable supply of imparting training on flying an aircraft. Therefore, the credit is correctly taken.

9. A taxable person is in the business of information technology. He buys a motor vehicle for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such motor vehicle?

Answer: No. As per section 17(5)(a), ITC on motor vehicles 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/flying/navigating motor vehicles or is in the business of supply of motor vehicles.

10. 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: Under section 16(2) of the IGST Act, credit of input tax is allowed to be taken for inward supplies used to make zero rated supplies. Under section 17 of the CGST Act also, 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 IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

//. A garment factory receives a Government order for making uniforms for a commando unit. This supply is exempt from tax under a special notification. The fabric is separately procured for the supply, but thread and lining material for the collars are the ones which are used for other taxable products of the factory.

The turnover of the other products of the factory and exempted uniforms in July is Rs. 4 crore and Rs. 1 crore respectively, the ITC on thread and lining material procured in July is Rs.5000 and Rs. 15000 respectively. Calculate the eligible ITC on thread and lining material.

Answer: Thread and lining material are inputs which are used for making taxable as well as exempt supplies. Therefore, credit on such items will be apportioned and credit attributable to exempt supplies will be added to the output tax liability in terms of rule 42 of the CGST Rules, 2017.

$$\text{Credit attributable to exempt supplies} = \text{Common credit} \times (\text{Exempt turnover} / \text{Total turnover})$$

$$\text{Common credit} = \text{Rs.15000} + \text{Rs.5000} = \text{Rs. 20000}$$

$$\text{Exempt turnover} = \text{Rs. 1 Crore}$$

$$\text{Total turnover} = \text{Rs. 5 Crore} [\text{Rs. 1 Crore} + \text{Rs. 5 Crore}]$$

$$\text{Credit attributable to exempt supplies} = (\text{Rs. 1 Cr} / \text{Rs. 5 Cr}) \times \text{Rs. 20000} = \text{Rs. 4000}$$

Ineligible credit of Rs.4000 will be added to the output tax liability for the month of July. Credit of Rs.16,000 will be eligible credit for the month of July.

12. Mr. A, a registered person was paying tax under Composition Scheme up to 30th July. However, w.e.f. 31st July, Mr. A becomes liable to pay tax under regular scheme. Is he eligible for ITC?

Answer: Mr. A 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 30th July. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

13. Mr. A, a registered person entered into a contract with Mr. B an Architect for design of a project model for his office. As on 10/06/2018, Mr. A paid an advance amount of Rs. 85,000 toward such supply of service to Mr. B. However, the balance amount pertaining to the given contract was paid on completion of service i.e. on 15/09/2018. Determine whether in the given case Mr. A avail ITC against advance payment made by him.

Answer: Legal Provision: As per sec 16 of CGST Act, A registered person shall be entitled to the credit of input tax if:

1. He is possession of a tax invoice issued by a supplies registered under this act.
2. He has received goods or services or both

Discussion: In the case, the contract is for supply of service for which Mr. A has pad an advance amount on 10/06/2018 but the service has not been completed yet. Thus, he shall not be entitled for ITC against the advance payment made by him.

14. One of the conditions to claim credit is that the receiver has received the goods. Is there any provision for deemed receipt of goods in case of transfer of document of title before or during the movement of goods?

Answer: Yes. Explanation to Section 16(2)(b) of the CGST Act provides for deemed receipt of goods where the goods are delivered by the supplier to the recipient or any other person on the direction of the recipient, whether acting as agent of otherwise, before or during movement of goods.

15. Viraj located in Pune is the supplier of raw material & Mr. Sane a trader located in Goa is registered taxable person. Mr. Viraj supplied raw material to Mr. Sane. During

the movement of the goods from Pune to Goa, Mr. Sane directed Mr. Viraj to supply the raw material to his agent Mr. Ravi, located in Hubli (Karnataka). Accordingly, Mr. Viraj delivered raw material to Mr. Ravi. Who shall be termed as a recipient as per provisions of CGST Act?

Answer: Legal Provision:-As per explanation to sec 16(2)(b) of the CGST Act provides for deemed receipt of goods where the goods are delivered by the supplier to the recipient of any other person on the direction of the recipient, whether acting as agent of otherwise, before or during movement of goods.

Conclusion:-As per the above stated provision, it shall be deemed that Mr. Sane has received the goods from Mr. Viraj when he has delivered the goods to Mr. Ravi an agent of Mr. Sane. Thus recipient shall be Mr. Sane.

16. M/s Asha Trading Co. purchased certain goods from Venus traders, Mumbai who agreed to deliver the goods as per the contract the supply of goods was in following instalments:-

Date of receipt of supply	Instalment	Value of goods
01.09.18	1st	Rs. 15000
01.10.18	2nd	Rs. 35000
01.11.18	Last	Rs. 42000
	Total	Rs. 92000

The above goods are subject to CGST and SGST @ 6% each. Invoice of Rs. 92,000 was issued along with supply of first lot of goods. Explain in accordance with the provisions of CGST Act, whether M/s Asha Trading Co. is eligible to take input tax credit on proportionate basis.

Answer: No, M/s Asha Trading Co, is not eligible to take credit on proportionate basis, as per proviso to section 16(2) where the goods against an invoice are received in lots of instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment. Therefore in the given case M/s Asha shall be eligible to claim ITC only upon receipt of last instalment i.e. as on 1.11.2018.

17. Lemon Pvt. Ltd purchased machinery as on 20.07.2018 for its unit in Gujarat , worth ₹ 1250000 & GST @ 12% was levied i.e. ₹ 1,50,000 thus total cost of machinery including taxes was ₹ 14,00,000. The machinery was put to use as on 26.07.2018. In the given case if Lemon Pvt. Ltd has capitalized the value of machinery including its tax component of ₹ 150000. Determine whether Lemon Pvt. Ltd shall be eligible to claim the input tax credit paid on purchase of Machinery?

Answer: As per section 16(3) of GST Act, if registered person has claimed depreciation on the tax component of cost of capital goods then ITC on such tax component not allowed. The GST paid on purchases of machinery i.e. 150000 has also been capitalize it is deemed that depreciation must be claimed by Lemon Pvt. Ltd and hence not eligible to claim input tax credit on such tax component.

18. XYZ Ltd is engaged in manufacture of taxable goods. Compute the ITC available with XYZ Ltd. for the month of October, 2018 from the following particulars :- (ICAI)

S. No.	Inward supplies	GST Amount	Remarks
1.	Input 'A'	1,00,000	One invoice on which GST payable was ₹ 10,000 is missing
2.	Input 'B'	50,000	Inputs are to be received in two installments. First installment has been received in October, 2018.
3.	Capital goods	1,20,000	XYZ Ltd. has capitalized 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 20.01.2018 on which GST payable was ₹ 50,000 has been received in October, 2018.

Notes:

1. All the conditions necessary for availing the ITC have been fulfilled.
2. ABC Co. Ltd. is not eligible for any threshold exemption.
3. The annual return for the financial year 2017 – 2018 was filed on 15th September, 2018.

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

S. No.	Inward supplies	GST
1.	Inputs 'A' <i>[ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC – Section 16(2) (a)] (1,00,000 – 10,000)</i>	90,000
2.	Inputs 'B' <i>[When inputs are received in installments. ITC can be availed only on receipt of last installment – First proviso to section 16(2)]</i>	Nil
3.	Capital goods <i>[Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component – Section 16(3)]</i>	Nil
4.	Input services <i>[As per section (4), ITC on an invoice cannot be availed after the due date of furnishing of the return for the month of Sept. following the end of financial year to which such invoice pertains the date of filling annual return, whichever is earlier. Since the annual return for the FY 2017- 2018 has been filed on 15th September, 2018 (prior to due date of filing the return for Sept. 2018 i.e. 20th October, 2018), ITC on the invoice pertaining to FY 2017 – 2018 cannot be availed after 15th September, 2018. [Note – Rs.2,25,000 – Rs.50,000 i.e. invoice received in Oct 2018]</i>	1,75,000
	Total	2,65,000

19. Whether input tax paid on Motor vehicle which is used for courier agency, outdoor catering, pandal and shamiana and tour operator is eligible?

Answer: The restriction of input tax credit on motor vehicles provided under section 17(5) (a) is on such motor vehicles except when they are used for further supply of vehicles, transportation of passengers. Importing training or for transportation of goods only.

Therefore, input tax credit will be available when it is used by courier agency, outdoor catering, pandal and shamiana and tour operator as it covers use of vehicles for transportation of goods / transportation of passengers.

Generally, motor vehicle is used for transportation of goods in case of courier agency, pandal, shamiyana.

20. Whether benefit of input tax credit would be available if the company procures health insurance services for benefit of its employees Procurement of such services is mandatory under Factories Act.

Answer: Yes, Section 17(5)(b) of the CGST Act provides that tax paid w.r.t life/health insurance services will be eligible as input tax credit where the Government notifies that such services are obligatory for an employer to provide to its employees under any law for the time being in force.

21. A consignment of 5000 KGS of inputs was received. The GST @ 5% paid as per invoice was Rs. 5000. While the inputs were in transit, 500 KGS were destroyed and it was found that these were not usable. State eligibility of inputs tax credit as per GST Act ?

Answer: Legal Provision:- As per section 2(59) of CGST act 2017, “input” means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business.

As per section 16(2) (b) a registered person shall be entitled to claim the credit of any input tax in respect of any supply of goods provided he has received the goods.

As per section 17(5) of CGST act 2017 input tax credit shall not be available in respect of the following supplies & as per clause (h) of section 17(5), goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples credit is not available.

Discussion:- As per above provisions of CGST act 2017, in the given case as inputs lost in transit and not yet received by the recipient and thus does not satisfies the criteria to avail ITC so no credit shall be available for 500 KGS of inputs destroyed in transit.

Conclusion:- Hence in the above case, input tax credit is not available to the extent of 500 KGS of inputs destroyed in transit as not yet received by the recipient. But the manufacturer shall be eligible to take input tax credit of remaining inputs 4500 KGS i.e. Rs. 4500/- on receipt of such inputs.

22. Determine the eligibility of input tax credit for the following cases as per sec 17(5) of GST Act:-

➤ A taxable person is in business of information technology. He buys a motor vehicle for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such motor vehicle?

➤ RIL Ltd conducted its 25th Annual General Meeting at its head office in Mumbai and availed services of Shree Caterers for the occasion. Shree caterers charged ₹ 450000 plus GST @ 18% for supply of outdoor catering services. Determine whether RIL Ltd can avail input tax credit of GST paid on outdoor catering service.

➤ Pawan Ltd is a registered person engaged passenger transport services. It purchased two motor vehicles for ₹ 2500000 plus GST @ 28% for its business as on 10.10.2017. Determine whether Pawan Ltd can avail the benefit of input tax credit of the GST paid by it on motor vehicles

Answer: Computation of GST payable by Mr. X on outward supplies

➤ No. ITC on motor vehicles can be availed only if the taxable person is in the business of transport of passenger or goods or is providing the services of importing training on motor vehicles.

➤ As per section 17(5) (b), input tax credit shall not be available in respect of supply of outdoor catering service. Thus, RIL Ltd is not entitled to avail input tax credit of GST paid on outdoor catering services availed form Shree caterers.

➤ As per section 17(5) (a), input tax credit shall not be available in respect of motor vehicles but as per exception given input tax credit shall be available if it is used for making taxable supplies as in the given case RIL Ltd is engaged in transportation of passengers it will be entitled to take credit of GST amounting to ₹ 7,00,000 i.e. $\{2500000 \times 28\%\}$

23. Ceramity Ltd. has following units:

A: Factory in Hassan, Karnataka; closed from 2017-18 onwards, no turnover.

B: Factory in Tumkur, Karnataka; turnover of Rs. 27 crores in 2017-18;

C: Service centre in Hyderabad, Telangana; turnover of Rs. 1 crore in 2017-18;

D: Service centre in Chennai, Tamil Nadu; turnover of Rs. 2 crores in 2017-18; Ceramity Ltd.'s corporate office functions as ISD.

It has to distribute ITC of Rs. 9 lakh for December, 2018. Of this, an invoice involving tax of Rs. 3 lakh pertains to technical consultancy for Tumkur unit.

What should be the distribution of the credit?

Answer: As per rule 39(d) of CGST Rules relating to ITC, -

- Rs.3 lakh is attributable to Tumkur unit, and will be transferred to Tumkur unit only.
- Of the remaining Rs.6 lakh, Hassan unit will not be entitled to any credit as ITC is distributed to only those recipients which supply goods and /or services.
- Rs.6 lakh have to be distributed among Tumkur unit and the service centres in Hyderabad and Chennai in proportion of their turnover in the previous FY, that is, in 2017-18.
- Tumkur unit will get $(27 \text{ crore} / 30 \text{ crore}) \times 6 \text{ lakh} = \text{Rs.}5.4 \text{ lakh}$
- Hyderabad service centre will get $(1 \text{ crore} / 30 \text{ crore}) \times 6 \text{ lakh} = \text{Rs.}20,000$; and
- Chennai service centre will get $(2 \text{ crore} / 30 \text{ crore}) \times 6 \text{ Lakh} = \text{Rs. } 40,000$.

24. Oberoi Industries is a manufacturing company registered under GST. It manufactures two taxable products 'X' and 'Y' and one exempt product 'Z'. The turnover of 'X', 'Y' and 'Z' in the month of April, 20XX was Rs. 2,00,000, Rs. 10,00,000 and Rs. 12,00,000. Oberoi Industries is in possession of certain machines and purchases more of them. Useful life of all the machines is considered as 5 years.

From the following particulars furnished by it, compute the amount to be credited to the electronic credit ledger of Oberoi Industries and amount of common credit attributable towards exempted supplies, if any, for the month of April, 20XX.

Particulars	GST Amount
Machine 'A' purchased on 01.04.20XX for being exclusively used for non-business purposes	19200
Machine 'B' purchased on 01.04.20XX for being exclusively used in manufacturing zero- rated supplies	38400
Machine 'C' purchased on 01.04.20XX for being used in manufacturing all the three products – X, Y and Z	96000
Machine 'D' purchased on April 1, 2 years before 01.04.20XX for being exclusively used in manufacturing product Z. From 01.04.20XX, such machine will also be used for manufacturing products X and Y.	192000
Machine 'E' purchased on April 1, 3 years before 01.04.20XX for being exclusively used in manufacturing products X and Y. From 01.04.20XX, such machine will also be used for manufacturing product Z.	288000

Answer: Computation of GST payable by Mr. X on outward supplies

Particulars		Ineligible credit	Amount to be credited to E CrL
Machine 'A' [Since exclusively used for non-business purposes, ITC is not available under rule 43(1)(a) of CGST Rules, 2017]		19200	
Machine 'B' [For ITC purposes, taxable supplies include zero-rated supplies under rule 43(1)(b) of CGST Rules, 2017. Hence, full ITC is available]			38400
Machine 'C' [Commonly used for taxable and exempt supplies – Rule 43(1)(c) of the CGST Rules, 2017]	96000		96000
Machine 'D' [Owing to change in use from exclusively exempt to both taxable and exempt, common credit to be reduced by ITC @ 5% per quarter or part thereof in terms of proviso to rule 43(1)(c) of CGST Rules, 2017] = Rs. 1,92,000 – Rs. 76,800 (1,92,000 × 5% × 8 quarters)	115200		115200
Machine 'E' [Owing to change in use from exclusively taxable to both taxable and exempt, common credit to be reduced by ITC @ 5% per quarter or part thereof in terms of proviso to rule 43(1)(d) of CGST Rules, 2017] = Rs. 2,88,000 – Rs. 1,72,800 (2,88,000 × 5% × 12 quarters)	115200		
Total common credit	326400		

Common credit for the tax period (in the given case, a month) under rule 43(1)(e) of CGST Rules, 2017 = Rs. 3,26,400 ÷ 60	5440		
Common credit attributable to exempt supplies in April, 20XX under rule 43(1)(g) of the CGST Rules, 2017 = (Turnover of exempt supplies/Total turnover) × Common credit = (12,00,000/24,00,000) × Rs. 5,440 [Such credit, along with the applicable interest, shall be added to the output tax liability of Oberoi Industries]		2720	
Amount to be credited to the electronic credit ledger of Oberoi Industries for the month of April, 20XX			249600

25. Mr. X, a supplier of goods, pays GST under regular scheme. Mr. X is not eligible for any threshold exemption. He has made the following outward taxable supplies in a tax period:

Details of Outward Supply	
Inter State Supply of Goods	300000
Intra State Supply of Goods	800000
Details of Inward Supply	
Inter State Purchase of Goods	50000
Intra State Purchase of Goods	300000

Mr. X has following ITCs with him at the beginning of the tax period:

Particulars	Amount
CGST	30000
SGST	30000
IGST	70000

Notes:

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

Compute the net GST payable by Mr. X during the tax period.

Make suitable assumptions as required.

Answer: Computation of GST payable by Mr. X on outward supplies

Sr No	Particulars	Amount	Amount
1	Intra-State supply of goods		
	CGST @ 9% on Rs. 8,00,000	72000	
	SGST @ 9% on Rs. 8,00,000	72000	144000
2	Inter-State supply of goods		
	IGST @ 18% on Rs. 3,00,000		54000
	Total GST Payable		198000

Computation of Total ITC

Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%
Opening ITC	30000	30000	70000
Add: ITC on Intra-State purchases of goods valuing Rs.3,00,000	27000	27000	0
Add: ITC on Inter-State purchases of goods valuing Rs.50,000	0	0	9000
Total ITC	57000	57000	79000

Computation of GST payable from cash ledger

Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%
GST payable	72000	72000	54000
Less: ITC	(15000)- IGST	(10000)- IGST	(54000)- IGST
	(57000)- CGST	(57000)- SGST	
Net GST Payable	Nil	5000	Nil

Note: Credit of IGST shall be available against IGST, CGST and SGST in any sequence. It has been assumed that Rs.15000 Rs.IGST, Rs.10000 IGST has been used for the payment of CGST and SGST respectively.

Alternatively total Credit of IGST Rs.25000 can be used either for CGST or SGST.

26. Determine the amount of input tax credit available to Priya Manufacturing Co. Ltd. in respect of following items procured by them in the month of November, 2018:

Sr. No	Description of goods	ITC Amount
1	Food & Beverages procured for traders meeting program	15,000
2	Inputs used for pipeline structure layout outside factory	1,00,000
3	Goods destroyed in transit	15,000
4	Goods used for provision of services during warranty period	15000
5	Inputs used for testing & quality control check	25000
6	Inputs used in trial runs	35000

Answer: Computation of Input tax credit available to Priya Manufacturing Co. Ltd:-

Sl. No	Description of goods	ITC Amount
1	Food & Beverages procured for traders meeting program [WN - 1]	Nil

2	Inputs used for construction of pipeline structure layout outside factory [WN - 2]	Nil
3	Goods destroyed in transit [WN - 3]	Nil
4	Goods used for provision of services during warranty period {Used in course of business, thus ITC will be available}	15000
5	Inputs used for testing & quality control check {Used in course of business, thus ITC will be available}	25000
6	Inputs used in trial runs	35000
	Total Input Tax credit available	75000

Notes:-

- 1) As per section 17(5) clause (1) No input tax credit shall be available in case of supply of food and beverages except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;
- 2) As per section 17(5) (d), goods or services or both received by 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 & as per explanation provided for plant and machinery which excludes pipelines laid outside the factory, thus no input tax credit respect of inputs used for such construction.
- 3) As per section 17(5) (h) of CGST act input tax credit pertaining to goods destroyed in transit shall not be available.

27. ABC Co. Ltd. is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.

Sr No	Items	GST Paid
1	Electrical Transformer to be used in the manufacturing process	520000
2	Trucks used for the transport of raw material	100000
3	Raw material	200000
4	Confectionery items for consumption of employees working in the factory	25000

Determine the amount of ITC available with ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items.

Note:

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

ii. ABC Co. Ltd is not eligible for any threshold exemption

Answer: Computation of ITC Available with ABC Co. Ltd for the month of July

Sr No	Items	GST Paid
1	Electrical transformers [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	520000
2	Trucks used for the transport of raw material [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)]	100000
3	Raw material [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	200000
4	Confectionery items for consumption of employees working in the factory. [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)]	Nil

Total ITC	820000
-----------	--------

28. Raghu veer ltd a registered manufacturer engaged in taxable supply of electric goods has made purchases of the following goods during the month of September, 2017. The value of such goods has been capitalized in the books of accounts of Raghuveer ltd. Determine the amount of input tax credit available to Raghuveer Ltd.

Sl. No	Goods description	Input Tax (₹)
1	Pollution control equipment used inside the factory	1,85,000
2	Moulds and dies used for manufacture in factory	34,000
3	Machinery purchased on which depreciation has been claimed for full value including input tax thereon	2,45,000
4	Capital Goods used as parts purchased from a composition dealer	25,000

Answer: Computation of input tax credit available to Raghu Veer ltd:

Sl. No	Particulars	₹
1	Pollution control equipment used inside the factory [WN.1]	1,85,000
2	Moulds and dies used for manufacture in factory [WN.1]	34,000
3	Machinery purchased on which depreciation has been claimed for full value including input tax thereon [WN.2]	Nil
4	Capital Goods used as parts purchased from a composition dealer [WN.3]	Ni
	Total input tax credit available	2,19,000

Notes:

1. As per section 2(19) of CGST Act, "Capital goods" means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course of furtherance of business.

Thus,

i. Pollution control equipment

ii. Moulds and dies

Which are used or intended to be used in the course of furtherance of business are eligible for ITC as capital goods.

2. As per section 16(3) of CGST Act, No input tax credit shall be available where the registered person has claimed depreciation 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 shall not be allowed.

3. As per section 17(5) (e), No input tax credit shall be available in respect of goods or services or both on which tax has been paid under section 10 i.e. composition tax.

29. M/s XYZ, a registered supplier, supplies the following goods and services for construction of buildings and complexes -

- Excavators for required period at a per hour rate
- Manpower for operation of the excavators at a per day rate
- Soil – testing and seismic evaluation at a per sample rate.

The excavators are invariably hired out along with operators. Similarly, excavator operators are supplied only when the excavator is hired out.

M/s XYZ receives the following services:

- Annual maintenance services for excavator;
- Health insurance for operators of the excavators;
- Scientific and technical consultancy for soil testing and seismic evaluation.

For a given month, the receipts (exclusive of GST) of M/s XYZ are as follows:

- Hire charges for excavators - ₹ 18,00,000
- Service charges for supply of manpower for operation of the excavator - ₹ 20,000

- Service charges for soil testing and seismic evaluation at three sites – 2,50,000

The GST paid during the said month on services received by M/s XYZ is as follows:

- Annual maintenance for excavators – ₹ 1,00,000
- Health insurance for excavator operators – ₹ 11,000
- Scientific and technical consultancy for soil testing and seismic evaluation – ₹ 1,00,000

Compute the net GST payable by M/s XYZ for the given month.

Assume the rates of GST to be as under:

Hiring out of excavators – 12%
Supply of manpower services and soil – testing and seismic evaluation services – 18%

Note:- Opening balance of input tax credit of GST is nil

Answer: Computation of Net GST Liability to be paid

Particulars	GST payable
Gross GST liability [WN – 1]	2,63,400
Less : Input tax credit [WN – 2]	2,00,000
Net GST liability	63,400

W.N. – 1: Computation of net GST payable by M/s XYZ

Particulars	Computation	GST Payable
1. Hiring charges for excavators	18,00,000 * 12%	2,16,000
2. Services charges for supply of Manpower for operation of excavators [Note 1]	20,000 * 12%	2,400
3. Service charges for soil testing and seismic evaluation [Refer Note 2]	2,50,000 * 18%	45,000

Gross GST liability		2,63,400
----------------------------	--	-----------------

Notes:-

1) As per section 8(a) of the CGST Act, 2017, the composite supply is treated as the supply of the principal supply. Therefore, the supply of manpower for operation of the excavators will also be taxed at the rate applicable for hiring out of the excavator (principal supply), which is 12%.

Since the excavators are invariably hired out along with operators and excavator operators are supplied only when the excavator is hired out, it is a case of composite supply under section 2(30) of the CGST Act, 2017 wherein the principal supply is the hiring out of the excavator.

2) Soil testing and seismic evaluation services being independent of the hiring out of excavator will be taxed at the rate applicable to them, which is 8%.

W.N. – 2: Computation of input tax credit available for set off

Particulars	ITC available
Annual maintenance services for excavators [Refer Note 1]	1,00,000
Health insurance for excavator operators [Refer Note 2]	-
Scientific and technical consultancy [Refer Note 1]	1,00,000
Total input tax credit available	2,00,000

Notes:-

1) As per section 17(5) (d) of the CGST Act, 2017 credit on goods and / or services received by a taxable person for construction of an immovable property on his own account is blocked. Here, though the excavators are used for building project, the same are not used by M/s XYZ on its own account for construction of immovable property; instead they are used for outward taxable supply of hiring out of mac
Therefore, the annual maintenance Service for the excavators are not to be covered in section 17 of the CGST Act, 2017 and the credit thereon will be available. The same

applies for scientific & technical consultancy for construction projects because in this case also the service is used for providing the outward taxable supply of soil testing and seismic evaluation service and not for construction of immovable property.

2) As per section 17(5) (b) of the CGST Act, 2017 allows input tax credit on health insurance only when:

(a) The Government notifies the services as obligatory for an employer to provide to its employees under any law for the time being in force; or

(b) The said service is used for making an outward taxable supply of the same category of service or as part of a taxable composite or mixed supply.

In the given case the health insurance service does not fall under any of the given categories, thus the credit will not be allowed.

30. LTD Ltd is engaged in supplying goods to its customer within the state and it's not liable for registration under section 22 of CGST Act, 2017. From 20.01.2018 onwards, it started interstate supply of taxable good for this purpose it applied for registration on 28.01.2018 and same has been granted to him. The liability of CGST, SGST and IGST for the month of January, 2018 is ₹ 32,000, 32000 and ₹ 45,000 respectively and LTD Pvt. Ltd has to make e – payment of tax on due date i.e. on 20.02.2018. LTD Pvt. Ltd has provided the following details of stock of input held on 19.01.2018 and taxes paid thereon:-

Particulars	CGST	SGST
A. Inputs received on 12.12.2017 lying in stock	4,500	4,500
B. Inputs received on 16.01.2018 lying in semi – finished stock	5,600	5,600
C. Inputs received on 26.11.2017 lying in finished stock	8,500	8,500

Determine the amount of input tax credit eligible for ABC Pvt. Ltd.

Answer: **Legal Provision:** As per section 18(1) (a) of CGST Act, a person who has applied for registration under this Act within thirty days from the date on which he becomes liable to registration and has been granted such a person who has applied for

registration under this Act within thirty days from the date on which he becomes liable to registration i.e. 19.01.2018.

A registered person shall not be entitled to take input tax credit under sub – section (1) in respect of any supply of goods or services or both to him after the expiry of one year from the date of issue of tax invoice relating to such supply.

Particulars	CGST @ 9%	SGST @ 9%
A. Inputs received on 12.12.2017 lying in stock	4500	4500
B. Inputs received on 16.01.2018 lying is semi – finished stock	5600	5600
C. Inputs received on 26.11.2017 lying in finished stock	8500	8500
Total eligible input tax credit	18,600	18,600

31. Reema Electronics paying tax under composition scheme has crossed the threshold and becomes liable to pay tax under regular scheme on 04.02.2018. Can it avail input tax credit and if so calculate the amount of ITC available? The details of Input tax credit available with Reema Electronics as on 03.02.2018 is as follows:

Particulars	CGST	SGST
Inputs lying in stock as on date (Invoice dated 14.01.2018)	6400	6400
Inputs lying semi – finished goods in stock as on date (Invoice dated 24.11.2017)	5600	5600
Capital goods procured on 20.10.2017 invoice dated 22.10.2017	12,000	12,000

Answer: **Legal Provision:** As per section 18 of CGST Act, where any registered person ceases to pay tax under section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi – finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax under section 9.

Discussion & Conclusion: Therefore, in given case Reema Electronics shall be entitled from 04.02.2018 to avail credit available as on 03.02.2018.

As per Rule 40 of CGST Rules, 2017, the capital goods credit is to be claimed after reducing the tax paid as on such capital goods by 5% point per quarter of a year or part thereof from the date of invoice.

Particulars	Input tax {CGST+SGST }	Eligible credit
Inputs lying in stock as on date (Invoice dated 14.01.2018)	12,800	12,800
Inputs lying in semi – finished goods in stock as on date (Invoice dated 24.11.2017)	11,200	11,200
Total Input tax credit available	24,000	24,000

Input tax credit available to Reema Electronics in respect of capital goods:

Particulars	Amount
Date of invoice of Capital Goods	22.10.2017
Date from which Reema Electronics are liable to pay tax under section 9	04.02.2018
No of quarters from date invoice	2
CGST and SGST paid on capital goods procured on 21.10.2017	24,000
ITC to be reduced by Rs. 24000*5%*2 quarters	2,400
Credit (CGST and SGST) as available on capital goods	21,600

32. Aman Pvt. Ltd a registered person supplying taxable goods in Jaipur has opted to pay tax on composition scheme under section 10 with effect from 01.12.2018. It provides the following information relating to balance of input tax credit lying as on 31.11.2018:

- Inputs lying in stock as such valued at Rs. 76,000 (includes CGST & SGST @ 18%)
- Input tax on capital goods purchased on 01.05.2018 is Rs. 88,000

3. Balance in Electronic credit ledger is Rs. 1,55,000

Determine whether VRL Pvt. Ltd is eligible for input tax credit lying on 01.12.2018.

Answer: **Legal Provision:** As per section 18(4), where any registered person who has availed of input tax credit opts to pay tax under section 10 or, where the goods or services or both supplied by him become wholly exempt, he shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi – finished or finished goods held in stock and on capital goods, reduced by such percentage points as may be prescribed, on the day immediately preceding the date of exercising of such option or, as the case may be, the date of such exemption:

Provided that after payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.

Payments	Amount (₹)
Inputs lying in stock (76,000*18/118)	11593
Input tax on capital goods used for 11 months, taking residual life as 5 years (88,000*53/60) i.e. 53 months being remaining residual life of capital good)	77,733
Amount to be paid by VRL Pvt. Ltd (CGST + SGST)	89326

Working Note:- As per Rule 44(3) of CGST Rules, where the tax invoices related to inputs lying in stock are not available, the registered person shall estimate the amount under Rule 44(1) based on the prevailing market price of goods on the date of opting for composition scheme.

The aforesaid amount can be paid by utilizing the balance in Electronic credit ledger. The balance in Electronic credit ledger = 155000 – 89326 = Rs. 65674 shall lapse.

33. XYZ Pvt. Ltd. is a registered manufacturer of auto parts in Kolkata, West Bengal. The company has a manufacturing facility registered under Factories Act, 1948 in Kolkata. It procures its inputs indigenously from both registered and unregistered suppliers located within as well as outside West Bengal as also imports some raw material from China. The company reports the following details for the month of November, 20XX:

<i>Payments</i>	<i>Rs. (in Lakhs)</i>	<i>Receipts</i>	<i>Rs. (in Lakhs)</i>
<i>Ram material</i>	<i>3.5</i>	<i>Sales</i>	<i>15</i>
<i>Consumables</i>	<i>1.25</i>		
<i>Transportation charges for bringing the raw</i>	<i>0.70</i>		
<i>Material to factory</i>	<i>5.0</i>		
<i>Salary paid to employees on rolls</i>	<i>1.60</i>		
<i>Premium paid on life insurance policies taken for specified employees</i>	<i>0.50</i>		
<i>Audit fee</i>	<i>0.30</i>		
<i>Telephone expenses</i>	<i>0.10</i>		
<i>Bank charges</i>			

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

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

1. Raw material amounting to ₹ 0.80 lakh is procured from Bihar and ₹ 1.5 lakh is imported from China. Basic customs duty of 0.15 lakh, education cesses of 0.0045 lakh and integrated tax of ₹ 0.2978 lakh are paid on the imported raw material. Remaining raw material is procured from supplier located in West Bengal.

Out of such raw material, raw material worth ₹ 0.30 lakh is procured from unregistered suppliers; the remaining raw material is procured from registered suppliers.

Further, raw material worth ₹ 0.05 lakh purchased from registered supplier located in West Bengal has been destroyed due to seepage problem in the factory and thus, could not be used in the manufacturing process.

2. Consumables are procured from registered supplier located in Kolkata and include diesel worth ₹ 0.25 lakh for running the generator in the factory.

3. Transportation charges comprise of ₹ 0060 lakh paid to Goods Transport Agency (GTA) in Kolkata and ₹ 0.10 lakh paid to horse pulled carts. GST applicable on the services of GTA is 5%.

4. Life insurance policies for specified employees have been taken by the company to fulfill a statutory obligation in this regard. The Government has notified such life insurance service under section 17(5) (b) (iii) (A). The life insurance service provider is registered in West Bengal.

5. Audit fee is paid to M/s Goyal & Co., a firm of chartered Accountants registered in West Bengal, for the statutory audit of the preceding financial year.

6. Telephone expenses pertain to bills for landline phone installed at the factory and mobile phones given to employees for official use. The telecom service provider is registered West Bengal.

7. Bank charges are towards company's current account maintained with a Private Sector Bank registered in West Bengal.

8. The breakup of sales is as under:

Sales in West Bengal - ₹ 7 lakh

Sales in States other than West Bengal - ₹ 3 lakh

Export under bond - ₹ 5 lakh

The balance of input tax credit with the company as on 1.11.20XX is:

CGST - ₹ 0.15 lakh

SGST - ₹ 0.08 lakh

IGST - ₹ 0.10 lakh

Compute eligible input tax credit and net GST payable [CGST, SGST or IGST, as the case may be] by XYZ Pvt. Ltd. for the month of November 20XX.

Note :-

1. CGST, SGST & IGST rates to be 9%, 9% and 18% respectively, wherever applicable.

2. The necessary conditions for availing input tax credit have been complied with by XYZ Pvt. Ltd., wherever applicable. You are required to make suitable assumption, wherever necessary.

Answer: Computation of Net GST Liability to be paid

W.N. 1: Computation of input tax credit available with XYZ Pvt. Ltd. in the month of November 20XX

Sl. No	Particulars	Eligible input tax credit			
		CGST Rs.	SGST Rs.	IGST Rs.	Total Rs.
1.	Raw material				
	Raw material purchased from Bihar [refer Note 1(i)]			14,400	14,400
	Raw material imported from China [refer Note 1(ii)]			29,781	29,781
	Raw material purchased from unregistered suppliers within West Bengal [refer Note 1(iii)]	Nil	Nil		Nil
	Raw material Destroyed due to seepage [refer Note 1(iii)]	Nil	Nil		Nil
	Remaining raw material purchased from West Bengal [Refer Note 1(i)]	7,650	7,650		15,300
	Total	7,650	7,650	44,181	59,481
2.	Consumables [Refer Note 2]	9,000	9,000		18,000
3.	Transported charges for bringing the raw material to factory [refer Note 3]	1,500	1,500		3,000
4.	Salary paid to employees on rolls [Refer Note 4]	Nil	Nil	Nil	Nil
5.	Premium paid on life insurance policies taken for specified employees [Refer Note 5]	14,400	14,400		28,800
6.	Audit Fee [refer Note 6]	4,500	4,500		9,000
7.	Telephone expenses [Refer Note * 6]	2,700	2,700		5,400

8.	Bank charges [Refer Note 6]	900	900		1,800
		40,650	40,650	44,181	1,25,481

Computation of net GST payable

Particulars	CGST Rs.	SGST Rs.	IGST Rs.	Total Rs.
On Intra – State sales in West Bengal	63,000	63,000		1,26,000
On inter – state other than West Bengal			54,000	54,000
On exports under bond [Note 7]	Nil	Nil	Nil	Nil
On inward supply of GTA services under reverse charge [Note 3]	1,500	1,500		3,000
Total output tax liability	64,500	65,500	54,000	1,83,000
Less: Cash paid towards tax payable under reverse charge [Note 10]	1,500	1,500		3,000
Less: input tax credit [Note 8]				
Opening balance of input tax credit on 01.11.20XX	(15,000)	(8,000)	(10,000)	(33,000)
Input tax credit availing during the month			(44,181)	
Balance IGST	181			
	(IGST)			
Input tax credit availing during the month	(40,650)	(40,650)		(1,25,481)
Net GST payable	7,169	14,350	Nil	21,519

Notes:

1.(i) Credit of input tax (CGST & SGST / IGST) Paid on raw materials used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act.

(ii) IGST paid on imported goods qualifies as input tax in terms of section 2(62) (a) of the CGST Act. Therefore, credit of IGST paid on imported raw materials used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act.

(iii) Input tax credit is not available on destroyed inputs in terms of section 17(5) (h) of the CGST Act.

2. Consumables, being inputs used in the course or furtherance of business, input tax credit is available on the same in terms of section 16(1) of the CGST Act. However, levy of CGST on diesel has been deferred till such date as may be notified by the Government on recommendations of the GST council [section 9(2) of the CGST Act]. Hence, there being no levy of GST on diesel, there cannot be any input tax credit of the same.

3. In respect of intra – state road transportation of goods undertaken by a GTA, who has not paid GST @ 6%, for any person registered under the GST law, CGST is payable under reverse charge by the recipient of service. The person who pays or is liable to pay freight for the transportation of goods is treated as the person who receives the service [Notification No. 13/2017 CT (R) dated 28.06.2018]. Thus, V – Supply Pvt. Ltd will pay GST under reverse charge on transportation service received from GTA.

Further, tax payable under section 9(3) of the CGST/SGST Act qualifies as input tax in terms of clauses (b) and (d) of section 2(62) of the CGST Act. Thus, input tax paid under reverse charge on GTA service will be available as input tax credit in terms of section 16(1) of the CGST Act as the said service is used in course or furtherance of business.

Furthermore, Intra – State services by way of transportation of goods by road except the services of a GTA and a courier agency are exempt from CGST vide Notification No. 12/2017 CT (R) dated 28.06.2017. Therefore, since no GST is paid on such services, there cannot be any input tax credit on such services.

4. Services by employees to employer in the course of or in relation to his employment is not a supply in terms of section 7 read with para 1 of Schedule III to the GST Act. Therefore, since no GST is paid on horse pulled cart services, there cannot be any input tax credit on such services.

5. Input tax credit on supply of life insurance service is not blocked if the Government has made it obligatory for an employer to provide such service to its employees [section 17(5) (b) of the CGST Act]. Therefore, GST paid on premium for life insurance policies will be available as input tax credit in terms of section 16(1) of the CGST Act as the said service is used in the course of furtherance of business.

6. Audit fee, telephone expenses and bank charges are all services used in the course or furtherance of business and thus, credit of input tax paid on such service will be available in terms of section 16(1) of the CGST Act.

7. Export of goods is a zero rated supply in terms of section 16(1) (a) of the IGST Act. A zero rated supply under bond is made without payment of integrated tax [section 16(3) (a) of the IGST Act].

8. Since export of goods is a zero rated supply, there will be no apportionment of input tax credit and full credit will be available [section 16 of the IGST Act read with section 17(2) of the CGST Act].

9. As per section 49(5) of the CGST Act, input tax credit of –

a. IGST is utilized towards payment of first for IGST, and then for CGST and SGST in any order.

b. CGST is utilized towards payment of CGST and IGST in that order.

c. SGST is utilized towards payment of SGST and IGST in that order.

10. Section 49(4) of the CGST Act lays down that 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 in terms of section 2(82) of the CGST Act. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

11. CGST and SGST are Chargeable on intra – state inward and outward supplies and IGST is chargeable on inter – state inward and outward supplies.

34. XYZ Ltd is a manufacturer of washing machine. It has made various civil constructions in a factory. Following purchases are made for construction during the month of July 2017.

Inward Supply	GST Paid (In Rs.)
---------------	-------------------

Cement & steel purchased for factory building	80000
Cement & bricks are purchased for construction of storage tank	50000
Cement & steel purchased to build support structure of machinery	40000

Can XYZ Ltd take input tax credit of above purchases against GST payable on outward supply of washing machine?

Answer: Legal Provision:- As per section 2(59) of CGST act 2017, “input” means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business.

As per section 17(5) (d), input tax credit not available in respect of 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.

The expression “plant and machinery” means apparatus, equipment, and machinery fixed to each by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes-

1. Land, building or any other civil structure;
2. Telecommunication towers; and
3. Pipelines laid outside the factory premises.

Discussion:- In the given case XYZ Ltd is a manufacturer of washing machine, as supply of washing machine is his business on which GST is charged. Any inputs used in process of manufacture of washing machine shall be eligible for inputs tax credit.

As per the meaning assigned to “plant & machinery” in the case mentioned above inputs used to build support structure for machinery qualifies for the expression.

Conclusion:- On basis of above analysis, hence to conclude

Inputs used for	Eligible or Not
Construction of factory building	No
Construction of storage tank	No

Build support structure of machinery	Yes
--------------------------------------	-----

35. 'All-in-One Store' is a chain of departmental store having presence in almost all metro cities across India. Both exempted as well as taxable goods are sold in such Stores. The Stores operate in rented properties. All-in-One Stores pay GST under regular scheme.

In Mumbai, the Store operates in a rented complex, a part of which is used by the owner of the Store for personal residential purpose.

All-in-One Store, Mumbai furnishes following details for the month of October, 20XX:

(i) Aggregate value of various items sold in the Store:

Taxable items – Rs. 42,00,000

Items exempted vide a notification – ` Rs. 12,00,000

Items not leviable to GST – ` Rs. 3,00,000

(ii) Mumbai Store transfers to another All-in-One Store located in Goa certain taxable items for the purpose of distributing the same as free samples. The value declared in the invoice for such items is Rs. 5,00,000. Such items are sold in the Mumbai Store at Rs. 8,00,000.

(iii) Aggregate value of various items procured for being sold in the Store:

Taxable items – Rs. 55,00,000

Items exempted vide a notification – Rs. 15,00,000

Items not leviable to GST – `Rs. 5,00,000

(iv) Freight paid to goods transport agency (GTA) for inward transportation of taxable items – Rs. 1,00,000

(v) Freight paid to GTA for inward transportation of exempted items – Rs. 80,000

(vi) Freight paid to GTA for inward transportation of non-taxable items – Rs. 20,000

(vii) Monthly rent payable for the complex – Rs. 5,50,000 (one third of total space available is used for personal residential purpose).

(viii) Activity of packing the items and putting the label of the Store along with the

sale price has been outsourced. Amount paid for packing of all the items – Rs. 2,50,000

- (ix) Salary paid to the regular staff at the Store – Rs. 2,00,000
- (x) GST paid on inputs used for personal purpose – Rs. 5,000
- (xi) GST paid on renting of motor vehicle availed for business purpose – Rs. 4,000.
- (xii) GST paid on items given as free samples – Rs. 4,000

Given the above available facts, you are required to compute the following:

- A. Input tax credit (ITC) credited to the Electronic Credit Ledger
- B. Common Credit
- C. ITC attributable towards exempt supplies out of common credit
- D. Eligible ITC out of common credit
- E. Net GST liability for the month of October, 20XX Note:
 - (1) Wherever applicable, GST under reverse charge is payable @ 5% by All-in-One Stores. Rate of GST in all other cases is 18%.
 - (2) All the sales and purchases made by the Store are within Maharashtra. All the purchases are made from registered suppliers. All the other expenses incurred are also within the State.
 - (3) Wherever applicable, the amounts given are exclusive of taxes.
 - (4) All the necessary conditions for availing the ITC have been complied with.

Answer:

A. Computation of ITC credited to Electronic Credit Ledger

As per rule 42 of the CGST Rules, 2017, the ITC in respect of inputs or input services being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies and partly for effecting exempt supplies, shall be attributed to the purposes of business or for effecting taxable supplies.

ITC credited to the electronic credit ledger of registered person ['C'] is calculated as under-

$$CI = T - (T1+T2+T3)$$

<i>T = Total input tax involved on inputs and input services in a tax period.</i>
<i>T1 = Input tax attributable to inputs and input services intended to be used exclusively for non-business purposes</i>
<i>T2 = Input tax attributable to inputs and input services intended to be used exclusively for effecting exempt supplies</i>
<i>T3 = Input tax in respect of inputs and input services on which credit is blocked under section 17(5) of the CGST Act, 2017</i>

Computation of total input tax involved [T]

Particulars	Amount
GST paid on taxable items [55,00,000 x 18%]	990000
Items exempted vide a notification [Since exempted, no GST]	0
Items not leviable to tax [Since non-taxable, no GST]	0
GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items - [1,00,000 x 5%]	5000
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items - [80,000 x 5%]	4000
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items - [20,000 x 5%]	1000
GST paid on monthly rent - [5,50,000 x 18%]	99000
GST paid on packing charges [2,50,000 x 18%]	45000
Salary paid to staff at the Store [Services by an employee to the employer in the course of or in relation to his employment is not a supply in terms of para 1 of the Schedule III to CGST Act, 2017 and hence, no GST is payable thereon].	0
GST paid on inputs used for personal purpose	5000

<i>GST paid on rent a cab services availed for business purpose</i>	<i>4000</i>
<i>GST paid on items given as free samples</i>	<i>4000</i>
<i>Total input tax involved in a tax period (October, 20XX) [T]</i>	<i>1157000</i>

Computation of T1, T2, T3

Particulars	Amount
<i>GST paid on monthly rent attributable to personal purposes [1/3 of Rs. 99,000]</i>	<i>33000</i>
<i>GST paid on inputs used for personal purpose</i>	<i>5000</i>
<i>Input tax exclusively attributable to non-business purposes [T1]</i>	<i>38000</i>
<i>GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items. [As per section 2(47) of the CGST Act, 2017, exempt supply means, inter alia, supply which may be wholly exempt from tax by way of a notification issued under section 11. Hence, input service of inward transportation of exempt items is exclusively used for effecting exempt supplies.]</i>	<i>4000</i>
<i>GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items. [Exempt supply includes non-taxable supply in terms of section 2(47) of the CGST Act, 2017. Hence, input service of inward transportation of non-taxable items is exclusively used for effecting exempt supplies.]</i>	<i>1000</i>
<i>Input tax exclusively attributable to exempt supplies [T2]</i>	<i>5000</i>
<i>GST paid on renting of motor vehicle services availed for business purpose</i> <i>[ITC on renting is blocked under section 17(5)(b) of the CGST Act, 2017 as the same is not used by All-in-One Store for the purpose specified]</i>	<i>4000</i>

<i>GST paid on items given as free samples [ITC on goods inter alia, disposed of by way of free samples is blocked under section 17(5)(h) of the CGST Act, 2017].</i>	4000
Input tax for which credit is blocked under section 17(5) of the CGST Act, 2017 [T3] **	8000

***Since GST paid on inputs used for personal purposes has been considered while computing T1, the same has not been considered again in computing T3.*

ITC credited to the electronic credit ledger

$$C1 = T - (T1 + T2 + T3)$$

$$= \text{Rs. } 1157000 - (\text{Rs. } 38,000 + \text{Rs. } 5,000 + \text{Rs. } 8,000)$$

$$= \text{Rs. } 1106000$$

B. Computation of Common Credit

$$C2 = C1 - T4$$

Where, C2 = Common Credit

T4 = Input tax credit attributable to inputs and input services intended to be used exclusively for effecting taxable supplies

Computation of T4,

<i>Particulars</i>	<i>Amount</i>
<i>GST paid on taxable items</i>	990000
<i>GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items</i>	5000
Input tax exclusively attributable to taxable supplies [T4]	995000

$$\text{Common Credit } C2 = C1 - T4$$

$$= \text{Rs. } 1106000 - \text{Rs. } 995000$$

$$= \text{Rs. } 111000$$

C. Computation of ITC attributable towards exempt supplies out of common credit

ITC attributable towards exempt supplies is denoted as 'D1' and calculated as -

$$D1 = (E \div F) \times C2$$

where,

'E' is the aggregate value of exempt supplies during the tax period, and

'F' is the total turnover in the State of the registered person during the tax period

Aggregate value of exempt supplies during October, 20XX

$$= \text{Rs. } 1500000 (\text{Rs. } 1200000 + \text{Rs. } 300000)$$

Total turnover in the State during the tax period

$$= \text{Rs. } 65,00,000 (\text{Rs. } 42,00,000 + \text{Rs. } 12,00,000 + \text{Rs. } 3,00,000 + \text{Rs. } 8,00,000)$$

Note: Transfer of items to Store located in Goa is inter-State supply in terms of section 7 of the IGST Act, 2017 and hence includible in the total turnover. Such supply is to be valued as per rule 28 of the CGST Rules, 2017. However, the value declared in the invoice cannot be adopted as the value since the recipient Store at Goa is not entitled for full credit. Therefore, open market value of such goods, which is the value of such goods sold in Mumbai Store, is taken as the value of items transferred to Goa Store.

$$D1 = (1500000 \div 6500000) \times 111000$$

$$= \text{Rs. } 25,615 (\text{rounded off})$$

D. Computation of Eligible ITC out of common credit

Eligible ITC attributed for effecting taxable supplies is denoted as 'C3', where, -

$$C3 = C2 - D1$$

$$= ₹ 1,11,000 - ₹ 25,615$$

$$= \text{Rs. } 85,385$$

E. Computation of Net GST liability for the month of October, 20XX

Particulars	Amount
<i>GST liability under forward charge</i>	
<i>Taxable items sold in the store [42,00,000 x 18%]</i>	<i>756000</i>
<i>Taxable items transferred to Goa Store [8,00,000 x 18%]</i>	<i>144000</i>
<i>Ineligible ITC [ITC out of common credit, attributable to exempt supplies]</i>	<i>25615</i>
<i>Total output tax liability under forward charge</i>	<i>925615</i>
<i>Less: ITC credited to the electronic ledger</i>	<i>-1106000</i>
<i>ITC carried forward to the next month</i>	<i>-180385</i>
<i>Net GST payable [A]</i>	<i>Nil</i>
<i>GST liability under reverse charge</i>	
<i>Freight paid to GTA for inward transportation of taxable items - [1,00,000 x 5%]</i>	<i>5000</i>
<i>Freight paid to GTA for inward transportation of exempted items - [80,000 x 5%]</i>	<i>4000</i>
<i>Freight paid to GTA for inward transportation of non-taxable items - [20,000 x 5%]</i>	<i>1000</i>
<i>Total output tax liability under reverse charge [B]</i>	<i>10000</i>
<i>Net GST liability [A] + [B]</i> <i>As per section 49(4) of the CGST Act, 2017 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 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.</i>	<i>10000</i>

Multiple Choice Questions

Q 1. Input tax credit is available only when the purchase made is used in _____

- a. The course or furtherance of business
- b. Other than business expenses
- c. Both (a) and (b)
- d. Depends upon criteria

Answer: A: The course or furtherance of business

Q 2. Input tax Credit is available on all supplies which are used or intended to be used in the course or furtherance of business. Input tax credit will be available under which of the following situations?

- a. GST paid on motor vehicle used in the course and furtherance of business.
- b. GST paid on club membership fees.
- c. GST paid on goods or services or both used for personnel consumption.
- d. IGST @18% paid on inputs purchased from a vendor in Bangalore where the supplier is registered in Rajasthan.

Answer: D: IGST @18% paid on inputs purchased from a vendor in Bangalore where the supplier is registered in Rajasthan.

Q 3. In case supplier has deposited the taxes but the receiver has not received the documents, is receiver entitled to avail credit?

- a. Yes, it will be auto populated in recipient monthly returns*
- b. No as one of the conditions of 16(2) is not fulfilled*
- c. Yes, if the receiver can prove later that documents are received subsequently*
- d. None of the above*

Answer: B: No as one of the conditions of 16(2) is not fulfilled

Q 4. Whether depreciation on tax component of capital goods and Plant and Machinery and input tax credit is Permissible?

- a. Yes*
- b. May be*
- c. Input tax credit is eligible if depreciation on tax component is not availed*
- d. None of the above*

Answer: C: Input tax credit is eligible if depreciation on tax component is not availed

Q 5. Can Banking Company or Financial Institution withdraw the option of availing actual credit or 50% credit anytime in the financial year?

- a. Yes*
- b. No*
- c. Yes, with permission of Authorized officer*
- d. None of the above*

Answer: B: No

Q 6. Where a supplier of goods or services pays tax under sections 74, 129 and 130 (fraud, willful

misstatement etc.), then receiver of goods can avail its credit:

- a. Yes
- b. No
- c. Yes, with permission of Authorized officer
- d. Yes, after receipt of invoice for goods or services

Answer: B: No

Q 7. In case of Voluntary registration input tax credit can be availed

- a. On stocks held on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act
- b. On stocks held on the day immediately preceding the date of grant of registration under the provisions of this Act.
- c. On stocks held on the day immediately preceding the date of application of registration under the provisions of this Act.
- d. None of the above

Answer: B: On stocks held on the day immediately preceding the date of grant of registration under the provisions of this Act.

Q 8. In case of ISD whether distributor and recipient should have same PAN

- a. Yes
- b. No
- c. Yes, if in same state and different in other state
- d. None of the above

Answer: A: Yes

Q 9. Can the credit distributed by an ISD exceed the amount available for distribution?

- a. Yes*
- b. No*
- c. May Be*
- d. None of the above*

Answer: B: No

Q 10. Whether credit on capital goods can be taken immediately on receipt of the goods?

- a. Yes, If the amount of ITC is up to Rs. 50000*
- b. Credit is available in 36 Instalments*
- c. Yes, Full credit is available*
- d. Credit is available at the time when asset is capitalised in books of accounts*

Answer: C: Yes, Full credit is available

Q 11. The tax paying documents in section 16(2) is:

- a. Bill of entry, Invoice raised on RCM supplies*
- b. Challan issued under Rule 55*
- c. GST Returns for relevant period*
- d. Any of the above*

Answer: A: Bill of entry, Invoice raised on RCM supplies

Q 12. The time limit to pay the value of supply with taxes to the supplier to avail the input tax credit is

_____.

- a. 90 Days
- b. 30 Days
- c. 6 Months
- d. 180 Days

Answer: d: 180 Days

Q 13. In case of supply of plant & machinery on which ITC is taken, tax to be paid on is

- a. Amount equal to ITC availed less 5% for every quarter or part thereof
- b. Tax on transaction value
- c. Higher of above two
- d. Lower of above two

Answer: C Higher of above two

Q 14. As per Section 17(5), ITC of works contract services is available if the recipient is availing such services for further supply of same kind of services

- a. Correct
- b. In Correct
- c. Partly Correct
- d. None of above

Answer: A: Correct

Q 15. As per Section 17(5), in respect of Goods / services used for personal consumption then ITC cannot be availed:

- a. Yes*
- b. No*
- c. Depends on supplier*
- d. None of above*

Answer: A: Yes

Q 16. As per Section 17(5), ITC on purchase of motor vehicle can be claimed by –

- a. further supply of such vehicles or conveyances*
- b. transportation of passengers*
- c. imparting training on driving, flying, navigating such vehicles or conveyances*
- d. All of the above*

Answer: D: All of the above

Q 17. Maximum time limit for availing ITC is

- a. The date of filing of annual return*
- b. Due date of filing return u/s 39 for the month of September*
- c. Earliest of above two*
- d. Later of above two.*

Answer: C: Earliest of above two

Q 18. ITC can be availed on

- a. Possession of prescribed invoice/ debit note
- b. Receipt of goods/services
- c. Tax on such supply has been paid to government and return being furnished by the supplier
- d. Fulfilling all the above conditions

Answer: D: Fulfilling all the above conditions

Q 19. The input tax credit on purchase invoice dated 2nd May 2017 was omitted to be taken. The accountant realized this mistake on 1st November 2018. Can he now claim the credit?

- a. Yes, Since Annual return is not filed
- b. No, Since 20th October'18 is elapsed
- c. Yes credit can be taken without limit
- d. None of the above

Answer: B: No, Since 20th October'18 is elapsed

Q 20. Mr. A, a registered person omitted to take the ITC of the August 2017 month. He has filed his GST annual return on 30th June, 2018. By when he could have availed the ITC?

- a. 30th June, 2018
- b. 31st July, 2018
- c. 31st December, 2018
- d. 20th October, 2018

Answer: A: 30th June, 2018

Q 21. In case of goods received in lots, ITC is availed at the time of :

- a. At the time of receipt of 1st Instalment*
- b. After the receipt of last instalment*
- c. After 50% goods is received*
- d. None of the above*

Answer: B: After the receipt of last instalment

Q 22. Mr. Rohit, a practicing Chartered Accountant purchased 3 laptops each having tax elements of Rs.40,000 in his firm name two laptops he utilized in his office whereas one laptop he gifted to his Friend. What is the amount of ineligible ITC?

- a. Rs. 20000*
- b. Rs. 40000*
- c. Rs. 80000*
- d. None of the above*

Answer: B: Rs. 40000

Q 23. Mr. Kapil, an Trader located in Pune, imports some goods from China. Whether he will get the credit of IGST levied on import of goods ?

- a. Yes*
- b. No*
- c. Yes, if amount of IGST is more than Rs. 50000*
- d. None of the above*

Answer: A: Yes

Q 24. Haldirams Pvt Ltd. is engaged in making supply of packed food items. On the occasion of Diwali it distributed some of the packets to its employees as a gift. State whether ITC on the same will be allowed or Not ?

- a. No, Since the same is ineligible credit as per Section 17(5)
- b. Yes, Since the same is eligible credit as per ITC Rules
- c. Yes, if the amount of ITC is More than Rs. 5000
- d. None of the above

Answer: B: No, Since the same is ineligible credit as per Section 17(5)

Q 25. Krishna Motors is a car dealer selling cars of an international car company. It also provides maintenance and repair services of the cars sold by it as also of other cars. Determine the amount of input tax credit available with the help of the following information regarding expenses incurred by it during the course of its business operations:

Particulars	GST paid
Cars purchased from the manufacturer for making further supply of such cars. [Two of such cars are destroyed in accidents while being used for test drive by potential customers. GST paid on their purchase is ₹1,00,000]	20,00,000
Works contract services availed for constructing a car shed in its premises.	50,000

- a. Rs. 1900000
- b. Rs. 2110000
- c. Rs. 1950000
- d. Rs. 2050000

Answer: A: 1900000

Q 26. Kamlesh hires a works contractor for repairing his factory building on a lumpsum payment of Rs. 11,80,000. He debits half of the expenditure in the profit and loss account and the remaining half in the building account.

- a. Rs. 90000
- b. Rs. 106200
- c. Rs. 212400
- d. Nil

Answer: A: 90000

Q 27. In which of the following cases Input tax credit cannot be taken on:

- I. A software professional providing technical consultancy buys a motorcycle for use of his employee.
 - II. A motor driving school buys a car for being used in imparting motor driving training.
 - III. A flying school imports an aircraft for use in its training activity.
 - IV. A manufacturer buys a small truck for the purpose of transporting its inputs and finished goods.
- a. (iii)
 - b. (i), (ii), (iii), (iv)
 - c. (i)
 - d. (i), (iii)

Answer: C: (i)

Q 28. Mr. X becomes liable to pay tax on 1st August, 2018 and has obtained registration on 15th August, 2018. Such person is eligible for input tax credit on inputs held in

stock as on:

- a. *1st August, 2018*
- b. *31st July, 2018*
- c. *15th August, 2018*
- d. *He cannot take credit for the past period*

Answer: B: 31st July, 2018

Q 29. Eligibility of credit on capital goods in case of change of scheme from Composition scheme to Regular scheme

- a. *Eligible during application for Regular scheme*
- b. *Not eligible*
- c. *Yes, immediately before the date from which he becomes liable to pay tax under the Regular scheme*
- d. *None of the above*

Answer: C: Yes, immediately before the date from which he becomes liable to pay tax under the Regular scheme

Q 30. A person is entitled to take credit of input tax as self-assessed in the return and credited to Electronic credit ledger on

- a. *Final basis*
- b. *Provisional basis*
- c. *Partly Provisional and partly final basis*
- d. *None of the above*

Answer: B: Provisional Basis

9 – Job Work Procedure

Multiple Choice Questions

Q 1. Should the principal referred to in Section 143 be registered?

- a. Yes
- b. No
- c. Yes, Principal is located in other than special category states
- d. None of the above

Answer: A: Yes

Q 2. When will the inputs and/or capital goods sent to job-work become a supply?

- a. When the inputs and/or capital goods sent to job-worker are not received within 1 year or 3 years respectively
- b. When the inputs and/or capital goods sent to job-worker are not supplied, with or without payment of tax, from the job-workers place within 1 year or 3 years respectively
- c. Both under (a) or (b)
- d. None of the above

Answer: C: Both under (a) or (b)

Q 3. From when will the period of one or three years be calculated under Section 143?

- a. The day when such inputs and/or capital goods sent to job-worker
- b. The day when the job-worker receives the said goods, in case the job-worker receives the goods directly
- c. Both (a) and (b)
- d. None of the above

Answer: C: Both (a) and (b)

Q 4. Will a principal who sends moulds, dies, jigs, tools and fixtures to job worker's place liable to pay GST on such removal?

- a. No, it is not a supply
- b. Yes, if not received within time limit
- c. No, as capital goods as referred in section 143 excludes moulds, dies, jigs, tools and fixtures.
- d. None of the above

Answer: C: No, as capital goods as referred in section 143 excludes moulds, dies, jigs, tools and fixtures.

Q 5. Can a principal supply inputs and/or capital goods from the job-worker's premises?

- a. Yes, only when the job-worker is registered
- b. Yes, even if the job-worker is unregistered by declaring the job-worker's premises as his additional place of business
- c. Yes, irrespective of whether the job-worker is registered or not, principal is engaged in the supply of goods which are notified by the Commissioner on this behalf
- d. All of the above

Answer: D: All of the above

Q 6. Mr. X has sent his goods to Mr. Y on job-work on 07-05-2017. From when it will be considered as deemed supply if not received back within one year?

- a. 06-05-2018
- b. 07-05-2017

- c. 03-11-2018
- d. Not Taxable

Answer: B: 07-05-2017

Q 7. If the inputs are not received back within the prescribed limit by the principal then, who is responsible to pay the GST?

- a. Job worker
- b. Principal
- c. Job worker is responsible when sending such inputs and Principal needs to reverse the ITC taken earlier.
- d. None of the above

Answer: A: Principal

Q 8. If the inputs and/or capital goods are not received or returned within the prescribed time limit:

- a. It shall be deemed to be a supply on the day such inputs and/or capital goods are sent to job-worker and the principal to discharge the GST along with interest.
- b. No consequences
- c. The job-worker to discharge GST on expiry of the prescribed time limit.
- d. Principal to reverse the input tax credit taken on such inputs and or capital goods.

Answer: A: It shall be deemed to be a supply on the day such inputs and/or capital goods are sent to job-worker and the principal to discharge the GST along with interest.

Q 9. In case of Job work Principal can avail the ITC on inputs and capital goods if Inputs are received within _____ and capital goods are received within _____ .

- a. Inputs – 1 Year and Capital Goods – 3 Years
- b. Inputs – 1 Year and capital Goods – 2 Years
- c. Inputs – 6 Months and capital goods – 18 Months
- d. Inputs – 30 days and capital goods – 60 days

Answer: A: Inputs – 1 Year and Capital Goods – 3 Years

Q 10. In case of Job work transaction, The principal can avail ITC on goods sent to job-worker which relates to

- a. Inputs
- b. Capital goods
- c. Inputs/capital goods directly sent to job-worker
- d. All of the above

Answer: D All of the above

Additional Question for Practice for ITC and Job Work

Q 1. Is it mandatory that job worker and principal be located in the same State or Union territory for the applicability of job work provisions under GST law? Discuss.

Answer: No, this is not mandatory that job worker and principal be located in the same State or Union territory for the applicability of job work provisions under GST law. The provisions relating to job work have been adopted in the IGST Act vide section 20 of the IGST Act. Therefore job-worker and principal can be located either in same State or in same Union Territory or in different States or Union Territories.

Q 2. Mr. X, a registered person supplied the following goods to Miss Neetu for further processing on job work basis.

S. No.	Goods	Particulars
1	P	Taxable under GST
2	Q	Exempted vide an exemption notification under CGST Act
3	R	Non-taxable under GST

You are required to examine whether the provisions of job work will be applicable to all categories of goods?

Answer: Legal Provision: The provisions of job work are not applicable to all categories of goods. The provisions relating to job work are applicable only when registered person intends to send taxable goods. In other words, these provisions are not applicable to exempted or non-taxable goods or when the sender is a person other than registered person.

Discussion: Thus, in the present case, the provisions of job work are not applicable to "Q" being an exempted good and "R" as the same is not taxable good. Thus, job work provisions will apply only to "P", the same being taxable good.

Q 3. Alok Pvt Ltd, a registered manufacturer, sent steel cabinets worth Rs. 50 lacs under a delivery challan to M/s Prem tools, a registered job worker, for job work on

28.01.20XX. The scope of job work included mounting the steel cabinets on a metal frame and sending the mounted panels back to job Alok Pvt Ltd. The metal frame is to be supplied by M/s Prem Tools has agreed to a consideration of Rs. 5 lacs for the entire mounting activity, metal waste is generated which is sold by M.s Prem tools for Rs. 45000. M/s Prem tools sent the steel cabinets mounted on the metal frame to Alok Pvt Ltd. On 03.12.20XX.

Assuming GST rate for metal frame as 28%, for metal waste as 12% and standard rate for services as 18%. You are required to compute the GST liability of M/s Prem Tools. Also give reasons for inclusions or exclusions of the value of cabinets in the job charges for the purpose of payment of GST by M/s Prem Tools.

Answer: As per Schedule II, any treatment or process which is applied to another person's goods is a **supply of services** and accordingly is subject to GST.

In the given case, M/s Prem tools (Job worker) undertakes the process of mounting the steel cabinet of Alok Pvt Ltd. (Principal) on metal frames. In view Schedule II to the CGST Act, the mounting activity classifies as service even though metal frames are also supplied as a part of the mounting activity. Accordingly, the job charges will be chargeable to rate of 18%, which is the applicable rate for services. Further, the value of steel cabinets will not be included in the value of taxable supply made by M/s Prem Tools as the supply of cabinets doesn't fall within the scope of supply to be made by M/s Prem Tools. M/s Prem Tools is only required to mount the steel cabinets, which are to be supplied by Alok Pvt Ltd. on the metal frames, which are to be supplied by it.

As regards sale of waste generated during the job work, since M/s Prem Tools is registered, the tax leviable on the supply will have to be paid by it in terms of section 143(5) of CGST Act. Such supply will be treated as supply of goods and subject to GST rate applicable for metal waste

Accordingly, the GST liability of M/s Prem Tools will be computed as under:

Particulars	Amount
Job Charges	500000
GST @ 18% (A)	90000
Sale of Metal waste	45000

GST @ 12 % (B)	5400
Total GST Payable (A+B)	95400

Q 4. Genie Engineers had a mould delivered directly to a job worker from the supplier for making certain precision parts for use in the factory of Genie Engineers. As per agreement, the mould was to remain with the job worker as long as work was being sent to him.

After four years a departmental audit team that visited the job worker noticed the mould and traced it to Genie Engineers. GST was demanded from Genie Engineers for taking ITC without receiving the mould and furthermore for not bringing the mould back after three years of delivery to the job worker. How should they respond to this?

Answer: Genie Engineers should reply on the following lines:

Under section 19(6) of CGST Act, the principal may take ITC on capital goods sent to a job worker for job work without being first brought to his place of business.

The capital goods sent for job work should either be returned to the principal or must be supplied from the job worker's premises within 3 years from sending them to the job worker or direct receipt by the job worker from the supplier. If the above time-lines are not met, it is deemed that the capital goods were supplied by the principal to the job worker (in other words, tax will be payable on them) on the day they were sent out to the job worker [Section 19(6)].

However, sub-section (7) of section 19 provides that the time-limit of three years in sub-section (6) for bringing back the capital goods from the job worker does not apply to moulds.

Hence, Genie Engineers have correctly taken the ITC on moulds.

Q 5. Happy Ltd a registered person is engaged in providing taxable as well as exempted services. Turnover of Happy Ltd. during the month of November 2017 is as under:

Description of Goods	Amount (In Rs.)
Value of exempted supply of services	1500000
Value of Zero rated taxable supply of services	400000
Value of Taxable supply of services	2600000
Services made for personal use	5,00,000
Total	5000000

Amount of Input tax credit for the month of November, 2017 are as under:

Particulars	CGST	SGST	IGST
Total input tax credit available	175000	175000	175000
The above Input tax credit on input services includes the following:			
i) Credit of input services used only for providing exempted services	32000	32000	17400
ii) Credit of input services used for providing taxable services (including zero rated supplies)	72,000	72,000	14000
iii) Credit of input services used for supplying services for personal use	25000	25000	8600
iv) Credit availed on inputs which are not eligible under section 17(5)	15000	15000	6200

Determine the amount of input tax credit of Happy Ltd for the month of November 2017, as per Rule 42 of CGST rules also calculate the amount to be added to output tax liability of Happy Ltd.

Answer: Computation of input tax credit eligible for the period of November 2017.

Particulars	Denoted as	CGST	SGST	IGST
Total input tax credit in a tax period	T	175000	175000	68000
Less: -				
Credit of input services used for supplying services for personal use	T1	25000	25000	8600
Credit of input services used only for providing exempted services	T2	32,000	32,000	17400
Credit availed on inputs which are not eligible under section 17(5)	T3	15000	15000	6200
Amount of ITC to be credited to electronic credit ledger $C1 = T - [T1 + T2 + T3]$	C1	103000	103000	35800
Less : credit of input services used for providing taxable services (including zero rated supplies)	T4	72000	72000	14000
Common credit of input & input services used for providing supply of services $C2 = C1 - T4$	C2	31000	31000	21800
Total inadmissible common credit as per rule 42 (1) $D1 + D2 \{W.N 1\}$		10850	10850	7630
Net eligible common credit $C3 = C2 - [D1 + D2]$	C3	20150	20150	14170
Total credit eligible i.e $[T4 + C3]$		92150	92150	28170
Amount to be added to output tax		10850	10850	7630

W.N. 1 :- Calculation of input tax credit amount attributable to exempt supplies and supply made for non-business use :

Particulars	Denoted as	CGST	SGST	IGST
Aggregate value of exempted supply of services	E	1500000	1500000	1500000
Total turnover for November 2018	F	5000000	5000000	5000000
Credit attributable towards exempt supplies D1 $= [E/F] * C2$	D	9300	9300	6540
Credit attributable for supplies made for non business purpose as per clause (i) of rule 42 (1) D2 $= 5\% * C2$	F	1,550	1,550	1090
Total inadmissible common credit as per rule 42 (1) D1 + D2		10850	10850	7630

Q 6. Sarani Weavers at Mumbai is an input service distributor and intends to distribute input tax credit u/s 20 of the CGST Act, 2017, for the month of March 2018. The following are the details available for such distribution:

Branch	Turnover of the last quarter (Amt. in Rs.)	ITC specifically applicable to the branch (Amt in Rs.)
Ganganagar Branch	10,00,000	IGST - Rs. 12000
		CGST - Rs. 3000
		SGST - Rs. 3000
Madhugiri Branch	5,00,000	Nil
Kosala Branch	15,00,000	Nil
Mumbai HO	20,00,000	IGST - Rs. 150000
		CGST - Rs. 15000
		SGST - Rs. 15000

Inputs /Input services used commonly by all branches against which ITC available is:

CGST – Rs. 60000

SGST – Rs. 60000

IGST – Rs. 120000

Madhugiri branch uses inputs to manufacture exempted products.

All branches are outside Maharashtra. Turnover excludes duties & taxes payable to Central and State Government.

Determine the input tax distribution.

Answer: As per section 20 of the CGST Act read with rule 39 of CGST Rules, 2017:

- (i) Total GST credit (CGST+ SGST + IGST) of Rs. 18,000 specifically attributable to Ganganagar Branch will be distributed as IGST credit of Rs. 18,000 only to Ganganagar Branch. [Since recipient and ISD are located in different states.]
- (ii) IGST credit of ` 1,50,000, CGST credit of Rs. 15,000 and SGST credit of Rs. 15,000 specifically attributable to Mumbai HO will be distributed as IGST credit of Rs. 1,50,000, CGST credit of Rs. 15,000 and SGST credit of Rs. 15,000 respectively, only to Mumbai HO. [since recipient is located in the same State in which ISD is located.]
- (iii) CGST credit of Rs. 60,000, SGST credit of Rs. 60,000 and IGST credit of Rs. 1,20,000 have to be distributed among the three branches and Mumbai HO in proportion of their turnover of the last quarter.

Ganganagar Branch will get – ` 48,000 [$2,40,000 \times (10,00,000/50,00,000)$] as IGST credit

Madhugiri Branch will get – ` 24,000 [$2,40,000 \times (5,00,000/50,00,000)$] as IGST credit

The credit attributable to a recipient is distributed even if such recipient is making exempt supplies.

Kosala Branch will get – ` 72,000 [$2,40,000 \times (15,00,000/50,00,000)$] as IGST credit

Mumbai HO will get – Rs. 24,000 [$60,000 \times (20,00,000/50,00,000)$] as CGST

credit, Rs. 24,000 [$60,000 \times (20,00,000/50,00,000)$] as SGST credit and ` 48,000

[$1,20,000 \times (20,00,000/50,00,000)$] as IGST credit.

Notes:

- I. In the above answer, Mumbai HO has been assumed as a Branch for the purpose of distribution of credit. However, it is also possible to answer the question by not assuming Mumbai HO as the branch for the purpose of distribution of credit. In

that case, common credit will be distributed among Ganganagar, Madhugiri and Kosala branches.

- 2** *The aggregate amount of input tax credit for inputs/ input services used commonly by all the branches is assumed to be the ITC pertaining to only input services.*

Chapter 10 – Registration under GST

Exercise Questions & Answers

Q 1. Determine the effective date of registration in following cases:

- a) The aggregate turnover of ABC Associates of Delhi has exceeded ` 20 lakh on 1st September. It submits the application for registration on 20th September. Registration certificate is granted to it on 25th September.
- b) Mehta Teleservices is an internet service provider 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.

Ans:

- a. Every supplier becomes liable to registration if his turnover exceeds Rs. 20 lakh [in a State/UT other than Special Category States] in a financial year [Section 22]. Since in the given case, the turnover of ABC Associates exceeded Rs. 20 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 [Section 25 read with rule 10 of the Chapter III - Registration of CGST Rules, 2017]. Therefore, the effective date of registration is 1st September.

- b. Since in the given case, the turnover of Mehta Teleservices exceeds 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.

Q 2. Alpha Pvt. Ltd., Pune provides house-keeping services. The company supplies its services exclusively through an e-commerce website owned and managed by Clean Indya Pvt. Ltd., Pune. The turnover of Alpha Pvt. Ltd. in the current financial year is Rs. 18 lakh.
Advise Alpha Pvt. Ltd. as to whether they are required to obtain GST registration. Will your advice be any different if Alpha Pvt. Ltd. sells readymade garments exclusively through the e-commerce website owned and managed by Clean Indya Pvt. Ltd.?

Ans: Legal Provision: As per section 22 of the CGST Act every supplier of goods or services or both is required to obtain registration in the State/ Union territory from where he makes the taxable supply if his aggregate turnover exceeds Rs. 20 lakh [Rs. 10 lakh in case of specified Special Category States] in a financial year.

However, section 24 of the said Act enlists certain categories of persons who are mandatorily required to obtain registration, irrespective of their turnover. **Persons who supply goods or services or both through such electronic commerce operator (ECO)**, who is required to collect tax at source under section 52, is one such person specified under clause (ix) of section 24.

However, where the ECO is liable to pay tax on behalf of the suppliers of services under a notification issued under section 9(5), the suppliers of such services are entitled for threshold exemption.

Further, persons making supplies of **services**, other than supplies specified under section 9(5) through an ECO who is required to collect tax at source under section 52, and having an aggregate turnover, to be computed on all India basis, not exceeding an amount of Rs. 20 lakh [Rs. 10 lakh for specified special category States] in a financial year, have been exempted from obtaining registration vide Notification No. 65/2017 CT dated 15.11.2017.

Section 2(45) of the CGST Act defines ECO as any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

Electronic commerce is defined under section 2(44) to mean the supply of goods or services or both, including digital products over digital or electronic network. Since Clean Indya Pvt. Ltd. owns and manages a website for e commerce where both goods and services are supplied, it will be classified as an ECO under section 2(45).

Discussion and Conclusion: In the given case, Alpha Pvt. Ltd. provides house-keeping services through an ECO. It is presumed that Clean Indya is an ECO which is required to collect tax at source under section 52. However, house-keeping services provided by Alpha Pvt. Ltd., which is not liable for registration under section 22(1) as its turnover is less than Rs. 20 lakh, is a service notified under

section 9(5). Thus, Alpha Pvt. Ltd. will be entitled for threshold exemption for registration and will not be required to obtain registration even though it supplies services through ECO.

In the second case, Alpha Pvt. Ltd. sells readymade garments through ECO. Such supply cannot be notified under section 9(5) as only supplies of services are notified under that section. Since turnover on all India basis of said person is not exceeding Rs. 20 lacs. Hence he is not liable to be registered under the Act.

Q 3. Rishabh Enterprises – a sole proprietorship firm – started an air-conditioned **restaurant** in Virar, Maharashtra in the month of February wherein the customers are served cooked food as well as cold drinks/non-alcoholic beverages. In March, the firm opened a liquor shop in Raipur, Uttarakhand for trading of alcoholic liquor for human consumption.

Determine whether Rishabh Enterprises is liable to be registered under GST law with the help of the following information:

Particulars	February	March
	(in Rs)	(in Rs)
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	5,50,000	6,50,000
Sale of alcoholic liquor for human consumption in Uttarakhand		5,00,000
Interest received from banks on the fixed deposits	1,00,000	1,00,000
Supply of packed food items from restaurant in Maharashtra	1,50,000	2,00,000

You are required to provide reasons for treatment of various items given above.

Ans: Legal Provision: As per section 22 of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds Rs. 20 lakh.

However, if such taxable supplies are made from any of the specified special category States, namely, States of Manipur, Mizoram, Nagaland, Tripura, he shall be liable to be registered if his aggregate turnover in a financial year exceeds ` 10 lakh.

Discussion: In the given question, since Rishabh Enterprises is engaged in making taxable supplies from Maharashtra which is not a specified Special Category State, the threshold limit for obtaining registration is ` 20 lakh.

As per section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of:

(i) All Taxable supplies

- (ii) all exempt supplies,
- (iii) exports of goods and/or services and
- (iv) 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'.

In the light of the afore-mentioned provisions, the aggregate turnover of Rishabh Enterprises is computed as under:

Computation of aggregate turnover of Rishabh Enterprises

Particulars	Turnover of February (In Rs.)	Cumulative turnover of February and March (In Rs.)
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	5,50,000	12,00,000 (550000+650000)
Add: Sale of alcoholic liquor for human consumption in Uttarakhand [Note-1]	-	5,00,000
Add: Interest received from banks on the Fixed Deposits [Note-2]	1,00,000	2,00,000 (Rs. 100000 + Rs. 100000)
Add: Supply of packed food items from restaurant in Maharashtra	1,50,000	3,50,000 (Rs. 150000 + Rs. 200000)
Aggregate Turnover	8,00,000	2250000

Notes:

- As per section 2(47) of the CGST Act, 2017, exempt supply includes non-taxable supply. Thus, supply of alcoholic liquor for human consumption in Uttarakhand, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.
- Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) is exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017. Thus, interest received from banks on the fixed deposits is an exempt supply and is, therefore, includible while

computing the aggregate turnover.

Conclusion: Rishabh Enterprises was not liable to be registered in the month of February since its aggregate turnover did not exceed ` 20 lakh in that month. However, since its **aggregate turnover exceeds ` 20 lakh in the month of March, it should apply for registration within 30 days from the date on which it becomes liable to registration.**

Q 4. Shagun started supply of goods in Vasai, Maharashtra from 01.01.20XX. Her turnover exceeded ` 40 lakh on 25.01.20XX. However, she didn't apply for registration. Determine the amount of penalty, if any, that may be imposed on Shagun on 31.03.20XX, if the tax evaded by her, as on said date, on account of failure to obtain registration is ` 1,26,000.

Ans: Legal Provision: As per Notification No. 10/2019 CT dated 07.03.2019 any person who is engaged in exclusive supply of goods and whose aggregate turnover in the financial year does not exceed 40 lakh is exempted from registration. This applies to state of Maharashtra as well. Where the aggregate turnover of a supplier making supplies from a State/UT exceeds `40 lakh in a financial year, he is liable to be registered in the said State/UT. The said supplier must apply for registration within 30 days from the date on which he becomes liable to registration. However, in the given case, although Shagun became liable to registration on 25.01.20XX, she didn't apply for registration within 30 days of becoming liable to registration. Section 122(1)(xi) of the CGST Act, 2017 stipulates that a taxable person who is liable to be registered under the CGST Act, 2017 but fails to obtain registration shall be liable to pay a penalty of:

(a) Rs. 10,000 or

(b) An amount equivalent to the tax evaded [Rs.1,26,000 in the given case],

whichever is higher.

Conclusion: Thus, the amount of penalty that can be imposed on Shagun is Rs. 1,26,000.

Q 5. Determine whether registration has to be obtained under GST in case of the following as per provisions contained under CGST Act, 2017.

- 1) Fine oils mumbai is engaged in the business of machine oil as well as petrol and diesel. The total turnover on supply of machine oil is only Rs. 8 lakhs and in case of petrol and diesel is Rs. 8 crores.
- 2) Ram lal from Telangana, an agriculturist, for supply of produce out of cultivation of land amounting to Rs. 21 lakhs.

Ans: Answers of the above mentioned questions are given below:

1. Supply of petrol and diesel is not leviable to GST, but supply of machine oil is taxable. In order to determine whether Fine oils is liable for registration, turnover of both the supplies, non-taxable as well as taxable would be taken into account for the threshold of Rs. 40 lakhs. Here the turnover of machine oil, petrol and diesel exceeds Rs. 40 lakhs (Rs. 8.08 crores). Thus, Fine oils is liable for registration.
2. As per section 23 of the CGST Act, an agriculturist, to the extent of supply of produce out of cultivation of land is not liable for registration under GST. In the case of Mr. Ramlal, even though the turnover of produce out of cultivation has exceeded Rs. 20 lakhs, he will not be liable for registration.

Q 6. Pari & Sons Sikkim is an unregistered dealer. On 10th August, 2017 aggregate turnover of Pari & Sons exceeded Rs. 20,00,000. The firm applied for registration on 27th August, 2017 and was granted the registration certificate on 1st September, 2017.

Under CGST Rules, 2017, you are required to advise Pari & Sons 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.

Ans: Legal Provision: Section 22(1) of the CGST Act, 2017 provides that every supplier is liable to be registered under this Act in the State or Union territory, other than special category States, 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.

Notification no 10.2019 is not applicable for the State of Sikkim, so the limit of aggregate turnover will be governed by section 22(1).

Section 25(1) of the CGST Act, 2017 provides that a supplier whose aggregate turnover in a financial year exceeds Rs. 20 lakh 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 of ` 20 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 vide rule 10(2) of the CGST Rules, 2017; otherwise it is the date of grant of registration in terms of rule 10(3) of the CGST Rules, 2017.

Discussion: In the given case, since Pari & Sons have applied for registration on 27.08.2017 which is within 30 days from the date of becoming liable to registration (10.08.2017), its effective date of registration is 10.08.2017.

Further, 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 [Section 31(3)(a) of the CGST Act, 2017 read with rule 53(2) of CGST Rules, 2017].

Conclusion: In view of the same, Pari & Sons may issue revised tax invoices against the invoices already issued during the period between effective date of registration (10.08.2017) and the date of issuance of registration certificate (01.09 2017), on or before 01.10.2017.

Q 7. With the help of the following information in the case of M/s Jayant Enterprises, Jaipur (Rajasthan) for the year 2017-18, determine the aggregate turnover for the purpose of registration under the CGST Act, 2017.

Sr. No	Particulars	Amount
(i)	Sale of diesel on which Sale Tax (VAT) is levied by Rajasthan Government.	1,00,000
(ii)	Supply of goods, after completion of job work, from the place of Jayant Enterprises directly by principal.	3,00,000
(iii)	Export supply to England (U.K.)	5,00,000
(iv)	Supply to its own additional place of business in Rajasthan.	5,00,000
(v)	Outward supply on which GST is to be paid by recipient under reverse charge.	1,00,000

All the above amounts are excluding GST.

You are required to provide reasons for treatment of various items given above.

Ans: Computation of aggregate turnover of M/s Jayant Enterprises for the FY 2017 -18

Particulars	Amount
Supply of diesel on which Sales Tax (VAT) is levied by Rajasthan Government [Note-1]	1,00,000
Supply of goods, after the completion of job work, from the place of Jayant Enterprises, directly by the principal [Note-2]	Nil
Export supply to England [Note-3]	5,00,000
Supply to its own additional place of business in Rajasthan [Note-4]	Nil
Outward supply on which GST is to be paid by recipient under reverse charge [Note-5]	1,00,000
Aggregate Turnover	7,00,000

Working Notes:

1. As per section 2(47) of the CGST Act, 2017, exempt supply includes non-taxable supply. Thus, supply of diesel, being a non-taxable supply, is an exempt supply and exempt supply is specifically includible in aggregate turnover in terms of section 2(6) of the CGST Act, 2017.
2. Supply of goods after completion of job work by a registered job worker shall be treated as the supply of goods by the principal in terms of explanation (ii) to section 22 of the CGST Act, 2017.
3. Export supplies are specifically includible in the aggregate turnover in terms of section 2(6) of the CGST Act, 2017.
4. Supply made without consideration to units within the same State (under same registration) is not a supply and hence not includible in aggregate turnover.
5. Outward supplies taxable under reverse charge would be part of the "aggregate turnover" of the supplier of such supplies. Such turnover is not included as turnover in the hands of recipient.

Section 22(1) of the CGST Act, 2017 provides that a supplier whose aggregate turnover in a financial year exceeds Rs. 20 lakh [Rs. 10 lakh in Special Category States other than Jammu and Kashmir] in a State/UT is liable to be registered.

However as per Notification No. 10/2019 CT dated 07.03.2019 is issued which exempts any person who is engaged in exclusive supply of goods and whose aggregate turnover in the financial year does not exceed 40 lakh. The applicable turnover limit for registration, in the given case, will be Rs. 40 lakh. Although, the aggregate turnover of M/s Jayant Enterprises does not exceed Rs. 40 lakh, it is compulsorily required to register in terms of section 24(i) of the CGST Act, 2017 irrespective of the turnover limit as it is engaged in making inter-State supplies in the form of exports to England.

Q 8. State the time-period within which registration needs to be obtained in each of the following independent cases:

- (a) Casual taxable person
- (b) Person making inter-State taxable supply

Ans: Section 25(1) of the CGST Act stipulates the time-period within which registration needs to be obtained in various cases. It provides the following time-limits:

In case of	Registration needs to be obtained
a person who is liable to be registered under section 22 or section 24	within 30 days from the date on which he becomes liable to registration
a casual taxable person or a non-resident taxable person	at least 5 days prior to the commencement of business

In view of the aforesaid provisions:

- A casual taxable person must obtain registration at least 5 days prior to the commencement of its business.
- As per section 24 of the CGST Act, person making inter-State taxable supply is liable to get compulsorily registered. Therefore, such person must obtain registration within 30 days from the date on which he becomes liable to registration.

Q 9. 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.

Ans: 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)].

Q 10. State which of the following suppliers are liable to be registered

- Agent supplying goods on behalf of some other taxable person and its aggregate turnover does not exceed Rs. 20 lakh during the financial year.
- An agriculturist who is only engaged in supply of produce out of cultivation of land.

Ans: (a) As per section 24, a person supplying 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 threshold limit during the financial year.

(b) 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.

Q 11. What are the advantage of taking registration in GST?

Ans: 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.

Q 12. Can a person without GST registration collect GST and claim ITC?

Ans: 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.

Q 13. If a person is operating in different States, with the same PAN number, can he operate with a single registration?

Ans: 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 is liable to pay GST)

Q 14. Can a person having multiple place of business in a State obtain separate registrations for each place of business?

Ans: Yes. In terms of the proviso to sub-section (2) of section 25, a person having multiple place of business in a State may obtain a separate registration for each business of business, subject to such conditions as may be prescribed.

Q 15. Is there a provision for a person to get himself voluntarily registered though he may not be liable to pay GST?

Ans: 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.

Q 16. Can the Department, through the proper officer, suo-moto proceed to register of a person?

Ans: 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, 2017.

Q 17. Whether the registration granted to any person is permanent?

Ans: Yes, the registration certificate once granted is permanent unless surrendered, cancelled, suspended or revoked.

Q 18. Is it necessary for the UN bodies to get registration under GST?

Ans: Yes. 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.

Q 19. What is the responsibility of the taxable person making supplies to UN bodies?

Ans: 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) and the invoices of the same will be uploaded by the supplier.

Q 20. What is the validity period of the registration certificate issued to a casual taxable person and non- resident taxable person?

Ans: 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.

Q 21. What happens when the registration is obtained by means of willful mis- statement, fraud or suppression of facts?

Ans: *In such cases, the registration may be cancelled with retrospective effect by the proper officer [Section 29(2)(e)].*

Q 22. Is there an option to take centralized registration for services under GST Law?

Ans: *No, the tax payer has to take separate registration in every State from where he makes taxable supplies.*

Q 23. What could be the liabilities (in so far as registration is concerned) on transfer of a business?

Ans: *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)].*

Q 24. At the time of registration, will the assessee have to declare all his places of business?

Ans: *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.*

Q 25. What will be the time limit for the decision on the on-line registration application?

Ans: *If the information and the uploaded documents are found in order, the proper officer has to respond to the application within 3 common working days. If he communicates any deficiency or discrepancy in the application within such time, then the applicant will have to remove the discrepancy / deficiency within 7 days of such communication. Thereafter, for either approving the application or rejecting it, the proper officer has 7 days' time from the date when the taxable person communicates removal of deficiencies. In case no response is given by the proper officer within the said time line, the portal shall automatically generate the registration.*

Q 26. What will be the time of response by the applicant if any query is raised in the online application?

Ans: If during the process of verification, one of the tax authorities raises some query or notices some error, the same shall be communicated to the applicant and to the other tax authority through the GST Common Portal within 3 common working days. The applicant will reply to the query/rectify the error/ answer the query within a period of 7 days from the date of receipt of deficiency intimation.

On receipt of additional document or clarification, the relevant tax authority will respond within 7 common working days from the date of receipt of clarification.

Q 27. Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled?

Ans: 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.

Q 28. ABC Ltd. of Jaipur, Rajasthan has effected intra-State supplies of taxable goods amounting Rs. 12,00,000 till 31-12-2017. On 01-01-2018 it has effected inter-State supply of taxable goods amounting Rs. 1,00,000. ABC Ltd. is of the opinion that it is not required to get registered under GST law since its aggregate turnover is not likely to exceed the threshold during financial year 2017-18. As a consultant of the company you are required to advise the company relating to registration requirements.

Ans: The opinion of ABC Ltd. is not correct. As per provisions of Section 24 of CGST Act, 2017, person making interstate taxable supply is compulsorily required to obtain registration. Thus, Section 24 is an overriding section that makes it mandatory to obtain registration by certain prescribed persons even though the conditions prescribed u/s 22 are not met. Hence, ABC Ltd. is mandatorily required to obtain registration.

As per provisions of Section 25 of CGST Act, 2017 every person who is liable to be registered under section 22 or section 24 shall apply for registration in every such State or Union territory in which he is so liable within 30 days from the date on which he becomes liable to registration, in such manner and subject to such conditions as may be prescribed. Thus, ABC Ltd. is required to obtain registration up to 31-01-2018.

Multiple Choice Questions (MCQs)

1) Can a person without GST registration claim ITC and collect tax?

- a. No
- b. Yes
- c. Only if he is located in special category states
- d. Only with the prior permission of Central govt.

Answer: A: No

2) Within how many days an application for revocation of cancellation of registration can be made?

- a) 30 days
- b) 15 days
- c) 20 days
- d) None of the above

Answer: A: 30 days

3) In case where a person makes supply from multiple states and his aggregate turnover exceeds threshold limit, he has to get registered.

- a. All of the states
- b. In only one state where turnover is greater than 20 lakhs
- c. In states where turnover is greater than 20 lakhs
- d. In any one of the states

Answer: A: All of the States

4) In case of job worker, once the work is being completed, the value of goods shall be included in the turnover of _____.

- a. Principal
- b. Job worker
- c. Agent
- d. None of the above

Answer: A: Principal

5) Mr. Jeet Ram, an agriculturist, located in the State of Uttar Pradesh, is a re-seller of agricultural produce cultivated from land. His turnover for the period July, 2017 to March, 2018 is Rs. 20,00,000/-. He has made occasional inter-State taxable supplies also of Rs. 10,00,000/- of handicraft goods to the State of Jammu and Kashmir during the month of March, 2018.

State whether he is liable for registration under the Act or not.

- a) Yes liable for registration
- b) Not liable for registration

Answer: B: Not liable for registration

6) Mr. Champak, located in the State of Himachal Pradesh, a job worker, is engaged in providing job work services relating to silverware articles to his Principal, Mr. Mote Lal, in the State of Rajasthan. The details of his turnover are as under:

For the period July, 2017 to March, 2018: Rs. 19,00,000/-.

Mr. Champak, has earned continuous rental income of Rs. 15,000/- per month from his residential flat in Delhi for nine months from July, 2017 to March, 2018. He has also made wholly exempt supplies of handicraft items of Rs. 50,000/- during the period, December, 2017 to March, 2018.

Compute the aggregate turnover of Mr. Champak for the financial year 2017-18 under the CGST Act, 2017, and also state whether he is liable for registration under the Act or not.

- a) Rs. 20,85,000/-; Liable for registration.
- b) Rs. 20,35,000/-; Liable for registration.
- c) Rs. 19,00,000/-; Not liable for registration.
- d) Rs. 19,50,000/-; Liable for registration.

Answer: A: Rs. 20,85,000/-; Liable for registration.

7) Where the business carried on by a registered person is transferred as a going concern, then will the transferee be liable to register in GST?

- a) Yes
- b) No
- c) Option of transferee
- d) Depends on terms of transfer

Answer: A: Yes

8) Application for registration under GST has to be made in which form :

- a) GSTREG - 01
- b) GSTREG - 03
- c) GSTREG - 06
- d) GSTREG - 02

Answer: A: GSTREG - 01

9) If a person is located in Maharashtra and engaged in supply of services, then what is limit of aggregate turnover above which the person shall be liable for registration?

- a) Rs. 20 lacs
- b) Rs. 10 lacs
- c) Rs. 5 Lacs
- d) Rs. 1 crore

Answer: A: Rs. 20 lacs

10) A person making inter-state taxable supply of services is compulsory required to obtain registration even if his aggregate turnover in India on all India basis doesn't exceeds Rs. 20 lacs / Rs. 10 lacs (in case of special category states)

- a) Correct
- b) Incorrect
- c) At the discretion of proper officer
- d) None of the above

Answer: A: Correct

11) Mr. Rupesh is a dealer and has one office in Delhi and another in Mumbai. In order to determine the eligibility of obtaining registration under GST the turnover of both the offices needs to be considered. Whether the statement is correct?

- a) Correct
- b) Incorrect
- c) Turnover of the both units to be considered with permission of CG
- d) None of the above

Answer: A: Correct

12) Mr. Suresh of Mumbai is engaged in making export and supply to SEZ units and his aggregate turnover in a year doesn't exceed Rs. 20 lacs. Is he liable to register under GST?

- a) Yes, since export and supply to SEZ is an interstate supply
- b) No, since aggregate turnover doesn't exceed Rs. 20 lacs
- c) At the discretion of proper officer
- d) None of the above

Answer: A: Yes, since export and supply to SEZ is an interstate supply

13) A person engaged in supply of services where the recipient of services is liable to pay tax under RCM basis. Whether supplier of service is liable to register under GST?

- a) Yes
- b) No
- c) At the discretion of proper officer
- d) None of the above

Answer: B: No

14) Is it mandatory for e-commerce operator to obtain registration?

- a) Yes ECO who is required to collect TCS U/S 52;
- b) No
- c) At the discretion of proper officer

d) None of the above

Answer: A: Yes ECO who is required to collect TCS U/S 52;

15) Mr. Suresh works as an agent located in Delhi. Mr. Ramesh is a manufacturer and located in Maharashtra. Mr. Suresh (Agent) agrees to purchase certain goods from New Delhi on behalf of Mr. Ramesh (Principal) and supplies them to the customers. The aggregate turnover of Mr. Suresh during an year is less than Rs. 20. State whether he is liable to obtain registration under GST or not?

- a) Yes, as per Section 24 he needs to obtain registration compulsorily
- b) No
- c) At the discretion of proper officer
- d) None of the above

Answer: A: Yes, as per Section 24 he needs to obtain registration compulsorily

16) Sugam Services Ltd. is engaged in taxable supply of services in Madhya Pradesh. The turnover of Sugam Services Ltd. exceeded Rs. 20 lakh on 1st November. It is liable to get registered by 1st December [30 days] in the State of Madhya Pradesh. It applies for registration on 28th November and is granted registration certificate on 5th December. The effective date of registration of Sugam Services Ltd. is 1st November. State whether statement is correct or not

- a) Yes
- b) No
- c) Partially correct
- d) None of the above

Answer: A: Yes

17) Within how many days a person should apply for registration?

- a) Within 30 days from the date he is liable for registration
- b) Within 15 days from the date he is liable for registration
- c) Within 7 days from the date he is liable for registration
- d) Within 45 days from the date he is liable for registration

Answer: A: Within 30 days from the date he is liable for registration

18) GSTIN consists of how many digits?

- a) 10 Digits
- b) 15 Digits
- c) 7 Digits
- d) 12 Digits

Answer: B: 15 Digits

19) The application shall be forwarded to the _____ who shall examine the application and the accompanying documents for GST registration.

- a) Proper Officer
- b) GSTN
- c) GSTP
- d) GST Portal

Answer: B: Proper Officer

20) A person having _____ place of business in a state _____ obtain a separate registration for each place of business.

- a) Single, shall
- b) Multiple, Shall
- c) Multiple, May
- d) Single, May

Answer: B: Multiple, May

21) Who are liable to make advance deposit of tax at the time of registration ?

- a) ISD
- b) Job Worker
- c) CTP and NRTP
- d) Agent

Answer: C: CTP and NRTP

22) Which is valid application form for registration of CTP

- a) GSTREG - 01
- b) GSTREG - 02
- c) GSTREG - 09
- d) None of the above

Answer: C: GSTREG - 09

23) Which of the following statement is correct for Casual taxable Person?

- a) CTP is not required to obtain registration under GST
- b) CTP is required to obtain registration if the aggregate turnover crosses Rs. 20 lacs
- c) CTP may voluntarily apply for registration under GST
- d) As per section 24 a CTP is compulsorily required to obtain registration

Answer: D: As per section 24 a CTP is compulsorily required to obtain registration

24) The registration certificate granted for NRTP is valid for _____days.

- a) 30 days
- b) 15 days
- c) 90 days
- d) 120 days

Answer: C: 90 Days

25) In case a person registered other than section 10(i.e. Composition Scheme) has not filed return for _____months then registration granted shall be cancelled by proper officer.

- a) 3 consecutive Months
- b) 6 consecutive Months
- c) 4 consecutive Months
- d) None of the above

Answer: C: 6 consecutive Months

26) In case of firm if there is change in constitution of the firm due to change in Legal name of

Business then the firm has to apply for

- a) Fresh Registration*
- b) Amendment of Registration*
- c) Cancellation of Registration*
- d) None of the above*

Answer: B: Amendment of Registration

27) What is the validity of registration certificate?

- a) 1 year*
- b) 6 months*
- c) 5 years*
- d) Valid till it is cancelled*

Answer: D: Valid till it is cancelled

28) As per Section 24, An E Commerce operator is liable to obtain registration irrespective of aggregate turnover?

- a) Correct*
- b) Incorrect*
- c) At the discretion of proper officer*
- d) None of the above*

Answer: A: Correct

Chapter 11 – IGST Act – Place of Supply, Import, Export and Zero Rated Supply

Exercise Questions & Answers

Q 1. Why does GST law provide separate rules for place of supply in respect of B2B (supplies to registered persons) and B2C (supplies to unregistered persons) transactions?

Ans: In respect of B2B transactions, the taxes paid are taken as credit by the recipient so such transactions are just pass through. GST collected on B2B supplies effectively create a liability for the government and an asset for the recipient of such supplies in as much as the recipient is entitled to use the input tax credit for payment of future taxes. For B2B transactions, the location of recipient takes care in almost all situations as further credit is to be taken by recipient. The recipient usually further supplies to another customer. The supply is consumed only when a B2B transaction is further converted into B2C transaction. In respect of B2C transactions, the supply is finally consumed and the taxes paid actually come to the government.

Q 2. M/s Kingsize Airlines has issued a ticket/pass to Mr. Saxena, the winner of annual lucky draw, for travelling to anywhere in India . Determine the place of supply in this case.

Ans: Legal Provision: As per section 12(9) of the IGST Act, 2017, the place of supply of passenger transportation service to a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey. In the above case, the place of embarkation will not be available at the time of issue of invoice as the right to passage is for future use. Accordingly, place of supply cannot be the place of embarkation.

The proviso to section 12(9) provides that where the right to passage is given for future use and the point of embarkation is not known at the time of issue of right to passage, the place of supply of such service shall be determined in accordance with the provisions of 12(2).

Conclusion: Thus, in such cases, the default rule shall apply i.e., the place of supply of services made to any person other than a registered person shall be the location of the recipient where the address on record exists and the location of the supplier of services in other cases.

Q 3. In case of a domestic supply, what is the place of supply where goods are removed?

Ans: 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.

Q 4. What will be the place of supply if the goods are delivered by the supplier to a person on the direction of a third person?

Ans: 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.

Q 5. 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?

Ans: 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) and 13(11).

Q 6. The place of supply in relation to immovable property 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?

Ans: 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) for domestic supplies].

In absence of contract where the immovable property or boat or vessel is located in more than one State/ UT, the service is deemed to have been supplied in each of the respective States/ UT, proportionately in terms of value of services determined as per rule 4 in the following manner :

S.No.	Type of service in relation to immovable property	Factor which determines the proportionate value of service
(a)	Service provided by way of lodging accommodation by hotel, inn, guest house etc. and its ancillary services (other than the cases where such property is a single property located in 2 or more contiguous States/ UT or both)	Number of nights stayed in such property
(b)	All other services provided in relation to immovable property including :	Area of the immovable property lying in each State/ UT
	<input type="checkbox"/> services by way of accommodation in any immovable property for organising any marriage or reception etc.	
	<input type="checkbox"/> Supply of accommodation by a hotel, inn, guest house, club or campsite, by whatever name called where such property is a single property located in 2 or more contiguous States or/and UT	
	<input type="checkbox"/> Services ancillary to services mentioned above	
(c)	Services by way of lodging accommodation by a house boat or vessel and its ancillary services	Time spent by the boat or vessel in each such State/ UT, to be determined on the basis of declaration made by the service provider

Conclusion: It will be covered under all other services provided in relation to immovable property and Place of supply will be on the basis of Area of immovable property lying in each State/UT.

Q 7. 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?

Ans: 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 taken as being in each state in proportion to the value of services so provided in each state [Explanation to section 12(7)].

In the absence of any such contract or agreement the value is determined in accordance with rule 5 by the application of generally accepted accounting principles.

Q 8. Mr. X (a supplier registered in Uttar Pradesh having principal place of business at Noida) asks Mr. Y of Ahmedabad, Gujarat to deliver 50 washing machines to his buyer Mr. Z at Jaipur, Rajasthan.

Ans: In given case, goods are supplied by Mr. Y to Z on directions given by X As per Sec 10(1)(b), in this case, the place of supply of goods is not the location of delivery of such goods (Jaipur) but the principal place of business of third person i.e., principal place of business of Mr. X located at Noida.

Q 9. What is the place of supply of services by way of transportation of goods, including mail or courier when the both the supplier and the recipient of the services are located in India?

Ans: 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 [Section 12(8)].

Where the transportation of goods is to a place outside India, the place of supply shall be the place of destination of such goods. Therefore, in case where the location of supplier and recipient is in India and goods are transported to a place outside India, the place of supply of transportation service shall be the place of destination of such goods, i.e. outside India.

Q 10. What will be the place of supply of passenger transportation service, if a person travels from Mumbai to Delhi and back to Mumbai?

Ans: If the person is registered, the place of supply 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)].

Q 11. What is the place of supply for mobile connection? Can it be the location of supplier?

Ans: For domestic supplies

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 service.

In case of pre-paid connections, the place of supply is the place where payment for such connection is received or such pre-paid vouchers are sold. However, if the recharge is done through internet/e-payment, the location of recipient of service on record will be taken as the place of supply.

For international supplies

The place of supply of telecom services is the location of the recipient of service.

Q 12. A person from Mumbai goes to Kullu-Manali and takes some services from ICICI Bank in Manali. What is the place of supply?

Ans: If the service is not linked to the account of person, place of supply will be Kullu i.e., the location of the supplier of services. However, if the service is linked to the account of the person, the place of supply will be Mumbai, the location of recipient on the records of the supplier.

Q 13. 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?

Ans: 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)].

Q 14. Quickdeal Enterprises (Ahmednagar, Gujarat) opens a new branch office at Hissar, Haryana. It purchases a building for office from Ruhani Builders (Hissar) along with pre-installed office furniture and fixtures. Determine place of supply of the pre-installed office furniture and fixtures.

Ans: Section 10(1)(c) of the IGST Act stipulates that if the supply does not involve movement of goods, the place of supply is the location of goods at the time of delivery to the recipient. Since

there is no movement of office furniture and fixtures in the given case, the place of supply of such goods is their location at the time of delivery to the recipient (Quickdeal Enterprises) i.e., Hissar, Haryana.

Q 15. Raman Row, a registered supplier under GST in Mumbai, is directed by Nero Enterprises, Kolkata to deliver goods valued at Rs. 12,00,000 to Fabricana of Aurangabad in Maharashtra. Raman Row Makes out an invoice at 9% tax rate under CGST and SGST respectively (scheduled rate) and delivers it locally in Maharashtra.

Discuss and comment on the above levy of tax and determine the tax liability of goods in the above circumstances.

Ans: The supply between Raman Row (Mumbai) and Nero Enterprises (Kolkata) is a bill to ship to supply where the goods are delivered by the supplier [Raman Row] to a recipient [Fabricana (Aurangabad)] or any other person on the direction of a third person [Nero Enterprises]. In such a case, it is deemed that that the said third person has received the goods and the place of supply of such goods is the principal place of business of such person vide section 10(1)(b) of IGST Act, 2017.

Accordingly, the place of supply between Raman Row (Mumbai) and Nero Enterprises (Kolkata) will be Kolkata and thus, it will be an Inter – State supply liable to IGST. Hence, Raman Row should charge 18% IGST on Rs. 12,00,000 which comes out to Rs. 2,16,000.

This situation involves another supply between Nero Enterprises (Kolkata) and Fabricana (Aurangabad). The place of supply in this case will be the location of the goods at the time when the movement of goods terminates for delivery to the recipient i.e., Aurangabad in terms of section 10(1)(a) of IGST Act, 2017. Thus, being an Inter – State supply, the same will also be chargeable to IGST.

Q 16. AB Academy of Mumbai sells the class furniture to CD Academy; the branch is located in Mumbai and the registered office in Bangalore. The furniture stays in the same classroom. Determine Place of supply and nature of transaction.

Ans: Legal Provision: The above case falls within the purview of section 10(1) (c) of IGST Act 2017

Discussion: As per the above section place of supply of goods where the supply does not involve movement of goods whether by the supplier or by the recipient the place of supply shall be the location of such goods at the time of the delivery to the recipient in the above case place of supply is Mumbai

Conclusion: Location of supplier of goods is Mumbai and place of supply of supply is Mumbai hence it is intra state transaction CGST and SGST will be payable

Q 17. RST Inc., a corn chips manufacturing company based in USA, intends to launch its products in India. However, the company wishes to know the taste and sensibilities of Indians before launching its products in India. For this purpose, RST Inc. has approached ABC Consultants, Mumbai, (Maharashtra) to carry out a survey in India to enable it to make changes, if any, in its products to suit Indian taste.

The survey is to be solely based on the oral replies of the surveyees; they will not be provided any sample by RST Inc. to taste. ABC Consultants will be paid in convertible foreign exchange for the assignment.

With reference to the provisions of GST law, determine the place of supply of the service. Also, explain whether the said supply will amount to export of service?

Ans: As per section 13(2) of the IGST Act, 2017, in case where the location of the supplier of services or the location of the recipient of services is outside India, the place of supply of services except the services specified in sub-sections (3) to (13) shall be the location of the recipient of services. Sub-sections (3) to (13) provide the mechanism to determine the place of supply in certain specific situations.

The given case does not fall under any of such specific situations and thus, the place of supply in this case will be determined under sub-section (2) of section 13. Thus, the place of supply of services in this case is the location of recipient of services i.e., USA.

As per section 2(6) of the IGST Act, 2017, export of services means the supply of any service when,

- a) The supplier of service is located in India;
- b) The recipient of service is located outside India,
- c) The place of supply of service is outside India;
- d) The payment for such service has been received by the supplier of service in convertible foreign exchange; and
- e) The supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8.

Since all the above five conditions are fulfilled in the given case, the same will be considered as an export of service.

Q 18. Mr. Dhiraj, an unregistered person and a resident of Pune, hires the services of M/s Nice Ltd. an event management company registered in Delhi, for organising of the new product launch in Bengaluru.

- (a) Determine the place of supply of services provided by M/s Nice Ltd.
- (b) What would your answer be in case the product launch takes place in Bangkok?
- (c) What would your answer be in case Mr. Dhiraj is a registered person and product launches take place in Bengaluru and Bangkok?

Ans: Answer to above mentioned questions will be as follows:

- a) As per section 12(7)(a)(ii) of IGST Act, 2017, when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient.

Since, in the given case, the service recipient [Mr. Dhiraj] is unregistered and event is

held in India, place of supply is the location where the event is actually held i.e., Bengaluru. The location of the supplier and the location of the recipient is irrelevant in this case.

- b) However, if product launch takes place outside India [Bangkok], the place of supply will be the location of recipient i.e., Pune.
- c) When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient vide section 12(7)(a)(i) of IGST Act, 2017.

Therefore, if Mr. Dhiraj is a registered person, then in both the cases i.e., either when product launch takes place in Bengaluru or Bangkok, the place of supply will be the location of recipient i.e., Pune.

Q 19. ABC Pvt. Ltd., New Delhi, provides support services to foreign customers in relation to procuring goods from India. The company identifies the prospective vendor, reviews product quality and pricing and then shares the vendor details with the foreign customer. The foreign customer then directly places purchase order on the Indian vendor for purchase of the specified goods. ABC Pvt. Ltd. charges its foreign customer cost plus 10% mark up for services provided by it.

For the month of December, 20XX, the company has charged US \$ 1,00,000 (exclusive of GST) to its foreign customer. With reference to the provisions of GST law, examine whether the company is liable to pay IGST or CGST and SGST.

Note: GST @ 18% is applicable on supply of the support services provided by ABC Pvt. Ltd. Rate of exchange is ` 65 per US \$.

Ans: Legal Provision: Section 2(13) of the IGST Act, 2017 defines “intermediary” to mean a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his own account.

Discussion: In this case, since ABC Pvt. Ltd. is arranging or facilitating supply of goods between the foreign customer and the Indian vendor, the said services can be classified as intermediary services.

If the location of the supplier of services or the location of the recipient of service is outside India, the place of supply is determined in terms of section 13 of the IGST Act, 2017. Since, in the given case, the recipient of supply is located outside India, the provisions of supply of intermediary services will be determined in terms of section 13 of the IGST Act, 2017.

As per section 13(8)(b), the place of supply in case of intermediary services is the location of the supplier i.e., the location of ABC Pvt. Ltd. which is New Delhi. Further, as per section 8(2) of the IGST Act, 2017, supply of services where the location of the supplier and the place of supply of services are in the same State is treated as intra- State supply.

Conclusion: Therefore, since in the given case, both the location of ABC Pvt. Ltd. and the place of supply of the service provided by it are in New Delhi, the supply of service will be an intra-State supply leviable to CGST & SGST.

Assuming that the given rate of exchange is prevailing on the date of time of supply of services, the CGST and SGST liability will be worked out as under:

CGST = Rs. 5,85,000 (1,00,000 x 65 x 9%)

SGST = Rs. 5,85,000 (1,00,000 x 65 x 9%)

Q 20. A Ltd of Mumbai received an order from B Ltd. Price is inclusive of freight. A Ltd is to deliver goods to B Ltd which is located in a SEZ in Mumbai. Determine place of supply of the same.

Ans: Legal Provision:- The above case falls within the purview of section 10(1) (a) and section 8 (1) of IGST Act

Discussion:- Location of supplier of Goods is Mumbai. As per Section 10(1) (a) of IGST Act place of Supply of Goods where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. In the above case place of supply is Mumbai.

Q 21. Mr. A, a Cost and Management Accountant located in Maharashtra providing Cost Auditing Service. Determine place of supply if he provides service to

- a) A registered person located in Maharashtra
- b) A registered person located in Karnataka
- c) A non – registered person located in MP
- d) A non – registered person whose address does not exist on record

Ans: The given cases fall under the provisions of section 12 of IGST Act, wherein the location of supplier of service and recipient of service both are located in India.

a. **Legal Provision** – As per section 12(2)(a) of IGST Act

Discussion – The above section states that where supply of service made to a registered person the place of supply shall be the location of such person. In the above case the recipient is located in Maharashtra; hence the place of supply shall be Maharashtra.

Conclusion – Since the service provider and place of supply are both in Maharashtra (inter-state) CGST + SGST will be triggered.

b. **Legal Provision** – As per section 12 (2) (a) of IGST Act

Discussion – The above section states that where supply of service made to a registered person the place of supply shall be the location of such person. In the above case the recipient is located in Karnataka; hence the place of supply shall be Karnataka.

Conclusion – Since the service provider and place of supply are pertaining to different state (inter-state) IGST will be triggered.

c. **Legal Provision** – As per section 12 (2) (b) (i) of IGST Act

Discussion – Where supply of service is made to any person other than a registered person the place of supply shall be the location of the recipient where the address on record exists. In the above case the place of supply shall be MP as this address is available.

Conclusion – In the above case the service provider is located in Maharashtra and recipient is located in MP, hence IGST will be triggered.

d. **Legal Provision** – As per section 12 (2) (b) (ii) of IGST Act

Discussion – Where supply is made to any person other than a registered person place of supply shall be location of supplier of services in all other cases. In the above case the address of recipient does not exist on record hence the place of supply shall be location of supplier of service which is Maharashtra.

Conclusion – As the location of supplier and place of supply are both in Maharashtra CGST + SGST will be triggered.

Q 22. Determine the place of supply of services for the following cases:-

1. DEO Consultants (Kolkata) impart GST training to account and finance personnel of Sun Cement Ltd. (Guwahati, Assam registered person) at the company's Kolkata office.
2. Mr. Suresh (unregistered person based in Noida) signs up with Excellent Linguistics (New Delhi) for training on English speaking at their New Delhi Centre

Ans: Legal Provision – As per sec 12 (5) is applicable to determine, the place of supply of service, relation to training & performance appraisal

1. As per sec 12(5) of IGST Act, the recipient is registered, the place of supply is the location of the registered person i.e., Guwahati.
2. As per sec 12(5) of IGST Act, the recipient is unregistered, the place of supply is location where service are performed i.e., New Delhi.

Q 23. Damini Industries has recruited Super Event Pvt. Ltd., an event management company of Gujarat, for organizing the grand party for the launch of its new product at Bangalore. Damini Industries is registered in Mumbai. Determine the place of supply of the services provided by Super Events Pvt. Ltd to Damini Industries.

Will your answer be different if the product launch party is organized at Dubai?

Ans: Section 12(7)(a)(i) of IGST Act, 2017 stipulates that when service by way of organization of an event is provided to a registered person, place of supply is the location of recipient.

Since, in the given case, the product launch party at Bangalore is organized for Damini Industries (registered in Mumbai), place of supply is the location of Damini Industries i.e., Mumbai.

In case the product lunch party is organized at Dubai, the answer will remain the same, i.e. the place of supply is the location of Damini Industries – Mumbai.

Q 24. Shaan company of Mumbai has temporarily imported x – ray machine from its customer located in Japan for repairs. Determine POS in following cases

- 1. The said goods have been re – exported to Japan after carrying out the necessary repairs without being put to any use in Mumbai.*
- 2. The said goods have been re – exported after repair but used for other purpose*

Ans: *The answer to above mentioned questions are given below:*

- 1. Legal Provision – The above case falls within the purview of section 13(3) (a) of IGST Act*

Discussion – *Location of Service Provider is Mumbai. As per the proviso to the above stated section nothing contained in this clause shall apply in the case of service supplied in respect of goods which are temporarily imported into India for repairs and are exported after repairs without being put to any other use in India, than that which is required for such repairs.*

Hence, here the general section of section 13 (2) of IGST Act shall be applicable wherein the place of supply shall be the location of the recipient of services which in the instant case is Japan.

Conclusion – *A location of supplier is Mumbai & Place of supply is Japan. Hence IGST will be triggered. As the above case falls within the purview of export as per section 16 of IGST Act, supply can be made without payment of IGST under a Bond or Letter of Undertaking or IGST can be paid and a refund for the same can be claimed.*

- 2. Legal Provision – The above case falls within the purview of section 13(3)(a) of IGST Act*

Discussion – *Location of Service Provider is Mumbai. As per the above section place of supply is the location where the services are actually performed for services supplied in respect of goods which are required to be made physically available by the recipient of services to the supplier of services, or to a person acting on behalf of the supplier of services in order to provide the services.*

Conclusion: *In the above case place of Supply is Mumbai.*

Q 25. Determine the place of supply of services for the following case:-

- a) An interior designer based at Mumbai, renders his services in July 2017, to an MNC based at USA, for construction of a shopping mall at Dubai. Determine the Place of Supply in the above situation and discuss if the service is taxable in India*
- b) Mr. C, an architect (New Delhi), provides professional services to Mr. Z of New York in relation to his immovable property located in Pune.*
- c) Mr. C, an architect (New Delhi), enters into a contract with Mr. Z of New York to provide professional services in respect of immovable properties of Mr. Z located is Pune and New York.*

Ans: *The answer to above mentioned questions are given below:*

Legal Provision – For the given case above section 13 (4) of IGST Act is applicable the service is directly pertaining to immovable property.

Thus, the place of supply of services for the following cases shall be:-

- a. In the above case the location of service provider is India (Mumbai) and the place of supply is the place where the immovable property is located, in the instant case it is Dubai.
IGST will be triggered as the above case falls within the purview of export as per section 16 of IGST Act. Supply can be made without payment of IGST under a Bond or Letter of Undertaking or IGST can be paid and a refund for the same can be claimed.
- b. The place of supply is the location of immovable property i.e., Pune.
- c. As per sec 13(6) since the immovable properties are located in more than one location including a location in the taxable territory, the place of supply is the location in the taxable territory i.e., Pune.

Q 26. Arijit who is a well – known playback singer from Delhi organizes an event in America for which he hires and uses the services of a German based event organization. Discuss the place of supply and GST if applicable.

Ans: **Legal Provision** – Section 13(5) of IGST Act is applicable as the service is of artistic nature.

Discussion – As per the above stated section the place of supply for services supplied which is artistic in nature shall be the place where the event is actually held. In the above case the event is held in America. Hence, place of supply is America. Location of Service Provider is Germany as this is where the event organizer is located.

Conclusion – No GST will be triggered as the above locations pertain non – taxable territories.

Q 27. Mr. Sumit has a permanent residence at Ahmedabad. He has a savings bank account with Ahmedabad Branch of Safe and Sound Bank. On April 1, 2018, Mr. Sumit opened a safe deposit locker with the Ahmedabad Branch of Safe and Sound Bank. Mr. Sumit went to USA for official work in December, 2018 and has been residing there since then. Mr. Sumit contends that since he is a non – resident during the year 2019 – 2020 in terms of the Income – tax Act, GST cannot be levied on the locker fee charged by Safe and Sound Bank for the year 2019 – 2020. Examine the correctness of the contention of Mr. Sumit.

Ans: **Legal Provision** – The above case falls within the purview of Section 13(8) of IGST Act.

Discussion – As per the above stated section the place of supply shall be the location of the supplier of services, for services supplied by a banking company to account holders. In the above case Mr. Sumit is an account holder with Ahmedabad Branch of Safe and Sound Bank and is receiving services pertaining to safe deposit locker. The location of supplier is Ahmedabad and place of supply is Ahmedabad.

Conclusion – Since both the location of supplier and place of supply is Ahmedabad CGST + SGST will be triggered.

It is important to note that GST and Income Tax Act are two separate Acts and have no dependency and interrelation with each other. If by the Income Tax Act, Mr. Sumit is a non – resident, then it's not necessary that the same status will be created on him, through GST as well. Any services provided in a taxable territory and not falling under negative list is chargeable to GST. The above case does not falls within the purview of Section 7 Schedule III of CGST Act.

Q 28. Determine the place of supply for the following services:-

1. A travel agent registered in New Delhi books a tour famous Indian cities for a Dubai resident
2. Mr. D, an unregistered person based in New Delhi, leaves for a European holiday. He hires a car from London, UK for 20 days

Ans: Legal Provision – As per sec 13(8) of IGST Act the place of supply for specified category of services shall be location of supplier of services

Thus as per above provision the place of supply of services shall be:-

1. The place of supply is the location of the supplier of services i.e., New Delhi. As it falls under the ambit of intermediate services
2. The place of supply is the location of the supplier of services i.e., London. As it falls under the ambit of hiring of means of transport up to period of 1 month.

Q 29. PQ Trade Links of Hyderabad are appointed as commission agent by a foreign company for sale of its goods to Indian customers. In lieu of their services, PQ Trade Links receive a fixed percentage of commission from the concerned foreign company.

Ans: Legal Provision – The above case falls within the ambit of Section 13(8) (b) of IGST Act

Discussion – As per above Section the place of supply of intermediary services shall be the location of the supplier of services. In the above case the place of supply is Hyderabad. Definition of Intermediary as per Section 2(13) of IGST Act: means a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his own account.

Conclusion – Location of service provider is Hyderabad & Place of supply is Hyderabad hence, CGST + SGST will be triggered in the above case

Q 30. AM Ltd. of Mumbai (having diversified businesses) has provided the following services, whose values are listed below. Computes its GST liability @ 12%

1. Services provided to a company located in Dubai in relation to organization of a festival celebration event in Dubai ₹ 4 lakh

2. Services provided to a unregistered company located in Jammu being an unregistered person in relation to fashion show in Jammu ₹ 3 lakh
3. Services provided to a unregistered company located in Dehli in relation to fashion show in Jammu ₹ 3 lakh
4. Services of allowing downloading of digital content from various websites ₹ 4 lakh, the recipient of which is located in Singapore

Ans:

No.	Particulars	Legal Provision	Discussion	Conclusion	GST
1	Services provided in relation to organization of a festival celebration event outside India	Section 13(5) of IGST Act	Place of Supply shall be the place where the event is actually held. In the above case event is held in Dubai. Hence, place of supply is Dubai. Location of service provider is Mumbai (India)	IGST is triggered. As per section 16 of IGST Act this is export of service and can be dealt with in two ways: 1) Export without the payment of IGST under a Bond or Letter of Undertaking 2) Pay IGST and claim a refund	= Rs. 400,000*12 % = Rs. 48,000
2	Services provided in relation to fashion show in Jammu	Section 12(7)	Place of Supply shall be the place where the event is actually held. In the above case the event is held in Jammu. Location of service provider is Mumbai, Maharashtra	IGST will be triggered (inter-state)	= Rs. 300,000* 12% = Rs. 36,000
3	Services provided to a company in Delhi in relation to fashion show in Jammu	Section 12 (7)	Place of supply shall be the place where the event is actually held. In the above case the event is held in Jammu. Location of service provider is Mumbai, Maharashtra. Here it does not matter whether the services are provider to a company in Delhi	IGST will be triggered (inter-state)	= Rs. 300,000* 12% = Rs. 36,000

4	Services of allowing downloading of digital content from its website	Section 13(12)	Place of supply is the location of the recipient of services. Here the recipient is located in Singapore. Hence, place of supply is Singapore. Location of service provider is Mumbai, Maharashtra	<p>IGST is triggered. As per section 16 of IGST Act this is export of service and can be dealt with in two ways:</p> <p>1) Export without the payment of IGST under a Bond or Letter of Undertaking</p> <p>2) Pay IGST and claim a refund</p>	<p>= Rs. 400,000*12 %</p> <p>= Rs. 48,000</p>
---	--	----------------	--	---	---

Q 31. Mr. Z, a supplier registered in Hyderabad (Telangana), procures goods from China and directly supplies the same to a customer in US With reference to the provisions of GST law, examine whether the supply of goods by Mr. Z to customer in US is an inter-State supply?

Ans: The transaction undertaken by Mr. Z is neither import nor export of goods in terms of Customs Act, 1962. However, it is an inter-State supply in terms of provisions of section 7(5)(a) of the IGST Act, 2017 which provides that when the supplier is located in India and the place of supply is outside India, supply of goods or services or both, shall be treated to be a supply of goods or services or both in the course of inter-State trade or commerce.

Chapter II –Place of Supply

Multiple Choice Questions

1) What is the significance of Place of Supply under GST?

- The place of supply determines whether a transaction is intra – State or inter – State
- The place of supply determines the place where the supplier is supposed to deliver his goods
- The place of supply determines the location of the recipient of goods
- All the above

Answer : A : The place of supply determines whether a transaction is intra – State or inter – State

State

2). A service is said to be imported into India when the place of supply of such service is:

- in non-taxable territory

b . in India

c. at the location of recipient

d. none of the above

Answer : b in India

3). Mr. A an importer located in Chennai taken some repairs and maintenance service from Mr. C located in Dubai. The Location of machinery is in Chennai. The supply of service by Mr. C to Mr. A is said to be:

a. Export of service

b. Import of service

c. Inter-state supply of service

d. both b & c

Answer : d. both b & c

4). A taxable service provider wants to claim the benefit of export services. He wants to know the conditions to be fulfilled for a service to be qualify as export of service. The conditions are:

a. supplier of service is located in India

b. recipient of service is located outside India

c. payment for such supply is received in convertible foreign exchange

d. All of the above

Answer : d. All of the above

5). Supply to own establishment located outside India is treated as export in case of:

a. Export of Goods

b. Export of Service

c. Export of Goods or Services both

d. not treated as export

Answer: a. Export of Goods

6). Mr.Veer imported some taxable goods from USA. When the goods was on High Seas Mr. Veer

sold the goods to Mr. P State the levy of tax on supply of goods by Mr. Veer to Mr. P

a. IGST will be levied on high seas sale

b. IGST will be levied at the time of clearance from custom on value including additions due to high seas sale.

c. No tax will be levied.

d. CGST & SGST will be levied

Answer: c. No tax will be levied

8). Sam Ltd. of Maharashtra contracts with Tam Ltd. Rajasthan to sell his old used furniture for Rs. 150000. The goods will be delivered to Tam Ltd. at Gujarat to his new branch (not Registered under GST). Identify the place of supply if the delivery was made by Sam Ltd. at his own risk

a. Maharashtra

b. Rajasthan

c. Gujarat

d. none of above

Answer : c. Gujarat

9). Where will be the place of supply when goods are supplied on the direction of the third party (bill to ship model)

a) Location of the recipient

b) location of the supplier

c) location of the third party

d) none of the above

Answer : c) location of the third party

10). Mr. A in Goa delivers goods in Goa itself to B. Such delivery was on direction of C situated at Pune, which of the following is true,

a. A will charge IGST to C

b. A will charge CGST and SGST to B

- c. Both of above
- d. None of the above

Answer : A. A will charge IGST to C

13). Pure Refineries (Mumbai, Maharashtra) gives a contract to PQ Ltd. (Ranchi, Jharkhand) to assemble a power plant in its Kutch, Gujarat refinery. Determine Place of supply.

- a) Mumbai, Maharashtra
- b) Ranchi, Jharkhand
- c) Kutch, Gujarat
- d) None of the above

Answer : c) Kutch, Gujarat

14). Place of supply where the goods are supplied on board a conveyance such as vessel, an aircraft, a train or motor vehicle?

- a. Location of supplier
- b. Location of recipient
- c. Location at which such goods are taken on board
- d. None of these

Answer : c. Location at which such goods are taken on board

15). Where will be the place of supply of goods supplied in a train which is heading towards Delhi From Thiruvananthapuram if the goods were taken on board from Coimbatore?

- a. Thiruvananthapuram – kerala
- b. Coimbatore- Tamil Nadu
- c. Delhi
- d. none of the above

Answer : C. Coimbatore- Tamil Nadu

17). Ms. S, an unregistered person, (New Delhi) is travelling from New Delhi to Kanpur, Uttar Pradesh in a train. The train starts at New Delhi and stops at three stations before

reaching Kanpur. The food items were loaded into the train at Aligarh (Uttar Pradesh) 2nd station. Ms. S buys dinner on board the train. Determine POS

- a. New Delhi
- b. Kanpur
- c. Aligarh
- d. none of the above

Answer : c. Aligarh

18). Determine the place of supply of goods.

- (i) XYZ Ltd of Jaipur imported certain goods from PQR of Canada. The goods were imported through vessel and delivery of goods was taken at Mumbai Port.
- (ii) Ms. M imports electric kettles from China for her Kitchen Store in Noida, Uttar Pradesh. Ms. M is registered in Uttar Pradesh.

- a. Jaipur, Noida
- b. Jaipur, China
- c. Canada, China
- d. Canada, Noida

Answer : a. Jaipur, Noida

19). If Mr. A of Jaipur, is constructing a house in Goa and appoints Mr. B of Pune to provide architectural services with regard to construction of house located in Goa, then the place of supply shall be -----

- a. Goa
- b. Jaipur
- c. Pune
- d. All of above can be the place of supply

Answer : a. Goa

20). Mr. P of Mumbai, an interior decorator has provided service of beautification of a flat in Mumbai. The flat belongs to a person who is resident of Kashmir. What is the place of supply?

- a. Location of Mr. P Mumbai
- b. location of flat , Mumbai
- c. Pune
- d. All of above can be the place of supply

Answer : b. location of flat , Mumbai

21). Mr. Alex, a Chartered Accountant practicing in Jaipur has undergone plastic surgery in a Chennai based hospital and for this it hires services of senior doctor & consultant from USA. The POS shall be:

- a. location of recipient of service – Jaipur
- b. location of supplier of service – USA
- c. location where service is actually performed– Chennai
- d. None of the above

Answer : c. location where service is actually performed – Chennai

22). A registered supplier supply services of training and performance appraisal to various unregistered person. Identify the POS:

- a. Location of such person
- b. Location of recipient of service
- c. Location of supplier of service
- d. Location where service is actually performed

Answer: d. Location where service is actually performed

22). The POS of supply of passenger transport service by a registered person to a person other than registered person is:

- a. location at which the passenger embarks on the conveyance for a continuous journey
- b. location of recipient of such service
- c. location of supplier of such service
- d. location of such person

Answer: A. location at which the passenger embarks on on the conveyance for a continuous journey

23). Mr. C (registered person in Chennai) has come to Delhi on a vacation. He buys prepaid Delhi Metro Card from Delhi Metro (New Delhi) for hassle free commute in the National Capital Region. Determine place of supply for service answer:

- a. Chennai
- b. New Delhi

Answer : a. Chennai

24). Mr. X is travelling from Delhi to Mumbai in an Airjet flight. He desires to watch an English movie during the journey by making the necessary payment.

- a. Delhi – being the location of first schedule point of departure
- b. Mumbai - being the location of last schedule point of the conveyance
- c. Delhi – being the location from where the passenger embarks on the flight
- d. none of above

Answer : a. Delhi – being the location of first schedule point of departure

25). Mr. X (New Delhi) imports a machine from Germany for being installed in his factory at New Delhi. To install such machine, Mr. X takes the service of an engineer who comes to India from Germany for this specific installation. Determine place of supply.

- a. location of Mr. A New Delhi
- b. location of supplier, Germany

c. location of machine, New Delhi

d. none of the above

Answer : c. location of machine, New Delhi

26). A software company located in United States of America (USA) takes services of a software company located in Bangalore to service its software in USA. The Indian software company provides its services through electronic means from its office in India.

a. United States of America (USA)

b .Bangalore

c. None of the above

d. both a & b of the above

Answer : b .Bangalore

27) . Mr. Anil of Mumbai avail the hotel service located in China. The place of supply will be:

a. Mumbai – under reverse charge

b. China – under normal charge

c . China – being the place where hotel (i.e. immovable property) is located

d. Either b or c above

Answer: C. China – being the place where hotel (i.e. immovable property) is located

28). An Indian company located in pune provided services to a Dubai firm, in relation to organization of IPL in Dubai. Determine the place of supply

a. Dubai

b. India

c. Pune

d. All of above can be the place of supply

Answer : a. Dubai

29). A Soil testing company from Japan performed some testing services in India (25%), Nepal(35%) & Bhutan(40%). What will be the place of supply?

- a. India – being the location in taxable territory
- b. Bhutan – being maximum portion of service performed there
- c. India, Nepal & Bhutan
- d. Either a or b above

Answer : a. India – being the location in taxable territory

30). A Craft Company from China conducted an exhibition of handy crafts goods in various parts of India such as in Rajasthan (40%), Maharashtra (30%), West Bengal (20%) and Assam (10%). State the place of supply of such service.

- a. Rajasthan
- b. Maharashtra
- c. China
- d. Rajasthan, Maharashtra, West Bengal & Assam

Answer : d. Rajasthan, Maharashtra, West Bengal & Assam

31). Mr. Ambani of Mumbai hires an aircraft of foreign company for 5 days for business tour. Determine the place of supply of service.

- a. location of supplier of service
- b. location of recipient of service
- c. location where service is performed
- d. location where passenger embarks for journey

Answer : b. location of recipient of service

33). Mr. Oswal, of Delhi a stock broker arranges securities for Mr. Alex of Netherland a foreign investor. The transaction is carried out at BSE Mumbai. The POS shall be:

- a. Delhi

- b. Mumbai*
- c. Netherland*
- d. none of the above*

Answer: b. Mumbai

37). Mr. Timmy Ferreira, a makeup artist at Kolkata, goes to Jaipur, Rajasthan for doing the makeup of Ms. Simran Kapoor, a Bollywood actress based in Mumbai. Determine the place of supply. answer:

- a) Kolkata*
- b) Jaipur*
- c) Mumbai*
- d) All of above can be the place of supply*

Answer : b) Jaipur

Chapter 12 – Tax Invoice, Debit Note and Credit Note

Exercise Questions & Answers

Q 1. Jai, a registered supplier, runs a general store in Ludhiana, Punjab. Some of the goods sold by him are exempt whereas some are taxable. You are required to advise him on the following issues:

- (i) Whether Jai is required to issue tax invoices in all cases, even if he is selling the goods to the end consumers?
- (ii) Jai sells some exempted as well as taxable goods valuing ₹ 5,000 to a school student. Is he mandatorily required to issue two separate GST documents?
- (iii) Jai wishes to know whether it's necessary to show tax amount separately in the tax invoices issued to the customers. You are required to advise him.

Ans: Answers to above mentioned questions are given as below:

- i. No, he is not required to issue tax invoice in all cases. As per section 31(1) of the CGST Act, 2017, every registered person supplying taxable goods is required to issue a 'tax invoice'. Section 31(3)(c) of the CGST Act, 2017 stipulates that every registered person supplying exempted goods is required to issue a bill of supply instead of tax invoice.

Further, rule 46A of the CGST Rules, 2017 provides that a registered person supplying taxable as well as exempted goods or services or both to an un-registered person may issue a single 'invoice-cum-bill of supply' for all such supplies.

However, as per section 31(3)(b) of the CGST Act, 2017 read with rule 46 of the CGST Rules, 2017, a registered person may not issue a tax invoice if:

- (i) value of the goods supplied < ₹ 200,
- (ii) the recipient is unregistered; and
- (iii) the recipient does not require such invoice.

Instead, such registered person shall issue a Consolidated Tax Invoice for such supplies at the close of each day in respect of all such supplies.

- ii. As per rule 46A of the CGST Rules, 2017, 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. Thus, there is no need to issue a tax invoice and a bill of supply separately to the school student in respect of supply of the taxable and exempted goods respectively.
- iii. As per section 33 of the CGST Act, 2017 read with rule 46(m) of the CGST Rules, 2017, 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.

Hence, Jai has to show the tax amount separately in the tax invoices issued to customers.

Q 2. 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.

Ans: 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.

Q 3. 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?

Ans: 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.

Q 4. 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.

Ans: Legal Provision: As per section 25 read with CGST Rules, 2017, 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 25 read with CGST Rules, 2017, 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 ₹ 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.

Conclusion: 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.

Q 5. 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.

Ans: 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].

Q 6. Discuss the provisions relating to issuance of refund voucher under CGST Act and rules thereunder.

Ans: 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.

Q 7. Is a registered person liable to pay tax under reverse charge under section 9(3) of the CGST Act required to issue an invoice? Discuss the relevant provisions under CGST Act and rules thereunder.

Ans: Refer para No. 15 in Main Book

Q 8. Discuss the provisions relating to issuance of credit and debit notes under CGST Act and rules thereunder.

Ans: Refer para No. 22 in Main Book

Q 9. What is the time period within which invoice has to be issued for supply of services?

Ans: Refer Section 31 in Time of Supply Chapter in Main Book

Q 10. What is the time period within which invoice has to be issued in a case involving continuous supply of goods?

Ans: Refer Section 31 in Time of Supply Chapter in Main Book

Q 11. What is the time period within which invoice has to be issued in a case involving continuous supply of services?

Ans: Refer Section 31 in Time of Supply Chapter in Main Book

Q 12. What is the time period within which invoice has to be issued where the goods being sent or taken on approval for sale?

Ans: Refer Section 31 in Time of Supply Chapter in Main Book

Chapter 12 – Tax Invoice

Multiple Choice Questions

1) A continuous supply of goods requires one of the following as a must:

- (a) The goods must be notified by the Commissioner in this behalf
- (b) The contract for supply lasts for a minimum period of 3 months
- (c) The supply is made by means of a wire, cable, pipeline or other conduit
- (d) Supplier invoices the recipient on a regular or periodic basis

Answer. d) Supplier invoices the recipient on a regular or periodic basis

2) Tax Invoice must be issued within _____ from the date of removal of goods sent _____ or taken on approval for sale or return.

- a. 3 months
- b. 30 days
- c. 15 days
- d. 6 months

Answer: d) 6 months

3). Which documents is to be issued by the consignor instead of tax invoice for transportation of goods for job work?

- a. E – way bill
- b. Delivery Challan
- c. Debit Note

d. Receipt Voucher

Answer: b) Delivery Challan

4) Bill of Supply is issued by the registered person –

a. Paying tax under composition scheme

b. Supplying exempted goods or services or both

c. (a) and (b) both

d. None of the above

Answer: c) (a) and (b) both

4A. M/s. Rajdhani (P) Ltd., registered in Delhi, wishes to transport the taxable goods to one of its business Vertical having same PAN and registered within same State. Which document shall be issued by the Company in this situation?

(a) Delivery Challan

(b) Tax Invoice

(c) Bill of Supply

(d) Invoice-cum-bill of supply

Answer:- b) Tax Invoice

5). In case of supply of services, the tax invoice shall be prepared in the manner of:

(a) Only original

(b) Two copies

(c) Three copies

(d) Four copies.

Answer:- b) Two copies

6). A person operating in composition issue a tax invoice to a customer. Is the person correct in raising the invoice

a) Yes

b) No

c) Yes, but tax amount should not be separately shown

d) None of the above

Answer:- b) No

7). Invoice cum Bill of Supply may be issued by registered person

a. Supplying taxable as well as exempted goods and / or services

b. Supplying taxable goods and exempted services

c. Supplying taxable services and exempted goods

d. Supplying taxable as well as exempted services

Answer: a) Supplying taxable as well as exempted goods and / or services

8). Invoice shall be prepared in (I) _____ in case of taxable supply of goods and in

(ii) _____ in case of taxable supply of services.

a) (i) Triplicate, (ii) Duplicate

b) (i) Duplicate, (ii) Triplicate

c) (i) Duplicate, (ii) Duplicate

d) None of the above

Answer:- a) (i) Triplicate, (ii) Duplicate

9). A registered taxable person shall, on receipt of advance payment w.r.t. any supply, issue

a. Debit note

b. Credit note

c. Receipt voucher

d. Tax invoice

Answer: c) Receipt voucher

10). Is it mandatory to indicate the word "Revised invoice" on revised tax invoice?

a. Yes

b. No

c. Yes, but if the value exceeds Rs.5,000

d. Yes, but if the value exceeds Rs.500

Answer: a) Yes

11). In case of taxable supply of services, tax invoice shall be issued within _____ from the date of supply of service provided that the supplier is other than an insurer / banking company / financial institution / non – banking financial company ?

a. 15 days

b. 30 days

c. 45 days

d. 60 days

Answer: b) 30 days

12). If prices are increased renegotiations, the supplier should issue

a. Credit note with GST

b. Debit note without GST

c. Credit note without GST

d. Debit note with GST

Answer: d) Debit note with GST

13). Law permits collection of tax on supplies effected prior to registration, but after applying for Registration:

(a) Yes, but only on intra-State supplies, if the revised invoice is raised within one month

(b) Yes, but only on intra-State supplies effected to unregistered persons, if the revised invoice is raised within one month

(c) Yes, on all supplies, if the revised invoice is raised within one month

(d) No, tax can be collected only on supplies effected after registration is granted.

Answer. c) Yes, on all supplies, if the revised invoice is raised within one month

Chapter 13 – Accounts and Records

Exercise Questions & Answers

Q 1. Sindhu Enterprises is a supplier of goods. Its turnover has exceeded Rs. 2 crore in current financial year. Discuss whether Sindhu Enterprises is required to get its accounts audited by the CA or CMA under GST law.

Ans: Section 35(5) of the CGST Act read with rule 80 of the CGST Rules, 2017 provides that every registered person must get his accounts audited by a Chartered Accountant or a Cost Accountant if his aggregate turnover during a FY exceeds ` 2 crores. Since the turnover of Sindhu Enterprises has exceeded Rs. 2 crore in current financial year, it has to get its accounts audited by a Chartered Accountant/ Cost Accountant.

Q 2. Mala Services Ltd. is a supplier of management consultancy services. It has approached you to ascertain the period for which the books of accounts or other records need to be maintained?

Ans: Section 36 of the CGST Act stipulates that every registered person required to keep and maintain books of account or other records in accordance with the provisions of sub-section (1) of section 35 shall retain them until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records.

However, a registered person, who is a party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period of one year after final disposal of such appeal or revision or proceedings or investigation, or for the period specified above, whichever is later.

Q 3. Essel Groups has started making taxable supplies. You are required to advice it about the accounts and records required to be maintained by it as required under section 35(1) of the CGST Act, 2017.

Ans: Section 35(1) of the CGST Act, 2017 stipulates that a true and correct account of following is to be maintained:

- i. production or manufacture of goods;
- ii. inward and outward supply of goods or services or both;
- iii. stock of goods;
- iv. input tax credit availed;
- v. output tax payable and paid
- vi. Such other particulars as may be prescribed.

Q 4. Swad Restaurant has opted for composition scheme in the current financial year. Discuss the records which are not to be maintained by a supplier opting for composition levy as enumerated in rule 56 of the CGST Rules, 2017.

Ans: Following records are not required to be maintained by a supplier who has opted for composition scheme as per rule 56(2) and (4) of the CGST Rules, 2017:

- i. **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.
- ii. **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.

Q 5. ABC Manufacturers Ltd. engages Raghav & Sons as an agent to sell goods on its behalf. For the purpose, ABC Manufacturers Ltd. has supplied the goods to Raghav & Sons located in Haryana. Enumerate the accounts required to be maintained by Raghav & Sons as per rule 56(11) of the CGST Rules, 2017.

Ans: Rule 56(11) of the CGST Rules, 2017 provides that every agent shall maintain accounts depicting the-

- (a) Particulars of authorisation received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- (b) Particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
- (c) Particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
- (d) Details of accounts furnished to every principal; and
- (e) Tax paid on receipts or on supply of goods or services effected on behalf of every principal.

Q 6. State the requirement of books of accounts required to be maintained by person engaged in works contract service.

Ans: Refer relevant para. i.e. **Rule 56(14)** in Main Book

Q 7. State the period of retention of books of accounts?

Ans: Refer relevant para. i.e. **Section 36** in Main Book

Q 8. With reference to the provisions relating to the electronic way bill (E-way bill) as prescribed under the GST laws, answer the following questions:

- I. Sindhi Toys Manufacturers, registered in Punjab, sold electronic toys to a retail seller in Gujarat, at a value of ₹ 48,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of such toys to the retail seller in Gujarat.

You are required to advise Sindhi Toys Manufacturers on the following issues:

- (a) Whether e-way bill is mandatorily required to be generated in respect of such movement of goods?
 - (b) If yes, who is required to generate the e-way bill?
 - (c) What will be the consequences for non-issuance of e-way bill?
-
- II. Power Electricals Ltd., a registered supplier of air-conditioners, is required to send from Mumbai (Maharashtra), a consignment of parts of air-conditioner to be replaced under warranty at various client locations in Gujarat. The value of consignment declared in delivery challan accompanying the goods is ₹ 70,000. Power Electricals Ltd. claims that since movement of goods to Gujarat is caused due to reasons other than supply, e-way bill is not mandatorily required to be generated in this case. You are required to examine the technical veracity of the claim made by Power Electricals Ltd.
-
- III. Beauty Cosmetics Ltd. has multiple wholesale outlets of cosmetic products in Mumbai, Maharashtra. It receives an order for cosmetics worth Rs. 1,20,000 (inclusive of GST leviable @ 18%) from Prasannaa, owner of a retail cosmetic store in Delhi. While checking the stock, it is found that order worth Rs. 55,000 can be fulfilled from the company's Dadar (Mumbai) store and remaining goods worth Rs. 65,000 can be sent from its Malad (Mumbai) store. Both the stores are instructed to issue separate invoices for the goods sent to Prasannaa. The goods are transported to Prasanna in Delhi, in a single conveyance owned by Radhey Transporters. You are required to advise Beauty Cosmetics Ltd. with regard to issuance of e-way bill(s).

Ans:

- i. (a) Rule 138(1) of the CGST Rules, 2017 provides that e-way Bill is mandatorily required to be generated if the goods are moved, *inter alia*, in relation to supply and the consignment value exceeds ₹ 50,000. Further, explanation 2 to rule 138(1) stipulates that the 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 CGST, SGST/UTGST, IGST 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.

Accordingly, in the given case, the consignment value will be as follows:

$$= \text{Rs. } 48,000 \times 118\%$$

= Rs. 56,640.

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 in the given case.

- (b) An e-way bill contains two parts namely, Part A to be furnished by the registered person who is causing movement of goods of consignment value exceeding ` 50,000/- and part B (transport details) is to be furnished by the person who is transporting the goods.

Where the goods are transported by the registered person as a consignor or the recipient of supply as the consignee, whether in his own conveyance or a hired one or a public conveyance, by road, the said person shall generate the e-way bill on the common portal after furnishing information in Part B [Rule 138(2)].

Where the goods are transported by railways or by air or vessel, the e-way bill shall be generated by the registered person, being the supplier or the recipient, who shall, either before or after the commencement of movement, furnish, on the common portal, the information in Part B [Rule 138(2A)].

Where the goods are handed over to a transporter for transportation by road, the registered person shall furnish the information relating to the transporter on the common portal and the e-way bill shall be generated by the transporter on the said portal on the basis of the information furnished by the registered person in Part A [Rule 138(3)].

Where the consignor or the consignee has not generated the e-way bill and the aggregate of the consignment value of goods carried in the conveyance is more than ` 50,000/-, the transporter, except in case of transportation of goods by railways, air and vessel, shall, in respect of inter-State supply, generate the e-way bill on the basis of invoice or bill of supply or delivery challan, as the case may be, and may also generate a consolidated e-way bill on the common portal prior to the movement of goods [Rule 138(7)].

- (c) It is mandatory to generate e-way bill in all cases where the value of consignment of goods being transported is more than Rs. 50,000/- and it is not otherwise exempted in terms of rule 138(14) of CGST Rules, 2017. If e-way bills, wherever required, are not issued in accordance with the provisions contained in rule 138, the same will be considered as contravention of rules. As per section 122(1)(xiv) of CGST Act, 2017, a taxable person who transports any taxable goods without the cover of specified documents (e-way bill is one of the specified documents) shall be liable to a penalty of ` 10,000/- or tax sought to be evaded (wherever applicable) whichever is greater. Moreover, as per section 129(1) of CGST Act, 2017, where any person transports any goods or stores any goods while they are in transit in contravention of the provisions of this Act or the Rules made thereunder, all such goods and conveyance used as a means of transport for carrying the said goods and documents relating to such goods and conveyance shall be liable to detention or seizure.

ii. The goods to be moved to another State for replacement under warranty is not a 'supply'. However, rule 138(1) of the CGST Act, 2017, *inter alia*, stipulates that every registered person who causes movement of goods of consignment value exceeding Rs. 50,000:

- a. in relation to a supply; or
- b. for reasons other than supply; or
- c. due to inward supply from an unregistered person, shall, generate an electronic way bill (E-way Bill) before commencement of such movement.

Thus, in the given case, since the consignment value exceeds Rs. 50,000, e-way bill is required to be mandatorily generated. Therefore, the claim of Power Electric als Ltd. that e-way bill is not mandatorily required to be generated as the movement of goods is caused due to reasons other than supply, is not correct.

iii. Beauty Cosmetics Ltd. would be required to prepare two separate e-way bills since each invoice value exceeds Rs. 50,000 and each invoice is considered as one consignment for the purpose of generating e-way bills.

The FAQs on E-way Bill issued by CBIC clarify that if multiple invoices are issued by the supplier to one recipient, that is, for movement of goods of more than one invoice of same consignor and consignee, multiple e-way bills have to be generated. In other words, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved. Multiple invoices cannot be clubbed to generate one e-way bill. 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.

Q 9. A truck contains 3 consignments based on 3 invoices, invoice 1 for Rs. 55000/-, invoice 2 for Rs. 35000/- and invoice 3 for Rs. 90000/-, how many e-way bill will be generated.

Ans: E-way bill will be generated bill/invoice wise i.e. when value of invoice exceed Rs. 50000/- therefore, in this case e-way bill will be generated for invoice 1 & 3 only

Q 10. Mr. Rahul sent goods for job work worth Rs. 25000/- from delhi to UP, whether E-way bill needs to be generated?

Ans: In case of Inter-state movement of goods for job work, it is mandatory to generate EWB irrespective of amount, therefore in this case EWB needs to be generated.

Q 11. Mr. Raj an unregistered person sent Handicraft goods worth Rs. 45000/- from Delhi to Punjab, whether EWB needs to generate?

Ans: In case of movement of handicraft goods, it is mandatory to generate e-way bill irrespective of amount, therefore in this case EWB needs to be generate even though Mr Raj is an unregistered person he is required to generate an E way bill

Chapter 13 – Accounts, Records and E-way Bill

Multiple Choice Questions

1). Who is required to maintain records u/s 35?

- a. Every registered person
- b. Every owner or operator of warehouse or godown or any other place used for storage of goods
- c. Every transporter
- d. All of the above

Answer:- d). All of the above

2). Records u/s 35 shall be maintained at

- a. Principal address of Proprietor / Partner / Director
- b. Principal place of Business mentioned in registration certificate
- c. At accountant office
- d. All of the above

Answer:- b) Principal place of Business mentioned in registration certificate

3). Who has to maintain records u/s 35, irrespective of, whether he is a registered person or not?

- a. Every owner or operator of warehouse or godown
- b. Every owner or operator of any other place used for storage of goods
- c. Every transporter
- d. All of the above

Answer:- d). All of the above

4). Accounts maintained by the registered person shall be preserved for a period of

- a. 60 months from the due date of furnishing of annual return
- b. 72 months from the due date of furnishing of annual return
- c. 84 months from the due date of furnishing of annual return
- d. 96 months from the due date of furnishing of annual return

Answer:- b). 72 months from the due date of furnishing of annual return

5). If due date of filing the annual return is 31.12.2019, then the books of record of 2018-19 must be maintained for how many years?

- a) 31.12.2023
- b) 31.12.2020
- c) 31.12.2025
- d) 31.12.2024

Answer:- c) 31.12.2025

6). Which of the records are not to be maintained by an agent?

- a) Particulars of authorisation on received by him from each principal to receive or supply goods or services on behalf of such principal separately
- b) Raw materials or services used in the manufacture
- c) Tax paid on receipts or on supply of goods or services effected on behalf of every principal.
- d) Details of accounts furnished to every principal

Answer:- b) Raw materials or services used in the manufacture

7). Who among the following, even if not registered, is required to maintain records

- a. Owner or operator of warehouse
- b. Owner or operator of godown
- c. Owner or operator of any other place used for storage of goods
- d. Every transporter
- e. All the above

Answer:- e). All the above

8). Which of the following statements are true w.r.t. accounts and records?

- 1) All accounts and records are to be retained for 6 years.
- 2) Stock record is to be maintained by all registered dealers except the dealers registered under composition scheme.
- 3) Stock record is to be maintained by all registered dealers including composition dealers.
- 4) Monthly purchase records are to be maintained by all dealers except the dealers who have taken option for composition.
- 5) Monthly purchase records are to be maintained by all dealers including composition dealers
- 6) Records are to be maintained at principal place of business.
- 7) Records are to be maintained at principal place of business as also at all additional places of business. Which of the above are correct?

- a. 1,2,5,6

b. 1,3,5,7

c. 1,3,4,7

d. 1,2,4,6

Answer:- d). 1,2,4,6

9) What shall be limit of generation of e - way bill in case of inter - State movement of goods by

a principal to a Job worker?

a. Rs. 50,000

b. Rs. 1,00,000

c. Rs. 20,000

d. No limit

Answer:- d). No limit

10). In what circumstances the transporter need to issue e-way bill if the supplier has not issued it?

a) If the single consignment document is less than Rs. 50,000

b) If aggregate of all the consignment exceeds Rs. 50,000 but individually the consignment does not exceed Rs. 50,000

c) If the aggregate consignment does not exceed Rs. 50,000

d) None of the above

Answer:- b) If aggregate of all the consignment exceeds Rs. 50,000 but individually the consignment does not exceed Rs. 50,000

11). Is it mandatory to generate an e way bill in case where goods are transported within a State from the place of consignor to the place of transporter and the distance as such is less than 50 kms.

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

Answer:- c) Optional

12). in how many parts E-way bill has been bifurcated as per Form GST EWB-01

- a. Part A
- b .Part B
- c. both a & b
- d. None of the above

Answer:- c). both a & b

13). Mr. Tushar got his goods transported through an ecommerce operator worth of Rs. 1,00,000. Mr.

Tushar however was not able to fill Part A of Form GST EWB – 01. What are the alternatives

to stand the viability of such movement of goods?

- a. Movement of goods shall stand cancelled*
- b. E – commerce operator on an authorization from Mr. Tushar shall generate e – way bill*
- c. Either A and B at the option of proper officer*
- d. None of the above*

Answer:- *b). E – commerce operator on an authorization from Mr. Tushar shall generate e – way bill*

14). An over dimensional cargo containing a consignment or goods or cargo, takes a visit of

58 km in total. What shall be the validity of E way bill generated as per the provision under this case?

- a. 2 days*
- b. 3 days*
- c. 4 days*
- d. None of the above*

Answer:- *b. 3 days*

15). Can validity of an expired E – way bill be extended?

- a. Yes*
- b. No*
- c. Only in case of trans – shipment or circumstances of exceptional nature*
- d. None of the above*

Answer:- *c. Only in case of trans – shipment or circumstances of exceptional nature*

16). Goods are handed over by consignor to transporter on Friday evening at 17:00 hrs and the transporter starts the movement of goods on Monday evening at 17:00 hrs after generating e-

way bill. When will the validity period for e-way bill end if the distance is upto 75 Km?

(a) Tuesday at 24:00 hrs

(b) Monday at 24:00 hrs

(c) Tuesday at 17:00 hrs

(d) Saturday at 24:00 hrs

Answer:- a) Tuesday at 24:00 hrs

17). An Army battalion took a shift from Maharashtra to Kashmir. As a consequence there was movement of goods from such place. Is the Ministry of Defence liable to generate e – way bill under this case?

a. Yes

b. No

c. As no

fied by the appropriate authority

d. None of the above

Answer:- b. No

18). What is the significance of consolidated E – way bill?

- a. Useful where single consignment is being transported through multiple vehicles
- b. Useful where multiple consignments are being transported in one conveyance
- c. Useful in both the cases
- d. None of the above

Answer:- b. Useful where multiple consignments are being transported in one conveyance

19). Who can create consolidated E – way bill under the GST regime?

- a. Consignor
- b. Consignee
- c. Transporter
- d. All of the above

Answer:- c. Transporter

20). M/s ABC is having a turnover of less than 1.5 crores and does not mean on HSN code on his E- way Bill. Whether such E- way bill generation is possible without HSN codes?

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

Answer:- b. No

21). Rakesh & Company has got multiple retail outlets of cosmetic products in Mumbai. He receives an order from a customer of Kerala worth Rs. 1,20,000/- at one store. While checking the stock

he found that order worth Rs. 55,000/- can be fulfilled from his one store situated in Dadar and remaining goods worth Rs. 65,000/- can be sent from his another store situated in Malad. He instructs both the stores to bill separately the goods to Kerala customer. Which one of the below is TRUE?

- a) He would be required to prepare one e-way bill since one order shall be considered as one consignment for the purpose of e-way bills.
- b) He will not be required to prepare e-way bill.
- c) Rakesh & Company would be required to prepare 3 e-way bills. One for movement from Dadar Store, one for movement from Malad store and one consolidated for movement from Transporter to Customer.
- d) He would be required to prepare two separate e-way bills since each invoice value exceeds Rs.50,000/- and each invoice shall be considered as one consignment for the purpose of generating e-way bills

Answer: d) He would be required to prepare two separate e-way bills since each invoice value exceeds Rs. 50,000/- and each invoice shall be considered as one consignment for the purpose of generating e-way bills

Chapter 14 – Returns

Exercise Questions & Answers

Q 1. Mr. X, , did not render any taxable supply during the month of July Is he required to file any goods and service tax return?

Ans: A registered person has to furnish return u/s 39 for every tax period even if no supplies have been effected during such period. In other words, filing of Nil return is also mandatory. Therefore, Mr. X is required to file the return even if he did not render any taxable supply during the quarter July-September.

Q 2. If a return has been filed, how can it be revised if some changes are required to be made?

Ans: 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. They can be amended in any of the future GSTR- 1 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/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. The rectification of errors/omissions is carried out by entering appropriate particulars in “Amendment Tables” contained in GSTR-1.

Q 3. Which type of taxpayers need to file Annual Return?

Ans: Every registered person, other than ISD's, casual/non-resident taxpayers, TDS/TCS deductors, are required to file an annual return in Form GSTR-9. Taxpayer under composition scheme are required to file annual return in Form GSTR-9A. Casual tax payers, non-resident taxpayers, ISDs and persons authorized to deduct/collect tax at source are not required to file annual return.

Q 4. Is an Annual Return and a Final Return one and the same?

Ans: No. Annual Return has to be filed by every registered person paying tax as a normal taxpayer. Final Return has to be filed only by those registered persons who have applied for cancellation of registration. The Final return has to be filed within three months of the date of cancellation or the date of cancellation order.

Q 5. Do Input Service Distributors (ISDs) need to file separate statement of outward supplies with their return?

Ans: No, the ISDs need to file only a return in Form GSTR-6 and the return has the details of credit received by them from the service provider and the credit distributed by them to the recipient units. Since their return itself covers these aspects, there is no requirement to file separate statement of outward supplies.

Q 6. Is it compulsory for a taxpayer to file return by himself?

Ans: No. A registered taxpayer can also get his return filed through a Goods and Services Tax Practitioner.

Q 7. M/s. Sahu & Co. a registered firm has filed its GST Return in GSTR-1 for the month of February, 2018 declaring an outward supply of Rs. 300 lakhs. The return was filed within the due date of its filing. However, on a subsequent reconciliation of the return with the books of accounts it was found that 5 invoices having a total value of Rs. 20 lacs towards supply made to local parties were inadvertently omitted to be reported. Sahu & Co. have approached you for an advice as to the course of action to be adopted to rectify the omission ?

Ans: As per GST law, the mechanism of filing revised returns for any correction of errors/omissions has been done away with. The rectification of errors/omissions is allowed in the subsequent Returns. However, no rectification is allowed after furnishing the return for the month of September following the end of the financial year to which such details pertain or furnishing of the relevant annual return, whichever is earlier.

Hence, the omission in the month of Feb 2018 can be included in the Return for the month when the omission is noticed. The tax and interest @ 18% due on the turnover omitted to be reported for the month of Feb 2018 has to be paid along with the taxes for the month in which the omission is noticed. However, such rectification will be allowed only within the prescribed period as mentioned above.

Q 8. Discuss the provisions of return Form GSTR-3B as contained in sub rules (5) and (6) of rule 61 of CGST Rules, 2017.

Ans: Provisions of return Form GSTR-3B as contained in sub rules (5) and (6) of rule 61 of the CGST Rules, 2017 are as under:

FORM GSTR-3B is notified as the form for return by the Commissioner when the due dates for furnishing GSTR-1 and GSTR-2 get extended. GSTR-3B is a simple return containing summary of outward and inward supplies liable to reverse charge, eligible ITC, payment of tax etc. Thus, GSTR-3B does not require invoice-wise data of outward supplies. GSTR-3B can be submitted electronically through the common portal, either directly or through a notified Facilitation Centre.

Currently, return in Form GSTR-3B is being notified as the monthly return to be filed by the registered persons who are required to file GSTR- 3. Presently, the due date of submission for GSTR-3B is being notified as 20th day of the month succeeding the relevant month.

Chapter – 14 Return

Multiple Choice Questions

1. Which return is required to be furnished for outward supplies made by the registered person?

- (a) Form GSTR-1
- (b) Form GSTR-2
- (c) Form GSTR-4A
- (d) Form GSTR-6

Answer:- a) Form GSTR-1

2. In Form GSTR-01 which of the following information is to be filed?

- (a) detail of outward supplies of taxable goods/supplies
- (b) Details of inward supplies of taxable goods/supplies
- (c) detail of tax deducted
- (d) Detail of amount deposited in cash ledger

Answer:- a) detail of outward supplies of taxable goods/supplies

3. Every tax payer paying tax under section 10 (Composition levy) shall file the return in

- (a) Form GSTR 3 by 18th of the month succeeding the quarter
- (b) Form GSTR 4 by 30th of the month succeeding FY
- (c) Form GSTR 4 by 18th of the succeeding month
- (d) Form GSTR 4 by 20th of the month succeeding the quarter

Answer:- b) Form GSTR 4 by 30th of the month succeeding FY

4. In case of monthly returns, taxes will be payable -----.

- a. Before filing the return
- b. At the time of filing return

c. After or at the time of filing return

d. Before or at the time of filing return

Answer:- d) Before or at the time of filing return

5. Challan in FORM GST PMT-06 generated at the common portal shall be valid for a period of -----.

a) 7 days

b) 15 days

c) 20 days

d) 30 days

Answer:- b) 15 days

6. Which class of person is required to file monthly details of outward supplies of goods or services

or both in Form GSTR-1?

a) Non resident taxable person

b) Person required to deduct tax at source

c) Person who has opted to pay tax under composition scheme

d) None of the above

Answer:- d) None of the above

7. Filing of return on quarterly basis by a regular person is -----.

a) Mandatory

b) Optional

c) Optional for persons having turnover >Rs. 5 Crores

d) Mandatory for persons having turnover >Rs. 5 crores

Answer:- b) Optional

8. Input Service Distributor (ISD), Tax Deductor & Tax Collector are required to file return -----.

- a. Annually
- b. Quarterly
- c. Monthly
- d. Half-Yearly

Answer:- c) Monthly

9. Every registered taxable person who has made outward suppliers in the period between the date on which he become liable to registration till the date on which is registration has been granted shall declare the same in the

- a. First return filed by him after grant of registration
- b. First two return filed by him after grant of registration
- c. FORM GSTR-7
- d. FORM GSTR-II

Answer:- a). First return filed by him after grant of registration

10. Every registered person whose aggregate turnover during a financial year----- shall get his accounts audited

- a. exceeds 2 crore rupees
- b. exceeds 1.5 crore rupees
- c. exceeds 1 crore rupees
- d exceeds 2.5 crore rupees

Answer:- a) exceeds 2 crore rupees

11. Every registered person whose aggregate turnover during a financial year exceeds 2 crore Rupees shall get his accounts audited and furnish a copy of audited annual accounts and a Reconciliation statement, duly certified, in

- a. Form GSTR-9

b. Form GSTR-9C

c. Form GSTR-11

d. Form GSTR-11A

Answer:- b) Form GSTR-9C

12. Annual audit report is required to be certified by practicing

a. CA

b. CMA

c. CA or CMA

d. CA and CMA both

Answer:- c) CA or CMA

13. Final return shall be furnished in

a. Form GSTR-8

b. Form GSTR-9

c. Form GSTR-10

d. Form GSTR-11

Answer:- c) Form GSTR-10

14. The due date of filing Final Return is -----.

(a) 20th of the next month

(b) 18th of the month succeeding the quarter

(c) Within 3 months of the date of cancellation or date of order of cancellation, whichever is later

(d) 31st December of next financial year

Ans:- c) Within 3 months of the date of cancellation or date of order of cancellation, whichever is later

15. A goods and services tax practitioners can undertake the following activities if authorized by the taxable person.

- a. Furnish details inward and outward supplies.
- b. Furnish monthly / quarterly return
- c. Furnish Annual and Final return
- d. All of the above

Answer: d) All of the above

Chapter 15 – Payment of Tax, TDS and TCS

Exercise Questions & Answers

Q 1. How many types of electronic ledger are there?

Ans: There are 3 types of ledger:

- a) Electronic cash ledger*
- b) Electronic credit ledger*
- c) Electronic liability register*

Q 2. Explain the following terms in brief:

- E-FPB*
- CPIN*
- CIN*

Ans: Refer Relevant Para in main Book

Q 3. Are principles of unjust enrichment applicable for payment made under GST?

Ans: 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.

Q 4. State the name of output tax under GST, where any of the input tax credit under GST can be availed?

Ans: IGST. IGST, CGST, SGST, UTGST i.e. all input tax credit can be availed against output tax liability known as IGST.

Q 5. Can one use input tax credit for payment of interest, penalty, and payment under reverse charge?

Ans: No, as per Section 49 (4) of the CGST Act, 2017 the amount available in the electronic credit ledger may be used for making any payment towards 'output tax'.

As per Section 2 (82) of the CGST Act, 2017, output tax means, the CGST/SGST chargeable under this Act on taxable supply of goods and/or services made by him or by his agent and excludes tax payable by him on reverse charge basis. Therefore, input tax credit cannot be used for payment of interest, penalty, and payment under reverse charge.

Q 6. ABC limited filed the return for GST under section 39(1) for the month of November on 20th, December showing self assessed tax of Rs. 2,50,000 which was not paid.

Explain what are the implications for ABC limited as per relevant provisions?

Ans: As per section 2(117) of CGST Act, “valid return” means a return furnished under sub-section (1) of section 39 on which self-assessed tax has been paid in full.

Hence, in such a case, the return is not considered as a valid return and also input tax credit will not be allowed to the recipient of supplies.

Q 7. Who is liable to pay GST? Explain in the context of general and special circumstances.

Ans: General rule - Supplier of goods or services is liable to pay GST.

Specific circumstances -

- Import supplies - Recipient of goods or services has to pay tax under reverse charge
- The Government may, on the recommendations of the Council, by notification, specify categories of services the tax on intra-State supplies, of which shall be paid by the electronic commerce operator, if such services are supplied through it
- TDS - If total value of supply under contract > ₹ 2.5 lakhs, then Central and State Government, Local authority, Government agencies is liable to deduct TDS and pay the same to the government
- TCS - E-commerce operators are required to collect tax (TCS) on the aggregate value of supply reduced by returns in a month

Q 8. What will happen if the deductor fails to issue TDS Certificate within the time prescribed?

Ans: As per section 51(4) of the CGST Act, 2017, if any deductor fails to furnish to the deductee the certificate, after deducting the tax at source, within five days of crediting the amount so deducted to the Government, the deductor shall pay, by way of a late fee, a sum of one hundred rupees per day from the day after the expiry of such five days period until the failure is rectified, subject to a maximum amount of five thousand rupees.

Q 9. Whether the rate of tax of 1% notified under section 52 is CGST or SGST or a combination of both CGST and SGST?

Ans: The rate of TCS as notified under CGST Act, 2017 is payable under CGST and the equal rate of TCS is expected under the SGST Act also, in effect aggregating to 1%.

Q 10. Is every e-commerce operator required to collect tax on behalf of actual supplier?

Ans: 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.

Q 11. What are the main features of GST payment process?

Ans: Key Features of Payment process:

- 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 tax;
- Convenience of making payment online;
- Logical tax collection data in electronic format;
- Faster remittance of tax revenue to the Government Account
- Paperless transaction
- Speedy Accounting and reporting
- Electronic reconciliation of all receipts
- Simplified procedure for banks
- Warehousing of Digital Challan

Q 12. PQR Ltd has the following tax liabilities under the provisions of act –

Sr. No.	Particulars	Amount
1	Tax liability of CGST, SGST/UGST, IGST for supplies made during August 2017	1,00,000
2	Interest & Penalty on delayed payment and filing of returns belonging to August 2017	20,000
3	Tax liability of CGST, SGST/UGST, IGST for supplies made during September 2017	1,20,000
4	Interest & Penalty on delayed payment and filing of returns belonging to September 2017	20,000
5	Demand raised as per section 73 or section 74 under CGST Act, 2017 belonging to July 2017	8,00,000
6	Demand raised as per the old provisions of Indirect Tax	1,00,000

PQR Ltd has Rs. 5,00,000 in Electronic Cash Ledger, Suggest PQR Ltd in discharging the tax liability

Ans: Balance in Electronic cash ledger can be used in the following manner to discharge tax liability by x Ltd

Particulars	Amount
Balance available in Electronic cash ledger	5,00,000
Less:-	
Tax liability of CGST, SGST/UGST, IGST for supplies made during August 2017	1,00,000

Interest & Penalty on delayed payment and filing of returns belonging to August 2017	20,000
Tax liability of CGST, SGST/USGST, IGST for supplies made during September 2017	1,20,000
Interest & Penalty on delayed payment and filing of returns belonging to September 2017	20,000
Demand raised as per section 73 or section 74 under CGST Act, 2017	2,40,000
Balance in electronic cash ledger	Nil

The balance amount of Rs. 5,60,000 (₹ 8,00,000 - ₹ 2,40,000) towards demand raised under section 73 or **section 74 under CGST Act, 2017** to be discharged before discharging liability of demand rose under old provisions of Indirect Taxes.

Q 13. The following are details of purchases and sales etc. effected by Smart Pvt. Ltd. a registered manufacturer under CGST Act, 2017:

1. Purchased fabric material from local dealer ₹ 47040 (including GST @ 12%)
2. Purchased textile material from local dealer ₹ 94500 (including GST @ 5%)
3. Purchased machinery for manufacture of taxable goods ₹ 3,18,600 (including GST @ 18%), Depreciation @ 15% is charged.
4. Other direct and indirect expenses ₹ 44,570.
5. Profit margin on total cost @ 10%
6. For the month November, 2017 only 80% production is sold within the state and applicable GST rate being 18%.

Calculate the amount of CGST and SGST payable after utilizing input tax credit for the month of November 2017 and no opening balance of input tax credit is available.

Ans: Computation of Invoice Value and Tax liability:

Sr. No.	Particulars	Amount
1	Purchase fabric material from local dealer (₹ 47040*100/112) [wn]	42,000
2	Purchase of textile material from local dealer (94500*100/105) [wn]	90,000
3	Depreciation expense [(3,18,600*18/118)*15%]	40,500
4	Other direct & indirect expense	44,570
5	Total Cost of goods manufactured	2,17,070
6	Cost of goods sold (80% of goods produced were sold)	1,73,656
7	Add: Profit margin @ 10%	17,366
8	Total Sales Value	1,91,022

Working note:

Credit will be available for CGST and SGST charged by local suppliers. Hence the same is not to be included in the cost.

Computation of CGST and SGST payable for the month of November, 2017 after utilizing the available input tax credit

Particulars	CGST	SGST
Output tax liability for the month of November, 2017 @ 18% (Being CGST 9% and SGST 9%) [i.e. 1,91,022*18%]	17,191	17,192
Less: Eligible input tax credit in respect of purchases of -		
Fabric material (42,000 * 12%)	2520	2520
Textile material (90,000 * 5%)	2250	2250
Capital goods (2,70,000 * 18%)	24,300	24,300
Total input tax credit	29,070	29,070
CGST/SGST credit to be carried forward	11,879	11,879

Q 14. In the month of September, Mr. Sumit has to made outward supplies of Rs. 1000000 on which he has to pay tax @ 12% i.e. Rs. 1,20,000. The amount of input tax credit available as on date was Rs. 70,000. The last date to file GSTR1 is 10th of the next month i.e. 10th October. Ashok made the payment on 5th December. Calculation of interest payment of tax is as follows:

Ans: Tax payable Rs. 1,20,000. Interest shall be calculated from the next day of the due date of payment i.e. 21st October to the actual date of payment i.e. 5th December. Interest is $120000 * 18\% * 46/365 = \text{Rs. } 2,772/-$

Q 15. M/s Asha Pvt. Ltd. reduced the amount of ₹ 2,25,000 from the output tax liability in contravention of the provision of section 42(10) of CGST Act, 2017 in the month of January 2018 (vide invoice date 12/01/2018), which is ineligible credit at invoice level. As a result a show cause notice was issued by Central Tax Department under section 74 of CGST Act along with interest. M/s Asha Ltd paid the tax and interest on 5th March 2018. Find the interest liability payable if any. **Note:-** Ignore the penalty

Ans: As per sec 42(10) read with section 50(30) of the CGST Act, 2017 amount reduced from the output tax liability in contravention of the provision of section 42(7) shall be added to the output tax liability of the recipient in his return for the month in which such contravention takes place and such recipient shall be liable to pay interest on the amount so added at the rate specified in **section 50(3) of CGST Act 2017**. Therefore, applicable rate of interest is @ 24% per annum.

Due date for January month return is 20th Feb 2018.

Interest = Rs. 1923/- (Rs. 2,25,000 * 24 / 365)

Q 16. LP Ltd., obtains registration for paying taxes under section 9 of CGST Act. He asked his tax manager to pay taxes on quarterly basis. However, LP Ltd's tax manager advised the Co. to pay taxes on monthly basis. You are required to examine the validity of the advice given by tax manager?

Ans: 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 by the 20th of the succeeding month. Cash payments will be first deposited in the Cash Ledger and the tax payer shall debit the ledger while making payment in the monthly returns and shall reflect the relevant debit entry number in his return. However, payment can also be debited from the Credit Ledger. Payment of taxes for the month of March shall be paid by the 20th of April. Composition tax payers will need to pay tax on quarterly basis.

Q 17. Who is liable to deduct tax at source?

Ans: The Central Government or state Government may mandate the following person to deduct tax at source;

- (a) A department or establishment of the Central or State Government, or
- (b) Local authority, or
- (c) Government agencies, or
- (d) Such person or category of person as may be notified, by the Central or a State Government on the recommendations of the Council.

The following persons have been **notified under SI(1)(d) of the CGST Act** by the Central Government:

- (a) 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;
- (b) society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860;
- (c) public sector undertakings;

Categories of persons not liable to deduct TDS Tax is not liable to be deducted at source in the following cases:-

- When goods and/or services are supplied from a public sector undertaking (PSU) to another PSU, whether or not a distinct person
- When supply of goods and/or services takes place between one person to another person specified in clauses (a), (b), (c) and (d) of section 51(1) of the CGST Act.

Q 18. What is the threshold limit for tax deduction at source?

Ans: The threshold limit for tax deduction at source is Rs. 2.5 Lakh. For the purpose computation of threshold limit, contract value needs to be considered and not the invoice value or payment amount. However, for the purpose of ascertaining the threshold limit, the value of supply shall be considered as the amount excluding taxes.

Q 19. What will happen if the deductor fails to issue TDS Certificate within the time prescribed? (ICAI)

Ans: As per section 51(4) of the CGST Act, 2017, if any deductor fails to furnish to the deductee the certificate, after deducting the tax at source, within five days of crediting the amount deducted to the Government, the deductor shall pay, by way of a late fee, a sum of one hundred rupees per day from the day after the expiry of such five days period until the failure is rectified subject to a maximum amount of five thousand rupees.

Q 20. M/s Asha Pvt. Ltd. has its place of business in Mysore supplied goods worth ₹ 2,75,000 the value of supply includes GST @ 5% during the month of August to a Govt. Agency located at Bangalore. Determine the amount of tax to be deducted at source.

Ans: As per section 51(4) of the CGST Act, 2017, if any deductor fails to furnish to the deductee the certificate, after deducting the tax at source, within five days of crediting the amount deducted to the Government, the deductor shall pay, by way of a late fee, a sum of one hundred rupees per day from the day after the expiry of such five days period until the failure is rectified subject to a maximum amount of five thousand rupees.

As per section 51 of CGST ACT, The Government has mandated the following categories:-

- (a) A department or establishment of the Central Government or State Government or
- (b) Local authority
- (c) Such persons or category of persons as may notified by Government on recommendations of the council

To deduct tax at the rate of one percent from the payment made of taxable goods or services or both, where total value of such supply exceeds 2,50,000 rupees. For the purpose of deduction of tax specified, the value shall be taken as the amount excluding GST amount.

In the given case the amount of tax to be deducted shall be computed as follows:

Particulars	Amount
a) Value of supply (including GST)	2,75,000
b) Less: GST @ 5% [Value of GST = 2,75,000 * 5/105]	13,095
c) Value of supply (excluding GST)	2,61,905
d) Amount of TDS [e + f]	5,238
e) CGST @ 1% of (c)	2,619
f) SGST @ 1% (c)	2,619

Thus as computed above the **amount of TDS** to be deducted by the Govt. Agency shall be Rs. 5,238.

Q 21. Aasma Ltd. had supplied goods to a local authority for Rs. 7,56,000 (inclusive of GST @ 12%). Determine the amount of tax to be deducted at source. Also determine the interest liability if the amount of tax deducted at source on 15.10.2017 is deposited as on 20.12.2017.

Ans: As per the provisions of **section 50(1) of the GST Act**, the local authority has to deduct tax @ 1% from the payment made or credited to the supplier of taxable goods or services or both. Where the total value of such supply under a contract, exceeds ₹ 2,50,000. Such tax has to be paid to the government by the deductor within 10 days after the end of the month in which such deduction is made otherwise interest shall be levied @ 18% p.a. for the period for which the tax or any part thereof remains unpaid. Hence, the amount of tax to be deducted at source shall be 1% CGST & 1% SGST of Rs. 6,75,000 [7,56,000 – 81,000 i.e. GST @ 12%] = Rs. 13,500.

Computation of interest on delay in deposit of TDS:-

Sr. No.	Particulars	
A	Due date of deposit of TDS	10.11.2017
B	Date of payment of GST	20.12.2017
C	Period of delay (in days) (b-a)	40
D	Amount of TDS	13,500
	Interest payable @ 18% for delay in payment [d * 18% * c / 365 days]	266

Q 22. 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? (ICAI)

Ans: 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 supplier 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.

Q 23. If we purchase goods from different vendors and are selling them on our website under our Own billing. Is TCS required to be collected on such supplies? (ICAI)

Ans: 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 it by other suppliers where the consideration is to be collected by the ECO.

Chapter 15– Payment of Tax

Multiple Choice Questions

1) Which of the following registers / ledgers are maintained at the GST Portal?

- a. Electronic liability ledger
- b. Electronic cash ledger
- c. Electronic credit ledger
- d. All of the above

Answer: d) All of the above

2). Payment made through challan will be credited to which registers / ledgers?

- a. Electronic Tax liability register
- b. Electronic Credit Ledger
- c. Electronic cash ledger
- d. All of the above

Answer: c) Electronic cash ledger

3). While making purchases the dealer has to pay GST which is available as credit while making

payment for outward supply. Such credit is reflected in GST portal in,

- a. Electronic Cash ledger
- b. Electronic liability ledger
- c. Electronic Credit ledger
- d. All of the above

Answer: c) Electronic Credit ledger

4). The major heads in the electronic cash ledger, electronic liability register and challan for deposit of Tax are.

- a. IGST, CGST, SGST, UTGST & GST Compensation Cess
- b. Tax, Interest, Penalty, Fee, others and total
- c. Total – cash, liability
- d. All of the above

Answer: a) IGST, CGST, SGST, UTGST & GST Compensation Cess

5). Credit available in Electronic Credit Ledger can be used for payment of

- a. Output Tax
- b. Output Tax and Interest
- c. Output Tax, Interest and Penalty
- d. Output Tax and Tax under reverse charge

Answer: a) Output Tax

6). Payment of tax, interest or penalty for each month shall be made by debiting _____ on or before the due date of filing return.

- a. Electronic Cash Ledger
- b. Electronic Credit Ledger
- c. Electronic Liability Ledger
- d. Both (a) and (b)

Answer: d) Both (a) and (b)

7). Which of the following statement is correct: -

- a. Payment of GST can be done by Cash
- b. Payment of GST can be done by Cheque

c. Payment of GST Can be done by Internet banking

d. Payment of GST can be done within 24 hours of filing of Monthly / Quarterly return

Answer:- c) Payment of GST Can be done by Internet banking

8). Where a person has claimed refund of any amount from the electronic cash ledger, the said

amount shall be debited to the _____ .

a. Electronic Credit Ledger

b. Electronic Liability Ledger

c. Electronic Cash Ledger

d. Whichever has the higher balance of above

Answer:- c) Electronic Cash Ledger

9). Balance in electronic credit ledger under IGST can be used against which liability?

a. IGST Liability only

b. IGST and CGST liability

c. IGST, CGST and SGST liability

d. None of them

Answer:- c) IGST, CGST and SGST liability

10). M/s. Kuber Anand is registered under GST. He has output tax liability as under-

CGST: Rs. 85,00,000

SGST: Rs. 85,00,000

IGST: Rs. 1,05,00,000

It has input tax credits as under-

CGST: Rs. 1,50,00,000 including credit of Rs.75,00,000 carried forward from TRAN-I

SGST: Rs. 30,00,000

IGST: Rs. 1,20,00,000

Calculate the amount of tax to be deposited in cash?

a. CGST: Nil; SGST: Rs. 55,00,000; IGST: Nil

b. CGST: Rs. 10,00,000; SGST: Rs. 55,00,000; IGST: Nil

c. CGST: Nil; SGST: Rs. 50,00,000; IGST: Nil

d. CGST: Nil; SGST: Rs. 40,00,000; IGST: Nil

Answer:- d) CGST: Nil; SGST: Rs. 40,00,000; IGST: Nil

11). Mr. A was liable to pay GST of Rs.10,000 on 20.8.2018 but he failed to pay. Later he decided

to pay tax on 26.10.2018. what would be the period for which interest has to be paid by him?

a. 66 days

b. 67 days

c. 68 days

d. 70 days

Answer:- b) 67 days

12). From which date interest is liable in case of excess input tax credit claimed?

a. From the late date of the month in which credit is claimed

b. From the due date for filing GSTR-02 of the month in which credit is claimed

c. From the due date for filing GSTR-03 of the month in which credit is claimed

d. From the date of utilization of credit

Answer:- c) From the due date for filing GSTR-03 of the month in which credit is claimed

Chapter 16 – Refund

Exercise Questions & Answers

Q 1. Is there any time limit for sanctioning of refund under section 54 of the CGST Act, 2017?

Ans: Yes, 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 the said period of 60 days, interest @ 6% p.a. will have to be paid in accordance with section 56 of the CGST/SGST Act.

However, in case where provisional refund to the extent of 90% of the amount claimed is refundable in respect of zero-rated supplies made by certain categories of registered persons in terms of sub-section (6) of section 54 of the CGST/SGST Act, the provisional refund has to be given within 7 days from the date of acknowledgement of the claim of refund.

Q 2. Discuss the provisions relating to refund of the amount of advance tax deposited by a casual taxable person under section 27(2) of the CGST Act, 2017.

Ans: The amount of advance tax deposited by a casual taxable under section 27(2), shall be refunded only when such person has, in respect of the entire period for which the certificate of registration granted to him had remained in force, furnished all the returns required under section 39 [Section 54(13)].

Further, refund of any amount, after adjusting the tax payable by the applicant out of the advance tax deposited by him under section 27 at the time of registration, shall be claimed in the last return required to be furnished by him [Fourth proviso to rule 89(1)].

Q 3. In case of refund under exports of goods, whether BRC/FIRC is necessary for granting refund?

Ans: In case of refund on account of export of goods, the refund rules do not prescribe BRC/FIRC as a necessary document for filing of refund claim. However, for export of services details of BRC/FIRC is required to be submitted along with the application for refund.

Q 4. A taxable person has mistakenly paid CGST and SGST for an inter-State supply. Subsequently, when he discovers the same, can he adjust the IGST liability against the wrongly paid CGST and SGST?

Ans: Section 77, inter alia, stipulates that a registered person who has paid the Central tax and State tax or, as the case may be, the central tax and the Union territory tax on a transaction considered by him to be an intra-State supply, but which is subsequently held to be an inter-State supply, shall be refunded the amount of taxes so paid in such manner and subject to such conditions as may be prescribed. The IGST liability cannot be adjusted against the CGST and SGST wrongly paid.

Q 5. State the exceptions to the principle of unjust enrichment as applicable to refund claims.

Ans: The principle of unjust enrichment is applicable in all cases of refund except in the following cases:-

- i. Refund of tax paid on exports of goods or services or both or on inputs or input services used in making such zero-rated supplies.
- ii. Unutilized input tax credit in respect of (i) zero rated supplies made without payment of tax or, (ii) where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies.
- iii. refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued.
- iv. refund of tax in pursuance of section 77 of CGST/SGST Act i.e. tax wrongfully collected and paid to Central Government or State Government.
- v. if the incidence of tax or interest paid has not been passed on to any other person.
- vi. such other class of persons who has borne the incidence of tax as the Government may notify.

Q 6. With reference to section 54(3) of the CGST Act, 2017, mention the cases where refund of unutilised input tax credit is allowed.

Ans: As per section 54(3) of the CGST Act, 2017, a registered person may claim refund of unutilised input tax credit at the end of any tax period in the following cases:

- i. **Zero rated supplies:** Supply of goods/services/both to an SEZ developer/unit or export of goods or services or both. However, refund of unutilized input tax credit shall not be allowed if:
 - a. the goods exported out of India are subjected to export duty;
 - b. the supplier of goods or services or both avails of drawback in respect of CGST or claims refund of the IGST paid on such supplies.
- ii. **Accumulated ITC on account of inverted duty structure:** Where the credit has accumulated on account of 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 or both as may be notified by the Government on the recommendations of the Council.

Q 7. State five cases where refundable amount shall be paid to the applicant, instead of being credited to Consumer Welfare Fund under CGST Act, 2017.

Ans: Section 54(8) of the CGST Act, 2017 provides that the refundable amount shall be paid to the applicant, instead of being credited to the Consumer Welfare Fund, if such amount is relatable to—

- i. refund of tax paid on exports of goods and/or services or on inputs or input services used in making such zero-rated supplies;

- ii. refund of unutilized ITC in case of zero rated supplies made without payment of tax or accumulated ITC on account of inverted duty structure;
- iii. refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued, or where a refund voucher has been issued;
- iv. refund of tax paid on a transaction treating it to be an intra-State supply, but which is subsequently held to be an inter-State supply or vice-versa;
- v. the tax and interest, if any, or any other amount paid by the applicant, if he had not passed on the incidence of such tax and interest to any other person; or
- vi. the tax or interest borne by notified class of applicants.

Q 8. State the provision of refund of IGST paid on export of Goods / Services

Ans: Refer Rule 96A in main Book

Q 9. State who are entitled for refund u/s 55?

Ans: Refer Section 55 in main Book

Q 10. M/s. RLL Ltd. filed an application for refund of tax amounting Rs. 5,00,000 on 1-10-2017. The refund was granted on 25-12-2017. Compute the amount of interest, if any payable to RLL Ltd as per provisions of Section 56 of the CGST Act, 2017.

Ans: If any tax ordered to be refunded under section 54 (5) to any applicant, and such tax is not refunded within 60 days from the date of receipt of application under section 54 (1), interest at @ 6% p.a shall be payable in respect of such refund from the date immediately after the expiry of 60 days from the date of receipt of application till the date of refund of such tax. The relevant computation is as

Particulars	Amount
Amount of refund (A)	500000
Date of making application (B)	01-10-2017
60 days period from the date of application expires on - [C] = [B] + 60 days	30-11-2017
Date of making refund [D]	25-12-2017
No. of days for which interest to be granted [E] = [D] - [C]	25
Interest on refund @ 6% {A} * {E} X 6% + 365 2055	2055

Chapter 16 – Refund

Multiple Choice Questions

1). Which among the following are zero rated supplies?

- a. Exports
- b. Supplies to SEZ
- c. Exports and Imports
- d. Both (a) and (b)

Ans:- d . Both (a) and (b)

2). The time limit for filing refund claim is _____from the relevant date.

- a. One year
- b. Two years
- c. One and half year
- d. Half year

Ans:- b. Two years

3). A registered person can claim refund any unutilized input tax credit on zero rated supplies without

payment of tax or the credit accumulated on account of inverted tax rate structure:

(a) at the end of the tax period, but before the expiry of 2 years from the relevant date.

(b) before the expiry of the tax period.

(c) before the expiry of 3 years from the relevant date.

(d) before the expiry of 18 months from the relevant date.

Ans:- (a) at the end of the tax period, but before the expiry of 2 years from the relevant date

4). _____ will be treated as application for refund in case of IGST paid on goods exported.

a. GSTR – 3

b. Form GST RFD-01A

c. Shipping Bill / Bill of Export

d. FIRC

Ans:- c. Shipping Bill / Bill of Export

5). Refund shall not be paid to the applicant if the amount of refund is less than

a. Rs. 1000

b. Rs. 5000

c. Rs. 7000

d. Rs. 10000

Ans:- a . Rs. 1000

6). What is the maximum time limit allowed to proper officer for issuing order (whether in favour or against the refund application?)

- a. 15 days
- b. 60 days
- c. 45 days
- d. 6 months

Ans:- b . 60 days

7). Interest on refund amount is required to be paid after expiry of from the date of receipt of the application

- a. 60 days
- b. 90 days
- c. 180 days
- d. 240 days

Ans:- a. 60 days

8). The interest shall be payable @ _____ for withholding the refund amount.

- a. 5%
- b. 7%
- c. 6%

d. 6.5%

Ans:- c. 6%

9). Refund amount is credited to_____, if the amount is refundable to applicant and to_____, if the amount is not refundable to applicant.

- a. Bank account of the registered applicant, Consumer application fund
- b. Bank account of the unregistered applicant, Consumer application fund
- c. Bank account of the registered applicant, Consumer Welfare Fund
- d. Consumer Welfare Fund, Bank account of registered applicant

Ans:- c. Bank account of the registered applicant, Consumer Welfare Fund

10). Which of the following options is not available to exporters :

- a. Pay IGST on exports and claim refund of IGST
- b. Clear goods for export without payment of IGST and claim refund of ITC
- c. If part supplies are exports, he can utilize that credit for payment of GST on supplies within India
- d. None of the above

Ans:- d . None of the above

11). Mode of calculation of refund of ITC in zero rated supplies is as follows:

- a. Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services)*Net ITC / Adjusted Total turnover
- b. Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services)*Net ITC / Gross Total turnover
- c. Refund Amount = Turnover of zero-rated supply of goods * Net ITC / Adjusted Total turnover
- d. Refund Amount = Turnover of zero-rated supply of services* Net ITC / Adjusted Total turnover

Ans:- a . Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services)*Net ITC / Adjusted Total turnover

12). Mode of calculation of refund in case of inverted duty structure :

- a. Refund Amount = $\{[(\text{Turnover of inverted rated supply of goods and services}) * \text{Net ITC}] / \text{Adjusted Total turnover}\}$ - tax payable on such inverted rated supply of goods and services
- b. Refund Amount = $\{[(\text{Turnover of inverted rated supply of goods and services}) * \text{Net ITC}] / \text{Gross Total turnover}\}$ - tax payable on such inverted rated supply of goods and services
- c. Refund Amount = $\{[(\text{Turnover of supply of goods and services}) * \text{Net ITC}] / \text{Adjusted Total turnover}\}$ - tax payable on such supply of goods and services
- d. Refund Amount = $\{[(\text{Turnover of inverted rated supply of goods and services}) * \text{Net ITC}] / \text{Net Total turnover}\}$ - tax payable on such inverted rated supply of goods and services

turnover}- tax payable on such inverted rated supply of goods and services

Ans:- a. Refund Amount = $\{[(\text{Turnover of inverted rated supply of goods and services}) * \text{Net ITC}] / \text{Adjusted Total turnover}\} - \text{tax payable on such inverted rated supply of goods and services}$

13). Mr. Z comes to India as a tourist. here he took some services worth Rs. 1,00,000 having tax element of say Rs. 20,000. What amount of tax shall be allowed as refund?

a) 20000

b) 1,00,000

c) 80,000

d) 0

Ans:- d) 0

14). The applicant is not required to furnish certificate of CA or CMA if the amount of refund claimed is

Less than:-

a. Rs. 6 lacs

b. Rs. 2 lac

c. Rs. 10 lac

d. Rs. 20 lac

Ans:- b . Rs. 2 lac

15). Mr. A has claimed refund of GST of INR 10,000/-. He asks you the possibilities where refund can be withheld by the department?

- a) If a person has failed to furnish any return, refund will be withheld till he files such return.
- b) If the registered person is required to pay any tax, interest, or penalty which has not been stayed by the appellate authority / Tribunal court, till he pays such interest or penalty, refund will be withheld. The proper officer can also deduct unpaid taxes, interest, penalty, late fee, if any, from the refundable amount.
- c) The commissioner can withhold any refund if the order of refund is under appeal and he is of the opinion that grant of such refund will adversely affect revenue in the said appeal on account of malfeasance or fraud committed.
- d) In all of the above circumstances, refund can be withheld

Ans:- d) In all of the above circumstances, refund can be withheld

16) . M/s XYZ Ltd. filed & application for refund of tax amounting 10 lakh on 01 Oct 2018. the refund was granted on 25 Dec 2018. Compute the amount of interest, if any payable to XYZ Ltd. As per the provision of Sec 56 of CGST Act 2017 ?

- a. 4110
- b.13973
- c.9863
- d. Nil

Ans:- a. 4110

Chapter 17 – Assessment and Audit

Exercise Questions & Answers

Q 1. Is summary assessment order to be necessarily passed against the taxable person?

Ans: No. In certain cases, like when goods are under transportation or are stored in a warehouse, and the taxable person in respect of such goods cannot be ascertained, the person in charge of such goods shall be deemed to be the taxable person and will be assessed to tax.

Q 2. Whether principal of natural justice is must to be followed before passing assessment order against the taxable person?

Ans: Yes, principal of natural justice is must to be followed before passing assessment order against the taxable person seeking to impose any financial burden on him.

Q 3. In what cases, assessment order passed by proper officer may be withdrawn?

Ans: Assessment Order passed by proper officer may be withdrawn in the following cases:-

- (i) **Assessment of Non-filers of return** – The best judgment order passed by the Proper Officer under section 62 of CGST Act shall automatically stand withdrawn if the taxable person furnishes a valid return for the default period (i.e. files the return and pays the tax as assessed by him), within thirty days of the receipt of the best judgment assessment order
- (ii) **Summary Assessment** – A taxable person against whom a summary assessment order has been passed can apply for its withdrawal to the jurisdictional Additional/Joint Commissioner within thirty days of the date of receipt of the order. If the said officer finds the order erroneous, he can withdraw it and direct the proper officer to carry out determination of tax liability in terms of section 73 or 74 of CGST Act. The Additional/Joint Commissioner can follow a similar course of action on his own motion if he finds the summary assessment order to be erroneous.

Q 4. What recourse may be taken by the officer in case proper explanation is not furnished for the discrepancy detected in the return filed, while conducting scrutiny under section 61 of CGST ACT?

Ans: If the taxable person does not provide a satisfactory explanation within 30 days of being informed (extendable by the officer concerned) or after accepting discrepancies, fails to take corrective action in the return for the month in which the discrepancy is accepted, the Proper Officer may take recourse to any of the following provisions:

- (a) Proceed to conduct audit under section 65 of the Act;
- (b) Direct the conduct of a special audit under section 66 which is to be conducted by a Chartered Accountant or a Cost Accountant nominated for this purpose by the Commissioner; or
- (c) Undertake procedures of inspection, search and seizure under section 67 of the Act; or

(d) Initiate proceeding for determination of tax and other dues under Section 73 or 74 of the Act.

Q 5. Who can conduct audit of taxpayers?

Ans: There are three types of audit prescribed in the GST Act(s) as explained below:

- (a) **Audit by Chartered Accountant or a Cost Accountant:** Every registered person whose turnover exceeds the prescribed limit, shall get his accounts audited by a chartered accountant or a cost accountant. (Section 35(S) of the CGST Act)
- (b) **Audit by Department:** The Commissioner or any officer of CGST or SGST or UTGST authorized by him by a general or specific order, may conduct audit of any registered person. The frequency and manner of audit will be prescribed in due course. (Section 65 of the CGST Act)
- (c) **Special Audit:** If at any stage of scrutiny, inquiry, investigations or any other proceedings, if department is of the opinion that the value has not been correctly declared or credit availed is not within the normal limits, department may order special audit by chartered accountant or cost accountant, nominated by department. (Section 66 of the CGST Act)

Q 6. Explain the procedure for finalization of Provisional Assessment

Ans: Refer Section 60 in Main Book

Q 7. Kulbhushan & Sons has entered into a contract to supply two consignments of certain taxable goods. However, since it is unable to determine the value of the goods to be supplied by it, it applies for payment of tax on such goods on a provisional basis along with the required documents in support of its request.

On 12.01.20XX, the Assistant Commissioner of Central Tax issues an order allowing payment of tax on provisional basis indicating the value on the basis of which the assessment is allowed on provisional basis and the amount for which the bond is to be executed and security is to be furnished.

Kulbhushan & Sons complies with the same and supplies both the consignments of goods on 25.01.20XX thereafter paying the tax on provisional basis in respect of both the consignments on 19.02.20XX.

Consequent to the final assessment order passed by the Assistant Commissioner of Central Tax on 21.03.20XX, a tax of Rs. 1,80,000 becomes due on 1st consignment whereas a tax of Rs. 4,20,000 becomes refundable on 2nd consignment.

Kulbhushan & Sons pays the tax due on 1st consignment on 09.04.20XX and applies for the refund of the tax on 2nd consignment same day. Tax was actually refunded to it on 05.06.20XX.

Determine the interest payable and receivable, if any, by Kulbhushan & Sons in the above case.

Ans: Legal Provision: Section 60(4) of the CGST Act, 2017 stipulates that where the tax liability as per the final assessment is higher than under provisional assessment i.e. tax becomes due consequent to order of final assessment, the registered person shall be liable to pay interest on tax payable on supply of goods but not paid on the due date, at the rate specified under section 50(1) [18% p.a.], from the first day after the due date of payment of tax in respect of the goods supplied under provisional assessment till the date of actual payment, whether such amount is paid before/after the issuance of order for final assessment.

In the given case, due date for payment of tax on goods cleared on 25.01.20XX under provisional assessment is 20.02.20XX.

In view of the provisions of section 60(4), in the given case, Kulbhushan & Sons is liable to pay following interest in respect of 1st consignment:

$$= \text{Rs. } 1,80,000 \times 18\% \times 48/365$$

$$= \text{Rs. } 4,261 \text{ (rounded off)}$$

Further, section 60(5) of the CGST Act, 2017 stipulates that where the tax liability as per the final assessment is less than in provisional assessment i.e. tax becomes refundable consequent to the order of final assessment, the registered person shall be paid interest at the rate specified under section 56 [6% p.a.] from the date immediately after the expiry of 60 days from the date of receipt of application under section 54(1) till the date of refund of such tax.

However, since in the given case, refund has been made (05.06.20XX) within 60 days from the date of receipt of application of refund (09.04.20XX), interest is not payable to Kulbhushan & Sons on tax refunded in respect of 2nd consignment.

Q 8. How tax authorities conduct audit ?

Ans: The proper officer authorised to conduct audit of the records and books of account of the registered person shall, with the assistance of the team of officers and officials accompanying him, verify the documents on the basis of which the books of account are maintained and the returns and statements furnished under the Act and the rules made thereunder, the correctness of the turnover, exemptions and deductions claimed, the rate of tax applied in respect of supply of goods or services or both, the input tax credit availed and utilized, refund claimed, and other relevant issues and record the observations in his audit notes.

During the course of audit, the authorised officer may require the registered person,—

- To facilitate the verification of accounts/records available or requisitioned by the authorities,
- to provide such information as the authorities may require for the conduct of the audit, and
- to render assistance for timely completion of the audit.

The proper officer may inform the registered person of the discrepancies noticed, if any, as observations of the audit and the said person may file his reply and the proper officer shall finalise the findings of the audit after due consideration of the reply furnished.

Q 9. What is meant by commencement of audit of tax authorities ?

Ans: *The term 'commencement of audit' is important because audit has to be completed within a given time frame in reference to this date of commencement. Commencement of audit means the later of the following:*

- a) The date on which the records/accounts called for by the audit authorities are made available to them, or*
- b) The actual institution of audit at the place of business of the taxpayer.*

Chapter 17– Audit & Assessment

Multiple Choice Questions

1). What is the time period within which the proper officer is required to reply on application for provisional assessment?

- a. 90 days from the date of decision of applicant
- b. 60 days from the date of decision of applicant
- c. 90 days from the date of receipt of such request
- d. 60 days from the date of receipt of such request

Ans: c. 90 days from the date of receipt of such request

2). What are the circumstances in which provisional assessment can be obtained?

- a. Value of supply cannot be ascertained
- b. Rate of tax cannot be ascertained
- c. (a) or (b)
- d. (a) and (b)

Ans:- c . (a) or (b)

3). What is the rate of interest for refund and if the order is passed by the Court for such refund?

- a. 9% p.a.
- b. 12% p.a.
- c. 18% p.a.
- d. 24% p.a.

Ans:- a. 9% p.a.

4). Under provisional assessment, if a registered person liable to pay tax has not paid on due date, then he shall be liable to pay interest @_____ from the first day after due date till the actual date of payment.

- a. 6% p.a.
- b. 12% p.a.
- c. 18% p.a.

d. 24% p.a.

Ans:- c. 18% p.a.

5). What is the time period specified for the final assessment order by the proper officer?

- a. 1 month from the date of provisional assessment
- b. 3 months from the date of provisional assessment
- c. 6 months from the date of provisional assessment
- d. 9 months from the date of provisional assessment

Ans:- c. 6 months from the date of provisional assessment

6). Which of the following is correct for extending the time period of 6 months for the final assessment order?

- a. Extension up to 6 months by the Additional/joint Commissioner, Extend further up to 4 years by the Commissioner
- b. Extend up to 18 months by the Commissioner, Extend further up to 3 years by the Additional Commissioner
- c. Extension up to 6 months by the Commissioner, Extend further up to 4 years by the Additional Commissioner
- d. Extend up to 18 months by the Additional Commissioner, Extend further up to 3 years by the Commissioner

Ans:- a. Extension up to 6 months by the Additional/joint Commissioner, Extend further up to 4 years by the Commissioner

7). What is the time period allowed to an unregistered taxable person for furnishing a reply to the proper officer?

- a. 15 days
- b. 21 days
- c. 30 days
- d. 45 days

Ans:- a. 15 days

8). What are the conditions where the proper officer may opt for summary assessment of an assessee?

- a. Evidence showing tax liability
- b. Prior permission of Additional Commissioner or Joint Commissioner
- c. Reason to protect the Interest of Revenue
- d. All of the above

Ans:- d. All of the above

9). In case of summary assessment, where the taxable person is not identified and such tax liability is related to supply of goods, then the person _____shall be treated as taxable person and shall be liable to pay tax.

- a. Supplying such goods
- b. In charge of such goods
- c. Delivering such goods
- d. None of the above

Ans:- b. In charge of such goods

10). Mr. A has failed to furnish a return u/s 39. For which proper officer issued a notice for assessment. What is the condition for which such assessment order shall be deemed to have been withdrawn?

- a. File a valid return within 30 days of serving notice
- b. File a valid return within 15 days of serving notice
- c. File a valid return within 30 days of serving of assessment order
- d. File a valid return within 45 days of serving notice

Ans:- c. File a valid return within 30 days of serving of assessment order

11). What are the consequences, where a registered person fails to furnish the return required u/s 39, even after the service of a notice for assessment?

- a. The proper officer may proceed to assess the tax liability of the said person to the best of his judgment.
- b. Issue an assessment order within a period of 3 years from the date specified u/s 44
- c. Both (a) & (b)
- d. None of the above

Ans:- a. The proper officer may proceed to assess the tax liability of the said person to the best of his judgment

12). "Commencement of Audit" shall mean the date on which the records and other documents

- a. Date on which all the documents & information called for by the tax authorities, are made available by the registered person
- b. The actual institution of audit at the place of business
- c. (a) or (b), whichever is earlier
- d. (a) or (b), whichever is later

Ans:- d. (a) or (b), whichever is later

13). Commissioner may extend the period of audit u/s 65 by a further period -----.

- a. 1 month
- b. 3 months
- c. 4 months
- d. 6 months

Ans:- d. 6 months

14). Prior to the conduct of audit u/s 65 the registered person shall be informed, by way of a notice,

sufficiently in advance:

- a. not less than fifteen working days
- b. not less than thirty working days
- c. not less than ten working days
- d. No prior intimation required

Ans:- a. not less than fifteen working days

15). The expenses of the examination and audit of records under special audit, including the remuneration of CA or CMA , shall be determined and paid by the_____.

- a. Commissioner
- b. Any Officer authorized by the Commissioner
- c. Deputy / Assistant Officer of Central Tax
- d. Additional Commissioner / Joint Officer of Central

Ans:- a. Commissioner

16). A special Audit under GST is conducted by :

- a) The CGST Officials
- b) The SGST Officials
- c) Chartered Accountant or Cost Accountant
- d) Any of the above

Ans:- c) Chartered Accountant or Cost Accountant

17). Special audit u/s 66 can be directed at any stage of scrutiny, enquiry, investigation or any other Proceedings having regard to nature and complexity of the case if, any officer not below the rank of Assistant Commissioner:

- a. Is of the opinion that the value has not been correctly declared
- b. the credit availed is not within the normal limits
- c. assessee does not co-operate
- d. (a) or (b)

Ans:- d. (a) or (b)

Chapter 18 – Inspection, search and Seizure

Exercise Questions & Answers

Q 1. Who can order for carrying out “Inspection” and under what circumstances?

Ans: A Joint Commissioner or an officer higher in rank can give such authorization only if he has reasons to believe that :

- a) taxable person has done one of the following:-*
 - *suppressed any transaction of supply of goods or services;*
 - *suppressed stock of goods in hand;*
 - *claimed excess input tax credit;*
 - *contravened any provision of the Act to evade tax;*
- b) Any person engaged in transporting of goods has kept goods which have escaped payment of tax or has kept his accounts or goods in a manner that is likely to cause evasion of tax, whether or not he is a registered taxable person.*
- c) An owner or an operator of a warehouse or a godown has kept goods which have escaped payment of tax or has kept his accounts or goods in a manner that is likely to cause evasion of tax.*

Q 2. Who can order for search and seizure under the provisions of CGST Act?

Ans: Where the proper officer, not below the rank of Joint commissioner, either pursuant to an inspection carried or otherwise, has a reason to believe that-

- *Any goods liable to confiscation, or*
- *Any documents or books or things, which in his opinion shall be useful for or relevant to any proceedings under this act:*

Are secreted in any place, he-

- *May authorise in writing any other central tax officer to search and seize, or*
 - *May himself search and seize such goods, documents or books or things.*
- Detention of goods which cannot be seized: Where it is not practicable to seize any such goods, the proper officer or any officer authorized by him, may-*

- Serve on the owner or the custodian of the goods an order that-
- He shall not remove, part with, or otherwise deal with the goods.
- Except with the previous permission of such officer

Q 3. What are the duties of the person to whom summons has been issued?

Ans: Refer relevant para "Precautions to be observed while issuing summons" in main book

Q 4. What is meant by the term "arrest"? When can the proper officer authorize 'arrest' of any person under CGST Act?

Ans: Refer relevant para no. 10 & 11 in Main Book

Q 5. Explain the procedure for carrying out Inspection, search and seizure

Ans: Inspection search and seizure 9(Rule 139 of CGST Rules, 2017)

1. **Authorization by officer not below rank of Joint Commissioner for conduct of Inspection, search and seizure (Rule 139(1))** : When the proper officer not below the rank of a Joint Commissioner has reasons to believe that a place of business or any other place is to be visited for the purposes of inspection or search or as the case may be seizure in accordance with the provisions of Section 67, he shall issue an authorization In FORM GST INS-01 authorizing any other officer subordinate to him to conduct the inspection or search or as the case may be seizure of goods, documents, books or things liable to confiscation
2. **Seizure order (Rule 139(2))** : Where any goods, documents, books or things are liable for seizure under section 67(2), the proper officer or an authorized officer shall made an order of seizure in FORM GST INS-02.
3. **Custodian to keep safe custody of goods and not to remove them except with Previous permission of Proper Officer (Rule 139(3))** : The proper officer or an authorized officer may entrust upon the owner or the Custodian of goods, from whose custody such goods or things are seized, the custody of such goods or things for sale upkeep and the said person shall not remove part with or otherwise deal with the goods or things except with the previous permission of such officer.
4. **Prohibitory order (Rule 139(4))** : Where it is not practicable to seize any such goods, the proper officer or the authorized Officer may serve on the owner or the custodian of the goods, an order or prohibition in FORM GST INS-03 that he shall not remove, part with, or otherwise , deal with the goods except with the previous permission of such officer.
5. **Preparation of inventory of seized goods (Rule 139(5))** : The officer seizing the goods, documents, books or things shall prepare an inventory of such goods or documents or books or things containing, inter alia, description, Quantity or unit, make, mark or model, where applicable, and get it signed by the Person from whom such goods or documents or books or things are seized.

Q 6. What is search warrant and also state its contents ?

Ans: *The written authority to conduct search is generally called search warrant. The competent authority to issue search warrant is an officer of the rank of Joint Commissioner or above. A search warrant must indicate the existence of a reasonable belief leading to the search. Search Warrant should contain the following details:*

- I. the violation under the Act,*
- II. the premise to be searched,*
- III. the name and designation of the person authorized for search,*
- IV. the name of the issuing officer with full designation along with his round seal,*
- V. date and place of issue,*
- VI. serial number of the search warrant,*
- VII. Period of validity i.e. a day or two days etc.*

Chapter 18 – Inspection, Search and Seizure

Multiple Choice Questions

1) _____ denotes an action of a Government machinery to go, look through) examine carefully a place, area, person, object etc. in order to find something concealed or for the purpose of discovering evidence of a crime.

- a. Search
- b. Seizure
- c. Inspection
- d. Recovery

Ans: a . Search

2) . _____ means the taking into custody of a person under some lawful command or authority.

- a. Seizure
- b. Arrest
- c. Inspection
- d. Search

Ans: b. Arrest

3) . Who will authorize the conduct of inspection?

- a. GST Commissioner
- b. Proper Officer not below the rank of Joint Commissioner
- c. State Commissioner
- d. Central Commissioner

Ans b. Proper Officer not below the rank of Joint Commissioner

4) . Which are the places of business / premises which can be inspected by the proper officer under this section?

- a. Any places of business of a taxable person
- b. Any places of business of a taxable person engaged in the business of transporting goods
- c. Any places of business of an owner or an operator of a warehouse or godown or any other place.
- d. All of the above

Ans: d. All of the above

5) In which of the following cases, the proper officer has the power of making conduct of inspection, search and seizure?

- a. The taxable person has suppressed any transaction relating to supply of goods or services
- b. The taxable person has claimed ITC in excess of his entitlement

c. The taxable person engaged in the business of transporting goods is keeping goods which have escaped payment of tax

d. All of the above

Ans: d. All of the above

6) . Seized goods can be released on_____basis u/s 67(6).

a. Provisional

b. Permanent

c. Temporary

d. Periodical

Ans: a. Provisional

7) Section 68 authorizes the proper officer to conduct transit checks for inspection of goods.

Comment.

a. Yes

b. No

c. Partially Correct

d. None of the above

Ans: a. Yes

8) All arrests should be made as per the provisions of.....

a. Code of Criminal Procedure,1973

- b. Civil Procedure Code
- c. Indian Penal Code
- d. Foreign Exchange Management Act

Ans: a. Code of Criminal Procedure, 1973

9) Is officer bound to communicate the grounds of arrest in case of non bailable & cognizable offences?

- a. Yes
- b. No
- c. Optional
- d. Yes, it permitted by the GST Council

Ans: b. No

10) If a person is arrested for a cognizable offence, he must be informed in writing of the grounds of

arrest and he must be produced before a Magistrate within_____.

- a. 24 hours of his warrant
- b. 24 hours of his arrest
- c. 24 hours of his seizure
- d. 48 hours of his arrest

Ans b. 24 hours of his arrest

11) If a taxable person has done the following act, inspection can be ordered:

- (a) Suppression of any transaction of supply of goods or services
- (b) Suppression of stock of goods in hand
- (c) Contravention of any provision of the GST law to evade tax
- (d) All of the above

Ans: (d) All of the above

Chapter 19 – Demand and Recovery

Exercise Questions & Answers

Q 1. Mohan Enterprises is entitled for exemption from tax under GST law. However, it collected tax from its buyers worth Rs. 50,000 in the month of August. It has not deposited the said amount collected as GST with the Government. You are required to brief to Mohan Enterprises the consequences of collecting tax, but not depositing the same with Government as provided under section 76 of the CGST Act, 2017.

Ans: *It is mandatory to pay amount, collected from other person representing tax under GST law, to the Government. Every person who has collected from any other person any amount as representing the tax under GST law, and has not paid the said amount to the Government, shall forthwith pay the said amount to the Government, irrespective of whether the supplies in respect of which such amount was collected are taxable or not.*

For any such amount not so paid, proper officer may issue SCN for recovery of such amount and penalty equivalent to amount specified in notice. The proper officer shall, after considering the representation, if any, made by the person on whom SCN is served, determine the amount due from such person and thereupon such person shall pay the amount so determined along with interest at the rate specified under section 50 from the date such amount was collected by him to the date such amount is paid by him to the Government.

Q 2. Discuss briefly the time limit for issue of show cause notice as contained under sections 73 and 74 of the CGST Act, 2017.

Ans: *The provisions relating to 'relevant date' as contained in CGST Act, 2017 are as under:*

- i. In case of section 73 (cases other than fraud/suppression of facts/willful misstatement), the time-limit for issuance of SCN is 2 years and 9 months from the due date of filing Annual Return for the Financial Year to which the demand pertains or from the date of erroneous refund.*
- ii. In case of section 74 (cases involving fraud/suppression of facts/willful misstatement), the time-limit for issuance of SCN is 4 years and 6 months from the due date of filing of Annual Return for the Financial Year to which the demand pertains or from the date of erroneous refund.*

Q 3. Is there any time limit prescribed for adjudication of the cases under CGST Act, 2017? If yes, discuss the same.

Ans: The provisions relating to time-limit for adjudication of cases as contained in section 73 and 74 of the CGST Act, 2017 are as under:

- i. In case of section 73 (cases other than fraud/suppression of facts/willful misstatement), the time limit for adjudication of cases is 3 years from the due date for filing of annual return for the financial year to which demand relates to [Section 73(10)].
- ii. In case of section 74 (cases other than fraud/suppression of facts/willful misstatement), the time limit for adjudication of cases is 3 years from the due date for filing of annual return for the financial year to which demand relates to [Section 74(10)].

Q 4. A person is chargeable with tax in case of fraud. He decides to pay the amount of demand along with interest before issue of notice. Is there any immunity available to such person?

Ans: Yes. Person chargeable with tax, shall have an option to pay the amount of tax along with interest and penalty equal to 15% per cent of the tax involved, as ascertained either on his own or ascertained by the proper officer, and on such payment, no notice shall be issued with respect to the tax so paid [Section 74(6)].

Q 5. Briefly discuss the modes of recovery of tax available to the proper officer.

Ans: The proper officer may recover the dues in following manner:

- i. Deduction of dues from the amount owned by the tax authorities payable to such person.
- ii. Recovery by way of detaining and selling any goods belonging to such person;
- iii. Recovery from other person, from whom money is due or may become due to such person or who holds or may subsequently hold money for or on account of such person, to pay to the credit of the Central or a State Government;
- iv. Distrain any movable or immovable property belonging to such person, until the amount payable is paid. If the dues not paid within 30 days, the said property is to be sold and with the proceeds of such sale the amount payable and cost of sale shall be recovered.
- v. Through the Collector of the district in which such person owns any property or resides or carries on his business, as if it was an arrear of land revenue.
- vi. By way of an application to the appropriate Magistrate who in turn shall proceed to recover the amount as if it were a fine imposed by him.
- vii. By enforcing the bond/instrument executed under this Act or any rules or regulations made thereunder.
- viii. CGST arrears can be recovered as an arrear of SGST and vice versa [Section 79]

Q 6. Rajul has been issued a show cause notice (SCN) on 31.12.2021 under section 73(1) of the CGST Act, 2017 on account of short payment of tax during the period between 01.07.2017 and 31.12.2017. He has been given an opportunity of personal hearing on 15.01.2022. Advise Rajul as to what should be the written submissions in the reply to the show cause notice issued to him.

Ans: The written submissions in reply to SCN issued to Rajul are as follows:

- i. The show cause notice (SCN) issued for normal period of limitation under section 73(1) of the CGST Act, 2017 is not sustainable.
- ii. The SCN under section 73(1) of the CGST Act, 2017 can be issued at least 3 months prior to the time limit specified for issuance of order under section 73(10) of the CGST Act, 2017. The adjudication order under section 73(10) of the CGST Act, 2017 has to be issued within 3 years from the due date for furnishing of annual return for the financial year to which the short-paid tax relates to.

The due date for furnishing annual return for a financial year is on or before the 31st day of December following the end of such financial year [Section 44 of the CGST Act, 2017]. Thus, SCN under section 73(1) of the CGST Act, 2017 can be issued within 2 years and 9 months from the due date for furnishing of annual return for the financial year to which the short-paid tax relates to.

- iii. The SCN has been issued for the period between 01.07.2017 to 31.12.2017 which falls in the financial year (FY) 2017-18. Due date for furnishing annual return for the FY 2017-18 is 31.12.2018 and 3 years' period from due date of filing annual return lapses on 31.12.2021. Thus, SCN under section 73(1) ought to have been issued latest by 30.09.2021.
- iv. Since the notice has been issued after 30.09.2021, the entire proceeding is barred by limitation and deemed to be concluded under section 75(10) of the CGST Act, 2017.

Q 7. Richmond has self-assessed tax liability under IGST Act, 2017, as Rs. 80,000. He fails to pay the tax within 30 days from the due date of payment of such tax. Determine the interest and penalty payable by him explaining the provisions of law, with the following particulars available from his records:

Date of collection of tax 18th December, 2017

Date of payment of tax 26th February, 2018

No Show Cause Notice (SCN) has been issued to him so far, while he intends to discharge his liability, even before it is issued to him, on the assumption that no penalty is leviable on him as payment is made before issue of SCN.

Ans: Due date for payment of tax collected on 18.12.2017 is 20.01.2018. However, since tax is actually

paid on 26.02.2018, interest @ 18% p.a. is payable for the period for which the tax remains unpaid [37 days] in terms of section 50 of CGST Act, 2017 read with Notification No. 13/2017 CT dated 28.06.2017. Amount of interest is:

$$= \text{Rs. } 80,000 \times 18\% \times 37/365 = \text{Rs. } 1,460 \text{ (rounded off)}$$

As per section 73(11) of CGST Act, 2017, where self-assessed tax/any amount collected as tax is not paid within 30 days from due date of payment of tax, then, inter alia, option to pay such tax before issuance of SCN to avoid penalty, is not available.

Consequently, penalty equivalent to

- (i) 10% of tax, viz., Rs. 8,000 or*
- (ii) Rs. 10,000, whichever is higher,*

is payable in terms of section 73(9) of CGST Act, 2017. Therefore, penalty of Rs. 10,000 will have to be paid by Richmond.

Chapter 19- Demand & Recovery

Multiple Choice Questions

1) Different designations have been prescribed to function as a proper officer on the basis of _____ for issue of notice and demand.

- a. Subordinate level of Central Tax Officers
- b. Seniority level of Central Tax Officers
- c. Monetary limit of the tax involved
- d. Type of tax involved

Ans:- c . Monetary limit of the tax involved

2) What is the time limit for issue of order in case of reasons other than fraud, misstatement or suppression?

- a. 1 year
- b. 2 years
- c. 3 years
- d. 5 years

Ans:- c. 3 years

3) Repeat notices can be sent to the assessee on the same grounds on which once a SCN has been issued. Comment.

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

Ans:- a. Yes

4) What is the prescribed monetary limit of Central Tax for Superintendent of Central Tax for issuance of show cause notices and orders under Section 73 and 74?

- a. Not exceeding Rupees 10 lakhs
- b. Above Rupees 10 lakhs and not exceeding Rupees 1 crore
- c. Above Rupees 1 crore without any limit
- d. Not exceeding Rupees 20 lakhs

Ans:- a. Not exceeding Rupees 10 lakhs

5) What is the prescribed monetary limit of Integrated Tax for Superintendent of Central Tax for issuance of show cause notices and orders under Section 73 and 74 read with Section 20 of the IGST Act?

- a. Not exceeding Rupees 10 lakhs
- b. Above Rupees 10 lakhs and not exceeding Rupees 1 crore

c. Above Rupees 1 crore without any limit

d. Not exceeding Rupees 20 lakhs

Ans:- d. Not exceeding Rupees 20 lakhs

6) What is the rate of interest that needs to be paid in case of default as per section 73?

a. 5%

b. 12%

c. 18%

d. 28%

Ans:- c. 18%

7) . What is the rate of penalty for default u/s 74 if the payment has been made after issue of

notice?

a. 10 %

b. 12 %

c. 15 %

d. 25 %

Ans:- d. 25 %

8) . The notice should be issued at least -----before the limit of issue of order u/s 23.

- a. 1 month
- b. 2 months
- c. 6 months
- d. 3 months

Ans:- d. 3 months

9) What is the time limit for issue of order in pursuance of the direction of the Appellate Authority or Appellate Tribunal or a Court, from the date of communication of the said direction?

- a. 30 months
- b. 18 months
- c. 2 years
- d. 5 years

Ans:- c. 2 years

10) Any amount of demand debited in the electronic liability register shall stand -----
given by the appellate authority or Appellate Tribunal or Court & the electronic liability
register shall be
credited accordingly.

- a) Reduced to the extent of relief

b) Increased to the extent of relief

c) Similar to the extent of relief

d) Either (a) or (b)

Ans: a) Reduced to the extent of relief

11) Maximum number of monthly installments permissible under section 80 is:

a. 36

b. 12

c. 48

d. 24

Ans:- d. 24

12) What liabilities can be recovered on account of first charge on the property of such taxable person or such person as per section 82 of the CGST Act, 2017?

a. Tax

b. Interest

c. Penalty

d. All of the above

Ans:- d. All of the above

13) When Commissioner is not required to serve fresh notice to recover the Government dues?

- a. Demand amount is reduced*
- b. Already proceedings of recovery of Government dues is served before disposal of
 *appeal, revision of application or other proceedings**
- c. Demand amount is enhanced*
- d. Both (a) and (b)*

Ans:- d. Both (a) and (b)

Chapter 20– Liability to pay in certain Cases

Multiple Choice Questions

1. Who shall be liable to pay the tax, interest or penalty due up to the time of such transfer of business?

- a. Transferor
- b. Transferee
- c. Transferor and transferee jointly and severally
- d. Either (a) or (b)

Ans: c. Transferor and transferee jointly and severally

2. Who shall be liable to pay the tax, interest or penalty with effect from the date of transfer of business?

- a. Transferor
- b. Transferee
- c. Transferor and transferee jointly and severally
- d. Either (a) or (b)

Ans: b. Transferee

3. When two or more companies are amalgamated, the liability to pay tax on supplies between the effective date of amalgamation order and the date on amalgamation order would be on:

- a. Transferee
- b. Respective companies
- c. Any one of the companies
- d. None of the above

Ans: a. Transferee

4. In case of amalgamation between two companies, such companies shall be treated as two distinct companies till-

- a. Till the date of the Court order
- b. Till the effective date of merger
- c. Till the date of cancellation of registration
- d. None of the above

Ans: a. Till the date of the Court order

5. Within how much time the Commissioner is required to notify the liquidator of the amount payable in respect of tax, interest or penalty?

- a. One month
- b. Two months
- c. Three months

d. Four months

Ans: c. Three months

6. Who shall be liable to pay the dues of tax, interest and penalty of the private company in case of its winding up whether before or after its liquidation?

a. Shareholders

b. Every person who is director at the time of winding up of the company shall jointly and severally be liable.

c. Every person who was director of the company at time during the period, for which the tax was due, shall jointly and severally be liable.

d. Liquidator

Ans: c. Every person who was director of the company at time during the period, for which the tax was due, shall jointly and severally be liable

7. The director shall not be liable under section 88 if he proves to the satisfaction of the Commissioner that such non recovery is not attributed to any gross neglect, misfeasance or breach of duty in relation to the affairs of the company. Comment.

a. Correct

b. Incorrect

c. Partially correct

d. None of the above

Ans: a. Correct

8. If the estate or any portion of the estate of a taxable person is under the control of the Court of Wards, Administrative General etc., and the tax due from such taxable person is liable to be paid by-

- a. Court of Wards.*
- b. Taxable Person*
- c. Legal representative of taxable person*
- d. None of the above*

Ans: a. Court of Wards

9. Within how much time the retiring partner is required to make intimation to the Commissioner?

- a. 15 days*
- b. 1 month*
- c. 45 days*
- d. 2 months*

Ans: b. 1 month

10. The liability of the retiring partner shall continue until the date _____ if such partner fails to intimate the Commissioner within the prescribed time limit.

- a. Of full recovery of the dues
- b. Of his retirement
- c. On which such intimation is received by the Commissioner
- d. On which the retiring partner sends his intimation

Ans: d. On which the retiring partner sends his intimation

11. Who shall be liable to pay tax, interest or penalty in case of partition of HUF or AOP?

- a. Only Karta or head of AOP
- b. All the members of HUF or AOP jointly or severally
- c. Only major members
- d. All members except Karta

Ans: b. All the members of HUF or AOP jointly or severally

12. In case of reconstitution of partnership firm who will be liable to pay tax, interest or penalty?

a. All the partners of the firm prior to the date of reconstitution and after the date of reconstitution

shall be jointly and severally

b. All the partners of the firm prior to the date of reconstitution shall be jointly and severally

c. All the partners of the firm after the date of reconstitution shall be jointly and severally

d. None of the above

Ans: a. All the partners of the firm prior to the date of reconstitution and after the date of reconstitution shall be jointly and severally

13. In case of discontinuance of the AOP, the liability of the member exists in respect of the tax dues imposed_____

- a. Prior to the date of discontinuance*
- b. After the date of discontinuance*
- c. Both prior and after the date of discontinuance*
- d. None of the above*

Ans: c. Both prior and after the date of discontinuance

Chapter 21 – Appeals and Revision

Exercise Questions & Answers

Q 1. Does CGST law provide for any appeal to a person aggrieved by any order or decision passed against him by an adjudicating authority under the CGST Act? Explain the related provisions under the CGST Act.

Ans: Yes. Any person aggrieved by any order or decision passed by an adjudicating authority under the CGST Act has the right to appeal to the Appellate Authority under section 107. The appeal should be filed within 3 months from the date of communication of such order or decision. However, the Appellate Authority has the power to condone the delay of up to 1 month in filing the appeal if there is sufficient cause for the delay. The appeal can be filed only when the admitted liability and 10% of the disputed

tax amount is paid as pre-deposit by the appellant.

However, no appeal can be filed against the following orders in terms of section 121:-

- An order of the Commissioner or other authority empowered to direct transfer of proceedings from one officer to another officer;
- An order pertaining to the seizure or retention of books of account, register and other documents; or
- An order sanctioning prosecution under the Act; or
- An order passed under section 80 (payment of tax in instalments).

Q 2. Describe the provisions relating to Departmental appeal to Appellate Authority under section 107 of the CGST Act.

Ans: Section 107(2) provides that Department can file a “review application/appeal” with the Appellate Authority.

The Commissioner may, on his own motion, or upon request from the SGST/UTGST Commissioner, examine the record of any proceedings in which an adjudicating authority has passed any decision/order to satisfy himself as to the legality or propriety of the said decision /order. The Commissioner may, by order, direct any officer subordinate to him to apply to the Appellate Authority within 6 months from the date of communication of the said decision/order for the determination of such points arising out of the said decision/order as may be specified him.

The AA can condone the delay in filing of appeal by 1 month if it is satisfied that there was sufficient cause for such delay [Section 107(4)]. Such application shall be dealt with by the AA as if it were an appeal made against the decision/order of the adjudicating authority [Section 107(3)]. There is no requirement of making a pre-deposit in case of departmental appeal.

Q 3. Specify the amount of mandatory pre-deposit which should be made along with every appeal before the Appellate Authority and the Appellate Tribunal. Does making the pre-deposit have any impact on recovery proceedings?

Ans: Refer relevant para in Main Book

Q 4. With reference to section 108, elaborate whether a CGST/SGST authority can revise an order passed by his subordinates.

Ans: Section 2(99) defines “Revisional Authority” as an authority appointed or authorised under the CGST Act for revision of decision or orders referred to in section 108.

Section 108 of the Act authorizes such “revisional authority” to call for and examine any order passed by his subordinates and in case he considers the order of the lower authority to be erroneous in so far as it is prejudicial to revenue and is illegal or improper or has not taken into account certain material facts, whether available at the time of issuance of the said order or not or in consequence of an observation by the Comptroller and Auditor General of India, he may, if necessary, can revise the order after giving opportunity of being heard to the noticee. The “revisional authority” can also stay the operation of any order passed by his subordinates pending such revision.

The “revisional authority” shall not revise any order if-

- (a) The order has been subject to an appeal under section 107 or under section 112 or under section 117 or under section 118; or
- (b) The period specified under section 107(2) has not yet expired or more than three years have expired after the passing of the decision or order sought to be revised.
- (c) The order has already been taken up for revision under this section at any earlier stage.
- (d) The order is a revisional order

Q 5. The Appellate Tribunal has the discretion to refuse to admit any appeal. Examine the correctness of the above statement.

Ans: The statement is partially correct. Though the Appellate Tribunal does have the power to refuse to admit an appeal, it cannot refuse to admit ANY appeal. It can refuse to admit an appeal where –

- the tax or input tax credit involved or
- the difference in tax or the difference in input tax credit involved or
- the amount of fine, fees or penalty determined by such order,

does not exceed Rs. 50,000.

Q 6. Hariharan had filed an appeal before the Appellate Tribunal against an order of the Appellate Authority where the issue involved related to place of supply. The order of Appellate Tribunal is also in favour of the Department. Hariharan now wants to file an appeal against the decision of the Appellate Authority as he feels the stand taken by him is correct.

You are required to advise him suitably with regard to filing of an appeal before the appellate forum higher than the Appellate Tribunal.

Ans: As per section 117(1) of the CGST Act, an appeal against orders passed by the State Bench or Area Benches of the Tribunal lies to the High Court if the High Court is satisfied that such an appeal involves a substantial question of law.

However, appeal against orders passed by the National Bench or Regional Benches of the Tribunal lies to the Supreme Court and not High Court. As per section 109(5) of the CGST Act, only the National Bench or Regional Benches of the Tribunal can decide appeals where one of the issues involved relates to the place of supply.

Since the issue involved in Hariharan's case relates to place of supply, the appeal in his case would have been decided by the National Bench or Regional Bench of the Tribunal. Thus, Hariharan will have to file an appeal with the Supreme Court and not with the High Court.

Q 7. Mr. A had filed an appeal before the Appellate Tribunal against an order of the Appellate Authority where the issue involved related to place of supply. The order of Appellate Tribunal is also in favour of the Department. Mr. A now wants to file an appeal against the decision of the Appellate Authority as he feels the stand taken by him is correct. You are required to advise him suitably with regard to filing of an appeal before the appellate forum higher than the Appellate Tribunal.

Ans: As per section 117(1) of the CGST Act, 2017, an appeal against orders passed by the State Bench or Area Benches of the Tribunal lies to the High Court if the High Court is satisfied that such an appeal involves a substantial question of law. However, appeal against orders passed by the National Bench or Regional Benches of the Tribunal lies to the Supreme Court and not High Court. As per section 109(5) of the Act, only the National Bench or Regional Benches of the Tribunal can decide appeals where one of the issues involved relates to the place of supply. Since the issue involved in Mr. A's case relates to place of supply, the appeal in his case would have been decided by the National Bench or Regional Bench of the Tribunal. Thus, Mr. A will have to file an appeal with the Supreme Court and not with the High Court.

Q 8. With reference to the provisions of section 120 of the CGST Act, 2017, list the cases in which appeal is not to be filed.

Ans: Following are the cases:

- The Board may, on the recommendations of the GST Council, issue orders or instructions or directions fixing monetary limits for regulating filing of appeal or application by the CGST officer.

- *Non-filing of appeal/application by a CGST officer on account of such monetary limits fixed by the Board shall not preclude such officer from filing appeal or application in any other case involving the same or similar issues or questions of law.*
- *No person, who is a party in application or appeal can contend that the CGST Officer has acquiesced in the decision on the disputed issue by not filing an appeal or application (on account of monetary limits).*
- *The Appellate Tribunal or Court hearing such appeal or application shall have regard to circumstances for non-filing of appeal or application by the CGST officer on account of monetary limits fixed by the Board.*

Chapter 21 – Appeals & Revision

Multiple Choice Questions

1. What is the time limit provided for filing an appeal to an Appellate Authority?

- a. 3 months from issue of order
- b. 3 months from communication of order
- c. 1 month from receipt of order
- d. Cannot file an appeal

Ans: b. 3 months from communication of order

2. What is the further extension in terms of time period provided to an appellant for filing an appeal to an Appellate Authority?

- a. 15 days
- b. 1 month
- c. 1.5 months
- d. 2 months

Ans: b. 1 month

3. What is the time limit provided to the commissioner to get an appeal filed against any order passed or proceedings carried under an Adjudicating Authority under the Act?

a. 3 months

b. 4 months

c. 5 months

d. 6 months

Ans: d. 6 months

4. The adjudicating authority determined Rs. 50 lakh as tax, interest and penalty to be payable by Mr. X on account of wrong availment of input tax credit. Mr. X wants to prefer an appeal before the first Appellate Authority against such orders. Out of Rs. 50 lakh, Mr. X admitted Rs. 15 lakh as his liability and wants to litigate for Rs. 35 lakh. Calculate the amount of pre-deposit to be paid by Mr. X.

a) Rs. 18,50,000/-

b) Rs. 22,00,000/-

c) Rs. 50,00,000/-

d) Rs. 15,00,000/-

Ans: a) Rs. 18,50,000/-

5. What is the time period provided for filing memorandum of cross objection by such person against whom an appeal has been preferred?

a. Within 30 days of notice received

b. Within 45 days of notice received

c. Within 60 days of notice received

d. None of the above

Ans: b. Within 45 days of notice received

6. Who can file an appeal before the Appellate Authority against the ruling of the authority?

a) Any taxable person

b) Jurisdictional officer or the aggrieved applicant

c) Any person concerned belonging to same industry as that of the applicant

d) Any of the above

Ans: b) Jurisdictional officer or the aggrieved applicant

7. What are the instances under which an appeal can be heard by a single member of the Bench?

a. Tax or Input Tax Credit amount involved in appeal does not exceed INR 5 lakhs

b. Difference in the tax or ITC amount does not exceed INR 5 lakhs

c. Fine, fee or Penalty determined in an order appealed against does not exceed INR 5 lakhs

d. Any of the above

Ans d. Any of the above

8. Whom shall a person appeal if aggrieved by the order of decision of National or Regional Benches of Appellate Tribunal?

a. Supreme Court

b. High Court

c. District Court

d. None of the above

Ans: a. Supreme Court

9. What are the instances under which an appeal shall be refused to be admitted by the Appellate Tribunal?

a. Where amount of tax or ITC involved is less than INR 50,000/-

b. Where amount of difference in tax or ITC is less than INR 50,000/-

c. Where amount of fine, Fee, Penalty, determined in an order is less than INR 50,000/-

d. Any of the above

Ans: d. Any of the above

10. Who shall a person appeal if aggrieved by the order of decision of High Court?

a. Supreme Court

b. High Court

c. District Court

d. None of the above

Ans: a. Supreme Court

11. The Appellate Authority or the Appellate Tribunal shall not take any additional evidence produced unless the adjudicating Authority or an officer authorised in this behalf by the said authority has been allowed a reasonable opportunity -----

a. To examine the evidence or documents or to cross-examine any witness produced by the appellant.

b. To produce any evidence or any witness in rebuttal of the evidence produced by the appellant under sub-rule

c. Either (a) or (b)

d. None of the above

Ans: c. Either (a) or (b)

12. What is the time period prescribed to the Appellate Authority to decide an appeal under the Act?

a. 6 months

b. 1 year

c. 2 years

d. 3 years

Ans: b. 1 year

13 . What is the time period provided within which a retired officer of commercial tax department of any State Government or Union Territory or of board cannot represent himself as an authorized representative?

a. 6 months

b. 1 year

c. 2 years

d. 3 years

Ans: b. 1 year

14. What is non-appealable order or decisions?

a. An order of the Commissioner or other Authority empowered to direct transfer of proceedings from one officer to another officer.

b. An order pertaining to the seizure or retention of books of account, registered and other documents.

c. An order sanctioning prosecution under this Act.

d. All of the above

Ans: d. All of the above

15. What are the instances under which an order passed by the Appellate Tribunal could be amended by the Tribunal itself?

a. Where any error is apparent from record

b. If any error is brought to its notice by the Commissioner or Commissioner of State tax or the Commissioner of the Union Territory tax or the other party to the Appeal

c. Both (a) & (b)

d. None of the above

Ans: c. Both (a) & (b)

16 . Which of the following can be considered as the authorized representatives for the purposes of this Act?

a) A CA/CS with a valid certificate of practice

b) A Lawyer practicing in any court in India

c) A retired officer of the Tax Department of any State Government or of the Excise Dept. whose rank was minimum Group-B gazetted officer.

d) All of the above

Ans: d) All of the above

Chapter 23 – Advance Ruling

Exercise Questions & Answers

Q 1. Which are the matters enumerated in Section 97 for which advance ruling can be sought?

Ans: **Refer Para 2 in Main Book**

Q 2. What is the objective of having a mechanism of Advance Ruling?

Ans: The broad objectives for setting up a mechanism of Advance Ruling are:

- provide certainty in tax liability in advance in relation to an activity proposed to be undertaken by the applicant;
- attract Foreign Direct Investment (FDI)
- reduce litigation
- pronounce ruling expeditiously in a transparent and inexpensive manner

Q 3. To whom will the Advance Ruling be applicable?

Ans: An advance ruling pronounced by AAR or AAAR shall be binding only on the applicant and on the concerned officer or the jurisdictional officer in respect of the applicant. This clearly means that an advance ruling is not applicable to similarly placed other taxable persons in the State. It is only limited to the person who has applied for an advance ruling.

Q 4. What is the time period for applicability of Advance Ruling?

Ans: The law does not provide for a fixed time period for which the ruling shall apply. Instead, it has been provided that advance ruling shall be binding till the period when the law, facts or circumstances supporting the original advance ruling have not changed.

Q 5. Can an advance ruling given be nullified?

Ans: **Refer Para 8 in Main Book**

Q 6. Ranjan intends to start selling certain goods in Delhi. However, he is not able to determine (i) the classification of the goods proposed to be supplied by him [as the classification of said goods has been contentious] and (ii) the place of supply if he supplies said goods from Delhi to buyers in U.S.

Ranjan's tax advisor has advised him to apply for the advance ruling in respect of these issues. He told Ranjan that the advance ruling would bring him certainty and transparency in respect of the said issues and would avoid litigation later. Ranjan agreed with his view, but has some apprehensions.

In view of the information given above, you are required to advise Ranjan with respect to following:

- (i) The tax advisor asks Ranjan to get registered under GST law before applying for the advance ruling as only a registered person can apply for the same. Whether Ranjan needs to get registered?*
- (ii) Can Ranjan seek advance ruling to determine (a) the classification of the goods proposed to be supplied by him and (b) the place of supply, if he supplies said goods from Delhi to buyers in U.S?*
- (iii) Ranjan is apprehensive that if at all advance ruling is permitted to be sought, he has to seek it every year. Whether Ranjan's apprehension is correct?*
- (iv) The tax advisor is of the view that the order of Authority for Advance Ruling (AAR) is final and is not appealable. Whether the tax advisor's view is correct?*
- (v) Sambhav - Ranjan's friend - is a supplier registered in Delhi. He is engaged in supply of the goods, which Ranjan proposes to supply at the same commercial level that Ranjan proposes to adopt.*

He intends to apply the classification of the goods as decided in the advance ruling order to be obtained by Ranjan, to the goods supplied by him in Delhi. Whether Sambhav can do so?

Ans: Answers to above mentioned Questions are given below:

- I. Advance ruling under GST can be sought by a registered person or a person desirous of obtaining registration under GST law [Section 95(c) of the CGST Act, 2017]. Therefore, it is not mandatory for a person seeking advance ruling to be registered.*
- II. Section 97(2) of the CGST Act, 2017 stipulates the questions/matters on which advance ruling can be sought. It provides that advance ruling can be sought for, inter alia, determining the classification of any goods or services or both. Therefore, Ranjan can seek the advance ruling for determining the classification of the goods proposed to be supplied by him.*

Determination of place of supply is not one of the specified questions/matters on which advance ruling can be sought under section 97(2). Further, section 96 of the CGST Act, 2017 provides that AAR constituted under the provisions of an SGST Act/UTGST Act shall be deemed to be the AAR in respect of that State/Union territory under CGST Act also.

Thus, AAR is constituted under the respective State/Union Territory Act and not the central Act. This implies that ruling given by AAR will be applicable only within the jurisdiction of the concerned State/Union territory.

It is also for this reason that the questions on determination of place of supply cannot be raised with the AAR. Hence, Ranjan cannot seek the advance ruling for determining the place of supply of the goods proposed to be supplied by him.

- III. Section 103(2) of the CGST Act, 2017 stipulates that the advance ruling shall be binding unless the law, facts or circumstances supporting the original advance ruling have changed. Therefore, once Ranjan has sought the advance ruling with respect to an eligible matter/question, it will be binding till the time the law, facts and circumstances supporting the original advance ruling remain same.
- IV. No, the tax advisor's view is not correct. As per section 100 of the CGST Act, 2017, if the applicant is aggrieved with the finding of the AAR, he can file an appeal with Appellate Authority for Advance Ruling (AAAR). Similarly, if the concerned/ jurisdictional officer of CGST/SGST does not agree with the findings of AAR, he can also file an appeal with AAAR.
- Such appeal must be filed within 30 days from the receipt of the advance ruling. The Appellate Authority may allow additional 30 days for filing the appeal, if it is satisfied that there was a sufficient cause for delay in presenting the appeal.
- V. Section 103 of the CGST Act provides that an advance ruling pronounced by AAR is binding only on the applicant who had sought it and on the concerned officer or the jurisdictional officer in respect of the applicant. This implies that an advance ruling is not applicable to similarly placed other taxable persons in the State. It is only limited to the person who has applied for an advance ruling. Thus, Sambhav will not be able to apply the classification of the goods that will be decided in the advance ruling order to be obtained by Ranjan, to the goods supplied by him in Delhi.

Chapter 22– Advance Ruling

Multiple Choice Questions

1). Which of the following may make an application for Advance Ruling?

- a. Jurisdictional Officer
- b. Applicant
- c. Both Applicant & Jurisdictional Officer
- d. Proper officer

Ans:- b. Applicant

2). The AAR shall comprise of:

(a) One member from amongst the officers of Central tax and one member from amongst the

officers of State tax/Union Territory tax.

(b) One sitting High Court Judge.

(c) (a) & (b)

(d) (a) and (b)

Ans. a) One member from amongst the officers of Central tax and one member from amongst the officers of State tax/Union Territory tax.

3). Under which of the following matters Advance Ruling can be sought,

- a. E-way bill requirements
- b. Input credit admissibility of tax paid
- c. Transitional credits specified in chapter XX
- d. All of the above

Ans:- b. Input credit admissibility of tax paid

3). What is the time period within which the application made to the authority be withdrawn?

- a. 10 days of date of application
- b. 10 days of date of first hearing
- c. 30 days
- d. No provision of withdrawal

Ans:- d. No provision of withdrawal

5). A copy of Advance Ruling signed and certified shall be sent to -----.

- a. Applicant
- b. Concerned Officer
- c. Jurisdictional Officer
- d. All of the above

Ans:- d. All of the above

6). When can the AAR reject the application for the advance ruling?

- a. Issue raised is already decided in case of the applicant under this Act
- b. Issue raised is already pending in case of the applicant under this Act
- c. Both (a) & (b)
- d. None of the above

Ans:- c. Both (a) & (b)

7). What is the condition under which the Advance Ruling shall not be binding?

- a. Applicant is unsatisfied with the ruling
- b. Ruling is general in nature
- c. Change in law or facts
- d. None of the above

Ans:- c. Change in law or facts

8). When can the Authority declare the advance ruling pronounced as void?

- a. If ruling is obtained by suppression of material facts*
- b. If the applicant is in the business of supplies on which clarification has been sought*
- c. If the applicant does not engage in the business of supplies after 6 months of obtaining the ruling*
- d. If a Supreme Court judgment is pronounced on the same issue and the judgment is exactly the opposite of the clarification issued under the ruling*

Ans:- a. If ruling is obtained by suppression of material facts

9). Who can apply for rectification of error on record?

- a. Applicant*
- b. Concerned officer or Jurisdictional Officer*
- c. Advance Ruling Authority or the Appellate Authority on its own accord can rectify the error*
- d. All of the above*

Ans:- d. All of the above

12). The fee for filing an appeal before AAAR by the applicant is:

- a. Rs. 25000/- under CGST Act*
- b. Rs. 25000/- under SGST Act*
- c. Rs. 10000/- each under CGST and SGST Act*
- d. Rs. 25000/- under any of the above Act*

Ans: c. Rs. 10000/- each under CGST and SGST Act

11). The fee for filing an application for Advance Ruling is:

- a. Rs. 5000/- under CGST Act
- b. Rs. 5000/- under SGST Act
- c. Rs. 5000/- each under CGST and SGST Act
- d. Rs. 10000/- under any of the above Act

Ans:- c. Rs. 5000/- each under CGST and SGST Act

Chapter 23 – Offences and Penalties

Exercise Questions & Answers

Q 1. What are the various type of offences which may be committed by a taxable person liable to penalty? What is the quantum of penalty for an offence mentioned under section 122(1)?

Ans: Refer Section 122 in main book

Q 2. Is there any penalty prescribed for a person other than the taxable person?

Ans: Yes, Section 122(3) provides for levy of penalty extending to Rs.25,000/- for any person who-

- aids or abets any of the 21 offences,
- deals in any way (whether receiving, supplying, storing or transporting) with goods that are liable to confiscation,
- receives or deals with supply of services in contravention of the Act,
- fails to appear before an authority who has issued a summon,
- fails to issue any invoice for a supply or account for any invoice in his books of accounts.

Q 3. Mr. X, an unregistered person under GST purchases the goods supplied by Mr. Y who is a registered person without receiving a tax invoice from Mr. Y and thus helps in tax evasion by Mr. Y. What disciplinary action may be taken by tax authorities to curb such type of cases and on whom?

Ans: Both Mr. X and Mr. Y will be offender and will be liable to penalty as under:

Mr. X – Penalty under section 122(3) which may extend to Rs. 25,000/-;

Mr. Y – Penalty under section 122(1), which will be higher of following, namely

- (i) Rs. 10,000/- or
- (ii) 100% of tax evaded.

Q 4. Suppose, in the above case, a disciplinary action is taken against Mr. X and an adhoc penalty of ` 20,000/- is imposed by issue of SCN without describing contravention for which penalty is going to be imposed and without mentioning the provisions under which penalty is going to be imposed. Should Mr. X proceed to pay for penalty or challenge SCN issued by department?

Ans: The levy of penalty is subject to a certain disciplinary regime which is based on jurisprudence, principles of natural justice and principles governing international trade and agreements. Such general discipline is enshrined in section 126 of the Act. Accordingly—

- no penalty is to be imposed without issuance of a show cause notice and proper hearing in the matter, affording an opportunity to the person proceeded against to rebut the allegations levelled against him,
- the penalty is to depend on the totality of the facts and circumstances of the case, the penalty imposed is to be commensurate with the degree and severity of breach of the provisions of the law or the rules alleged,
- the nature of the breach is to be specified clearly in the order imposing the penalty,
- the provisions of the law under which the penalty has been imposed is to be specified.

Since SCN issued to Mr. X suffers from lack of clarity about nature of breach which has taken place and about provision of law under which penalty has been imposed, SCN issued by department may be challenged.

Q 5. Shagun started supply of goods in Vasai, Maharashtra from 01.01.20XX. Her turnover exceeded Rs. 20 lakh on 25.01.20XX. However, she didn't apply for registration. Determine the amount of penalty, if any, that may be imposed on Shagun on 31.03.20XX, if the tax evaded by her, as on said date, on account of failure to obtain registration is Rs. 1,26,000

Ans: Where the aggregate turnover of a supplier making supplies from a State /UT exceeds Rs. 20 lakh in a financial year, he is liable to be registered in the said State/UT. The said supplier must apply for registration within 30 days from the date on which he becomes liable to registration. However, in the given case although Shagun became liable to registration on 25/01/20XX, she didn't apply for registration within 30 days of becoming liable to registration.

Section 122(1)(xi) of the CGST Act, 2017 stipulates that a taxable person who is Liable to be registered under the CGST Act, 2017 but fails to obtain registration shall be liable to pay a penalty of :

(a) Rs. 10000, or;

(b) an amount equivalent to the tax evaded (Rs. 1,26,000 in the given case)

Whichever is higher,

Thus, the amount of penalty that can be imposed on Shagun is Rs. 1,26,000

Q 6. Examine the implications as regards the bailability and quantum of punishment on prosecution, in respect of the following cases pertaining to the period December, 2017 under CGST Act, 2017;

- I. 'M' collects Rs. 245 lakh as tax from its clients and deposits Rs. 241 lakh with the Central Government. It is found that he has falsified financial records and has not maintained proper records.
- II. 'N' collects Rs. 550 lakh as tax from its clients but deposits only Rs. 30 lakh with the Central Government. Further, the amount of Rs. 520 lakh collected as tax is not paid to the Government beyond 3 months from the due date of payment of tax.

What will be the implications with regard to punishment on prosecution of 'M' and 'N' for the offences?

What would be the position, if 'M' and 'N' repeat the offences?

It may be assumed that offences are proved in the court.

Ans: The answer to above questions are given below:

- i. As per section 132(1)(d)(iii) of the CGST Act, 2017, failure to pay any amount collected as tax beyond 3 months from due date of payment is punishable with specified imprisonment and fine provided the amount of tax evaded exceeds at least Rs. 100 lakh. Therefore, failure to deposit Rs. 4 lakh collected as tax by 'M' will not be punishable with imprisonment.

Further, falsification of financial records by 'M' is punishable with imprisonment up to 6 months or with fine or both vide section 132(1)(f)(iv) of the CGST Act, 2017 and the said offence is bailable

in terms of section 132(4) of the CGST Act, 2017 assuming that falsification of records is with an intention to evade payment of tax due under the CGST Act, 2017.

- ii. Failure to pay any amount collected as tax beyond 3 months from due date is punishable with imprisonment upto 5 years and with fine, if the amount of tax evaded exceeds Rs. 500 lakh in terms of section 132(1)(d)(i) of the CGST Act, 2017.

Since the amount of tax evaded by 'N' exceeds Rs. 500 lakh (Rs. 550 lakh - Rs. 30 lakh), 'N' is liable to imprisonment upto 5 years and with fine. Further, the imprisonment shall be minimum 6 months in the absence of special and adequate reasons to the contrary to be recorded in the judgment vide section 132(3) of the CGST Act, 2017. Such offence is non-bailable in terms of section 132(5) of the CGST Act, 2017.

If 'M' and 'N' repeat the offence, they shall be punishable for second and for every subsequent offence with imprisonment upto 5 years and with fine in terms of section 132(2) of the CGST Act, 2017. Such imprisonment shall also be minimum 6 months in the absence of special and adequate reasons to the contrary to be recorded in the judgment.

Chapter -23 Offences & Penalties

Multiple Choice Questions

1. Any registered person supplying goods on which tax not paid or short paid or input tax credit wrongly availed for any reason, other than the reason of fraud or any wilful misstatement or

suppression of facts to evade tax, shall be liable to pay a penalty of

- a. Rs. 10000
- b. 10% of the tax due from such person
- c. (a) or (b), whichever is lower
- d. (a) or (b), whichever is higher

Ans: d. (a) or (b), whichever is higher

2. Any registered person supplying goods on which tax is not paid or short paid or input tax credit wrongly availed for any reason of fraud or any wilful misstatement or suppression of facts to evade tax, shall be liable to pay a penalty of

- a. Rs. 10000
- b. Tax due from such person
- c. (a) or (b), whichever is lower
- d. (a) or (b), whichever is higher

Ans: d. (a) or (b), whichever is higher

3. Any person who aids or abets any of the offences specified u/s 122(1) shall be liable to a penalty

a. Up to 5000

b. Up to 10000

c. Up to 15000

d. Up to 25000

Ans: d. Up to 25000

4. A breach shall be considered a 'minor breach' if the amount of tax involved is

a. < Rs. 1000

b. < Rs. 3000

c. < Rs. 5000

d. < Rs. 10000

Ans: c. < Rs. 5000

5. Any person, who contravenes any of the provisions of this Act or any rules made there under for which no penalty is separately provided for in this Act, shall be liable to penalty which may

extend to

a. Rs. 5000

b. Rs. 10000

c. Rs. 20000

d. Rs. 25000

Ans d. Rs. 25000

6. After detention or seizure, if the owner comes forward for payment, the goods and conveyance shall be released on payment of an amount equal to _____ in case of exempted goods.

a. 2% of the value of goods

b. Rs. 25000

c. (a) or (b), whichever is lower

d. (a) or (b), whichever is higher

Ans: c. (a) or (b), whichever is lower

7. After detention or seizure, if the owner does not come forward for payment, the goods and conveyance shall be released on payment of an amount equal to _____ in case of exempted goods.

a. 5% of the value of goods

b. Rs. 25000

c. (a) or (b), whichever is lower

d. (a) or (b), whichever is higher

Ans: c. (a) or (b), whichever is lower

8. Redemption fine in lieu of confiscation shall not exceed

a. Rs. 10000

b. The taxable value of goods

c. The market price of the goods confiscated, less the tax chargeable thereon

d. The amount of tax payable on goods

Ans: c. The market price of the goods confiscated, less the tax chargeable thereon

9. Mr. A fails to appear before the officer of central tax even after the issue of summon for appearance to give evidence or produce a document in an enquiry. He shall be liable to a penalty _____ u/s 122(3) of CGST Act.

a. < Rs. 10000

b. < Rs. 5000

c. < Rs. 20000

d. < Rs. 25000

Ans: d. < Rs. 25000

10. ABC Ltd. supplies taxable services worth Rs. 120000 and charged IGST @ 18% i.e. to Mr. Y without issuing any invoice. It shall be liable to a penalty of _____ u/s 122(1) of CGST Act.

a. Rs. 10000

b. Rs. 21600

c. Rs. 120000

d. None of the above

Ans: b. Rs. 21600

11. ABC & Co., a partnership firm committed an offence. Who shall be liable for the same?

a. All the partners

b. All the partners unless they prove offence committed without their knowledge

c. All the employees

d. None of the above

Ans: b. All the partners unless they prove offence committed without their knowledge

12. What happens after the offence has been compounded?

a. Proceeding shall be continued

b. Proceedings, if initiated shall be dropped

c. Person has to pay all the pending dues

d. All of the above

Ans: b. Proceedings, if initiated shall be dropped

13. _____ includes intention, motive, knowledge of a fact, and belief in, or reason to believe, a fact.

- a. The state of mind
- b. The wrong action
- c. The culpable mental state
- d. Any of the above

Ans: c. The culpable mental state

14. Mr. A has opened up a new branch office. In this office is he required to display his GSTIN?

What shall be the penalty in case he doesn't display the same?

- a. Yes, penalty of maximum Rs. 25000
- b. Yes, no penalty
- c. No, no penalty
- d. Yes, no penalty as only the head office needs to display the GSTIN

Ans: a . Yes, penalty of maximum Rs. 25000

15. Is there any time limit in which the release of the detained or seized goods can be sought?

- a. Yes, after the payment of tax & penalty within 07 days of the date of detention of goods
- b. Yes, after the payment of tax & penalty within 15 days of the date of detention of goods

c. No, there is no such limit

d. No, they will only be released on the Court order

Ans: a. Yes, after the payment of tax & penalty within 07 days of the date of detention of goods

16. Shagun started supply of goods in Vasai, Maharashtra from 01.01.20XX. Her turnover exceeded ` 20

lakh on 25.01.20XX. However, she didn't apply for registration. Determine the amount of penalty, if any,

that may be imposed on Shagun under section 122(1) of the CGST Act, 2017 on 31.03.20XX, if the tax

evaded by her, as on said date, on account of failure to obtain registration is ` 1,26,000:

a. ` 10,000

b. ` 1,26,000

c. ` 12,600

d. None of the above

Ans: b. ` 1,26,000

17. In the proposed return system, if the tax liability increases more than ---through amended return,

higher late fees are payable.

a. 5%

b. 10%

c. 25%

d. 30%

Ans: b. 10%

18. All exporters registered under GST can export goods or services without payment of IGST, on execution of LUT, except those who have been prosecuted for offence under any law where tax evade exceeds-----?.

a. ₹ 100 lakhs

b. ₹ 150 lakhs

c. ₹ 200 lakhs

d. ₹ 250 lakhs

Ans: d. ₹ 250 lakhs

19. In which of the following cases, compounding of offence is not allowed under section 138 of

CGST Act, 2017?

(i) a person who has been allowed to compound once in respect of any of the offences specified in

clauses (a) to (f) of section 132(1).

(ii) a person who has been allowed to compound once in respect of any offence, other than those in clause (i) in respect of supplies of value upto one crore rupees.

(iii) a person who has been accused of committing an offence under this Act which is also an offence under any other law for the time being in force.

(iv) a person who has been convicted for an offence under this Act by a Court.

a. (i), (iii), (iv)

b. (ii), (iii)

c. (ii), (iii), (iv)

d. All of the above

Ans: a. (i), (iii), (iv)