

# CA INTER



AIR1CA CAREER INSTITUTE

## TAXATION (GST)

SEP 2025 & JAN 2026 EXAMS

**Question  
Bank**



### Coverage of All Questions with Solutions as per ICAI

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# **Taxation (GST)**

Edition: July 2025

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## TAXATION (GST)

### About the Question Bank

नमस्कार दोस्तों, राधे राधे !!

This Question Bank is prepared by **CA Surender Mittal (AIR 5)**. CA Surender Mittal also got **AIR 1** in **UPSC ICoAS** exam and has formerly served as an Assistant Commissioner in the Goods and Services Tax (GST) Department with the Government of India. This Question Bank contains **400+ Questions** which are **bifurcated topic wise** in each chapter. This Question Bank is fully amended for Sep 25 & Jan 26 Exams.







**Key words** and **Key adjustments** as per ICAI are **Highlighted** in the answers of all chapters. **Source** for each question has been **provided** in detail after Index of the Question Bank.

**All questions** of this Question Bank has been **solved in the lectures** in detail. It is recommended to practice all questions of this Question Bank after referring the concept book and revision videos. This will help you to develop a strong grasp over the subject and be well-prepared for the exams.

Best wishes

CA Surender Mittal

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# SOURCE OF QUESTIONS



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## TAXATION (GST)

### Part I: GST

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# SOURCE OF QUESTIONS



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## TAXATION (GST)

Chapter	SM	Past Papers	RTP	MTP
<b>Tax Invoices, Credit and Debit Notes</b>	1-6, 9, 17, 19-21, 25-27	7(D21), 8(S24), 13(N23), 15(D21), 18(J25), 22(N20), 23(M19), 24(N22)	10(M21), 11(N21), 12(N23), 14(S24)	16(M23)
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# CHAPTER - 1

## GST in India – An Introduction

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### Basics of GST

#### Question 1

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

#### Answer

The **Central GST and the State GST is levied simultaneously on every intra-State supply** of goods or services or both made by registered persons except the exempted goods and services as well as goods and services which are outside the purview of GST. Further, **both are levied on the same price or transaction value**. The same can be better understood with the help of following examples:

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

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

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

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

#### Question 2

A dual GST has been implemented in India. Elaborate.

#### Answer

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

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

### Question 3

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

#### Answer

The given statement is valid. **GST is a destination-based tax on consumption of goods or services or both**. GST is known as destination-based tax since the **tax would accrue to the taxing authority which has jurisdiction over the place of consumption** which is also termed as place of supply. For example, if A in Delhi produces goods and sells goods to B in Haryana. In this case, tax would accrue to the State of Haryana and not to Delhi. On other hand, under pre-GST regime, origin-based taxation was prevailing in such cases.

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

### Question 4

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

#### Answer

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

### Question 5

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

#### Answer

GST may accrue following benefits to the economy:

- (a) **Creation of unified national market:** GST aims to make India a **common market with common tax rates and procedures** and remove the economic barriers, thereby paving the way for an integrated economy at the national level.
- (b) **Boost to 'Make in India' initiative:** GST may give a major **boost to the 'Make in India' initiative** of the Government of India **by making goods and services produced in India competitive** in the national as well as international market. This would make India a manufacturing hub.
- (c) **Boost to investments, exports and employment:** Under the GST regime, the principle of exporting only the cost of goods or services and not taxes is being followed. This may **boost Indian exports**

**thereby improving the balance of payments position.** Exporters are being facilitated by grant of provisional refund of 90% of their claims within 7 days of issue of acknowledgement of their application, thereby resulting in the easing of position with respect to cash flows.

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

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

### Question 6

List deficiencies in erstwhile value-added taxation which led to evolution of Goods and Services Tax.

#### Answer

List of deficiencies in the erstwhile value-added taxation which led to evolution of GST:

- a. Certain transactions were being **double taxed as both goods and services** due to **unclear distinction between goods and services**.
- b. There was **cascading of taxes** because CENVAT excluded value addition in distribution stage and in the State-level VAT, CENVAT load on the goods was not removed.
- c. **Credit of CENVAT and State-Level VAT could not be set-off** against each other.
- d. For a single transaction, **multiple taxes in multiple forms were required to be paid**. Several State taxes like Luxury Tax, Entertainment Tax, etc. were not subsumed in the VAT.
- e. State-level VAT and service tax were not integrated, thereby **causing tax cascading**.
- f. CST, being **non-VATable, caused tax cascading**.
- g. Being origin- based, it **violated consumption tax principles**.

### Constitutional Provisions

#### Question 7

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

#### Answer

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

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

**Question 8**

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

**Answer**

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

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

**Question 9**

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

**Answer**

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

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

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

**Question 10**

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

**Answer**

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

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

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

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

**Taxes Subsumed in GST****Question 11**

List any six state levies, which are subsumed in GST.

**Answer**

**The State levies which are subsumed in GST are as under:**

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

**Question 12**

List any four Central levies, which are subsumed in GST.

**Answer**

The Central levies which are subsumed in GST are as under:

- (a) **Central Excise Duty & Additional Excise Duties**
- (b) **Service tax**
- (c) **Excise duty** under Medicinal & Toilet Preparation Act
- (d) **CVD and Special CVD**
- (e) **Central Sales Tax**
- (f) **Central surcharges and cesses** in so far as they relate to supply of goods & services

**Question 13**

Discuss the leviability of GST or otherwise on the following:

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

**Answer**

- (a) **Alcoholic liquor for human consumption:** is outside the realm of GST. The manufacture/production of alcoholic liquor continues to be **subjected to State excise duty** and inter-State/intra-State sale of the same is subject to **CST/VAT** respectively.
- (b) **Petroleum crude, diesel, petrol, ATF and natural gas:** As regards petroleum crude, diesel, petrol,

ATF and natural gas are concerned, they are **not presently leviable to GST. GST will be levied on these products from a date to be notified** on the recommendations of the GST Council.

Till such date, **central excise duty continues to be levied on manufacture/production** of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/VAT respectively.

- (c) **Tobacco:** Tobacco is **within the purview of GST**, i.e. GST is leviable on tobacco. However, Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India. **Resultantly, tobacco is subject to GST as well as central excise duty.**
- (d) **Opium, Indian hemp and other narcotic drugs and narcotics:** Opium, Indian hemp and other narcotic drugs and narcotics are **within the purview of GST**, i.e. GST is leviable on them. However, State Governments have also retained the power to levy excise duties on such products manufactured in India. Resultantly, **Opium, Indian hemp and other narcotic drugs and narcotics are subject to GST as well as State excise duties.**

### Question 14

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

#### Answer

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

### GST Council

### Question 15

No act or proceedings of the Goods and Services Tax Council shall be invalid merely by certain reasons. What are they?

#### Answer

No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of:

- (a) **any vacancy in, or any defect in**, the constitution of the Council; or
- (b) **any defect in the appointment** of a person as a Member of the Council; or
- (c) **any procedural irregularity** of the Council not affecting the merits of the case.

# CHAPTER - 2

## Supply under GST

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### Basics of Supply

#### Question 1

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

#### Answer

**Taxable event under GST is the supply of goods or services or both made for consideration in the course or furtherance of business. CGST and SGST will be levied on intra-State supplies. IGST will be levied on inter-State supplies.**

#### Question 2

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

#### Answer

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

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

### Consideration

#### Question 3

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

Discuss the correctness or otherwise of the statement with reference to the definition of term ‘consideration’ provided under the CGST Act.

#### Answer

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

The term '**money**' has also been defined under the CGST Act and **it not only includes cash** (Indian as well as foreign currency) **but also cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveler's cheque, money order, postal/electronic remittance** or any such similar instrument recognized by RBI when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination but shall not include any currency that is held for its numismatic value. Non- monetary consideration essentially means consideration in kind.

#### **Question 4**

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

#### **Answer**

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

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

#### **Question 5**

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

- (i) Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of ₹ 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd.
- (ii) Mr. Swamy of Chennai is working as a manager with ABC Bank. He consulted M/s. Jacobs and Company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import of service.

#### **Answer**

- (i) An activity **qualifies as supply** under GST **only if it is for a consideration and is in course/furtherance of business**. Donations received by the charitable organizations are treated as consideration only when there's an obligation on part of the recipient of the donation to do anything. Since in the given case, **the display of products sold by the donor-Glory Ltd.-in charitable organization's premises aims at advertising/promotion of its business**, it is supply for consideration in course/furtherance of business and thus, **qualifies as supply** under GST law.
- (ii) Supply includes **importation of services, for a consideration whether or not in the course/furtherance of business**. Thus, in the given case, the **import of services by Mr. Swamy amounts to supply** although it is not in course/furtherance of business.

## **Schedule I**

### **Question 6**

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

### **Answer**

Section 7(1)(a) stipulates that the supply should be for a consideration and should be in the course or furtherance of business. However, section 7(1)(c) read with **Schedule I enumerates the cases where an activity is treated as supply, even if the same is without consideration.** These are as follows:

- (i) **Permanent transfer or disposal** of business assets where **input tax credit has been availed** on such assets.
- (ii) **Supply** of goods or services or both **between related persons or between distinct persons** as specified in section 25, when made **in the course or furtherance of business.**  
However, gifts not exceeding ₹ 50,000 in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.
- (iii) **Supply of goods —**
  - (a) by a **principal to his agent** where the agent undertakes to supply such goods on behalf of the principal; or
  - (b) by an **agent to his principal** where the agent undertakes to receive such goods on behalf of the principal.
- (iv) **Import of services** by a person **from a related person** or from any of his other establishments outside India, **in the course or furtherance of business.**

### **Question 7**

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

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

### **Answer**

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

- (a) Supply should be of **goods and/or services.**
- (b) Supply should be made for a **consideration.**
- (c) Supply should be 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 assets where**

**input tax credit has been availed on such assets, i.e. said activity is to be treated as supply even if made without consideration.** In view of said provisions, permanent transfer of air conditioners by Sahab Sales from its stock for personal use at its residence, though without consideration, would amount to supply.

However, **sale of air-conditioner by Aakash to Sahab Sales will not qualify as supply** u/s 7 of the CGST Act, 2017 as although it is made for a consideration, **but it's not in the course or furtherance of business.**

### **Question 8**

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

### **Answer**

**As per Schedule I** read with section 7(1)(c), **supply** of goods or services or both **between related persons or between distinct persons** as specified in section 25, when made **in the course or furtherance of business, is deemed as supply even if made without consideration.** In the given case, since the Damodar Private Ltd. and its branch located in another State are distinct persons, supply of goods between them would qualify as supply.

### **Question 9**

With reference to provisions of the CGST Act, 2017 discuss in brief, when "Importation of services" is to be considered as supply and when it is not to be considered as supply.

### **Answer**

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

Importation of services by a person **without consideration is deemed as supply** provided the following **two conditions are satisfied:**

- (a) such **import is from related person** or from his establishments located outside India, and
- (b) such import is **in the course or furtherance of business.**

In case any or both of the above two conditions is/are not satisfied, the **import of services without consideration shall not be deemed as supply.**

### **Question 10**

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

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

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

### Answer

- (a) **Schedule I** read with section 7(1)(c), inter alia, stipulates that **supply** of goods or services or both **between related persons or between distinct persons** as specified in section 25, **is supply even without consideration** provided it is made in the course or furtherance of business. Further, a person who has **obtained more than one registration**, whether in one State/Union territory or more than one State/Union territory shall, **in respect of each such registration, be treated as distinct persons** [Section 25(4)].

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

- (b) Schedule I read with section 7(1)(c), 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), family means, —

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

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

- (c) In the above case, if Raman has taken advice with regard to his business unit, services provided by Raman’s brother to him **would still not be treated as supply** under section 7 read with Schedule I as although the same are provided in course or furtherance of business, but are provided without consideration and **such services have not been received from a related person**.

### Question 11

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

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

**Answer**

- (i) **Supply**, under section 7, inter alia,
- **includes import of services for a consideration**
  - **even if it is not in the** course or furtherance of **business**.

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

- (ii) Schedule I, inter alia, stipulates that import of services by a taxable person from a **related person** located outside India, without consideration is treated as supply only 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), family means, —

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

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

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

- (iii) In the above case, if Miss Shriniti has **taken interior decoration services with regard to her business premises**, services provided by Miss Shriniti’s brother to her would be **treated as supply** under section 7 read with Schedule I, as the same are provided in course or furtherance of business.

**Question 12**

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

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

**Answer**

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

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

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

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

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

## **Schedule II**

### **Question 13**

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

#### **Answer**

**Title as well as possession both need to be transferred** for a transaction **to be considered as a supply of goods**.

**In case title is not transferred**, transaction would be **treated as supply of service** in terms of Schedule II.

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** in terms of Schedule II.

### **Question 14**

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

#### **Answer**

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

### **Question 15**

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

- (a) Renting of immovable property.
- (b) Goods forming part of business assets are transferred or disposed of by/under directions of person carrying on the business so as no longer to form part of those assets.
- (c) Transfer of right in goods without the transfer of title in such goods.
- (d) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date upon payment of full consideration as agreed.
- (e) Temporary transfer or permitting use or enjoyment of any intellectual property right.

- (f) Any treatment or process which is applied to another person's goods.
- (g) Transfer of title in goods.

**Answer**

- (a) Supply of services
- (b) Supply of goods
- (c) Supply of services
- (d) Supply of goods
- (e) Supply of services
- (f) Supply of services
- (g) Supply of goods

**Question 16**

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

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

**Answer**

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

In the given case, Happy Constructions Limited has agreed to build only three floors, even though it is permitted to construct five floors by the Municipal Authorities, for a compensation of ₹ 20 lakh. This results in supply of service. The **conditions to be complied** with for the above supply will be

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

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

## **Schedule III**

### **Question 17**

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

### **Answer**

Activities or transactions which shall be treated neither as supply of good nor supply of services are as under:

- (1) **Services by an employee to the employer** in the course of or in relation to his employment.
- (2) **Services by any court or Tribunal** established under any law for the time being in force.
- (3) **Functions performed by the Members of Parliament**, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.
- (4) **Duties performed by any person who holds any post** in pursuance of the provisions of the **Constitution in that capacity**.
- (5) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
- (6) **Services of funeral, burial, crematorium or mortuary** including **transportation of the deceased**.
- (7) **Sale of land** and, subject to paragraph 5(b) of Schedule II, sale of building. (i.e. in case, where entire consideration for sale of building received after issuance of completion certificate or after its first occupation, whichever is earlier).
- (8) **Actionable claims, other than Specified Actionable Claim**.
- (9) Activity of **apportionment of co-insurance premium by lead insurer to the co-insurer** for the insurance service supplied jointly subjected to condition that lead insurer pays GST on entire premium paid by insured.
- (10) Services by **insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium** paid by insurer to reinsurer subjected to condition that GST is paid by reinsurer on gross reinsurance premium payable.

### **Question 18**

Dhruv Developers sold a plot of land in Greater Noida after levelling, laying down of drainage lines, water lines and electricity lines. Determine whether GST is payable

### **Answer**

**GST is not payable** by Dhruv Developers on sale of plot of land. Circular No. 177/09/2022 GST dated 03.08.2022 clarifies applicability of GST on sale of land after levelling, laying down of drainage lines etc. As per Para 5 of **Schedule III** of the CGST Act, 2017, '**sale of land**' is **neither a supply of goods nor a supply of services**. Therefore, the sale of land does not attract GST. **Land may be sold either as it is or after some development such as levelling, laying down of drainage lines, water lines, electricity lines, etc.** It is clarified that sale of such developed land is also sale of land and is covered by Para 5 of **Schedule III** and accordingly, **does not attract GST**.

**Question 19**

Sarvanna & Sons wishes to start supplying alcoholic liquor for human consumption in the State of Tamil Nadu. Therefore, it applies for license to the Tamil Nadu Government for selling liquor for which the State Government has charged specified fee from it.

Examine whether grant of alcoholic liquor license by Tamil Nadu Government to Sarvanna & Sons is supply.

**Answer**

Services by way of **grant of alcoholic liquor license by the State Governments have been notified to be treated neither as a supply of goods nor as a supply of service**. Such licence is granted against consideration in the form of licence fee or application fee or by whatever name it is called.

Thus, in the given case, the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons is **neither a supply of goods nor a supply of service**.

**Question 20**

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

**Answer**

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

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

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

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

**Composite & Mixed Supply****Question 21**

Composite supply is treated as supply of that goods or services which attracts the highest rate of tax, for the purpose of considering tax liability. Examine the validity of the statement.

**Answer**

The statement is **not correct**. For considering tax liability, composite supply is **treated as supply of the principal supply**. It is the **mixed supply that is treated as supply of** that goods or services **which attracts the highest rate of tax**.

**Question 22**

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

**Answer**

**Composite supply comprises of two or more taxable supplies** of goods or services or both, or any combination thereof, which are **naturally bundled** and supplied in conjunction with each other **in the ordinary course of business**, one of which is a principal supply.

**Mixed supply means two or more individual supplies** of goods or services, or any combination thereof, made in conjunction with each other by a taxable person **for a single price** where such supply **does not constitute a composite supply**.

Items such as double bed, refrigerator, washing machine and wooden wardrobe are **not naturally bundled & also invoice for supply shows separate value for each item** i.e., package is not supplied for single price.

Therefore, supply of such items as a package will **neither constitute a composite supply nor a mixed supply**. Thus, the various items of the package will be treated as being supplied individually.

**Question 23**

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

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

Dumdum Electronics has issued a single invoice, indicating price of each of above items separately in same.

Akbar Retail Store has given a single cheque of ₹ 1,00,000 for all items as a composite discounted price. State the type of supply and the tax rate applicable in this case.

**Answer**

In the given case, the items supplied by Dumdum Electronics are **not naturally bundled in the ordinary course of business**. Therefore, such supply is **not a composite supply**. Further, although Akbar Retail Store has paid a composite discounted price for these goods, Dumdum Electronics has **not charged a single price for the said supply**. Therefore, **said supply is also not a mixed supply**.

Supply of these goods is **supply of individual items which are taxable at respective rates** applicable to it.

**Question 24**

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

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

**Answer**

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

Supply of a **package containing chocolates, fruit juice bottles and a packet of toy balloons is a mixed supply** as each of these items can be supplied separately and is not dependent on any other. Further, as per section 8(b), the mixed supply is **treated as a supply of that particular supply which attracts the highest rate of tax.** Thus, in the given case, **supply of packages is treated as supply of chocolates** [since it attracts the highest rate of tax] and the **rate of GST applicable** on the package of ₹ 6,00,000 (20,000 × ₹ 30) **is 18%.**

**Question 25**

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

**Answer**

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

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

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

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

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

**Question 26**

Gamma Multiplex registered in the State of Punjab, gives the following offers for booking movie tickets:

S.N.	Particulars	Price Charged (excluding GST)
1	Tickets only	₹ 200 per person
2	Combo offer	₹ 350 per person (which includes ₹ 200 for ticket and ₹ 150 for snacks)
3	Snacks only	₹ 250 per token (snacks quantity will be more when compared to combo offer)

For the month of April 20XX, Gamma Multiplex situated in Punjab made the following supplies:

- (i) 10,000 tickets under combo offer
- (ii) 2,500 tickets only
- (iii) 1,000 tokens of snacks only

GST rates applicable are:

Rate of GST	CGST	SGST	IGST
Supply of Snacks	2.5%	2.5%	5%
Supply of service of exhibition of cinema	9%	9%	18%

You are required to determine the following, by explaining the relevant provisions:

- (i) Rate of GST to be applied when combo supply is made
- (ii) Rate of GST to be applied when snacks are sold in Multiplex
- (iii) Gross GST payable by Gamma Multiplex for the month of April, 20XX.

**Answer**

- (i) The **combo supply of cinema tickets and snacks is a composite supply** wherein the **entire supply will attract GST at the rate applicable to service of exhibition of cinema** being the principal supply.

Further, it is an intra-State supply since the place of supply is Punjab.

Thus, in the given case, rates of **GST to be applied are 9% CGST and 9% SGST**.

- (ii) Supply of snacks is an **individual supply**.

Further, it is an intra-State supply since the place of supply is Punjab.

Thus, the applicable rates of **GST are 2.5% CGST and 2.5% SGST**.

- (iii) Computation of Gross GST payable by Gamma Multiplex for April, 20XX

S.N.	Particulars	GST Rate (%)	Value (₹)	CGST (₹)	SGST (₹)
1.	Supply of combo offer [10,000 X ₹ 350]	9	35,00,000	3,15,000	3,15,000
2.	Supply of tickets only [2,500 X ₹ 200]	9	5,00,000	45,000	45,000
3.	Supply of snacks only [1,000 X ₹ 250]	2.5	2,50,000	6,250	6,250
	<b>Total GST payable by Gamma Multiplex</b>			<b>3,66,250</b>	<b>3,66,250</b>

# CHAPTER - 3

## Exemptions from GST

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### Definition of Exempt Supply

#### Question 1

Exempt supply means supply of any goods or services or both which attracts nil rate of tax and which may be wholly exempt from tax, but excludes non-taxable supply. Discuss the validity of the statement.

#### Answer

The statement is not fully valid in law. **Exempt supply** has been defined as supply of any goods or services or both which attracts **nil rate of tax or which may be wholly exempt from tax and includes non-taxable supply** [Section 2(47)].

### Charitable and Religious

#### Question 2

Services provided by an entity registered under section 12AB of the Income-tax Act, 1961 are exempt from GST if such services are provided by way of charitable activities. Elaborate the term 'charitable activities'.

#### Answer

The term 'charitable activities' mean activities relating to-

- (i) **public health** by way of-
  - (A) **care or counseling** of
    - (i) terminally ill persons or persons with severe physical or mental disability;
    - (ii) persons afflicted with HIV or AIDS;
    - (iii) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or
  - (B) **public awareness** of preventive health, family planning or prevention of HIV infection;
- (ii) advancement of **religion, spirituality or yoga**;
- (iii) advancement of **educational programmes/skill development** relating to,-
  - (A) **abandoned, orphaned** or homeless children;
  - (B) **physically or mentally abused** and traumatized persons;
  - (C) **prisoners**; or
  - (D) **persons over the age of 65 years** residing in a **rural area**;
- (iv) preservation of **environment including watershed, forests & wildlife**.

### Agriculture

#### Question 3

Ramfal Lalaji, an agriculturist, has stored sugarcane in a warehouse. He has taken fumigation services in the

said warehouse from Gupta Pest Control Co. for which he paid the consideration of ₹ 6,000. Examine whether GST is payable by Ramfal Lalaji.

### Answer

Services by way of **fumigation in a warehouse of agricultural produce are taxable** in GST since exemption earlier available on fumigation in warehouse of agriculture produce has been withdrawn. In the present case, since Gupta Pest Control Co. provides services by way of **fumigation in the warehouse of sugarcane**, said services are **taxable and GST is payable on the same**.

### Question 4

Green Agro Services, a registered person provides the following information relating to its activities during the month of February, 20XX:

Gross Receipts from	(₹)
Services relating to rearing of sheep	6,00,000
Services by way of artificial insemination of horses	4,00,000
Processing of sugarcane into jaggery	8,00,000
Milling of paddy into rice	7,50,000
Services by way of fumigation in a warehouse of agricultural produce	1,80,000

All the above receipts are exclusive of GST. Compute the value of taxable supplies under GST laws for the month of February, 20XX.

### Answer

#### Computation of value of taxable supplies

Particulars	Amount (₹)
Services relating to rearing of sheep [Exempt since services relating to rearing of all life forms of animals, except horses, for food etc. are exempt.]	Nil
Services by way of artificial insemination of horses [Not exempt since services of artificial insemination are exempt only of livestock other than horses.]	4,00,000
Processing of sugarcane into jaggery [Not exempt, since processes which alter the essential characteristics of agricultural produce are not exempt and processing of sugarcane into jaggery changes the essential characteristics of sugarcane.]	8,00,000
Milling of paddy into rice [Not exempt, since this process, being carried out after cultivation is over, is not an intermediate production process in relation to cultivation of plants and it also changes the essential characteristics of paddy.]	7,50,000
Services by way of fumigation in a warehouse of agricultural produce [Taxable since exemption on fumigation in a warehouse of agriculture produce has been withdrawn.]	1,80,000
<b>Value of taxable supplies</b>	<b>21,30,000</b>

## **Education**

### **Question 5**

Indiana Engineering College, an educational institution, has conducted an entrance test examination for various courses run by it (for obtaining qualification recognised by law for the time being in force) and charged entrance fees from the applicants. Determine whether Indiana Engineering College is liable to pay GST on the same.

### **Answer**

Services provided **by an educational institution** by way of **conduct of entrance examination against consideration in the form of entrance fee** are exempt from GST.

Since in the given case, **services provided by Indiana Engineering College** -an educational institution - are by way of conduct of entrance examination **against entrance fee, the same is exempt and thus, GST is not payable** in this case.

### **Question 6**

AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for month of October.

<b>Particulars</b>	<b>Amount (₹)</b>
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com.	2,50,000
Online monthly magazine containing question bank and latest updates in law to students of PQR Law College offering degree courses in LLB and LLM	1,00,000
Housekeeping services to T Coaching Institute	50,000
Security services to N Higher Secondary School	3,25,000
Services of providing breakfast, lunch and dinner to students of ABC Medical College offering degree courses recognized by law in medical field	5,80,000

All the above amounts are exclusive of GST. Compute the taxable supplies of AB Ltd. for the month of October with necessary explanations.

### **Answer**

#### **Computation of value of taxable supplies of AB Ltd.**

<b>Particulars</b>	<b>Amount (₹)</b>
Services of transportation of students, faculty and staff to Commerce College [Not exempt, since transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	2,50,000
Online monthly magazine to students of PQR Law College [Services of supply of online educational journals provided to an educational institution providing qualification recognized by law are exempt.]	Nil
Housekeeping services to T Coaching Institute [Not exempt]	50,000

Security services to N Higher Secondary School [Security services provided to an educational institution providing education up to higher secondary school are exempt.]	Nil
Services of providing breakfast, lunch and dinner to students of ABC Medical College [Not exempt, since catering services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	5,80,000
<b>Value of taxable supplies</b>	<b>8,80,000</b>

### Question 7

Mutiservices Private Ltd., registered in Punjab, is engaged in supplying a variety of services. Its turnover was ₹ 35 lakh in the preceding financial year. It has provided the following information for the month of April:

Particulars	Amount (₹)
Fee for the coaching provided to students for competitive exams. The coaching centre is run by Mutiservices Private Ltd. in Punjab (Intra-State transaction)	6,24,000
Receipts for services provided in relation to conduct of examination in Pureit University, Delhi (providing education recognized by Indian law), being an inter-State transaction	19,200
Amount received for transportation of students and faculty from their residence to Lotus Public School-a higher secondary school-and back (Intra-State transaction)	24,000
Amount received for providing the security and housekeeping services in Dhaani Public School – a pre-school (Intra-State transaction)	36,000

Note: Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amounts given above are exclusive of taxes. Compute the total GST liability of Mutiservices Private Ltd. for the month of April.

### Answer

#### Computation of net GST liability of Mutiservices Private Ltd. for the month of April

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Fee for the coaching provided to students for competitive exams [Note-1]	6,24,000	56,160	56,160	
Services towards conduct of examination in Pureit University, Delhi [Note-2]	19,200			
Services of transportation of students and faculty from their residence to Lotus Public School and back [Note-3]	24,000			-
Security and housekeeping services in Dhaani Public School [Note-4]	36,000	-	-	
<b>Total GST liability</b>		<b>56,160</b>	<b>56,160</b>	

#### Notes:

- Coaching centre run by Mutiservices Private Ltd. is not an educational institution since competitive exam coaching does not lead to grant of a qualification recognized by law. Therefore, fee received for coaching provided at such coaching centre is taxable.

2. Since Pureit University provides qualification recognized by law, it is an educational institution and services provided to an educational institution, in relation to conduct of examination by such institution are exempt from GST.
3. Since Lotus Public School provides education up to higher secondary school, it is an educational institution and services of transportation of students, faculty and staff provided to an educational institution are exempt.
4. Since Dhaani Public School provides pre-school education, it is an educational institution. Security and housekeeping services provided within the premises of an educational institution are exempt.

## **Healthcare**

### **Question 8**

Good Health Medical Centre, a clinical establishment, offers the following services:

- (i) Reiki healing treatments.
- (ii) Plastic surgeries. One such surgery was conducted to repair cleft lip of a new born baby.
- (iii) Air ambulance services to transport critically ill patients from distant locations to the Medical Centre.
- (iv) Palliative care for terminally ill patients. On request, such care is also provided to patients at their homes. (Palliative care is given to improve the quality of life of patients who have a serious or life-threatening disease but the goal of such care is not to cure the disease).
- (v) Alternative medical treatments by way of yoga.

Good Health Medical Centre also operates a cord blood bank which provides services in relation to preservation of stem cells.

Good Health Medical Centre is of the view that since it is a clinical establishment, all the health care services provided by it as well as all the taxable services provided to it are exempt from GST.

You are required to examine the situation in the light of relevant statutory provisions.

### **Answer**

Health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST under Entry 74. In light of the same, the eligibility to exemption in respect of each service offered by Good Health Medical Centre is examined below:

- (i) **Not Exempt.** Since reiki healing is **not a recognized system of medicine** in terms of section 2(h) of Clinical Establishments Act, 2010, it would not be exempt and thus, GST would be payable thereon.
- (ii) **Exempt.** Health care service **does not include, inter alia, cosmetic or plastic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body** affected due to congenital defects, developmental abnormalities, injury or trauma.  
Therefore, plastic surgeries will not be entitled to the said exemption and thus, GST would be payable thereon. However, **plastic surgery conducted to repair a cleft lip will be eligible for exemption** as it reconstructs anatomy or functions of body affected due to congenital defects (cleft lip).
- (iii) **Exempt.** Health care service includes services by way of **transportation of the patient to and from a clinical establishment**. Thus, **air ambulance service** to transport critically ill patients to Good Health Medical Centre **would be eligible for exemption** under the said notification.

- (iv) **Exempt.** Health care service means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognized system of medicines in India. It is immaterial whether such **service is provided at the clinical establishment or at the home of the patient or at any other place. Thus, palliative care for terminally ill patients is exempt.**
- (v) **Exempt.** Since **Yoga is a recognized system of medicine** in terms of section 2(h) of Clinical Establishments Act, 2010, the same would be **eligible for exemption** under the said notification.

Further, services provided by **cord blood banks by way of preservation of stem cells** or any other service in relation to such preservation are **not exempt from GST**. Therefore, services provided in relation to preservation of stem cells by cord blood bank operated by Good Health Medical Centre will be liable to GST.

It is important to note that Entry 74 of the **exemption notification grants exemption to health care services provided BY a clinical establishment and not to services provided TO a clinical establishment.** Therefore, **Good Health Medical Centre's contention** that since it is a clinical establishment, all the services provided to it are also exempt from GST **is not correct in law.**

### Question 9

Mr. Shyam Das was admitted to Suraksha Hospital in Mumbai for 2 days in relation to diagnosis of removal of stones from his kidney. For the said services, Surkasha hospital charged following from Mr. Das:

- (i) Room rent ₹ 7,000 per day for 2 days.
- (ii) Operation theatre charges ₹ 5,000
- (iii) Doctors Consultation Charges ₹ 8,000
- (iv) Other services ₹ 4,000

In each of the above scenario explain whether Suraksha Hospital should levy GST or not in line with the relevant provisions of the GST laws.

### Answer

**Health care services** by a clinical establishment are **exempt** from GST.

However, **services provided by a clinical establishment by way of providing room having room charges exceeding ₹ 5,000 per day to a person receiving health care services are not exempt.**

In view of the same, **only the room rent of ₹ 14,000 (₹ 7,000 per day × 2 days) is liable to GST.**

Other than room rent, **all other nature of services** provided by Suraksha Hospital are **exempt from GST.**

### Question 10

Examine whether supply of food and drink in the following independent cases is exempt from GST:

- (i) "Smart Kids" is a Play School located in Delhi. Smart Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to BTV Caterers, Delhi for a consideration of ₹ 8,00,000 per annum.
- (ii) Wellness Hospital, a clinical establishment located in Tirupati, is specialised in diabetic treatment. The hospital has its own canteen – Tasty Foods. The canteen serves the food and drink to the in-patients as advised by the doctors/nutritionists of the hospital. Apart from this, other patients (who are not admitted) or attendants or visitors of the in-patients also take food and drink from the canteen.

**Answer**

- (i) Services provided **to an educational institution providing services by way of pre-school education and education up to higher secondary school** or equivalent, by way of **catering is exempt from GST** vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended. Thus, in the given case, services provided by BTV Caterers to Smart Kids are **exempt from GST**.
- (ii) Services by way of **health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt** from GST.

In this regard, CBIC has clarified that **food supplied by the hospital canteen to the in-patients as advised by the doctor/nutritionists is a part of composite supply** of healthcare services and is not separately taxable. Thus, it is **exempt from GST**. However, **other supplies of food** by a hospital to patients (not admitted) or their attendants or visitors **are taxable**.

In view of the same, GST is exempt on the food supplied by Tasty Foods to the in- patients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or attendants/visitors of the in-patients is taxable.

**Question 11**

Examine the following independent cases and determine whether the services are taxable under GST Law:

- (i) Dhruv Printing Press, a registered entity under GST, received an order of ₹ 1,50,000 from Vishwakarma Technical Institute, a private ITI providing courses notified under Apprentices Act, 1961 for printing of pre- examination items like question papers, OMR sheets, Answer booklets required for conducting of examination by the institute.
- (ii) State Board of Education, a registered entity, charged ₹ 50,000 per year as affiliation charges from a school run by Dharampal Trust, registered under section 12AA of Income Tax Act, 1961 which gives education from class 1 to class 10.
- (iii) Wecare Hospital, a registered entity, charged ₹ 19,500 for 3 days from Mr. Sahil who was admitted in Intensive Cardiac Care Unit (ICCU) due to heart attack.
- (iv) Citcare Hospital, a registered entity, entered into an arrangement with Swadisht Caterers, a registered entity, to supply food to in-patients as per advice of doctor / nutritionist. Swadisht Caterers sends monthly bill to hospital for the food supplied by them to the admitted patients of hospital. Determine the taxability of Citcare Hospital.

**Answer**

	Particulars	Taxability
(i)	Vishwakarma Technical Institute qualifies as an educational institution. Thus, services provided by Dhruv Printing Press to Vishwakarma Technical Institute are exempt since services are being provided to an educational institution by way of services relating to conduct of examination by such institution.	Exempt
(ii)	Affiliation services by State educational boards are exempt only when they are provided to Government Schools. Thus, affiliation charges of ₹ 50,000 charged by State Board of Education from a school run by Dharampal Trust is taxable.	Taxable
(iii)	Renting of room by a clinical establishment to a person receiving health care services are exempt provided room charges are upto ₹ 5,000 per day.	Exempt

	However, this limit does not apply to renting of Intensive Cardiac Care Unit (ICCU). Thus, amount of ₹ 19,500 charged by Wecare Hospital from Mr. Sahil admitted in ICCU is exempt.	
(iv)	Food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare by Citcare Hospital and is not separately taxable. Thus, said supply is exempt.	Exempt

## **Services by Government**

### **Question 12**

Income is received by Maharashtra Government from renting of immovable property to Ganpati Morya Pvt. Ltd., registered in Maharashtra (Turnover of the company was ₹ 18 lakh in the preceding financial year). Is GST payable in the present case? If yes, who is liable to pay the same?

### **Answer**

Notification No. 12/2017 CT (R) dated 28.06.2017 has inter alia **exempted the services provided by the State Government to a business entity with an aggregate turnover of up to such amount** in the preceding FY as makes it eligible for exemption from registration. However, **the same shall not apply to services by way of renting of immovable property.**

In the given case, services by way of renting of immovable property is provided by Maharashtra Government to Ganpati Morya Pvt. Ltd, registered in Maharashtra. Therefore, the above **exemption will not apply in this case even though the turnover of the company was less than ₹ 20 lakh in the preceding financial year.** Thus, GST is payable in the given case.

**Reverse charge is applicable in case of services supplied by the State Government by way of renting of immovable property to a person registered** under the CGST Act, 2017. Thus, GST is payable by Ganpati Morya Pvt. Ltd., being a registered person in the present case.

### **Question 13**

Explain briefly about the exemption available under the CGST Act, 2017 in respect of services provided by an Old Age Home.

### **Answer**

Services by an **old age home run by Central Government, State Government or an entity** registered **under section 12AA or 12AB** of the Income-tax Act, 1961 **to its residents (aged 60 years or more)** against **consideration up to ₹ 25,000 per month per member**, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.

## **Services to Government**

### **Question 14**

Gita Services Limited, registered under GST, is engaged in providing various services to Government. The company provides the following information in respect of services provided during the month of April:

S.N.	Description of Services provided
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods.
(ii)	Service provided by Fair Price Shops owned by Gita Services Limited by way of sale of sugar under Public Distribution System against consideration in the form of commission.
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares along with maintenance. Generally, replacement of defunct lights and other spares constitutes 35% of the supply of service.
(iv)	Service of brochure distribution provided under a training programme for which 70% of the total expenditure is borne by the Government.

Comment on the taxability or otherwise of the above transactions under GST law. Also state the correct legal provisions for the same.

### Answer

S. N.	Particulars	Taxability
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods. [Pure services provided to Government are exempt.]	<b>Exempt</b>
(ii)	Service provided by Fair Price Shops by way of sale of sugar under Public Distribution System [Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against consideration in the form of commission is exempt.]	<b>Exempt</b>
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares constituting 35% of the supply of service. [Composite supply of goods and services to Government in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply is exempt. Since, in this case value of supply of goods constitutes 35% of the supply of composite service, same is taxable.]	<b>Taxable</b>
(iv)	Service of brochure distribution provided under a training programme. [Services provided to the Government under any training programme for which 75% or more of the total expenditure is borne by the Government is exempt. Since in the given case, 70% of the total expenditure is borne by the Government, it is taxable.]	<b>Taxable</b>

## Passenger Transportation

### Question 15

Deccan Shipping Pvt. Ltd., registered under GST in Andaman and Nicobar Islands provided the passenger transportation services to the local residents in the ferries owned by it from Neil Island to Havelock Island. Determine whether GST is payable

### Answer

**Transportation of passenger services** provided by the private operator-Deccan Shipping Pvt. Ltd.-are **exempt** from GST. Circular No. 177/09/2022 GST dated 03.08.2022 clarifies the applicability of GST on

private ferry tickets. **Transportation of passengers by public transport, other than predominantly for tourism purpose, in a vessel between places located in India is exempt from GST.** It is clarified that this exemption would apply to tickets purchased for transportation from one point to another **irrespective of whether the ferry is owned or operated by a private sector enterprise or by a PSU/Government.**

It is further clarified that, the expression 'public transport' used in the said exemption notification only means that the **transport should be open to public.** It can be privately or publicly owned. **Only exclusion is on transportation which is predominantly for tourism,** such as services which may combine with transportation, sightseeing, food and beverages, music, accommodation such as in shikara, cruise etc.

### **Question 16**

A State Transport Undertaking has hired motor vehicles meant to carry 8-10 passengers from Fast Cab Renting, a motor vehicle renting company. Give your comments as to whether any GST is payable in this case.

### **Answer**

Services by way of **giving on hire**, inter alia, **to a State Transport Undertaking, a motor vehicle meant to carry more than 12 passengers is exempt from GST.**

Since the **motor vehicles** given on hire by Fast Cab Renting to the State Transport Undertaking **are meant to carry 8-10 passengers, the same would not be eligible for exemption** and would thus, be liable to GST.

## **Goods Transportation**

### **Question 17**

GTA services provided to an unregistered person (including unregistered casual taxable person) are exempt from GST by virtue of GST Laws. Discuss the validity of above statement.

### **Answer**

The said statement is **invalid.** Services provided by a **GTA to an unregistered person, including an unregistered casual taxable person are exempt** except when provided to a:

- (a) factory
- (b) society
- (c) co-operative society
- (d) body corporate
- (e) partnership firm
- (f) registered casual taxable person

### **Question 18**

Babloo Transporters, a Goods Transport Agency, transported relief materials in a goods carriage meant for victims of Kerala floods, a natural disaster, by road from Delhi to Ernakulam, for a company. Babloo Transporters is of the view that it is not liable to pay GST on the said services provided as said services are exempt. You are required to advice it on the said issue.

**Answer**

**Services provided by a goods transport agency**, by way of transport in a goods carriage of relief materials meant for victims of, inter alia, natural or man-made disasters, calamities, are exempt from GST. Therefore, services provided by Babloo Transporters will be exempt from GST.

**Question 19**

ST Ltd. has given on hire 5 trucks to Titu Transporters of Delhi (a goods transport agency) for transporting goods in Central and West Delhi. The hiring charges for the trucks are ₹ 7,500 per truck per day. Examine whether GST is payable in the given case.

**Answer**

**GST is not payable** in case of **hiring of trucks to Titu Transporters** since services by way of giving on hire, inter alia, to a goods transport agency, a means of **transportation of goods are exempt**.

**Question 20**

Briefly examine the taxable value of supply in the following independent cases:

- (i) Jivan Limited, registered under GST, provided services amounting to ₹ 10,00,000 to a Governmental Authority by way of sanitation conservancy.
- (ii) Raju Transporters, a registered Goods Transport Agency (GTA) provided service of transportation of goods to Kukreja & Kukreja Co.- a unregistered partnership firm. Kukreja & Kukreja Co. paid ₹ 8,000 to Raju Transporters as consideration.
- (iii) Amardeep Hospital provided services in Neo natal Intensive Care for 2 days for which ₹ 15,000 are charged per day from Mr. Chopra for his new born son, Viraat.
- (iv) M/s Damodar Ltd. provides services by way of storage of seasonal fruits and vegetables in Bhatinda, Punjab. The monthly rental for a godown is ₹ 15,000.

**Answer**

- (i) **Services provided to a Governmental Authority by way of inter alia sanitation conservancy is exempt** under GST. Thus, services provided by Jivan Limited, registered under GST amounting to ₹ 10,00,000 to a Governmental Authority by way of sanitation conservancy is **exempt under GST**.
- (ii) **Services provided by a GTA to an unregistered person, including an unregistered casual taxable person** other than, inter alia, any partnership firm whether registered or not under any law including association of persons **is exempt under GST**. Thus, **GTA services provided to partnership firm including AOP – whether or not registered under GST law, are liable to tax**. Hence, consideration of ₹ 8,000 paid by Kukreja & Kukreja Co. **is taxable under GST**.
- (iii) The services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU)/Critical Care Unit (CCU)/Intensive Cardiac Care Unit (ICCU)/Neo natal Intensive Care Unit (NICU)] having room charges exceeding ₹ 5000 per day to a person receiving health care services is taxable under GST. Since, in the given case **Amardeep Hospital provided services in Neo natal Intensive Care, so the entire amount of ₹ 30,000 charged from Mr. Chopra is exempt under GST law**.

- (iv) Services by way of **storage/warehousing of cereals, pulses, fruits, nuts and vegetables**, spices, copra, sugarcane, jaggery, raw vegetable fibres such as cotton, flax, jute etc., indigo, unmanufactured tobacco, betel leaves, tendu leaves, coffee and tea have been **exempted from GST** under an exemption notification under GST.

Thus, **no GST is payable on the services provided by M/s Damodar Ltd.** by way of storage of seasonal fruits and vegetables in Bhatinda, Punjab.

## **Banking and Financial Services**

### **Question 21**

M/s. Apna Bank Limited, a Scheduled Commercial Bank has furnished following details for month of August.

<b>Particulars</b>	<b>Amount ₹ [Crores]</b>
Extended Housing Loan to its customers	100
Processing fees collected from its customers on sanction of loan	20
Commission collected from its customers on bank guarantee	30
Interest income on credit card issued by the bank	40
Interest received on housing loan extended by the bank	25
Minimum balance charges collected from current account and saving account holder	01

Compute value of taxable supply. All amounts are exclusive of GST. Give reasons with suitable assumptions.

### **Answer**

#### **Computation of value of taxable supply of M/s. Apna Bank Limited for the month of August**

<b>Particulars</b>	<b>Amount ₹ [Crores]</b>
Housing loan extended to customers [Since money does not constitute goods, extending housing loan is not a supply.]	Nil
Processing fee collected on sanction of loan [Interest does not include processing fee on sanction of the loan. Hence, taxable.]	20
Commission collected on bank guarantee [Any commission collected over and above interest on loan, advance or deposit are not exempt.]	30
Interest income on credit card issued by the bank [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax. However, interest involved in credit card services is not exempt.]	40
Interest received on housing loan [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax.]	Nil
Minimum balance charges collected from current account and saving account holder [Charges collected over & above interest on loan, advance or deposit are not exempt.]	01
<b>Value of taxable supply</b>	<b>91</b>

## **Sports and Entertainments**

### **Question 22**

An individual acts as a referee in a football match organized by Sports Authority of India. He has also acted as a referee in another charity football match organized by a local sports club, in lieu of a lump sum payment. Discuss whether any GST is payable on the activities undertaken by him.

### **Answer**

**Services provided to a recognized sports body by an individual, inter alia, as a referee in a sporting event organized by a recognized sports body is exempt from GST.**

Since in the first case, the **football match is organized by Sports Authority of India**, which is a recognized sports body, **services provided by the individual as a referee in such football match will be exempt.**

However, when he acts as a referee in a **charity football match organized by a local sports club, he would not be entitled to afore-mentioned exemption as a local sports club is not a recognized sports body** and thus, GST will be payable in this case.

### **Question 23**

RXL Pvt. Ltd. manufactures a beauty soap with the brand name 'Forever Young'. RXL Pvt. Ltd. has organized a concert to promote its brand. Ms. Ahana Kapoor, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert as a part of her services as a brand ambassador of the company. Proceeds of concert worth ₹ 1,20,000 will be donated to a charitable organization by Ms. Ahana.

Whether Ms. Ahana Kapoor will be required to pay any GST for classical dance performance in said concert.

### **Answer**

**Services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre, are exempt from GST, if the consideration charged for such performance is not more than ₹ 1,50,000. Exemption is not available** in respect of service provided by such artist **as a brand ambassador.**

Since **Ms. Ahana Kapoor is the brand ambassador of 'Forever Young' soap manufactured by RXL Pvt. Ltd.**, the services rendered by her by way of a classical dance performance in the concert organized by RXL Pvt. Ltd. to promote its **brand will not be eligible for the above-mentioned exemption and thus, be liable to GST.** The fact that the **proceeds of the concert will be donated to a charitable organization by Ms. Ahana will not have any bearing on the eligibility** or otherwise to the above-mentioned exemption.

### **Question 24**

Kesar Maharaj, a registered supplier, gave a classical dance performance in an auditorium. The consideration charged for the said performance is ₹ 1,48,500. Is Kesar Maharaj liable to pay GST on the consideration received for the said performance if such performance is not for promotion of any product/services? If yes, determine his GST liability (CGST and SGST or IGST, as the case may be). Will your answer be different if:

- (i) Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product?
- (ii) the dance performance given by Kesar Maharaj is not a classical dance performance, but a

contemporary Bollywood style dance performance?

(iii) consideration charged by Kesar Maharaj for the classical dance performance is ₹ 1,60,000?

**Notes:**

1. Services provided by Kesar Maharaj are intra-State supplies.
2. Wherever applicable, GST has been charged separately.
3. Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

**Answer**

Notification No. 12/2017 CT (R) dated 28.06.2017 **exempts services by an artist by way of a performance in folk or classical art forms** of (i) music, or (ii) dance, or (iii) theatre, if the **consideration charged for such performance is not more than ₹ 1,50,000**. However, exemption will **not apply to service provided by such artist as a brand ambassador**.

In view of aforesaid provisions, services provided by Kesar Maharaj are exempt from GST as consideration for classical dance performance has not exceeded ₹ 1,50,000. **Therefore, his GST liability is nil.**

- (i) **If Kesar Maharaj is a brand ambassador** of a food product and aforesaid performance is for the promotion of such food product, he will be liable to pay GST as aforesaid **exemption is not applicable** to service provided by an artist as a brand ambassador. His **CGST and SGST liability would, therefore, be ₹ 13,365 (₹ 1,48,500 × 9%) and ₹ 13,365 (₹ 1,48,500 × 9%)** respectively.
- (ii) **If Kesar Maharaj gives a contemporary Bollywood style dance performance**, such performance will not be eligible for aforesaid exemption. The reason for the same is that although the consideration charged does not exceed ₹ 1,50,000, said performance is not in folk or classical art forms of dance. Hence, **GST would be payable** on the same. His **CGST and SGST liability would, therefore, be ₹ 13,365 (₹ 1,48,500 × 9%) and ₹ 13,365 (₹ 1,48,500 × 9%)** respectively.
- (iii) **If the consideration charged** for the classical dance performance by Kesar Maharaj **is ₹ 1,60,000**, he will be liable to pay GST on the same as although the performance is by way of classical art form of dance, **consideration charged for such performance has exceeded ₹ 1,50,000**. His **CGST and SGST liability would be ₹ 14,400 (₹ 1,60,000 × 9%) and ₹ 14,400 (₹ 1,60,000 × 9%)** respectively.

**Question 25**

Determine the GST payable, if any, in each of the following independent cases, assuming that the rate of GST is 18% and that the service providers are registered under GST:

- (i) Bollywood dance performance by a film actor in a film and consideration charged is ₹ 1,45,000.
- (ii) Carnatic music performance by a classical singer to promote a brand of readymade garments and consideration charged is ₹ 1,30,000.
- (iii) Carnatic music performance by a classical singer in a music concert and consideration charged is ₹ 1,55,000.
- (iv) Kathak dance performance by a classical dancer in a cultural programme and consideration charged is ₹ 1,45,000.

**Answer**

- (i) **Bollywood Dance performance** by a film actor in a film is **not exempt from GST** even though the

consideration charged is less than threshold limit of ₹ 1,50,000. The reason for the same is that the dance performance by an artist is exempt only if it is a performance in folk or classical art forms of dance. Hence, entire consideration charged is subject to GST as follows = ₹ 1,45,000 × 18% = ₹ 26,100

- (ii) Carnatic music performance by a classical singer **to promote a brand of readymade garments is not exempt from GST** even though, the consideration charged is less than threshold limit of ₹ 1,50,000 and it is a performance in classical art forms of music. The reason for the same is that the said exemption is not applicable to service provided by such artist as a brand ambassador. Consequently, entire consideration charged is subject to GST as follows: = ₹ 1,30,000 × 18% = ₹ 23,400
- (iii) **Carnatic music performance by a classical singer in a music concert is not exempt** from GST even though it is a performance in classical art forms of music. The reason for the same is the consideration charged for the service exceeds ₹ 1,50,000. Consequently, entire consideration charged is subject to GST as follows: = ₹ 1,55,000 × 18% = ₹ 27,900
- (iv) **Kathak dance performance by a classical dancer in a cultural programme is exempt from GST** as it is a performance in classical art forms of dance and **consideration charged does not exceed ₹ 1,50,000** [i.e. ₹ 1,45,000].

## **Miscellaneous**

### **Question 26**

Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of organizing business exhibition in New Delhi as part of Make in India initiative. Keyan Enterprises claims that it is not required to pay GST as the services provided by way of organizing business exhibition are exempt from GST. Examine the technical veracity of the claim of Keyan Enterprises, in the given case.

### **Answer**

**No**, the claim made by Keyan Enterprises that it is not required to pay GST is not correct. **Services provided by an organiser to any person in respect of a business exhibition are exempt from GST only when such business exhibition is held outside India.** However, since in the given case, the **exhibition is being organized in India**, the services of organization of event by Keyan Enterprises will **not be exempt** from GST.

### **Question 27**

Examine the implications of GST on payment of honorarium to the Guest Anchors.

### **Answer**

Circular No. 177/09/2022 GST dated 03.08.2022 clarifies the applicability of GST on honorarium paid to Guest Anchors. Sansad TV and other TV channels invite guest anchors to participate in their shows and pay remuneration to them in the form of honorarium.

It is clarified that supply of **all goods & services are taxable unless exempt or declared as 'neither a supply of goods nor a supply of service'**. **Services provided by the guest anchors in lieu of honorarium attract GST liability.**

However, guest anchors whose aggregate turnover in a financial year does not exceed ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States) shall not be liable to take registration and pay GST.

**Question 28**

Satya Sai Residents Welfare Association, a registered person under GST has 30 members each paying ₹ 8,000 as maintenance charges per month for sourcing of goods and services from third persons for common use of its members.

The Association purchased a water pump for ₹ 59,000 (inclusive of GST of ₹ 9,000) and availed input services for ₹ 23,600 (inclusive of GST of ₹ 3,600) for common use of its members during February.

Compute total GST payable, if any, by Satya Sai Residents Welfare Association, for February. GST rate @18%

All transactions are intra-State. There is no opening ITC and all conditions for ITC are fulfilled.

**Answer****Computation of total GST payable by Satya Sai Residents Welfare Association**

Particulars	Value (₹)	GST @18% (₹)
<b>Maintenance charges received</b> [₹ 8,000 × 30 members] [Services by RWA to its members for sourcing of goods or services from a third person for the common use of its members in a housing society are exempt provided the share of contribution per month per member is upto ₹ 7,500. Otherwise, entire amount is taxable.]	<b>2,40,000</b>	
Total GST payable [It has been logically presumed that maintenance charges are exclusive of GST.]		<b>43,200</b>

**Note:** Residents Welfare Association is entitled to take ITC of GST paid by them on capital goods, goods and input services, used by it for making supplies to its members and use such ITC for discharge of GST liability on such supplies where the amount charged for such supplies is more than ₹ 7,500 per month per member. Thus, Satya Sai Residents Welfare Association can avail ITC of GST paid on water pump purchased (₹ 9,000) and input services availed (₹ 3,600). Net GST payable in that case will come out ₹ 30,600.

**Question 29**

Examine whether GST is exempted on the following independent supplies of services:

- Service provided by a private transport operator to Scholar Boys Higher Secondary School by way of transportation of students to and from the school.
- Services provided by way of vehicle parking to general public in a shopping mall.
- Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.
- An RWA in a housing society, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member.

**Answer**

- Yes. Services provided TO an educational institution** by way of **transportation of students** are **exempted from GST**.
- No. Services provided by way of vehicle parking to general public are not exempted from GST.** Therefore, **GST is payable** on the same.
- Services by way of **health care services by a clinical establishment, an authorised medical practitioner or para-medics** are **exempt from GST**. Food supplied to the in-patients by a canteen

run by the hospital, as advised by the doctor/nutritionists, **is a part of composite supply** of healthcare and not separately taxable. Thus, **said services are exempt** from GST.

- (iv) Supply of **service by a RWA** (unincorporated body or a non-profit entity registered under any law) **to its own members** by way of reimbursement of charges or share of contribution **up to an amount of ₹ 7500 per month per member** for providing services and goods for the common use of its members in a housing society/a residential complex are **exempt from GST**. Hence, in the given case, services provided by the RWA are exempt from GST since the maintenance charges collected per month per member do not exceed ₹ 7500.

### Question 30

Decide with reason whether the following independent services are exempt under CGST Act, 2017:

- (i) Gokul Residents' Welfare Association received ₹ 9,000 per month as contribution from each member for sourcing of goods and services from third persons for common use of its members.
- (ii) Mr. Vikalp, a performing artist, has received ₹ 1,58,000 from performance of classical dance and ₹ 90,000 from acting in TV Serial during the month of June.

### Answer

- (i) **Service by an unincorporated body** or a registered non-profit entity, to its own members by way of share of contribution **up to an amount of ₹ 7,500 per month per member** for sourcing of goods/services from a third person **for the common use of its members in a housing society or residential complex, is exempt**.

In the given case, **monthly contribution per month per member** received by Gokul Residents' Welfare Association **exceeds ₹ 7,500**. GST shall be **payable on the entire amount** of ₹ 9,000.

- (ii) **Services by an artist by way of a performance in folk or classical art forms of music, dance, or theatre**, if the **consideration charged** for such performance **is not more than ₹ 1,50,000** are **exempt from GST**.

In the given case, since the **consideration received** by the performing artist-Mr. Vikalp for performance of classical dance **is more than ₹ 1,50,000**, **said services are not exempt**.

Further, **consideration received for acting in TV serial is also not exempt** since **said performance is not in folk/classical art forms** of theatre.

### Question 31

Examine whether GST is exempted on the following independent supply of services:

- (i) Teja & Co, a tour operator, provides services to a foreign tourist for tour conducted in Jammu & Kashmir and receives a sum of ₹ 3,00,000.
- (ii) Ms. Poorva acts as a Team Manager for Indian Sports League (ISL), a recognised sports body, for a Tennis tournament organised by Multi brand retail company & received a remuneration of ₹ 2,00,000.

### Answer

- (i) Services provided **by a tour operator to a foreign tourist are exempt from GST** provided such services are **in relation to a tour conducted wholly outside India**. Thus, since in the given case,

services provided by Teja & Co. are in relation to a **tour conducted within India, the same are not exempt from GST.**

- (ii) Services provided by a **team manager to a recognised sports body for participation in a sporting event are exempt from GST** provided said **sporting event is organised by a recognized sports body**. Thus, since in the given case, **the sporting event is not organised by a recognised sports body**, the **services provided by Ms. Poorva are not exempt from GST.**

### **Question 32**

State with reasons, whether GST is payable in the following independent cases:

- (i) Services provided to recognized sports body as selector of national team.
- (ii) Services provided by way of transportation of passengers in metered cab, through an electronic commerce operator.

### **Answer**

- (i) Services provided to a recognized sports body by an individual **as a player, referee, umpire, coach or team manager** for participation in a sporting event organized by a recognized sports body are exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, **GST is payable** in case of services provided to a recognized sports body **as selector of national team.**
- (ii) **Service of transportation of passengers**, with or without accompanied belongings, inter alia, **by metered cabs are specifically exempt** from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. However, **where such services are supplied through an electronic commerce operator, said services are not exempt.** Thus, GST is payable in the given case.

### **Question 33**

State with reasons, whether GST is payable in the following independent cases:

- (i) Services provided to recognized sports body as curator of national team.
- (ii) Services provided by way of transportation of passenger in Metered Cab.
- (iii) Services by way of public conveniences such as provision of facilities of washrooms.
- (iv) Services provided by a player to a franchisee which is not a recognized sports body.

### **Answer**

- (i) Services provided **to a recognized sports body by an individual as a player, referee, umpire, coach or team manager** for participation in a **sporting event organized by a recognized sports body** are **exempt** from GST. Thus, **GST is payable in case** of services provided to a recognized sports body **as curator** of national team.
- (ii) Service of **transportation of passengers**, with or without accompanied belongings, inter alia, **by metered cabs are specifically exempt** from GST. Thus, **GST is not payable** in this case.
- (iii) Services by way of **public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets are not liable to GST** as it is specifically exempt. Thus, **GST is not payable** in this case.

- (iv) Services provided by a **player to a franchisee which is not a recognized sports body is taxable** as it is not exempt. Thus, **GST is payable** in this case.

### Question 34

Examine whether GST is exempted in the following independent cases of supply of services:

- (i) Apex Facilities provided civil maintenance services for the upkeep of the Municipal Corporation of Delhi (MCD) head office building. Value of supply of goods constitute 20% while providing such maintenance services.
- (ii) M/s Talreja & Talreja, a firm of advocates, provides legal services to the State Government for representation in the High Court.
- (iii) BLF Mall, Noida provides services by way of vehicle parking to general public in the basement of mall.
- (iv) Service provided by a private transport operator to Scholar Boys Higher Secondary School by way of transportation of students to and from the school.

### Answer

- (i) If the **composite supply of goods and services** provided to local authority, in which the **value of supply of goods constitutes not more than 25%** of the value of the said composite supply, by way of any activity in relation to any **function entrusted to a Municipality** under article 243W of the **Constitution**, then it would be exempt under GST.

Further, it has been clarified vide a Circular that **civil maintenance services received for the upkeep of the MCD office are not in relation to any function entrusted** under Article 243W of the Constitution and **thus not covered under the exemption**. Therefore, such civil maintenance services are **not exempt and hence taxable**.

- (ii) Services provided **by a partnership firm of advocates to the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity are exempted from GST**. Thus, legal services provided by Talreja & Talreja, a firm of advocates, to the State Government for representation before the High Court are **exempted from GST**.
- (iii) Services provided by way of **vehicle parking to general public are not specifically exempted** from GST. Therefore, **GST is payable** on the same.
- (iv) Services by way of **transportation of students provided to an educational institution** which is engaged in providing services **by way of pre-school education** and education **up to higher secondary** school or equivalent **are exempted from GST**. Therefore, in the given case the services provided by private transport operator are **exempt**.

### Question 35

Determine the taxability or otherwise of the following services provided by Indian Railways:

S.N.	Particulars	Amount (₹)
(i)	Cloak room services provided to passengers	20,00,000
(ii)	Service of transportation of passengers in second class	20,00,000
(iii)	Platform tickets sold to passengers	50,00,000

(iv)	Renting of warehouse located in Bengaluru railway station to Paras Traders, registered in Chennai	1,50,000
(v)	Service of transportation of passengers in air- conditioned coaches	10,00,000
(vi)	Service of transportation of relief materials meant for victims of flood affected area	3,00,000
(vii)	Service of transportation of organic manure	2,00,000

**Answer**

S.N.	Particulars
(i)	Cloak room services provided to passengers [Exempt since services provided by Ministry of Railways (Indian Railways) to individuals by way of cloak room services are <b>exempt</b> .]
(ii)	Service of transportation of passengers in second class [Exempt since service of transportation of passengers by railways in a class other than first class or an air-conditioned coach is <b>exempt</b> .]
(iii)	Platform tickets sold to passengers [Exempt since services provided by Ministry of Railways (Indian Railways) to individuals by way of sale of platform tickets are <b>exempt</b> .]
(iv)	Renting of warehouse located in Bengaluru railway station to Paras Traders, registered in Chennai [ <b>Taxable</b> since services supplied by the Ministry of Railways (Indian Railways) by way of renting of immovable property to a person registered under GST law are not exempt. Further, tax on said services is payable by the Railways under forward charge.]
(v)	Service of transportation of passengers in air-conditioned coaches [Service of transportation of passengers by railways in a class other than first class or an air-conditioned coach is <b>exempt</b> . Thus, service of transportation of passengers in air-conditioned coaches is taxable.]
(vi)	Service of transportation of relief materials meant for victims of flood affected area [Exempt since service of transportation of relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap by rail is <b>exempt</b> .]
(vii)	Service of transportation of organic manure [Exempt since service of transportation of organic manure by rail is <b>exempt</b> .]

**Question 36**

Mr. Ravindra, a registered person in Bhopal, Madhya Pradesh has provided the following information regarding outward transactions made during the month of January:

- (1) He was appointed by recognized sports body as a chief selector of hockey team and received ₹ 5,00,000 as remuneration.
- (2) Services of pure labour contract was provided for construction of independent residential unit for ₹ 1,80,000.
- (3) He rented out his warehouse for warehousing of sugarcane and received rental income of ₹ 75,000.
- (4) Provided services to Municipal Corporation of Bhopal for slum improvement and upgradation for ₹ 6,50,000. [value of supply of goods is 25% of value of this composite supply]

(5) He has charged consideration of ₹ 1,25,000 against western music dance performance in an event. You are required to compute the taxable value of supply on which GST is to be paid by Mr. Ravindra for the month of January. All the amount stated above are exclusive of GST, wherever applicable.

**Answer****Computation of taxable value of supply on which GST is to be paid by Mr. Ravindray**

Particulars	Amount (₹)
Remuneration received as a chief selector of hockey team. [Taxable since services provided to a recognised sports body by an individual only as a player, referee, umpire, coach or team manager are exempt.]	5,00,000
Service of pure labour contract for construction of independent residential unit [Services of pure labour contracts of construction of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt.]	NIL
Rental income from warehousing of sugarcane [Warehousing of sugarcane being an agricultural produce is exempt.]	NIL
Services to Municipal Corporation of Bhopal for slum improvement and upgradation [Service provided to Local Authority by way of slum improvement & upgradation are exempt]	NIL
Consideration received against western music dance performance in an event [Taxable, since the amount received for western music dance performance but the exemption is available for performance in folk or classical art forms of music or dance. if the consideration charged for such performance is not more than ₹ 1,50,000.]	1,25,000
<b>Value of taxable supply on which GST is to be paid by Mr. Ravindra</b>	<b>6,25,000</b>

**Question 37**

Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

Particulars	Amount (₹)
Amount charged for loading, unloading, packing and warehousing of potato chips	25,000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961	50,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	6,00,000
Amount charged for service provided by way of right to admission to circus where consideration for the same is ₹ 750 per person.	12,000

**Answer****Computation of value of taxable supply**

Particulars	(₹)
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Amount charged for loading, unloading, packing and warehousing of potato chips [Note-1]	25,000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 [Note-2]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-3]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-4]	5,00,000
Service provided by commentator to a recognized sports body [Note-5]	6,00,000
Amount charged for service provided by way of right to admission to circus where consideration for the same is ₹ 750 per person. [Note-6]	12,000

**Notes:**

1. Services by way of loading, unloading, packing, storage or warehousing of agricultural produce are exempt from GST. Further, potato chips are manufactured through processes which alter the essential characteristic of agricultural produce, thus is not covered under definition of agricultural produce.
2. Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
3. Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
4. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are not exempt from GST.
5. Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.
6. Services provided by way of right to admission to circus where consideration for the same is upto ₹ 500 per person are exempt from GST. Since in the present case, the consideration is more than ₹ 500 per person, so the same is liable to GST.

**Question 38**

Mr. Dhanwan, an individual registered supplier of Ahmedabad (Gujarat), received the following amount towards rendering of the intra-state supply of various services in the month of January:

S.N.	Particulars	Amount (₹)
I.	Consideration received from security and housekeeping services provided to "Holy Foundation", an educational institution providing services by way of pre-school education, outside the school premises on its annual day function.	60,000
II.	Amount received as an honorarium for participation as guest anchor on "Apna TV" in relation to a debate.	2,25,000
III.	Sum received as hiring charges for provision of non-air conditioned contract carriage for transportation of employees to and from the work to M/s. Siddhi Pvt. Ltd, a registered person under the GST. Such hiring is for 3 months. Use of the contract carriage is at the disposal of the company.	1,50,000

IV.	Amount received for provision of training in recreation activities of music.	90,000
V.	Renting of residential flat to Mr. Sahil, proprietor of M/s. Dayaram & Sons, a registered person under GST for the purpose of his own residence (in personal capacity)	30,000

You are required to compute the value of supply on which GST is to be paid by Mr. Dhanwan for the month of January. All the amounts stated above are exclusive of GST, wherever applicable.

### Answer

#### Computation of value of supply on which GST is to be paid by Mr. Dhanwan

S.N.	Particulars	Amount (₹)
I.	Security and housekeeping services provided to an educational institution [Not exempted, since security and housekeeping services are performed outside the educational institution.]	60,000
II.	Honorarium for participation as guest anchor [Liable to GST since it is not specifically exempt and it is also not covered in Schedule III of the CGST Act, 2017 (neither supply of good nor supply of service).]	2,25,000
III.	Hiring charges for non-air conditioned contract carriage [Not exempt, since exemption available only where transportation take place over pre-determined route and pre-determined schedule and contract carriage is hired for a period of time, during which the contract carriage is at the disposal of the recipient]	1,50,000
IV.	Training in recreational activities of music [Services by way of training in recreational activities relating to arts or culture, by an individual are exempt.]	-
V.	Renting of residential flat to Mr. Sahil [Renting of residential dwelling to a proprietor (registered under GST) of a proprietorship concern in his personal capacity for use as his own residence and on his own account is exempt.]	-
	<b>Value of taxable supply on which GST is to be paid by Mr. Dhanwan</b>	<b>4,35,000</b>

### Question 39

ABC Infra, is a partnership firm registered under GST. It furnishes the following details about services provided during the month of February:

	Particulars	Amount
(i)	Consideration received from neighbouring Housing Cooperative Society as ABC Infra agrees to install effluent plant for treatment of wastewater even though is no legal requirement to do so.	5,50,000
(ii)	Consideration received from distribution of passes for cricket match organized as firm's annual event. Total 500 passes have been distributed.	2,42,500
(iii)	Services of booking air tickets in economy class for flight from Mumbai to Manipur.	1,20,000
(iv)	Services given for construction of buildings to State Government in relation to function entrusted to Municipality under article 243W of the Constitution. Construction material used of ₹ 2,79,375 is included in the given figure.	8,20,000

All supplies mentioned above are intra-State supplies and all the above amounts are exclusive of GST. GST rates for CGST, SGST, IGST are 9%, 9%, 18% respectively. Compute the GST payable by the ABC Infra for the month of February.

**Answer**
**Computation of GST payable by the ABC Infra for February**

	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
(i)	Consideration for agreeing to install effluent plant [Taxable since it is a supply of service of agreeing to the obligation to do an act.]	49,500	49,500
(ii)	Distribution of 500 passes of cricket match [Exempt since consideration for services by way of right to admission to unrecognised sporting event is not more than ₹ 500 per person]	-	-
(iii)	Booking air tickets in economy class [Taxable since service of booking of air tickets is being provided here. Only the service of transportation of passengers in economy class terminating in Manipur is exempt.]	10,800	10,800
(iv)	Service of construction of buildings provided to State Government [Taxable since value of supply of goods constitutes more than 25% of the value of the composite supply of goods and services.]	73,800	73,800
	<b>Total GST payable by ABC Infra</b>	<b>1,34,100</b>	<b>1,34,100</b>

**Question 40**

Sungrow Pvt. Ltd. (a registered taxable person) having the gross receipt of ₹ 50 lakh in the previous financial year provides the following information relating to their services for the month of July.

S.N.	Particulars	Amount (₹)
(1)	Running a boarding school	2,40,000
(2)	Fees from prospective employer for campus interview	1,70,000
(3)	Education services for obtaining qualification recognised by law of foreign country	3,10,000
(4)	Renting of furnished flats for temporary stay to different persons (Rent per day is less than ₹ 1,000 per flat)	1,20,000
(5)	Conducting Modular Employable Skill Course, approved by NCVET	1,40,000
(6)	Conducting private tuitions amount	3,00,000
(7)	Running martial arts academy for young children	55,000
(8)	Conducting career counselling session	1,65,000

Compute the value of taxable supply and the amount of GST payable. The above receipts do not include the GST amount. Rate of GST is 18%.

**Answer****Computation of value of taxable supply and amount of GST payable**

<b>S.N.</b>	<b>Particulars</b>	<b>Amount (₹)</b>
(1)	Running a boarding school [Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil
(2)	Fees from prospective employer for campus interview [Not exempt.]	1,70,000
(3)	Education services for obtaining the qualification recognised by law of foreign country [An institution providing education services for obtaining qualification recognized by a foreign country does not qualify as educational institution. Thus, said services are not exempt.]	3,10,000
(4)	Renting of furnished flats for temporary stay of different persons [Taxable.]	1,20,000
(5)	Conducting Modular Employable Skill Course [An institution providing Modular Employable Skill Course qualifies as educational institution. Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil
(6)	Conducting private tuitions [Not exempt.]	3,00,000
(7)	Running martial arts academy for young children [Not exempt under GST laws]	55,000
(8)	Conducting career counselling session [Not exempt under GST laws]	<u>1,65,000</u>
	<b>Value of taxable supply</b>	<b>11,20,000</b>
	<b>GST payable @ 18%</b>	<b>2,01,600</b>

# CHAPTER - 4

## Charge of GST

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### Reverse Charge Mechanism [RCM]

#### Question 1

Legal Fees is received by Sushrut, an advocate, from M/s. Tatva Trading Company, engaged in making taxable supplies and located in Maharashtra, having turnover of ₹ 50 lakh in preceding financial year. Who is the person liable to pay tax in this case?

#### Answer

GST on **legal services supplied by an advocate** [Mr. Sushrut] **to any business entity** [M/s. Tatva Trading Company] located in the taxable territory **is payable on reverse charge basis**.

Therefore, in given case, person liable to pay GST is recipient of services, i.e., M/s. Tatva Trading Company.

#### Question 2

Raghu Associates provided sponsorship services to WE-WIN Cricket Academy LLP. Determine the person liable to pay tax in this case.

#### Answer

In case of services provided **by any person other than body corporate by way of sponsorship to any body corporate or partnership firm**, GST is **liable to be paid under reverse charge** by such body corporate or partnership firm located in the taxable territory.

Further, for the reverse charge purposes, **Limited Liability Partnership** formed and registered under the provisions of the Limited Liability Partnership Act, 2008 **is also be considered as a partnership firm**.

Therefore, in the given case, **WE-WIN Cricket Academy LLP is liable to pay GST under reverse charge**.

#### Question 3

Regal Foundation of Commerce organized a business summit in Surat, Gujarat, in which all the startups were invited to pitch their business ideas. Pandit Jewels Pvt Ltd., registered in the State of Maharashtra, sponsored the summit and paid a sponsorship fee of ₹ 1,50,000 to Regal Foundation of Commerce.

You are required to determine, who is the person liable to pay tax if:

- (I) Regal Foundation of Commerce is a body corporate.
- (II) Regal Foundation of Commerce is not a body corporate.

#### Answer

- (I) In case of services provided by way of **sponsorship service to any body corporate or partnership firm by any person other than a body corporate**, the recipient is liable to pay tax under **reverse charge mechanism**.

Since **Regal Foundation of Commerce, the supplier, is a body corporate** in this case, so **reverse charge provisions are not applicable** in this case.

Thus, **Regal Foundation of Commerce is required to pay tax** under forward charge on the supply of the sponsorship services.

- (II) In case of services provided by way of sponsorship to any body corporate or partnership firm by any person other than a body corporate, the recipient is liable to pay tax under reverse charge mechanism.

**Since Regal Foundation of Commerce, the supplier, is not a body corporate** in this case, so **reverse charge provisions are applicable** in this case.

Accordingly, **Pandit Jewels Pvt Ltd is required to pay tax under the reverse charge** on sponsorship fees paid to Regal Foundation of Commerce.

#### **Question 4**

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

- (a) Services provided by an arbitral tribunal to any business entity.
- (b) Sponsorship services provided by a company to an individual.
- (c) Renting of immovable property service provided by Central Government to 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 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 other than body corporate to any body corporate or partnership firm** located in the taxable territory is payable under reverse charge. Since in the given case, **services have been provided by a company (body corporate) and provided to an individual**, reverse charge provisions will not be attracted. **GST is payable under forward charge by the supplier – company.**
- (c) **GST on services supplied by Central Government excluding the Ministry of Railways** (Indian Railways), State Government, Union territory or local authority **by way of renting of immovable property to a person registered** under CGST Act, 2017 is **payable under reverse charge**. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered business entity.

#### **Question 5**

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

State the exceptions of the above statement.

#### **Answer**

Tax on following services supplied by the Central Government or State Government to a business entity in India is payable by the supplier of services:

- (1) Services of **renting of immovable property provided to an unregistered business entity.**
- (2) **Services by the Department of Posts** and the Ministry of Railways (Indian Railways).

- (3) **Services in relation to an aircraft or a vessel**, inside or outside the precincts of a port or an airport.
- (4) Services of **transport of goods or passengers**.

### Question 6

Vivek Goyal, an independent director, appointed in accordance with the provisions of the Companies Act, 2013, of A2Z Pvt. Ltd., has received sitting fee amounting to ₹ 1 lakh from A2Z Pvt. Ltd for attending the Board meetings. Who is the person liable to pay tax in this case?

### Answer

**GST on supply of services by director of a company to the said company** located in the taxable territory is **payable on reverse charge basis**. Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., A2Z Pvt. Ltd.

### Question 7

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

- (i) Mr. Priyam is an independent director of Sun Moon Company Private Limited and not an employee of the company.
- (ii) Mr. Priyam is an executive director, i.e. an employee of Sun Moon Company Private Limited. Out of total remuneration amounting to ₹ 1,25,000, ₹ 60,000 has been declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, ₹ 65,000 has been declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services.

### Answer

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

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

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

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

### Question 8

State the person liable to pay GST in the following independent services provided:

- (i) Siddhi Builders, registered in Haryana, rented out 20 residential units owned by it in Sanskriti Society to Rudra Technologies Pvt Ltd., an IT based firm registered in the State of Haryana, for accommodation of its employees.
- (ii) M/s. Purohit Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of ₹ 70,000 at a seminar organized by a private NGO (a partnership firm) in Delhi.

### Answer

- (i) Services provided by way of **renting of residential dwelling for use as residence is exempt from GST. Renting of residential dwelling to a proprietor** (registered under GST) of a proprietorship concern in his personal capacity for use as his own residence and on his own account **is exempt**. However, where the residential dwelling is rented to a registered person **other than a proprietor, said exemption is not available**. Further, tax on service provided by way of renting of residential dwelling to a registered person is **payable by the recipient under reverse charge**.

Therefore, in the given case, **Rudra Technologies is liable to pay GST on the residential dwellings** taken on rent by it from Siddhi Builders, under reverse charge mechanism.

- (ii) In case of services provided **by any person other than body corporate** by way of sponsorship **to any body corporate or partnership firm**, GST is **liable to be paid under reverse charge** by such body corporate or partnership firm located in the taxable territory.

Since in the given case, sponsorship services are being provided by the private NGO to a partnership firm – M/s. Purohit Consultants, **GST is payable by Purohit Consultants** on said services under reverse charge.

### Question 9

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

- (a) Services supplied by an insurance agent to an insurance company.
- (b) Services supplied by a recovery agent to a car dealer.
- (c) Security services (services provided by way of supply of security personnel) provided by a partnership firm to a registered person paying tax under regular scheme.

**Answer**

- (a) GST on **services supplied by an insurance agent to any person carrying on insurance business** located in the taxable territory is **payable under reverse charge**. Therefore, in the given case, GST is payable under reverse charge by the recipient – Insurance Company.
- (b) GST on **services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company** located in the taxable territory is **payable under reverse charge**. However, since, in the given case, services are being **supplied by a recovery agent to a car dealer**, **GST is payable under forward charge** by the service provider - recovery agent.
- (c) GST on **security services** (services provided by way of **supply of security personnel**) provided by **any person other than a body corporate to a registered person**, located in the taxable territory is **payable under reverse charge**. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered person receiving the services.

**Question 10**

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

- (i) 'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law.
- (ii) Mr. Kamal Jain, an unregistered famous author, received ₹ 20 lakh of consideration from PQR Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book.

**Answer**

- (i) In case of a GTA service, where **GST is payable @ 5% and recipient is one of the specified recipients, tax is payable** by the recipient of service **under reverse charge**.  
However, where **GST is payable @ 12%, tax is payable under forward charge** by the supplier of service. Therefore, in the given case, tax is payable under forward charge by "Veer Transport", a registered GTA.
- (ii) Supply of **services by an author by way of transfer of a copyright** covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works **to a publisher** located in the taxable territory is **taxable under reverse charge mechanism**.  
Thus, in the given case, the **recipient of service, i.e. PQR Publications Ltd. is liable to pay GST**. The **tax can be paid by the author under forward charge if the author is a registered person**. Since in the given case, the author is an unregistered person, the said option is not available to him.

**Question 11**

Mr. Anurag, a famous Author is engaged in supply of services by the way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary works to a publisher.

Explain in brief the conditions under which an Author can choose to pay tax under forward charge.

**Answer**

Mr. Anurag, an **author, can choose to pay tax under forward charge provided** he fulfills the following conditions:

- (i) He has **taken registration** under the GST law.
- (ii) He has **filed a declaration**, in the prescribed form, that he **exercises the option to pay tax on the said service under forward charge** and, to comply with all provisions of GST law as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he **shall not withdraw the said option within a period of 1 year from the date of exercising such option**.
- (iii) He **makes a declaration on the invoice** issued by him in prescribed form to the publisher.

**Question 12**

Mr. Vicky Frankyn, an unregistered famous author, received ₹ 3 crore of consideration from Shiv Bhawan Publications (SBP) located in Indore for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. He finished his work & made available the book to the publisher, but has yet not raised the invoice.

Mr. Vicky Frankyn is of the view that SBP is liable to pay tax under reverse charge on services provided by him. SBP does not concur with his view and is not ready to deposit the tax under any circumstances.

Examine whether the view of Mr. Vicky Frankyn is correct. Further, if the view of Mr. Vicky Frankyn is correct, what is the recourse available with Mr. Vicky Frankyn to comply with the requirements of GST law as SBP has completely refused to deposit the tax.

**Answer**

**Yes, the view of Mr. Vicky Frankyn is correct. GST is payable under reverse charge** in case of supply of services by an author **by way of transfer/permitting the use or enjoyment of a copyright** covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary work **to a publisher** located in the taxable territory in terms of reverse charge Notification No. 13/2017 CT(R) dated 28.06.2017. Therefore, in the given case, **person liable to pay tax is the publisher-SBP**.

However, since SBP has completely refused to deposit the tax on the given transaction, **Mr. Vicky Frankyn has an option to pay tax under forward charge on the same**. For the purpose, he needs to fulfill the following conditions:

- (i) since he is unregistered, he has to **first take registration** under the CGST Act, 2017
- (ii) he needs to **file a declaration**, in the prescribed form, **that he exercises the option to pay CGST** on the said service **under forward charge** in accordance with section 9(1) of the CGST Act and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he **shall not withdraw the said option within a period of 1 year from the date of exercising such option**;
- (iii) he has to **make a declaration on the invoice**, which he would issue to SBP, in prescribed form.

**Question 13**

Mohan Enterprise is a registered person having principal place of business in Gandhinagar, Gujarat. They received services of Advocate Sameer, a registered person from Ahmedabad, Gujarat. Shekhar, an

unregistered person provided services of labour to Mohan Enterprise. Explain the provisions relating to issue of invoice by recipient Mohan Enterprise if he is liable to pay tax under reverse charge under Section 9(3) or 9(4) of the CGST Act, 2017.

### Answer

A registered person shall issue an invoice in respect of goods and/or services received by him provided:

- (i) he is **liable to pay tax under reverse charge** under section 9(3) or 9(4) of the CGST Act, 2017 on such supplies, and
- (ii) **supplies are received from the supplier who is not registered** on the date of receipt of goods and/or services.

In the given case, tax on services received from advocate Sameer by Mohan Enterprise is **payable under reverse charge**.

However, **Mohan Enterprises is not required to issue an invoice** with respect to said supply as supplier Sameer is registered.

Further, tax on **labour services received from unregistered person-Shekhar is not payable under reverse charge**.

Therefore, Mohan Enterprises is not required to issue an invoice with respect to said supply.

### Question 14

Bhoj Raj, a registered person, has availed GTA services from unregistered supplier, on which he is liable to pay tax under reverse charge. He wishes to know whether he is required to issue an invoice. Please advise him discussing the relevant provisions under CGST Act and rules thereunder.

### Answer

**Bhoj Raj is required to issue an invoice with regard to the GTA services** availed by him. A registered person who is liable to pay tax under sub-section (3) or sub-section (4) of section 9 (i.e. where the recipient is liable to discharge GST on **reverse charge basis**) **shall issue an invoice in respect of goods or services or both received by him from the supplier who is not registered** on the date of receipt of goods or services or both.

### Question 15

Miss. P, a registered supplier of Rajasthan, has received the following amounts in respect of the activities undertaken by her during the month of April:

S.N.	Particulars	Amount (₹)
1	Amount received for warehousing of sugarcane	50,000
2	Commission received as business facilitator for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts	20,000
3	Amount received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex	10,000

All the transactions stated above are inter-State transactions and all amounts are exclusive of GST.

Compute the total GST payable by Miss. P for the month of April assuming the rate of GST to be 18%.

### Answer

#### Computation of value of taxable supply on which GST is to be paid by Miss. P

Particulars	IGST (₹)
Amount received for warehousing of sugarcane [Warehousing of agricultural produce is exempt from GST.]	Nil
Commission received as business facilitator [Services provided by a business facilitator to a banking company with respect to accounts only in its rural area branch are exempt from GST. In the given case since services are being provided to urban branch of the bank, they are taxable. However, the tax payable thereon is to be paid by the recipient of services i.e. banking company, under reverse charge. Hence, Miss P will not be liable to pay GST on commission received for said services.]	Nil
Amount received for services by way of labour contracts [Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt from GST. Since such services are being provided for repairing the residential unit, they are not eligible for exemption.]	1,800 [10,000 X 18%]
<b>Total IGST payable</b>	<b>1,800</b>

### Question 16

Nootan Ltd., a registered person in Indore, Madhya Pradesh, provides details of the following transactions carried out during the month of June 20XX:

S.N.	Particulars	Amount (₹)
1.	Paid remuneration to Mr. Madan, for the services rendered by him in the capacity of Director. Company deducted TDS under section 192 (Salary) and 194J (Professional or Technical services) of Income-Tax Act, 1961. Gross payments made were ₹ 8,50,000 and ₹ 11,50,000 respectively for Salary and Professional services. (Intra-State supply)	20,00,000
2.	Paid rent to Indian Railways, registered in Madhya Pradesh, for its property located in the same State, which was taken on lease by the company.	1,25,000
3.	Paid to XYZ Security Private Limited, for providing security services to its warehouses across the State. Security agency is not registered under GST.	5,35,000
4.	Paid fee to Local Municipal corporation for renewal of the company's factory License for the current financial year.	4,800

Additional Information:

- All above figures are exclusive of taxes, wherever applicable.
- Assume the rate of GST as 18%, 9% and 9% for IGST, CGST/SGST respectively.
- Turnover of Nootan Limited for the preceding financial year was ₹ 67 lakh.

You are required to compute the GST payable by Nootan Limited under Reverse Charge basis for the month of June 20XX. Reason for the treatment of each item should form part of the answers.

## Answer

## Computation of GST Payable by Nootan Limited under reverse charge

S.N.	Particulars	CGST (₹)	SGST (₹)
1.	Remuneration paid to Mr. Madan [₹ 11,50,000 × 9%] [(i) Remuneration paid to director for professional services subjected to TDS under section 194] of the Income-tax Act is outside the scope of Schedule III of the CGST Act, 2017 and tax is <b>payable under reverse charge</b> by the recipient company–Nootan Ltd.	1,03,500	1,03,500
	(ii) However, salary of ₹ 8,50,000 paid to director subjected to TDS under section 192 of the Income-tax Act is not taxable since services provided by an employee to employer in course of or in relation to his employment are outside the scope of supply in terms of Schedule III of the CGST Act, 2017. Thus, the same is <b>neither supply of goods nor supply of services</b> ]		
2.	Paid rent to Indian Railways [Tax on renting of immovable property services provided by Indian Railways is <b>not payable under reverse charge.</b> ]	Nil	Nil
3.	Security services received [Tax on security services is <b>not payable under reverse charge</b> since supplier is a body corporate.]	Nil	Nil
4.	Paid fee to Local Municipal Corporation [ <b>Exempt</b> since the consideration for the services provided by local authority does not exceed ₹ 5,000.]	Nil	Nil
	<b>Total GST payable by Nootan Ltd. under reverse charge</b>	<b>1,03,500</b>	<b>1,03,500</b>

## Question 17

Mr. Jayesh, a registered supplier of Mumbai, received the following amounts in respect of the various activities undertaken by him during the month of October.

S. N.	Particulars	Amount (₹)
(i)	Commission received as a recovery agent from a Non-Banking Finance Company (NBFC)	80,000
(ii)	Actionable claim received from normal business debtors	10,50,000
(iii)	Amount received from ABC Ltd. for performance of classical dance in one program.	1,74,500
(iv)	Business assets (old computers) given to a friend free of cost, the market value of all the computers was ₹ 51,000. No input tax credit has been availed on such computers when used for business.	No amount Charged
(v)	Consideration received for one month rent from a registered individual person for renting of residential dwelling for use as residence. [Not in personal capacity]	15,200

Details of Input services:

S. No.	Particulars	Amount (₹)
	Paid to an unregistered Goods Transport agency for various consignments of transportation of goods by road.	15,100

	(Each individual consignment in a single carriage was of less than ₹ 1,450.)	
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Notes:

- (i) All the amount stated above in both the tables are exclusive of GST, wherever applicable.
- (ii) Aggregate turnover of Mr. Jayesh in previous year was ₹ 42,00,000.

Compute the Gross value of supplies, on which GST to be paid by Mr. Jayesh for October month

### Answer

#### Computation of gross value of taxable supply on which GST is to be paid by Mr. Jayesh

Particulars	Amount (₹)
Commission received as a recovery agent from Non-Banking Financial Company [Tax is payable by NBFC under reverse charge.]	-
Actionable claim received from normal business debtors [No tax is payable as actionable claims other than specified actionable claims are covered under Schedule III, i.e. they are neither supply of goods nor supply of services.]	-
Amount received from ABC Ltd. for performance of classical dance [Taxable since consideration for classical dance performance exceeds ₹ 1,50,000.]	1,74,500
Business assets given free of cost [Not a supply as it is made without consideration and not covered in Schedule I because ITC is not availed on the same.]	-
Rent from registered individual person [Tax is payable by the registered individual person under reverse charge]	-
Services from unregistered GTA [Tax on services provided by unregistered GTA is payable under reverse charge by Mr. Jayesh being a registered person.]	<u>15,100</u>
<b>Gross value of taxable supply on which GST is to be paid by Mr. Jayesh</b>	<b>1,89,600</b>

### Composition Levy

#### Question 18

Who are not eligible to opt for composition scheme for goods under GST Laws?

### Answer

The registered **person who is not eligible for composition scheme** for goods under GST law are as under:

- (i) Supplier **engaged in making any supply** of goods or services which are **not leviable to tax**.
- (ii) Supplier **engaged in making any inter-State outward supplies** of goods or services.
- (iii) Person **supplying any services through an electronic commerce operator** who is required to collect tax at source (under section 52).
- (iv) **Manufacturer of ice cream, panmasala, tobacco, aerated waters, fly ash bricks; fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.**

- (v) Supplier who is either a **casual taxable person or a non-resident taxable person**
- (vi) **Supplier of services exceeding an amount which is higher of 10% of the turnover in a State/U.T. in the preceding financial year or ₹ 5 lakh.**

### Question 19

Explain in brief the conditions to be fulfilled by a registered person under GST law for availing the option to pay concessional tax @3% (effective rate @6%) under Section 10(2A) of GST.

### Answer

Registered person desirous of availing the option to pay concessional tax @3% (effective rate @6%) should:

- (i) **not be engaged** in making any **supply which is not leviable to tax.**
- (ii) **not be engaged in making any inter-State outward supply** of goods and/or services.
- (iii) **neither be a casual taxable person** nor a non-resident taxable person.
- (iv) **not be engaged in making any supply of services through an electronic commerce operator** who is required to collect tax at source.
- (v) **not be engaged** in making **supplies of notified goods.**
- (vi) **neither collect any tax from the recipient** nor be entitled to any input tax credit.
- (vii) **issue a bill of supply** instead of tax invoice.
- (viii) **not have the aggregate turnover** in the preceding financial year **exceeding ₹ 50 lakh.**
- (ix) not be eligible for composition scheme u/s 10(1) and 10(2).

### Question 20

Mr. Zafar of Assam, provides the following information for the preceding financial year. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not in the current financial year.

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

### Answer

**Computation of aggregate turnover of Mr. Zafar for preceding financial year for the purpose of eligibility of composition levy scheme**

Particulars	Amount in lakh (₹)
Value of taxable outward supplies [Value of all taxable supplies including inter-State supplies are includible in aggregate turnover]	50

Value of exempt supplies [Value of exempt supplies is includible in aggregate turnover. However, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, though exempt, is not includible in aggregate turnover for determining eligibility for composition scheme]	40
Value of inward supplies on which Mr. Zafar is liable to pay tax under reverse charge [Excludible from aggregate turnover]	Nil
Value of exports [Includible in aggregate turnover]	5
<b>Aggregate turnover for determining eligibility for composition scheme</b>	<b>95</b>

A registered person of Assam is eligible to opt for composition levy if his **aggregate turnover does not exceed ₹ 1.5 crore** in the preceding financial year provided, **he is not engaged in inter-State outward supplies** of goods. Therefore, in the given case, assuming that he is not engaged in making any inter-State outward supply of goods in current financial year, Mr. Zafar is **eligible to opt for composition levy for current financial year** since his aggregate turnover does not exceed ₹ 1.5 crore in preceding financial year.

### Question 21

M/s Sai Trading Company, an eligible registered dealer in goods making intra-state supplies within the state of Andhra Pradesh, has reported an aggregate turnover of ₹ 78 Lakhs in the preceding financial year.

- Determine whether Sai Trading Company will be eligible for composition levy in current financial year.
- Will your answer be different, if in the above scenario, M/s Sai Trading Company is making intra state supply within the state of Jammu and Kashmir?

### Answer

- Section 10 of CGST Act, 2017 provides that a registered person, whose **aggregate turnover in the preceding financial year did not exceed ₹1.5 crore may opt for composition scheme**. The turnover limit is **₹ 75 lakh in case of Special Category States**. However, **for Jammu and Kashmir, Assam and Himachal Pradesh, the turnover limit is ₹ 1.5 crore only**.

In the given case, the applicable **turnover limit for composition scheme will be ₹ 1.5 crore as Andhra Pradesh is not a Special Category State**.

Further, since the aggregate turnover of the registered person in the given case does not exceed ₹ 1.5 crore and it satisfies other conditions of composition scheme namely, **not making inter-State supplies of goods, it is eligible for composition levy**.

- Since the turnover limit for determining the eligibility for composition scheme in the State of Jammu and Kashmir is also ₹ 1.5 crore, **Sai Trading Company will be eligible for composition levy with other condition of not making inter-State supplies** of goods being fulfilled.

### Question 22

Sultan & Sons, a partnership firm, based in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification, only within the State of Maharashtra. Its aggregate turnover in the preceding financial year is ₹ 130 lakh. The firm wishes to opt for composition scheme under sub-sections

(1) & (2) of section 10 in the current financial year. However, its accountant is of the view that a person engaged in making supply of exempt goods is not eligible for the said scheme. Discuss.

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

### **Answer**

The view taken by the accountant of Sultan & Sons is **not valid in law**. A registered person with an **aggregate turnover in a preceding financial year up to ₹ 1.5 crore** is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Further, such person **must not be engaged in making any supply of goods or services which are not leviable to tax** under this Act and **must not be engaged in making any inter-State outward supplies of goods or services**, for being eligible to pay tax under said scheme.

In the given case, the aggregate turnover of Sultan & Sons does not exceed ₹ 1.5 crore. Further, it is engaged in making only intra-State supply of goods and Product P supplied by it is taxable and Product Q supplied by it is leviable to tax, though exempted by way of notification. Therefore, it is **eligible for composition levy under section 10(1) & 10(2) in the current year**.

### **Question 23**

Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2), provided their turnover in preceding year does not exceed ₹ 1.5 crore:

- (i) Mohan Enterprises is engaged only in trading of pan masala in Rajasthan & is registered in same State.
- (ii) Sugam Manufacturers has registered offices in Punjab and Haryana and sells goods manufactured by it in the neighbouring States.

### **Answer**

- (i) A **supplier engaged in the manufacture of goods as notified** under section 10(2)(e), **during the preceding FY is not eligible for composition scheme** under section 10(1) and 10(2). **Ice cream** and other edible ice, whether or not containing **cocoa, Pan masala, Tobacco and manufactured tobacco substitutes, aerated waters, fly ash** bricks, fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building **bricks, earthen or roofing tiles** are notified under this category. However, in the given case, since Mohan Enterprises is **engaged in trading of pan masala and not manufacture and his turnover does not exceed ₹ 1.5 crore**, he is **eligible for composition scheme** subject to fulfilment of specified conditions.
- (ii) Since **supplier of inter-State outward supplies** of goods or services is **not eligible for composition levy**, Sugam Manufacturers is not eligible for composition levy.

### **Question 24**

Briefly discuss the relevant provision, decide the correct conclusion and determine the validity of the given advice (Correct/Incorrect)

Raju is engaged in the manufacture of 'Fly ash Bricks' in the State of Kerala. He started his activity in the month of April 20XX and deals only in intra-State. His tax consultant advised him to register under composition levy under GST as Raju's turnover is expected to be below ₹ 1.5 crore for the said financial year.

### **Answer**

A registered person whose **aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore** in a State/UT may opt for composition scheme subject to fulfilment of specified conditions.

One of conditions is he **must not be engaged in the manufacture of notified goods** including fly ash bricks

Therefore, in the given case, since **Raju is engaged in manufacture of fly ash bricks, he cannot opt for composition levy** even though his aggregate turnover in the preceding financial year is nil.

Thus, the advice given by his tax consultant is **not correct**.

### Question 25

Swaminathan started the business of supplying shoes in State of Kerala from 1<sup>st</sup> April. He makes only intra-State supplies. His turnover for April - June quarter was ₹ 20 lakh and for July - September quarter was ₹ 100 lakh. Further, one-fourth of his total turnover in each of quarters was exempt from GST. Being eligible for composition scheme, He got himself registered under composition scheme with effect from 1<sup>st</sup> July.

You are required to compute the tax payable by Swaminathan under composition scheme assuming that he is a manufacturer. Will your answer be different if Swaminathan is trader.

### Answer

A registered person opting for composition levy for goods pays tax at the rates mentioned below during the current FY, in lieu of the tax payable by him under regular scheme:

Manufacturers, other than manufacturers of notified goods	<b>1% (<math>\frac{1}{2}\%</math> CGST + <math>\frac{1}{2}\%</math> SGST/UTGST) of the turnover in the State/Union territory</b>
Trader	<b>1% (<math>\frac{1}{2}\%</math> CGST + <math>\frac{1}{2}\%</math> SGST/UTGST) of turnover of taxable supplies of goods &amp; services in the State/Union territory</b>

Turnover prior to obtaining registration will not be considered for determining the turnover in a State/Union Territory. Tax payable by Swaminathan under composition scheme is as follows:

$$\text{CGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

$$\text{SGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

In case where Swaminathan is a trader, tax payable by him under composition scheme will be as follows:

$$\text{CGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$

$$\text{SGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$

### Question 26

- (a) Chanchal started providing beauty and grooming services and inaugurated “Care & Care Beauty Centre” in Janak Puri, Delhi on 01<sup>st</sup> April, 20XX. She opted to pay tax under section 10(2A).

The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30<sup>th</sup> June, 20XX was ₹ 20 lakh. Further, for the half year ending 30<sup>th</sup> September, 20XX, the turnover reached ₹ 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹ 70 lakh by the end of October, 20XX. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 20XX.

- (b) Care & Care Beauty Centre wishes to opt for composition scheme u/s 10(1) and 10(2) from the next financial year. You are required to advise it whether it can do so?

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

**Answer**

- (a) Section 10(2A) provides an **option to a registered person to pay CGST @ 3%** [Effective rate 6% (CGST+ SGST/UTGST)] on first supplies of goods and/or services **upto an aggregate turnover of ₹ 50 lakh made on/after 1<sup>st</sup> April in any financial year**, subject to specified conditions.

It is clarified in the notification that first supplies of goods or services or both shall, for the purposes of determining eligibility of a person to pay tax under this notification, include supplies from 1<sup>st</sup> April of a FY to the date from which he becomes liable for registration under the said Act, **but for the purpose of determination of tax payable under this notification, shall not include supplies from first day of April of a financial year to the date from which he becomes liable for registration under the Act.**

Thus, Care & Care Beauty Centre is eligible to pay tax under Section 10(2A) upto the turnover of ₹ 50 lakh. The **total tax payable** by it is as under:

Period	Tax Rate	Turnover (₹)	Tax liability (₹)
I Quarter	Since turnover did not exceed ₹ 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	20 Lakh	Nil
II Quarter	Effective rate is 6% (CGST+SGST/UTGST)] under Section 10(2A)	30 Lakh [(50-20) lakh]	1,80,000
For the month of October, 20XX	Normal rate of GST of 18% is to be applied	20 Lakh [(70-50) lakh]	3,60,000
<b>Total tax payable</b>			<b>5,40,000</b>

- (b) **No, Care & Care Beauty Centre cannot opt for composition scheme from the next financial year.** Fundamentally, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. As regards services other than restaurant services are concerned, only marginal supply of the such services for a specified value along with the supply of goods and/or restaurant service, as the case may be, is permitted under section 10(1) of CGST Act, 2017. **Therefore, a person engaged exclusively in supply of services other than restaurant services is not eligible to opt for composition scheme.**

**Question 27**

“Wedding Bells”, a photographer, has commenced providing pre-wedding shoot service in Jaipur from start of current financial year. It has provided following details of turnover for various quarters till December:

S. N.	Quarter	Amount (₹ in lakh)
1	April-June	20
2	July-September	30
3	October-December	40

You may assume the applicable tax rate as 18%. Wedding Bells wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter?

**Answer**

**Section 10(2A) of the CGST Act, 2017 provides the turnover limit of ₹ 50 lakh in the preceding**

**financial year for becoming eligible for composition levy for services.** Wedding Bells has started the supply of services in the current financial year (FY), thus, **it's aggregate turnover in the preceding FY is Nil.** Consequently, in the current FY, Wedding Bells is **eligible for composition scheme for services.** A registered person opting for composition levy for services **shall pay tax @ 3% [Effective rate 6% (CGST+SGST/UTGST)]** of the turnover of supplies of goods and services in the State.

Further, Wedding Bells **becomes eligible for the registration when the aggregate turnover exceeds ₹ 20 lakh** (the threshold limit of obtaining registration). **While registering under GST, Wedding Bells can opt for composition scheme for services.**

The option of a registered person to avail composition scheme for services shall **lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of ₹ 50 lakh.**

However, for the purposes of determining the tax payable under composition scheme, the expression **"turnover in State" shall not include the value of supplies from the first day of April of a FY up to the date when such person becomes liable for registration** under this Act.

Thus, for determining the turnover of the State for payment of tax under composition scheme for services, turnover of April–June quarter [₹ 20 lakh] shall be excluded. On next ₹ 30 lakh [turnover of July–September quarter], it shall pay tax @ 6% [3% CGST and 3% SGST].

For the purposes of computing aggregate turnover of a registered person for determining his eligibility to pay tax under this section, aggregate turnover includes value of supplies from the 1<sup>st</sup> April of a FY up to the date of his becoming liable for registration.

Thus, while computing aggregate turnover for determining Wedding Bells's eligibility to pay tax under composition scheme, value of supplies from the first day of April of a financial year up to the date when it becomes liable for registration under this Act (i.e. turnover of April– June quarter), are included.

By the end of July– September quarter, the aggregate turnover reaches ₹ 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July– September quarter and thereafter, it is required to pay tax at the normal rate of 18%.

Considering the above provisions, the tax payable for each quarter is as under:

S.N.	Quarter	GST rate [CGST + SGST]	Turnover (₹ in lakh)	GST payable (₹ in lakh)
1	April – June	-	20	-
2	July– September	6%	30	1.8
3	October– December	18%	40	7.2

## Question 28

M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Its aggregate turnover in the preceding financial year by way of supply of appliances is ₹ 120 lakh.

The firm also expects to provide repair & maintenance service of such appliances from current financial year.

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

- Whether the firm can opt for the composition scheme, under section 10(1) and 10(2), for the current financial year, as the turnover may include supply of both goods and services?
- If yes, up to what amount, the services can be supplied?

## Answer

- (i) The registered person, whose **aggregate turnover in the preceding financial year does not exceed ₹ 1.5 crore**, may opt to pay tax under composition levy, under section 10(1) and 10(2).

The scheme can be availed by an intra-State supplier of goods and supplier of restaurant service.

However, the composition scheme permits supply of marginal services (other than restaurant services) for a specified value along with the supply of goods and restaurant service, as the case may be.

Thus, M/s United Electronics **can opt for composition scheme for the current financial year as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is not engaged in inter-State outward supplies.**

- (ii) The registered person opting for composition scheme, under section 10(1) and 10(2), **can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher**, in the current financial year.

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

## Question 29

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

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme under section 10(1) & 10(2) for the current financial year? Or whether he is eligible to avail benefit of composition scheme under section 10(2A)? Considering the option of payment of tax available to Mr. Ajay, compute the amount of total tax payable by him in the current F.Y. assuming that his aggregate turnover in the current financial year is ₹ 35 lakh.

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

## Answer

Section 10(1) provides that a registered person, whose **aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore** (₹ 75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, as per proviso to section 10(1), **person who opts to pay tax under composition scheme may supply services other than restaurant services, of value not exceeding 10% of the turnover in a State or Union territory in the preceding financial year or ₹ 5 lakh, whichever is higher.**

In the given case, since Mr. Ajay is an **exclusive supplier of services other than restaurant services** [viz. repair services], he is **not eligible for composition scheme** under section 10(1) & 10(2).

However, section 10(2A) provides an option to a registered person (subject to certain conditions) whose **aggregate turnover in the preceding financial year is upto ₹ 50 lakh** and who is **not eligible to pay tax under composition scheme under section 10(1) & 10(2), to pay tax @ 3%** [Effective rate 6% (CGST+SGST/UTGST)] of the turnover of supplies of goods and services in the State or Union territory.

Thus, in view of the above-mentioned provisions, Mr. Ajay is **eligible to avail the composition scheme under section 10(2A)** as his aggregate turnover in the preceding FY does not exceed ₹ 50 lakh and he is not eligible to opt for the composition scheme under section 10(1) & 10(2).

Thus, the **amount of tax payable** by him as per the composition scheme under section 10(2A) is **₹ 2,10,000 [6% of ₹ 35 lakh]**.

A registered person cannot opt for composition scheme under section 10(2A), if, inter alia, he is engaged in making any inter-State outward supplies. However, there is **no restriction on inter-State procurement of goods**. Hence, **answer will remain the same** even if Mr. Ajay procures few items from neighboring State of Madhya Pradesh.

### Question 30

M/s. T is a registered dealer of Andhra Pradesh trading in different types of machinery and its related different types of services. Their aggregate turnover for preceding financial year for sale of machinery was ₹ 1.32 crores, it was first year so they had not started for providing service related to machinery. From current financial year they are planning to provide repair and maintenance service of ₹ 6.25 lakh for which they have to purchase some raw material of ₹ 5 lakh from other State (till date they are purchasing within State only).

From the information given above, examine whether M/s. T can opt for composition scheme under Section 10(1), 10(2A) or 10(2) of the CGST Act, 2017 for current financial year?

### Answer

A registered person is **eligible to opt for composition scheme for goods** in the current financial year (FY) provided his **aggregate turnover does not exceed ₹ 1.50 crore** [other than in specified Special Category States] in the preceding FY.

Since aggregate turnover of M/s. T in the preceding FY does not exceed ₹ 1.5 crore, he is **eligible for composition scheme** for goods under section 10(1) and 10(2) of the CGST Act, 2017 in the current FY.

As per section 10(2A) of the CGST Act, 2017, a registered person who is eligible to pay tax under section 10(1) and (2) is not eligible for opting for composition under section 10(2A) of the CGST Act, 2017.

As per section 10(2A) of the CGST Act, 2017, **person engaged in the supply of service is eligible for composition scheme for payment of tax @ 3% CGST and 3% SGST provided his aggregate turnover does not exceed ₹ 50 lakh in the preceding FY.**

Since **turnover of previous year is ₹ 1.32 crore** and firm is not exclusively dealing in the service **and eligible for the composition scheme under section 10(1) and (2). M/s T cannot opt for composition scheme under section 10(2A)** of the CGST Act, 2017 for current FY.

A person who opts to pay tax under composition scheme under section 10(1) and 10(2) of the CGST Act, 2017 is also permitted to supply services [other than restaurant services] upto a value not exceeding:

- (a) 10% of the turnover in a State/U.T. in the preceding financial year, or
- (b) ₹ 5 lakh, whichever is higher.

Thus, **M/s T is permitted to supply services upto a value of ₹ 13,20,000** i.e. 10% of ₹ 1.32 crores, in current FY.

Further, there is **no restriction on composition supplier to receive inter- State inward supplies of goods or services**.

Thus, it can be concluded that **M/s T can opt for composition scheme** under section 10(1) and 10(2) of the CGST Act, 2017 for current FY.

**Question 31**

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

**Answer**

A registered person with an **aggregate turnover in a preceding financial year up to ₹ 1.5 crore is eligible for composition levy**, under section 10(1) & 10(2), in Delhi. Since the **aggregate turnover** of Subramanian Enterprises does **not exceed ₹ 1.5 crore, it is eligible for composition levy** in the current year. However, **all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme**. If one such registered person opts for normal scheme, others become ineligible for composition scheme. Thus, **Subramanian Enterprises either have to opt for composition levy for both the places of business or under normal levy for both the places of business**.

**Question 32**

M/s. Handsome and Likemi Company, a partnership firm at Mumbai is running a mobile phone showroom. Along with mobile phone showroom, it is also engaged in providing health and fitness services. Turnover of the mobile phone showroom was ₹ 78 lakh and receipts of the health and fitness service was ₹ 26 lakh in the preceding financial year.

- (i) With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?
- (ii) Will your answer change, if the turnover of the mobile phone showroom was ₹ 74 lakh and receipts of the health and fitness service was ₹ 18 lakh in the preceding financial year?
- (iii) If M/s. Handsome and Likemi Company obtain separate registration for their mobile phone showroom & for health fitness centre, can it opt for composition scheme only for mobile phone showroom?

**Answer**

A registered person, whose **aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore** [₹ 75 lakh in case of special category States except Assam, Jammu and Kashmir and Uttarakhand], **may opt for composition scheme** vide section 10 of CGST Act, 2017.

However, he shall **not be eligible** to opt for composition scheme if, inter alia, **he is engaged in the supply of services other than restaurant services**.

- (i) In the given case, since M/s Handsome and Likemi Company is **engaged in supply of health and fitness** service, it is **not eligible to opt for composition scheme** irrespective of its turnover in the preceding financial year.
- (ii) The answer will remain the same i.e., M/s. Handsome & Likemi Company will **not be eligible to opt for composition scheme even with the change** in the turnovers.
- (iii) Where more than one registered persons are having the same Permanent Account Number, the registered person **shall not be eligible to opt for composition scheme unless all such registered persons opt to pay tax under composition scheme**.

Therefore, M/s. Handsome and Likemi Company will **not be able to opt for composition scheme**

**only for mobile phone showroom** as all the registrations under the same PAN have to opt for composition scheme and **since the supply of health and fitness service is ineligible** for composition scheme, supply of mobile phones too becomes ineligible for composition scheme.

### Question 33

A person availing composition scheme, under sub-sections (1) & (2) of section 10, in Haryana during a financial year crosses the turnover of ₹ 1.5 crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31<sup>st</sup> March? Please advise.

### Answer

**No.** The **option** to pay tax under composition scheme **lapses immediately from the day on which the aggregate turnover** of the person availing composition scheme under section 10(1) during the financial year **exceeds the specified limit** (₹ 1.5 crore). Once he crosses threshold, he is **required to file an intimation for withdrawal from the scheme in prescribed form within 7 days** of the occurrence of such event.

Every person who has furnished such an intimation, may electronically furnish at the common portal, a **statement in prescribed form containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock** by him on the date on which the option is withdrawn, **within a period of 30 days from the date from which the option is withdrawn.**

# CHAPTER - 5

## Time of Supply

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### Basics of Time of Supply

#### Question 1

Explain the significance of time of supply under GST law.

#### Answer

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

#### Question 2

Explain the meaning of the term "date of receipt of payment" as per section 13 of the CGST Act, 2017.

#### Answer

"Date of receipt of payment" in terms of section 13 of CGST Act, 2017 refers to the

- (a) date on which the **payment is recorded in the books of account** of the entity (supplier of service) that receives the payment, or
- (b) the date on which the payment is **credited to the entity's bank account, whichever is earlier.**

### Time Limit for Issuance of Invoice in case of Supply of Goods

#### Question 3

Sultan Industries Ltd., Delhi, entered into a contract with Prakash Entrepreneurs, Delhi, for supply of spare parts of a machine on 7<sup>th</sup> September. The spare parts were to be delivered on 30<sup>th</sup> September. Sultan Industries Ltd. removed the finished spare parts from its factory on 29<sup>th</sup> September for supply to Prakash Entrepreneurs. Determine date by which tax invoice must be issued by Sultan Industries Ltd. under GST law.

#### Answer

As per the provisions of section 31, **invoice shall be issued before or at the time of removal of goods for supply to the recipient**, where the supply involves movement of goods. Accordingly, in the given case, the **tax invoice must be issued on or before 29<sup>th</sup> September.**

#### Question 4

Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods and the delivery shall be made on or before 31<sup>st</sup> October. The goods were removed from the factory at Kolkata on 11<sup>th</sup> October for supply to Suraj Enterprises. As per the agreement, the goods were to be delivered on or before 31<sup>st</sup> October. Suraj Enterprises has received the goods on 14<sup>th</sup> October. Determine the time of issue of invoice as per the provisions of CGST Act.

**Answer**

A registered person supplying taxable goods **shall issue a tax invoice, before or at the time of removal of goods for supply** to the recipient, where the supply involves movement of goods.

Therefore, in given case, invoice has to be issued on or before, **11<sup>th</sup> October (the time of removal of goods)**.

**Question 5**

M/s. Xing Trans of Kolkata is engaged in the trading of transmitters. On 20.05.20XX, M/s. Xing Trans has sent 500 units of transmitters for exhibition at Chennai on sale or return basis. Out of the said 500 units, 300 units have been sold on 28.07.20XX at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25.11.20XX and balance 50 units have neither been sold nor brought back.

Explain the provisions under GST law relating to issue of invoices with exact dates on which tax invoices need to be issued by M/s. Xing Trans.

**Answer**

Where the **goods being sent for sale or return are removed before the supply takes place, the tax invoice shall be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier.**

In the given case, 500 units of transmitters have been sent for exhibition on sale or return basis out of which 300 units are sold before 6 months from the date of removal. **Thus, tax invoice for said 300 units needs to be issued before or at the time of supply of such goods, i.e. upto 28.07.20XX.**

Remaining 200 (150+ 50) units have neither been sold nor brought back till expiry of 6 months from date of removal goods, i.e. 20.11.20XX. Thus, **tax invoice for said 200 units needs to be issued upto 20.11.20XX.**

**Time of Supply in case of Supply of Goods****Question 6**

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

Do you agree with the statement? Support your answer with legal provisions

**Answer**

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

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

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

Thus, **in case of services, if the supplier receives any payment before the provision of service or before the issuance of invoice for such service, the time of supply gets fixed at that point in time** and the

liability to pay tax on such payment arises. However, the tax can be paid by the due date prescribed with reference to such time of supply.

As regards **time of supply of goods** taxable under forward charge is concerned, A **registered person (excluding composition supplier and registered persons making supply of specified actionable claims) 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. Therefore, in case of goods, **tax is not payable on receipt of advance payment.**

### Question 7

Mansh & Vansh Trading Company, a registered supplier, is liable to pay GST under forward charge. Determine the time of supply of goods for the purpose of payment of tax based on below information:

- (i) Goods were supplied on 3<sup>rd</sup> October
- (ii) Invoice was issued on 5<sup>th</sup> October
- (iii) Payment received on 9<sup>th</sup> October

### Answer

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

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

However, **since the invoice has not been issued within the prescribed time, the time of supply** for the purpose of payment of tax **will be last date on which the invoice is required to be issued i.e., 3<sup>rd</sup> October.**

### Question 8

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

### Answer

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

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

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

### Question 9

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

What is the time of supply of the shoes for the purpose of payment of tax?

### Answer

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

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

### Question 10

A machine has to be supplied at site. It is done by sourcing various components from vendors and assembling the machine at site. The details of the various events are:

17 <sup>th</sup> September	Purchase order with advance of ₹ 50,000 is received for machine worth ₹ 12 lakh and entry duly made in the seller's books of account
20 <sup>th</sup> October	The machine is assembled, tested at site, and accepted by buyer
23 <sup>rd</sup> October	Invoice raised
4 <sup>th</sup> November	Balance payment of ₹ 11,50,000 received

Determine the time of supply in the above scenario for the purpose of payment of tax.

### Answer

As per Notification No. 66/2017 CT dated 15.11.2017, a **registered person (excluding composition supplier and registered persons making supply of specified actionable claims) 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.

Therefore, the **time of supply for the purpose of payment of tax for the entire amount of ₹ 12,00,000 is 20<sup>th</sup> October which is the date on which the goods were made** available to the recipient as per section 31(1)(b), and the invoice should have been issued by this date [Section 12(2)(a)].

### Question 11

Gas is supplied by a pipeline to the recipient. The supply is to be made for a period of one year. Monthly payments are to be made by the recipient as per the contract. The details of the payment made are:

July 5, August 5, September 5	Payments of ₹ 2 lakh made in each month
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Determine the time of supply for the purpose of payment of tax.

**Answer**

As per Notification No. 66/2017 CT dated 15.11.2017, a **registered person (excluding composition supplier and registered persons making supply of specified actionable claims) 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, **invoices should be issued for ₹ 2 lakh each on or before July 5, August 5 and September 5, when monthly payments of ₹ 2 lakh are received.**

Thus, assuming that the invoice is issued on July 5, August 5 and September 5, time of supply for the purpose of payment of tax will be July 5, August 5 and September 5 respectively for goods valued at ₹ 2 lakh each.

**Question 12**

Determine the time of supply from the given information.

May 4	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**

Here, **May 12 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)]. (Here, date of invoice is relevant only for calculating thirty days from that date.)

**Question 13**

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, 31<sup>st</sup> 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)].

**Question 14**

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

S. N.	Date of receipt of goods	Date of payment by the recipient of goods	Date of issue of invoice by the supplier of goods
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(i)	July 1	August 10	June 29
(ii)	July 1	June 25	June 29
(iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29
(iv)	July 5	Payment is entered in books of account on June 28 and debited in recipient's bank account on June 30	June 1
(v)	July 1	Payment is entered in books of account on June 30 and debited in recipient's bank account on June 26	June 29
(vi)	August 1	August 10	June 29

**Answer**

S. N.	Date of receipt of goods	Date of payment by the recipient of goods	Date of issue of invoice by the supplier of goods	Date immediately following 30 days from the date of invoice	Time of supply of goods [Earlier of (1), (2) & (4)]
	(1)	(2)	(3)	(4)	(5)
(i)	July 1	August 10	June 29	July 30	July 1
(ii)	July 1	June 25	June 29	July 30	June 25
(iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29	July 30	June 30 for part payment made & July 1 for balance amount
(iv)	July 5	Payment is entered in books of account on June 28 and debited in recipient's bank account on June 30	June 1	July 2	June 28 (i.e., when payment is entered in the books of account of the recipient)
(v)	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29	July 30	June 26 (i.e., when payment is debited in the recipient's bank account)
(vi)	August 1	August 10	June 29	July 30	July 30 (i.e., 31 <sup>st</sup> day from issue of invoice)

**Time Limit for Issuance of Invoice in case of Supply of Services****Question 15**

Trust and Fun Ltd., an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5<sup>th</sup> June. Payment for the event was made on 19<sup>th</sup> June. Determine the time of issue of invoice as per the provisions of CGST Act.

**Answer**

A registered person [other than an insurer/banking company/financial institution, including an NBFC] supplying taxable services **shall issue a tax invoice before or after the provision of service, but within a period of 30 days from the date of supply of service.**

Thus, in the given case, **invoice has to be issued within 30 days of 5<sup>th</sup> June (date of supply of service), i.e. on or before, 5<sup>th</sup> July.**

### Question 16

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 terms of contract. When should MBM Caretakers issue the invoice for the services rendered?

### Answer

**Continuous supply of service means**, inter alia, supply of any service which is provided, or agreed to be provided continuously or on recurrent basis, **under a contract, for a period exceeding 3 months** with the periodic payment obligations.

Therefore, the given situation is a case of continuous supply of service as repair and maintenance services have been provided by MBM Caretakers on a quarterly basis, under a contract, for a period of one year with the obligation for quarterly payment.

In terms of section 31, in **case of continuous supply of service, where due date of payment is ascertainable from the contract (as in the given case), invoice shall be issued on or before the due date of payment.**

Therefore, in the given case, **MBM Caretakers should issue quarterly invoices on or before April 1, July 1, October 1, and January 1.**

### Question 17

Mr. Lakhan provides Continuous Supply of Services (CSS) to M/s. TNB Limited. He furnishes following further information:

(i)	Date of commencement of providing CSS	1 <sup>st</sup> May
(ii)	Date of completion of providing CSS	31 <sup>st</sup> August
(iii)	Date of receipt of payment by Mr. Lakhan	30 <sup>th</sup> October

Determine the time of issue of invoice as per provisions of CGST Act, 2017, in the following circumstances:

- (i) If no due date for payment is agreed upon by both under the contract of CSS.
- (ii) If payment is linked to the completion of service.
- (iii) If M/s. TNB Limited has to make payment on 25<sup>th</sup> October as per the contract between them

### Answer

- (i) Where the **due date of payment is not ascertainable from the contract**, the invoice shall be issued before or at the time when the supplier of service receives the payment.

Thus, in the given case, **the invoice should be issued on or before 30<sup>th</sup> October** (date of receipt of payment by Mr. Lakhan).

- (ii) **If payment is linked to the completion of an event, the invoice should be issued on or before the date of completion of that event.**

Since in the given case payment is linked to the completion of service, invoice should be issued on or before 31<sup>st</sup> August (date of completion of service).

- (iii) **Where the due date of payment is ascertainable from the contract, the invoice should be issued on or before the due date of payment.**

If M/s. TNB Limited has to make payment on 25<sup>th</sup> October as per the contract between them, the invoice should be issued on or before 25<sup>th</sup> October.

## **Time of Supply in case of Supply of Services**

### **Question 18**

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

### **Answer**

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

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

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

### **Question 19**

Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4<sup>th</sup> and 5<sup>th</sup> September but could not raise invoice till 19<sup>th</sup> 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**

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

### **Question 20**

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

- (1) The provision of service was completed on 1<sup>st</sup> August and payment was received on 28<sup>th</sup> September.

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

### Answer

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

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

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

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

### Question 21

Determine the time of supply from the following particulars:

6 <sup>th</sup> May	Booking of convention hall, sum agreed ₹ 15000, advance of ₹ 3000 received
15 <sup>th</sup> September	Function held in convention hall
27 <sup>th</sup> October	Tax invoice issued for ₹ 15000, indicating balance of ₹ 12000 payable
3 <sup>rd</sup> November	Balance payment of ₹ 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 ₹ 3,000 is 6<sup>th</sup> May** as the date of payment of ₹ 3000 is earlier than the date of provision of service. The time of supply of service to the extent of the balance ₹ 12,000 is 15<sup>th</sup> September which is the date of provision of service.

### Question 22

CBIC has issued a recent clarification on Time of Supply in respect of supply of services of construction of road and maintenance thereof of National Highway Projects of National Highway Authority of India (NHAI) in Hybrid Annuity Mode (HAM) model. Briefly discuss the said clarification.

**Answer**

Since in HAM model of NHAI, periodical payments are **spread over the contract period** in the form of installments, it is a '**continuous supply of services**'.

It has been clarified by CBIC vide a circular that the time of supply of services under HAM contract, including construction and operation and maintenance portion, should be:

- (I) in case **where the invoice is issued on or before the specified date** (due date of payment) or the date of completion of the event specified in the contract, as applicable:
- (a) **date of issuance of invoice** or
  - (b) **date of receipt of payment** whichever is **earlier**.
- (II) in case **where invoices are not issued on or before the specified date** (due date of payment) or the date of completion of the event specified in the contract:
- (a) **date of provision of the said service** (i.e., the **due date of payment** as per the contract) or
  - (b) **date of receipt of the payment** whichever is **earlier**.

**Question 23**

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 its books of account.

**Answer**

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.**

Thus, **time of supply will be 4<sup>th</sup> April**, the date on which the Apartment Owners' Association records the receipt of service in its books of account.

**Question 24**

Determine the time of supply from the given information. (Assume that service being supplied is taxable under reverse charge)

May 4	The supplier of service issues invoice for service provided. There is a dispute about amount payable, and payment is delayed.
August 21	Payment made to the supplier of service

**Answer**

Here, **July 4 will be the time of supply**, being the earlier of the two stipulated dates namely, date of payment and the date immediately following 60 days from the date of issue of invoice.

**Question 25**

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

S. N.	Date of payment by the recipient for supply of services	Date of issue of invoice by the supplier of services
(i)	August 10	June 29
(ii)	August 10	June 1
(iii)	Part payment made on June 30 and balance amount paid on September 1	June 29
(iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1
(v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29

**Answer**

S. N.	Date of payment by the recipient for supply of services	Date of issue of invoice by the supplier of services	Date immediately following 60 days from invoice	Time of supply of goods [Earlier of (1) & (3)]
	(1)	(2)	(3)	
(i)	August 10	June 29	August 29	August 10
(ii)	August 10	June 1	August 1	August 1
(iii)	Part payment made on June 30 and balance amount paid on September 1	June 29	August 29	June 30 for part payment and August 29 for balance amount
(iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1	August 1	June 28 (i.e. when payment is entered in the books of account of the recipient)
(v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29	August 29	June 26 (i.e. when payment is debited in the recipient's bank account)

**Question 26**

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

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

**Answer**

**Time of supply of service taxable under reverse charge is the earlier of the following three dates:**

- **Date of payment**
- **61<sup>st</sup> day from the date of issue of invoice**, in cases where invoice is required to be issued by supplier
- **Date of issue of invoice by recipient**, in cases where invoice is to be issued by recipient

In this case, Supplier (i.e. transporter) is registered under GST so supplier is required to issue invoice. Since the date of payment precedes 61<sup>st</sup> day from the date of issue of invoice by the supplier of service. Hence, the **date of payment, i.e. 17<sup>th</sup> June, will be treated as the time of supply** of service

### Question 27

A firm of advocates issues invoice for services to ABC Ltd. on 17<sup>th</sup> 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 3<sup>rd</sup> November.

Identify the time of supply of the legal services.

### Answer

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

- **Date of payment** [3<sup>rd</sup> November]
- **61<sup>st</sup> day from the date of issue of invoice**, in cases where invoice is required to be issued by supplier [19<sup>th</sup> April]
- **Date of issue of invoice by recipient**, in cases where invoice is to be issued by recipient [NA]

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

### Question 28

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

Determine the following:

- Person liable to pay GST
- Time of supply of service

### Answer

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

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

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

earlier of the following:

- **Date of payment as entered in the books** of account of the recipient (18<sup>th</sup> April) or the **date on which the payment is debited in his bank** account (20<sup>th</sup> April), whichever is earlier;
- **61<sup>st</sup> day from the date of issue of invoice**, in cases where invoice is required to be issued by supplier, i.e. 9<sup>th</sup> April.
- **Date of issue of invoice by recipient**, in cases where invoice is to be issued by recipient [NA]

Thus, time of supply of service is **9<sup>th</sup> April**.

## Question 29

Mr. Muttswami, an electronics dealer registered in Bangalore, Karnataka hired M/s Parivahan Logistics, an unregistered Good Transport Agency (GTA), to deliver his goods at the place of business of customer in Jaipur, Rajasthan. M/s Parivahan Logistics charged ₹ 60,000 for the transportation of goods, which was paid by Muttswami on 4th January through account payee cheque. The delivery was also made on the same day.

M/s Parivahan Logistics did not raise the tax invoice for these services, since it was unregistered.

In this case, you are required to determine:

- Person liable to issue the tax invoice
- Time limit for issuance of the tax invoice
- Time of supply of transportation services provided by GTA, assuming that tax invoice is issued on the last day on which it should have been issued.

## Answer

Supply of services by a Goods Transport Agency (GTA) in respect of transportation of goods by road to any person registered under the GST is taxable under reverse charge mechanism in terms of section 9(3) of the CGST Act, 2017. Thus, Mr. Muttswami, being the registered recipient is liable to pay tax under reverse charge mechanism in respect of services received from unregistered GTA.

### (i) Person liable to issue the tax invoice

As per section 31(3)(f) of the CGST Act, 2017, **a registered person who is liable to pay tax under reverse charge mechanism** under section 9(3)/9(4), shall within the period as may be prescribed **issue an invoice** in respect of goods or services or both **received by him from the supplier who is not registered** on the date of receipt of goods or services or both.

Since, **M/s Parivahan Logistics is an unregistered GTA, Mr. Muttswami**, being liable to pay the tax under reverse charge mechanism under section 9(3) **is required to issue the tax invoice**.

### (ii) Time limit for issuance of the tax invoice

Rule 47A of the CGST Rules, 2017 provides that where an invoice referred to in rule 46 is required to be issued under section 31(3)(f) by a registered person, who is liable to pay tax under section 9(3)/9(4), he **shall issue the said invoice within a period of 30 days from the date of receipt of the said supply of goods and/or services**, as the case may be.

Thus, Mr. Muttswami is **required to issue a tax invoice till 3<sup>rd</sup> February** (i.e. within 30 days of receipt of services).

### (iii) Time of supply of transportation services supplied by GTA.

As per section 13(3) of the CGST Act, 2017, in case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, **time of supply shall be the earlier of the following** dates, namely:

- (a) **the date of payment** as entered in the books of account of the recipient or the **date on which the payment is debited in his bank** account, whichever is **earlier**; or
- (b) the **date immediately following sixty days from the date of issue of invoice** or any other document, by whatever name called, in lieu thereof by the supplier, in cases where **invoice is required to be issued by the supplier**, or
- (c) the **date of issue of invoice by the recipient**, in cases **where invoice is to be issued by the recipient**.

Since, in this case the reverse charge mechanism is applicable on receipt of services provided by GTA and invoice is issued by recipient, **time of supply** would be **earliest of the following date**:

- (a) Date of payment i.e. **4<sup>th</sup> January**
- (b) The date of issue of invoice by the recipient i.e. **3<sup>rd</sup> February**.

So, the time of supply in this case will be **4<sup>th</sup> January**.

### Question 30

Know & Grow Publishers, a registered dealer in India, paid an advance of ₹ 50,000 to Mr. Ganatra, an author (Registered under GST), for the copyright covered under Section 13(1)(a) of the Copyright Act, 1957, of his original literary work on 05.09.20XX. It made the balance payment of ₹ 1,50,000 on 12.12.20XX. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on:

- (i) 06.10.20XX, or
- (ii) 17.12.20XX

### Answer

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

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

- (a) **Date of payment** as entered in the books of account of the recipient or date on which payment is debited from the bank account, whichever is earlier, or
  - (b) **61<sup>st</sup> day from date of issue of invoice**, in cases where invoice is required to be issued by supplier, or
  - (c) **Date of issue of invoice by recipient**, in cases where invoice is to be issued by recipient
- (i) If the invoice is issued on 06.10.20XX, time of supply is as under:
    - For the payment of ₹ 50,000: 05.09.20XX [earlier of date of payment and 61<sup>st</sup> day from date of issue of invoice]
    - For the payment of ₹ 1,50,000: 06.12.20XX [earlier of date of payment and 61<sup>st</sup> day from date of issue of invoice]
  - (ii) If the invoice is issued on 17.12.20XX, time of supply is as under:
    - For the payment of ₹ 50,000: 05.09.20XX [earlier of date of payment and 61<sup>st</sup> day from date of issue of invoice]

- For the payment of ₹ 1,50,000: 12.12.20XX [earlier of date of payment and 61<sup>st</sup> day from date of issue of invoice]

### Question 31

Royal Sweet Co., Delhi, a registered supplier, has furnished the details of the following few transactions which took place in November, 20XX:

S.N.	Date	Particulars	Date of Self Invoice	Amount (₹)
(i)	11.11.20XX	Payment made to an advocate in Delhi	06.09.20XX	1,25,000
(ii)	20.11.20XX	Paid sitting fee to Director from Haryana for meeting held in Delhi on 15.10.20XX [Inter-State supply]	25.11.20XX	75,000

Assume the rates of taxes to be as under:

Particulars	Rate
CGST	9%
SGST	9%
IGST	18%

You are required to compute GST [CGST & SGST/IGST, as the case may be] payable for the month of November, 20XX along with time of supply of the aforementioned activities.

Assume return for the November is filed on 18<sup>th</sup> December 20XX and paid the tax on the above transactions.

### Answer

#### Computation of GST payable for the month of November, 20XX

S.N.	Particulars	Time of supply of services	CGST (₹)	SGST (₹)	IGST (₹)	Interest (₹)
(i)	Services from an advocate in Delhi	06.09.20XX [Note-1 & 3]	11,250	11,250	-	244 [Note-4]
(ii)	Director's Sitting fee	20.11.20XX [Note-2 & 3]	-	-	13,500	

#### Notes:

- Services supplied by an individual advocate to any business entity located in the taxable territory is a notified service on which tax is payable on reverse charge basis by the recipient of services.
- Services supplied by a director of a company to the said company is a notified service on which tax is payable on reverse charge basis by the recipient of services.
- Time of supply of services in case of reverse charge is earliest of the following:
  - Date of payment as entered in the books of account of the recipient or the date on which the payment is debited to his bank account, whichever is earlier, or
  - 61<sup>st</sup> day from the date of issue of invoice, in cases where invoice is required to be issued by supplier [NA]
  - Date of issue of invoice by recipient**, in cases where invoice is to be issued by recipient

Provisions of time of supply as provided under section 13 of the CGST Act are also applicable for inter-State supply vide section 20 of the IGST Act.

In view of the aforesaid provisions, the time of supply and due date for payment of tax in the given cases would be determined as under:

- (i) Time of supply of the services is the date of issue of invoice by recipient, i.e. 06.09.20XX. The due date for payment of tax is 20.10.20XX with return of September, 20XX.
- (ii) Time of supply of services is the date of making payment, i.e. 20.11.20XX and due date for payment of tax is 20.12.20XX with return of December, 20XX.

4. The due date for payment of tax in case (i) is 20.10.20XX with return of September, 20XX. However, the payment of tax is actually made on 18.12.20XX. Thus, payment of tax is delayed by 59 days.

In case of delayed payment of tax, interest @ 18% per annum is payable for the period for which the tax remains unpaid starting from the day succeeding the day on which such tax was due to be paid [Section 50 of the CGST Act, 2017 read with Notification No. 13/2017 CT dated 28.06.2017]. In view of the same, in the given case, interest payable would be as follows:

Amount of interest payable = ₹ 22,500 × 18% × 59/365 = ₹ 655 (rounded off)

### Question 32

Determine the time of supply from the given information.

May 4	A German company issues email informing its associated enterprise, ABC Ltd. of the cost of technical services provided to it, which was recorded in ABC Ltd.'s books on May 1
July 2	ABC Ltd transfers the amount to the account of the German company

### Answer

Here, **May 1 will be the time of supply**, being the earlier of the two stipulated dates namely, date of entry in the books of account of the recipient of supply or the date of payment.

## **Time of Supply in Special Cases**

### Question 33

Mr. X supplied goods for ₹ 50,000 to its customer Miss Diyana on 1<sup>st</sup> January on the condition that payment for the same will be made within a week. However, Miss Diyana made payment for the said goods on 2<sup>nd</sup> February and thus, paid interest amounting to ₹ 2,000.

What is the time of supply with regard to addition in the value by way of interest in lieu of delayed payment of consideration?

### Answer

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

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

**Question 34**

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** in terms of section 12(4).

**Question 35**

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

- (i) It issued coupon on 20.06.20XX, worth ₹ 2,000 redeemable against purchase of specific plastic items. This coupon was redeemed on 31.07.20XX.
- (ii) It issued coupon on 01.08.20XX worth ₹ 3,000 which is redeemable against purchase of any item. This coupon was redeemed on 18.08.20XX.
- (iii) It received interest of ₹ 10,000 for late payment from a customer on 11.11.20XX for supply of goods which was originally made on 24.06.20XX.

**Answer**

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

- Date of issue of the voucher, if the supply that it covers is identifiable at that point, or
  - Date of redemption of the voucher in other cases.
- (i) In the given case, **supply can be identified** at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the **date of their issue** i.e. **20.06.20XX**.
  - (ii) In the given case, **supply cannot be identified** at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the **date of their redemption** i.e. **18.08.20XX**.
  - (iii) Section 12(6) of CGST Act, 2017 prescribes that **time of supply in case of addition in value** on account of interest/late fee/penalty for delayed payment of consideration for goods is **date on which the supplier receives such addition in value**. Therefore, time of supply in given case is **11.11.20XX**.

# CHAPTER - 6

## Value of Supply

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### Inclusions for Determining Value of Supply

#### Question 1

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

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

Determine the value of taxable supply made by Furniture Wala. Will your answer change if residence of Ms. Leena is 50 km away from the showroom?

#### Answer

In the given case, the **showroom is not charging any amount towards freight** from Ms. Leena but incurring the same out of its own pocket. Therefore, the **same should not be added to the value. Hence, the value of supply will be ₹ 2,00,000.**

However, the **answer will change in the second case when the showroom will charge ₹ 300 for freight** [(50km – 20 km) x ₹ 10] from Ms. Leena. In this case, the **supply will be a composite supply** (principal supply being the supply of furniture) and **value thereof will be ₹ 2,00,300.**

#### Question 2

AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten and specified chemical residues. AKJ Foods Pvt. Ltd. does the testing before the supply and charges a testing fee for the same from the customer. AKJ Foods Pvt. Ltd. argues that such testing fees should not form part of the consideration for the supply as it is a separate activity.

Is the company's argument correct in the light of section 15?

#### Answer

Section 15(2) mandates addition of certain elements in the value of supply. Clause (c) of section 15(2) specifies that the **amount charged for anything done by the supplier in respect of the supply at the time of or before delivery of goods or supply of services shall be included in the value of supply.**

Since AKJ Foods Pvt. Ltd. **does the testing before the delivery of goods, the charges therefor will be included in the value of the supply.** Therefore, AKJ Foods Pvt. Ltd.'s **argument is not correct.** The testing fee should be included in the price to arrive at value of supply.

#### Question 3

Sharp Minds Institute provides coaching for engineering entrance examinations. The monthly fee charged by the Institute from a student is ₹ 10,000. The Institute is known for its commitment to provide education to

underprivileged children. It trains 10 students every year for entrance examinations free of cost.

The Institute has received ₹ 3,00,000 as coaching fees during a month. Nav Jeevan, an NGO working in the area of education for underprivileged children, has given a subsidy of ₹ 10,000 (in lumpsum) during the month to the Institute as it is serving the cause of underprivileged children.

Determine the value of supply of education services made by Sharp Minds Institute during the month.

### **Answer**

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

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

### **Question 4**

Mezda Banners, an advertising firm, gives its customers an interest-free credit period of 30 days for payment. Its customer ABC paid for the supply 32 days after the supply of service. Mezda Banners waived the interest payable for a delay of two days.

The Department wants to add interest for two days to the value of supply. Should notional interest be included in the value?

### **Answer**

This is a supply that is **valued as per transaction value** under section 15(1) **as price is the sole consideration for the supply and the supply is made to unrelated person.** The value of a supply **includes interest for delayed payment** of any consideration for any supply. However, the **time of supply** to the extent it relates to an addition in the value of supply by way of interest for delayed payment of any consideration is the date on which the supplier receives such addition in value. **In the given case, the supplier has waived the interest for delayed payment.** Consequently, the supplier has not received the interest. **Therefore, notional interest for 2 days shall not be included in the value of the supply.**

## **Exclusion for Determining Value of Supply**

### **Question 5**

Crunch Bakery Products Ltd sells biscuits and cakes through its dealers, to whom it charges the list price minus standard discount and pays GST accordingly. When goods remain unsold with the dealers, it offered additional discounts on the stock as an incentive to push the sales, without any prior agreement between them for offering such additional discount.

Can this additional discount be reduced from the price at which the goods were sold, and concomitant tax adjustments made?

### **Answer**

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

**Question 6**

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

**Answer**

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

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

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

**Question 7**

Describe the conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of section 15(3) of the CGST Act 2017.

**Answer**

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

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

**Calculation of Value of Supply****Question 8**

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

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

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

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

### Answer

#### Computation of value of taxable supply

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15(2)(a)]	5,000
Packing charges [Includible in the value as per section 15(2)(c)]	1,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body and directly linked to price, the same is included in the value in terms of section 15(2)(e)]	2,000
Total	58,000
Less: Discount @ 2% on ₹ 50,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15(3)(a)]	1,000
<b>Value of taxable supply</b>	<b>57,000</b>

### Question 9

Samriddhi Advertisers conceptualized and designed the advertising campaign for a new product launched by New Moon Pvt Ltd. for a consideration of ₹ 5,00,000. Samriddhi Advertisers owed ₹ 20,000 to one of its vendors in relation to the advertising service provided by it to New Moon Pvt Ltd. Such liability of Samriddhi Advertisers was discharged by New Moon Pvt Ltd. New Moon Pvt Ltd. delayed the payment of consideration and thus, paid ₹ 15,000 as interest. 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	5,00,000
Payment made by New Moon Pvt. Ltd to vendor of Samriddhi Advertisers [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15(2)(b)]	20,000
Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d) [Refer note below] [₹15,000 × (100/118)] (rounded off)	12,712
<b>Value of taxable supply</b>	<b>5,32,712</b>

Note: The interest for delay in payment of consideration will be includible in the value of supply but the time of supply of such interest will be the date when such interest is received in terms of section 13(6). Such interest has been assumed to be inclusive of GST and thus, the value has been computed by making back calculations [Interest x 100 / 100 + tax rate]. It is also possible to assume the interest to be exclusive of GST

**Question 10**

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

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

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

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

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

**Notes:**

As per section 15 of CGST Act, 2017,

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

**Question 11**

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

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

Additional information:

- (i) SQM Ltd. normally gives an interest-free credit period of 30 days for payment, after that it charges interest @ 1% p.m. or part thereof on list price.

ACD Ltd. paid for the supply after 45 days, but SQM Ltd. waived the interest payable.

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

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

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

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

### Answer

#### Computation of value of taxable supply

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

#### Notes:

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

### Question 12

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

S. No.	Particulars	Amount (₹)
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(i)	List price of taxable goods supplied inter-State (exclusive of taxes)	15,00,000
(ii)	Price linked subsidy received from Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	2,10,000
(iii)	Price linked subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv)	Tax levied by Municipal Authority	20,000
(v)	Packing charges	15,000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay ₹ 6,000 in lump sum and no additional amount is payable by him over and above such amount)	6,000

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

Calculate total value of taxable supplies made by Red Pepper Ltd. during month of March. IGST Rate is 18%.

**Answer**

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

Particulars	Amount (₹)
List price of the goods	15,00,000
Subsidy amounting to ₹ 2,10,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e)]	NIL
Subsidy received from NGO [Since the subsidy is received from a non- Government body and directly linked to the price, the same is includible in the value in terms of section 15(2)(e)]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a)]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c)]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15(2)(d) - As the amount of interest received is a lump sum amount, the same has to be taken as inclusive of GST] [₹ 6,000 x 100/118] rounded off	5,085
<b>Total value of taxable supplies</b>	<b>15,90,085</b>

**Question 13**

M/s. Flow Pro, a registered supplier, sold a machine to BP Ltd. Determine value of taxable supply made by M/s Flow Pro to BP Ltd. It provides the following information in this regard:

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	25,000
(ii)	Third party inspection charges	5,000

	[Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flo Pro.]	
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price.]	5,000
(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

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

### Answer

#### Computation of value of taxable supply made by M/s. Flo Pro to BP Ltd.

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

### Question 14

Shri Krishna Pvt. Ltd., registered supplier, furnishes following information relating to goods sold by it to Shri Balram Pvt. Ltd. Determine value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.

S. N.	Particulars	Amount (₹)
(i)	Price of the goods [excluding taxes and other charges mentioned below]	1,00,000
(ii)	Municipal tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the price of the goods supplied.]	50,000

(v)	Late fees for delayed payment inclusive of GST [Shri Balram Pvt. Ltd. paid the late fees. However, these charges were ultimately waived by Shri Krishna Pvt. Ltd. and the amount was refunded to Shri Balram Pvt. Ltd. during the same month]	1,000
(vi)	Weighment charges [Such charges were paid by Shri Balram Pvt. Ltd. to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd.]	2,000

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

### Answer

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

Particulars	Amount (₹)
Price of the goods	1,00,000
Municipal tax [Includible in the value as per section 15(2)(a)]	2,000
Inspection charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value as per section 15(2)(c)]	15,000
Subsidy received from Shri Ram Trust [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e)]	50,000
Late fees for delayed payment [Not includible since the same is waived off]	Nil
Weighment charges paid to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd. [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	2,000
<b>Value of taxable supply</b>	<b>1,69,000</b>

### Question 15

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

S. No.	Particulars	Amount (₹)
(i)	Price of machinery (exclusive of taxes and discounts)	5,50,000
(ii)	Part fitted in the machinery at the premises of Ghisa Ltd. [Amount has been paid by Ghisa Ltd. directly to the supplier. However, it was Koli Ltd.'s liability to pay the said amount. The said amount has not been recorded in the invoice issued by Koli Ltd.]	20,000
(iii)	Installation and testing charges for machinery, not included in price	25,000
(iv)	Discount @ 2% on price of the machinery mentioned at S. No. (i) above (recorded in the invoice)	

(v)	Koli Ltd. provides additional discount @ 1% at year end, based on additional purchase of other machinery for which adjustment is made at the end of the financial year without any change in individual transactions.	
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Determine the value of taxable supply made by Koli Ltd. to Ghisa Ltd.

### Answer

#### Computation of value of taxable supply made by Koli Ltd. to Ghisa Ltd.

Particulars	Amount (₹)
Price of machinery (exclusive of taxes and discounts)	5,50,000
Amount paid by Ghisa Ltd. directly to the supplier for the part fitted in the machinery [Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply in terms of section 15(2)(b).]	20,000
Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply in terms of section 15(2)(c).]	25,000
Less: Discount @ 2% on the price of machinery [₹ 5,50,000 x 2%] [Since discount is given at the time of supply of machinery and recorded in the invoice, the same is deductible from the value of the supply in terms of section 15(3)(a).]	11,000
Less: Additional 1% discount at year end [Though additional discount is established before/at the time of supply, it is not deductible from value of supply in terms of section 15(3)(b) <b>as the same is not linked to any specific transaction</b> and is adjusted by parties at the end of the financial year.]	Nil
<b>Value of taxable supply</b>	<b>5,84,000</b>

### Question 16

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

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

Calculate the value of taxable supply made by M/s Candy Blue Ltd. for the month of October. Assume all the amounts given above are exclusive of GST.

**Answer****Computation of value of taxable supply made by Candy Blue Ltd. for the month of October, 20XX**

Particulars	Amount (₹)
List Price of the goods	12,40,000
Add: Subsidy amounting to ₹ 1,20,000 received from Central Government [Since subsidy is received from Government, the same is not includible in the value]	NIL
Subsidy received from Trade Association [Since subsidy is received from a non-Government body, the same is includible in the value]	30,000
Tax levied by the Municipal Authority [Includible in the value as per section 15 of the CGST Act, 2017]	24,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017]	12,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15 of the CGST Act, 2017]	<u>5,000</u>
<b>Value of taxable supply</b>	<b>13,11,000</b>

**Question 17**

Kamal Book Depot, a wholesaler of stationery items, registered in Mumbai, has received order for supply of stationery items worth ₹ 2,00,000 on 12<sup>th</sup> November from another local registered dealer, Mr. Mehta, Mumbai. Kamal Book Depot charged the following additional expenses from Mr. Mehta:

	Particulars	Amount (₹)
(i)	Packing charges	5,000
(ii)	Freight & Cartage	2,000
(iii)	Transit insurance	1,500
(iv)	Extra designing charges	6,000
(v)	Taxes by Municipal Authority	500

The goods were delivered to Mr. Mehta on 14<sup>th</sup> November. Since Mr. Mehta was satisfied with the quality of the goods, he made the payment of goods the same day and simultaneously placed another order on Kamal Book Depot of stationery items amounting to ₹ 10,00,000 to be delivered in the month of December. On receipt of second order, Kamal Book Depot allowed a discount of ₹ 20,000 on first order placed by Mr. Mehta. Compute the GST liability of Kamal Book Depot for the month of November assuming the rates of GST on the goods supplied as CGST and SGST at the rate of 9% each.

Would your answer be different if expenses (i) to (v) given in above table are already included in the price of ₹ 2,00,000?

**Note:**

- (i) All the amounts given above are exclusive of GST.
- (ii) Kamal Book Depot and Mr. Mehta are not related persons and price is sole consideration of the supply.
- (iii) Payment and invoice for the second order will also be made in the month of December only.

**Answer**

## Computation of value of taxable supply and tax liability

	Particulars	Amount (₹)
	Price of the goods [Note-1]	2,00,000
(i)	Packing charges [Note-2]	5,000
(ii)	Freight & Cartage [Note-3]	2,000
(iii)	Transit Insurance [Note-3]	1,500
(iv)	Extra Designing charges [Note-4]	6,000
(v)	Taxes by Municipal Authority [Note-5]	500
	<b>Value of taxable supply</b>	<b>2,15,000</b>
	<b>CGST @ 9%</b>	<b>19,350</b>
	<b>SGST @ 9%</b>	<b>19,350</b>

## Notes:

- 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.
- All incidental expenses including packing charged by the supplier to the recipient are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
- The given supply is a composite supply involving supply of goods (stationery items) and services (transit insurance and freight) where the principal supply is the supply of goods.  
As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.
- Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at time of, or before delivery of goods or supply of services; is includible in value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in value of supply.
- The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
- In the given case, Mr. Mehta is allowed a discount of ₹ 20,000 on the goods supplied to him in the month of November, 20XX. Since the said goods have already been delivered by Kamal Book Depot, this discount will be a post-supply discount.

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

- 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
- input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017].

However, in the given case, post-supply discount given to Mr. Mehta will not be allowed as a deduction from the value of supply since the discount policy was not known before the time of such supply although the discount can be specifically linked to relevant invoice (invoice pertaining to stationery items supplied to Mr. Mehta in November, 20XX).

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

**Question 18**

Ajay, a registered person, provided the following details about transactions entered into by him in July, 2026:

- (i) He sold 3,000 units of goods to Wellness Pharma @ ₹ 400 each. Under section 206C(1H) of Income Tax Act, 1961, he is required to collect tax (TCS) of ₹ 2,000 from Wellness Pharma. He included ₹ 2,000 as TCS in tax invoice issued to the party.
- (ii) Under a contract with State Government, he sold 1,000 units of goods (unit price is ₹ 400 per unit) @ ₹ 200 per unit to families of Economic Weaker Section (identified by State Government). Balance ₹ 200 per unit will be paid to him by State Government as subsidy.
- (iii) Issued credit notes worth ₹ 1,50,000 net of GST as discount to its registered dealers who purchased more than 5,000 units between October, 2025 to December, 2025 under Festival Bonanza Scheme declared on 01.10.2025. The above discount was provided invoice wise with a condition of reversal of ITC by registered dealer.
- (iv) Sold goods to Old Age Home for consideration of ₹ 1,00,000 (Normal Sale Value is ₹ 2,00,000). SAMVEDNA, an NGO registered under Section 12AA of Income Tax Act, 1961 gave them a subsidy of ₹ 30,000 to acknowledge his services to elderly people living in old age home.
- (v) After analysis of sale report of first quarter, he decided to give discount of 1% to shopkeepers whose total purchases exceeds ₹ 25,00,000 during the quarter ending June, 2026. Total discount given to such shopkeepers is ₹ 1,30,000.

Compute the taxable value of supply for the month of July, 2026 on which Mr. Ajay shall pay GST. Suitable notes and assumptions should form part of your answer. All the amounts stated above are exclusive of GST.

**Answer**

Computation of taxable value of supply on which GST shall be paid by Mr. Ajay for July 2026:

Particulars	Amount (₹)
Goods sold to Wellness Pharma [3,000 units × ₹ 400] [TCS collected under the Income Tax Act, 1961 is not includible as it is an interim levy / not having the character of tax.]	12,00,000
Goods sold to Economic Weaker Section families [1,000 units × ₹ 200] [Subsidy given by the State Government is not includible in the value of supply.]	2,00,000
Credit note issued [Post supply discount is allowed as deduction from the value of supply if (i) it is agreed at the time of supply, (ii) proportionate ITC is reversed by the recipient, and (iii) it is specifically linked to relevant invoices.]	(1,50,000)
Sold goods to old age home [Transaction value is the value of supply. Subsidy received from a non-Governmental organisation is includible in the value only if it is directly linked to the price of the goods. Thus, subsidy received from the NGO-SAMVEDNA is not includible in the value since it is blanket subsidy and not directly linked to the price of the goods]	1,00,000
Discount given to shopkeepers [Post supply discount is not allowed as deduction from the value of supply since in the given case, the same is not agreed at the time of supply.]	-
<b>Value of taxable supply on which GST is to be paid by Mr. Ajay</b>	<b>13,50,000</b>

# CHAPTER - 7

## Place of Supply

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### Section 10 of IGST

#### Question 1

In case of a domestic supply, what is the place of supply where goods are removed?

#### Answer

As per section 10(1)(a), the place of supply of goods is the **location of the goods at the time at which the movement of goods terminates** for delivery to the recipient.

#### Question 2

What will be the place of supply if the goods are delivered by the supplier to another person on the direction of a third person?

#### Answer

As per section 10(1)(b), it would be **deemed that the third person has received the goods** and the place of supply of such goods will be the **principal place of business of such person**.

#### Question 3

Mr. Bindusaar is an employee in Galgotia and Sons, working at its Mumbai (Maharashtra) office. Mr. Bindusaar is unregistered under GST law. His family is located in Bareilly, Uttar Pradesh. His son requires a laptop for his school project on urgent basis. Therefore, Mr. Bindusaar places an order on Amazing.in an e-commerce platform for supply of a laptop of latest configuration for his son, which is to be delivered at his residential address located in Bareilly, Uttar Pradesh.

Mr. Bindusaar, while placing order on e-commerce platform-Amazing.in, provides the billing address of his apartment located in Mumbai Maharashtra. You are required to determine place of supply of supply of laptop in the given case.

#### Answer

As per the provisions of section 10(1)(ca) of the IGST Act, 2017, where the **supply of goods is made to an unregistered person**, the **place of supply would be the location as per the address** of said person **recorded in the invoice** and the location of the supplier where the address of the said person is not recorded in the invoice. Further, as per Explanation to the said clause, **recording the name of the State** of said unregistered person on the invoice **shall be deemed to be the recording of the address** of said person.

Accordingly, it is clarified vide Circular No. 209/3/2024 GST dated 26.06.2024 that in the cases involving supply of goods to an unregistered person, **where the address of delivery of goods recorded on the invoice is different from the billing address** of the said unregistered person on the invoice, **the place of supply** of goods in accordance with the provisions of section 10(1)(ca) of the IGST Act, 2017, **shall be the address of delivery of goods recorded on the invoice**.

Also, in such cases involving supply of goods to an unregistered person, where the billing address and

delivery address are different, the supplier may record the delivery address as the address of the recipient on the invoice for the purpose of determination of place of supply of the said supply of goods.

Thus, **the place of supply of laptop in the given case is Bareilly, Uttar Pradesh.**

#### **Question 4**

What is the place of supply where the goods or services are supplied on board a conveyance, such as a vessel, an aircraft, a train or a motor vehicle?

#### **Answer**

As per section 10(1)(e), in respect of **goods**, the **place of supply is the location at which such goods are taken on board.**

However, in respect of **services**, the **place of supply is the location of the first scheduled point of departure** of that conveyance for the journey in terms of sections 12(10).

### **Section 12 of IGST**

#### **Question 5**

The place of supply in relation to immovable property (situated in India) is the location of immovable property. Suppose a road is constructed from Delhi to Mumbai covering multiple states.

What will be the place of supply of construction services?

#### **Answer**

Where the **immovable property is located in more than one State**, the **supply of service is treated as made in each of the States in proportion to the value for services separately collected** or determined, in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other reasonable basis as may be prescribed in this behalf [Explanation to section 12(3)].

In the absence of a contract or agreement between the supplier and recipient of services in this regard, the **proportionate value of services supplied in different States/Union territories** (where the immovable property is located) **is computed on the basis of area of the immovable property lying in each State/ UT.**

#### **Question 6**

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?

#### **Answer**

In case of an event, if the **recipient of service is registered**, the **place of supply of services for organizing the event is the location of such person.** However, **if the recipient is not registered**, the **place of supply is the place where event is held.**

Since the event is being **held in multiple states and a consolidated amount is charged** for such services, the **place of supply will be deemed to be in each State in proportion** to the value for services determined **in terms of the contract** or agreement entered into in this regard [Explanation to section 12(7)].

**In the absence of a contract** or agreement between the supplier and recipient of services, **the proportionate value of services made in each State** (where the event is held) will be computed in accordance with rule 5 of the IGST Rules **by the application of generally accepted accounting principles.**

### Question 7

Determine the Place of Supply for the following independent cases, by briefly stating the relevant provisions:

- (i) Marxy Pharmaceuticals, registered under GST at Jaipur, Rajasthan hires Sargam Events LLP, registered under GST at Sagar, Madhya Pradesh for its annual event to be held in Gandhinagar, Gujarat.
- (ii) PSL Ltd., a registered person in Chandigarh, Punjab orders from CMR Ltd., a registered person in Ranchi, Jharkhand for delivery of goods to MHT Ltd., a registered person in Ranchi, Jharkhand.

You are required to determine PoS for both of the above supplies made by CMR Ltd. as well as PSL Ltd.

### Answer

- (i) The **place of supply of services** provided to registered person **by way of organization** of a cultural, artistic, sporting, scientific, educational or entertainment **event or** services related to such event shall be the **location of the recipient.**

Accordingly, **place of supply is Jaipur, Rajasthan.**

- (ii) In case of '**Bill to Ship to**' **supply model**, where goods are delivered by supplier to recipient at the direction of a third person, the **place of supply is principal place of business of such third person.**

Accordingly, in case of **supply made by CMR Ltd.**, the **place of supply is Chandigarh, Punjab.**

The place of supply involving movement of goods will be their location at the time when the movement of goods terminates for delivery to the recipient.

Accordingly, in case of **supply made by PSL Ltd.**, the **place of supply is Ranchi, Jharkhand.**

### Question 8

What is the place of supply of services by way of transportation of goods, including by mail or courier when both the supplier and the recipient of the services are located in India?

### Answer

If the **recipient is registered**, the **location of such person is the place of supply.** However, if the **recipient is not registered**, the **place of supply is the place where the goods are handed over** for transportation.

### Question 9

What will be the place of supply of passenger transportation service, if a person travels from Mumbai to Delhi and back to Mumbai?

### Answer

If the **person is registered**, the place of supply of passenger transportation service will be the **location of recipient.** If the **person is not registered**, the place of supply for the **forward journey from Mumbai to Delhi will be Mumbai**, the **place where he embarks** [Section 12(9)].

However, for the return journey, the **place of supply will be Delhi** as the **return journey has to be treated as separate journey** [Explanation to section 12(9)].

### Question 10

What is the place of supply for mobile connection? Can it be the location of supplier?

#### Answer

The location of supplier of mobile services cannot be the place of supply as the mobile companies are providing services in multiple states and many of these services are inter-state. The **consumption principle will be broken if the location of supplier is taken as place of supply** and all the revenue may go to a few states where the suppliers are located.

The place of supply for mobile connection would depend on whether the connection is on postpaid or prepaid basis. In case of **postpaid connections, the place of supply is the location of billing address** of the recipient of services on the record of supplier of services.

In case of **pre-paid connections**, if the service is supplied:-

- (i) **through a selling agent or a re-seller or a distributor** of SIM card or re-charge voucher, the **place of supply is the place address of the selling agent or re-seller or distributor** as per the record of the supplier at the time of supply; or
- (ii) **by any person to the final subscriber**, the **place of supply is the location where such prepayment is received** or such vouchers are sold;
- (iii) **in other cases, place of supply is address of the recipient** as per records of the supplier of services and where such address is not available, the place of supply shall be location of the supplier of services.

However, **if the recharge is done through internet/e-payment, the location of recipient** of service on record of the supplier will be taken as the place of supply [Section 12(11)].

### Question 11

A person from Mumbai goes to Kullu-Manali and takes some services from ICICI Bank in Manali.

What is the place of supply?

#### Answer

**The place of supply in case of banking services to any person shall be the location of the recipient of services on the records of the supplier of services. However, if the location of recipient of services is not on the records of the supplier, the place of supply shall be the location of the supplier of services i.e. Kullu-Manali, Himachal Pradesh** [Section 12(12)].

### Question 12

An unregistered person from Gurugram travels by Air India flight from Mumbai to Delhi and gets his travel insurance done in Mumbai. What is the place of supply of insurance services?

#### Answer

**When insurance service is provided to an unregistered person**, the **location of the recipient** of services on the records of the supplier of insurance services is the place of supply. So **Gurugram is the place of supply** [Section 12(13)].

### Question 13

Briefly examine the place of supply in the following independent cases.

- (a) Ms. Shanti (unregistered resident of Gujarat) went to meet her parents at the native place Patna, Bihar and buys a medical insurance policy for her parents from an insurance company-MNT Insurers-of Patna (registered in Bihar). The location of recipient of services in records of MNT Insurers is Patna.
- (b) Lakhan Singh Transports Pvt. Ltd., a Goods Transportation Agency registered in Noida, Uttar Pradesh, is hired by Ram Trade Links (registered supplier in New Delhi) to transport its consignment of goods from its warehouse in Delhi to the house of a buyer located in Roorkee, Uttar Pradesh.
- (c) Mr. Karan (Mumbai) takes a post-paid mobile connection in Mumbai from the service provider-Freesia Ltd. and gives his residence address at Mumbai as the address for billing with the said company.

### Answer

- (a) The **place of supply of insurance services** provided to a person other than a registered person, be the **location of the recipient** of services on the records of the supplier of services. Thus, in the given case, the place of supply is the location of the recipient of services in the records of the supplier, i.e. **Patna**.
- (b) The **place of supply of services by way of transportation of goods**, including by mail or courier **to a registered person**, is the **location of such person**. Thus, in the given case, the recipient being registered, the place of supply is the location of recipient, i.e. **New Delhi**.
- (c) **The place of supply of telecommunication services** including data transfer, broadcasting, cable and direct to home television services to any person in case of mobile connection for telecommunication and internet services provided on post-paid basis, be the **location of billing address of the recipient** of services on the record of the supplier of services. Thus, in the given case, the place of supply is the location of billing address of the recipient, i.e. **Mumbai**.

### Miscellaneous

#### Question 14

- (i) Garima having its permanent residence in Bhavnagar, Gujarat purchased car from Kiara Motors of Jaipur, Rajasthan to take the advantage of lower registration charges and road tax. Garima took the delivery of the car from Jaipur and returned with car to her residence in Bhavnagar, Gujarat. Address of Garima recorded in the invoice issued by Kiara Motors mentions only the name of the State i.e. Gujarat. Garima is an unregistered person whereas Kiara Motors is a registered person under GST. Determine the place of supply for supply made by Kiara Motors to Garima.
- (ii) Aakar Advertisement Agency, a registered person in Nagpur, Maharashtra, wants to display the products of its client's at most prominent places in different States. It took on rights to use the space on hoardings mounted on fixed surface attached to earth, situated in Udaipur, Rajasthan and in Gwalior, Madhya Pradesh from G.N. Enterprise registered in State of Chhattisgarh. Aakar Advertisement Agency has an exclusive right to use the space and also to manage the advertisements on the hoardings.

What will be the place of supply of services provided by the G.N. Enterprise to the Aakar Advertisement Agency?

**Answer**

- (i) Where the **supply of goods is made to an unregistered person**, the **place of supply** is the location as per the **address of the unregistered person recorded in the invoice**.

Further, **recording of name of the State** of unregistered person in the invoice **is deemed to be the recording of the address** of the unregistered person. Thus, **place of supply is Bhavnagar, Gujarat**.

- (ii) The **hoarding/structure erected on the land should be considered as immovable structure/fixture** as it has been embedded in earth.

Therefore, the **place of supply of service provided by way of supply of sale of space on hoarding/structure for advertising or for grant of rights to use the hoarding/ structure for advertising is the location where such hoarding/ structure is located**.

The place of supply of any service provided by way of supply/sale of space on an immovable property or grant of rights to use an immovable property is the location at which the immovable property is located, i.e. the location where such hoarding/ structure is located.

Thus, for **hoarding located in Udaipur, place of supply is Udaipur, Rajasthan** and for **hoarding located in Gwalior, place of supply is Gwalior, Madhya Pradesh**.

**Question 15**

Examine the following independent cases and determine the place of supply:

- (1) Mr. Joy, an unregistered person of Kolkata, West Bengal sends a courier through Kolkata, West Bengal based Mohan Courier Agency to his sister in Mumbai, Maharashtra.
- (2) Mr. Nitin, an unregistered person, resides at Rewa, Madhya Pradesh books a two way air journey ticket from Prayagraj, Uttar Pradesh to Jaipur, Rajasthan on 6 September and back. He leaves Prayagraj on 11 September in a morning flight and land in Jaipur the same day. He leaves Jaipur on 15 September in a late night flight and lands in Prayagraj the next day.
- (3) Rimjhim Pvt. Ltd, located at Lucknow, Uttar Pradesh, purchases a manufacturing machine from Manav Steel Industries Ltd., located at Jaipur, Rajasthan, for being installed in its factory located at Haridwar, Uttarakhand.

**Answer**

- (1) The place of supply of services by way of **transportation of goods by courier provided to an unregistered person is the location at which such goods are handed over** for their transportation.

Therefore, the place of supply, in the given case is **Kolkata, West Bengal**.

- (2) The place of supply of **passenger transportation service to an unregistered person is place where the passenger embarks on the conveyance for a continuous journey** wherein the return journey is treated as a separate journey, even if the tickets for onward and return journey is issued at same time.

Therefore, the **place of supply** for the outward and return journey are the locations **where Mr. Nitin embarked on the conveyance for the continuous journey, i.e. Prayagraj, Uttar Pradesh for outward journey and Jaipur, Rajasthan, for return journey**.

- (3) If the **supply involves goods which are to be installed at site**, the **place of supply is the place of such installation**.

Therefore, the place of supply, in the given case is **Haridwar, Uttarakhand**.

### **Question 16**

With reference to GST law, Determine place of supply with reasons in following independent circumstances:

- (i) Miss Kanika of Kolkata (West Bengal) visited to Jodhpur Law University (Rajasthan) and paid her college fees by purchasing a demand draft from a bank located in the University campus. Miss Kanika did not have any account with the bank.
- (ii) Mizu Machine Ltd., registered in the State of Andhra Pradesh, supplied a machinery to Keyan Wind Farms Ltd., registered in the State of Karnataka. However, this machinery was assembled and installed at the wind mill of Keyan Wind Farms Ltd., which was located in the State of Tamilnadu.

### **Answer**

- (i) Section 12(12) of the IGST Act, 2017 provides that **place of supply of banking and other financial services, including stock broking services** to any person is **location of the recipient** of services in records of the supplier of services. However, **if the location of recipient of services is not available** in the records of the supplier, the **place of supply is the location of the supplier** of services.

Therefore, since the location of recipient is not available in the records of the supplier, the **place of supply is the location of the supplier of services, i.e. Rajasthan (or Jodhpur)**.

- (ii) Section 10(1)(d) of the IGST Act, 2017 provides that if the **supply involves goods which are to be installed or assembled at site**, the **place of supply is the place of such installation** or assembly.

Thus, the **place of supply is** the site of assembly of machine, i.e. **Tamilnadu**.

### **Question 17**

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

### **Answer**

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

- (a) where a **consideration is payable** for the supply of goods or services or both, the **person who is liable to pay that consideration**;
- (b) where **no consideration is payable** for the supply of goods, the **person to whom the goods are delivered or made available**, or to whom possession or use of the goods is given or made available; and
- (c) where **no consideration is payable for the supply of a service**, the **person to whom the service is rendered**,

and (i) any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply, and (ii) shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied.

# CHAPTER - 8

## Input Tax Credit

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### Basics of Input Tax Credit

#### Question 1

Explain the meaning of the term “input tax” under section 2(62) of CGST Act, 2017.

or

What is input tax? [Study Material]

#### Answer

As per section 2(62) of CGST Act, 2017, “**input tax**” in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and **includes-**

- (a) the integrated goods and services tax charged **on import of goods**;
- (b) the **tax payable** under the provisions of sub-sections (3) and (4) of section 9;
- (c) the **tax payable** under the provisions of sub-section (3) and (4) of section 5 of the IGST Act;
- (d) the **tax payable** under the provisions of sub-section (3) and sub-section (4) of section 9 of the **respective SGST Act**; or
- (e) the **tax payable** under the provisions of sub-section (3) and sub-section (4) of section 7 of the **UTGST Act**,

but **does not include the tax paid under the composition levy.**

### Conditions for Availing Input Tax Credit (ITC)

#### Question 2

What are the conditions necessary for availing ITC?

#### Answer

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

- (a) he is in **possession of tax invoice** or debit note or such **other tax paying documents** as may be prescribed;
- (aa) the details of the invoice or debit note referred above has been **furnished by the supplier in the statement of outward supplies** and such **details have been communicated to the recipient** of such invoice or debit note in the manner specified under section 37;
- (b) he has **received the goods or services** or both;
- (ba) the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has **not been restricted**
- (c) subject to section 41, 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.

**Question 3**

M/s. Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ ₹ 50 per kg (exclusive of GST) on M/s. Karim & Bros. of Noida, U.P. M/s. Karim & Bros. has agreed to deliver the goods at the warehouse of M/s. Diwan & Sons at New Delhi.

While the order was getting packed at the factory of M/s. Karim & Bros., M/s. Diwan & Sons got an order from Shubhkamna Sales of Hapur, U.P., for 250 kg of plastic granules @ ₹ 60 per kg (exclusive of GST). In order to save on transportation cost, M/s. Diwan & Sons asks M/s. Karim & Bros. to directly deliver the plastic granules to Shubhkamna Sales at its godown located in Hapur. Accordingly, M/s. Karim & Bros. has delivered the plastic granules at the godown of Shubhkamna Sales at Hapur.

Examine the availability of ITC with M/s. Diwan & Sons & M/s. Shubhkamna Sales.

Note: All the parties are registered under GST and rate of GST is 18%.

**Answer**

One of the conditions for availing ITC is that registered person taking ITC must have received the goods and / or services. However, goods delivered to a third person on direction of registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. So, **ITC is available to the registered person, on whose direction the goods are delivered to a third person even though the registered person does not receive the goods by itself.**

In the given case, goods have been delivered by M/s. Karim & Bros. (supplier) to Shubhkamna Sales (third person) on the direction of M/s. Diwan & Sons (registered person). **Therefore, in view of the above provisions, ITC of ₹ 2,250 (₹50 x 250 x 18%) will be available to M/s. Diwan & Sons (registered person) on the purchase of 250 kg of plastic granules @ 50 per kg.**

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

**Question 4**

Vijay Sales, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of ₹ 10 lakh, from various suppliers during the month of October.

Out of 100 invoices, details of 80 invoices involving GST of ₹ 6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and are reflected in GSTR-2B of Vijay Sales. There was no amendment made in GSTR-1s by such suppliers using GSTR-1A for the month of October.

Compute the ITC that can be claimed by Vijay Sales in its GSTR-3B for the month of October to be filed by 20<sup>th</sup> November assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.

**Answer**

ITC to be claimed by Vijay Sales in its GSTR-3B for the month of October to be filed by 20<sup>th</sup> November will be -

Invoices	Amount of ITC involved in the invoices (₹)	Amount of ITC that can be availed (₹)
80 invoices furnished in GSTR-1	6 lakhs	6 lakhs [Refer Note 1]
20 invoices not furnished in GSTR-1	4 lakhs	Nil [Refer Note 2]
<b>Total</b>	<b>10 lakhs</b>	<b>6 lakhs</b>

**Notes:**

- (1) 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of Vijay Sales.
- (2) As per rule 36(4), ITC in respect of invoices not furnished by suppliers in their GSTR-1s and thus, not being reflected in GSTR-2B of recipient, cannot be claimed. So, in respect of 20 invoices which are not furnished in GSTR-1s of suppliers and are not reflected in GSTR-2B of Vijay Sales, no ITC can be availed.

**Question 5**

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

**Answer**

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

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

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

**Question 6**

What is the time limit for taking ITC?

**Answer**

Time limit for availing ITC is **30<sup>th</sup> November of succeeding financial year** to which such invoice or debit note pertains **or date of filing of relevant annual return, whichever is earlier.**

**Question 7**

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

Examine if the stand taken by the company is correct in law.

**Answer**

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

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

### Question 8

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

#### Answer

**Yes**, the recipient can take ITC. However, he is required to pay the amount towards value of supply along with tax within 180 days from the date of issue of invoice. **This condition is not applicable where tax is payable on reverse charge basis.**

### Question 9

A registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. State the exceptions to said rule.

#### Answer

The condition of payment of value of supply plus tax within 180 days does **not apply** in following situations:

- (a) Supplies on which tax is **payable under reverse charge**
- (b) **Deemed supplies** without consideration
- (c) **Additions made to the value of supplies on account of supplier's liability**, in relation to such supplies, being incurred by the recipient of the supply.

### Question 10

Comfortable (P) Ltd. is registered under GST in State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from High-Fi Infotech (P) Ltd. For ₹ 11,00,000 (excluding GST @ 18%) on 28<sup>th</sup> October. Invoice for service rendered was issued on 5<sup>th</sup> November. Comfortable (P) Ltd. made part payment of ₹ 4,20,000 on 30<sup>th</sup> November. Being unhappy with service provided by High-fi Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by High-Fi Infotech (P) Ltd. by 15<sup>th</sup> April of next financial year. Comfortable (P) Ltd. made the balance payment on 6<sup>th</sup> July of next financial year.

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

#### Answer

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

**The registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice.** In the event of **failure to do so**, the corresponding

**credits availed by the registered person would be required to be reversed** or paid by such person along with interest. However, once the recipient makes the payment of value of goods and/or services along with tax, he will be entitled to avail the credit again without any time limit. In case part-payment has been made, proportionate credit would be allowed.

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

However, **proportionate ITC amounting to ₹1,33,932 [ $(₹ 12,98,000 - ₹ 4,20,000)/118 \times 18$ ] will be reversed in GSTR-3B of Comfortable (P) Ltd. for May month**, to be paid along with interest thereon, as full payment has not been made within 180 days of issuance of the invoice, i.e. by 4<sup>th</sup> May of next F.Y. ITC of ₹ 1,33,932 can, however, be availed again by Comfortable (P) Ltd. for the month of July next F.Y. when it makes the balance payment to High- Fi Infotech (P) Ltd.

### Question 11

M/s. Comfortable (P) Ltd. is registered under GST in Chennai, Tamil Nadu. It is engaged in the manufacture of iron and steel products. It has carried out following transactions in the financial year 2024-25.

- (a) Purchased 1,000 Metric Ton (MT) iron @ 1,000 per MT (excluding GST) from M/s. Hard Ltd. of Chennai. M/s. Hard Ltd. has fulfilled the order as follows:

Date	Quantity (MT)	Taxable Value
28 <sup>th</sup> Feb 2025	200	2,00,000
10 <sup>th</sup> March 2025	250	2,50,000
25 <sup>th</sup> March 2025	250	2,50,000
28 <sup>th</sup> March 2025	200	2,00,000

Balance order requirement has been fulfilled by Hard Ltd. on 5<sup>th</sup> April 2025. However, Hard Ltd. has raised the invoice for full order at the time of dispatch of first lot, i.e. on 28<sup>th</sup> Feb 2025. M/s. Comfortable (P) Ltd. has made the full payment on 28<sup>th</sup> Feb 2025 for the order.

- (b) Company has received IT engineering service from M/s. Dynamic Infotech (P) Ltd. of Chennai for ₹ 11,00,000 (excluding GST) on 28<sup>th</sup> October 2024. Invoice for service rendered was issued on 5<sup>th</sup> November 2024. M/s Comfortable (P) Ltd. made part-payment of ₹ 4,13,000 on 31<sup>st</sup> December 2024. Being unhappy with service provided by M/s Dynamic Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by M/s Dynamic Infotech (P) Ltd. by 15<sup>th</sup> Feb 2025. M/s. Comfortable (P) Ltd. made payment of Rs. 2,95,000 on 15<sup>th</sup> Feb 2025 towards full and final settlement of the dues and did not pay the balance amount.

- (c) Company has made the following intra State supplies (excluding GST) for the financial year 2024-25:

S.N.	Particulars	Amount (₹)
1.	Value of intra-State supplies made to registered persons	10,00,000
2.	Value of intra- State supplies made to unregistered persons	2,00,000

- (i) Compute the GST liability (CGST, SGST or IGST, as the case may be) of M/s. Comfortable (P) Ltd. for the financial year 2024-25.
- (ii) Compute the amount of input tax credit to be reversed in the FY 2024-25 and/or in the next FY 2025-26, if any.

Note: Assume the rates of GST as CGST and SGST 9% each. All the conditions necessary for availing input tax credit have been fulfilled. Ignore interest, if any

**Answer**

**(i) Computation of net GST payable for the financial year 2024-25**

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)
<b>Tax liability</b>			
Intra-State supplies made to registered persons	10,00,000	90,000	90,000
Intra State supplies made to unregistered persons	2,00,000	<u>18,000</u>	<u>18,000</u>
<b>Total (A)</b>		<b>1,08,000</b>	<b>1,08,000</b>
<b>Input Tax credit</b>			
Supply of iron in lots by M/s Hard Limited [Note-1]	10,00,000	-	-
Supply of IT engineering service [Note-2]	11,00,000	<u>99,000</u>	<u>99,000</u>
<b>Total (B)</b>		<b>99,000</b>	<b>99,000</b>
<b>Net GST payable (A)-(B)</b>		<b>9,000</b>	<b>9,000</b>

**Notes:**

- Section 16 of CGST Act, 2017 provides that where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment. Although 900 tonnes of iron are received in financial year 2024-25, the last lot of iron has been received after FY 2024-24 only, i.e. on 5, April 2025, thus no input tax credit is available in FY 2024-25.

In view of above provisions, full input tax credit in respect of transaction (a) will be claimed in financial year 2025-2026 i.e. on receipt of last installment.

- Section 16 of CGST Act, 2017 inter alia provides that every registered person is entitled to take credit of input tax charged on supply of services to him which are used in the course of business on receipt of the said services.

Thus, in view of the above-mentioned provisions full input tax credit of ₹ 1,98,000 can be claimed in financial year 2024-25.

- (ii)** Section 16 of CGST Act, 2017 provides that **where a recipient fails to pay to the supplier** of goods or services or both, **other than the supplies on which tax is payable on reverse charge basis**, the amount towards the value of supply along with tax payable thereon **within a period of 180 days from date of issue of invoice** by supplier, an amount equal to the **input tax credit availed by the recipient shall be added to his output tax liability**, along with interest thereon, in the prescribed manner.

However, the recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon.

Since the full amount of value alongwith tax payable thereon has not been paid by M/s Comfortable (P) Ltd. to M/s Dynamic Infotech (P) Ltd within a period of 180 days from the date of issue of invoice, the proportionate amount of input tax credit availed needs to be reversed. However, the reversal will be done in the financial year 2025-26 during when the time period of 180 days expire.

Input tax credit to be reversed in financial year 2025-26

Particulars	Amount (Rs.)
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Total value of procurement of IT engineering service	11,00,000
Add: Total GST on the above value @ 18% [CGST + SGST]	<u>1,98,000</u>
Value including GST	12,98,000
Amount paid for the said service including GST [Rs. 4,13,000 + Rs. 2,95,000]	<u>7,08,000</u>
Amount [value along with tax payable thereon] not paid for the said service	5,90,000
<b>ITC to be reversed [Rs. 5,90,000 x 18/118]</b>	<b>90,000</b>

### Question 12

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

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

#### Note:

- (i) Subject to information given above, assume all the other conditions for availing ITC have been fulfilled.
- (ii) The annual return for the previous financial year was filed on 15<sup>th</sup> September.

### Answer

#### Computation of ITC that can be availed by XYZ Ltd. for the month of October

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

	September (prior to 30 <sup>th</sup> November), ITC on the invoice pertaining to previous financial year cannot be availed after 15 <sup>th</sup> September]	
	<b>Total ITC</b>	<b>2,65,000</b>

### **Blocked Credit u/s 17(5)**

#### **Question 13**

A taxable person is in the business of information technology. He buys a car (maximum seating capacity – 5 persons) for use of his Executive Directors.

Can he avail the ITC in respect of GST paid on purchase of such car?

#### **Answer**

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

#### **Question 14**

Mascot Motors Private Limited (hereinafter referred as MMPL), a dealer of motor vehicles, registered in Udaipur, Rajasthan, has given an ex-works contract to M/s Ganesh Traders, registered in Ahmedabad, Gujarat for manufacturing 10 units of Pick-Up vans.

M/s Ganesh Traders manufactured the vans and handed them over to transporter on behalf of MMPL on 29<sup>th</sup> April and delivery on its part is complete at it's factory gate in Ahmedabad.

Further, it raised the invoice for all ten Pick-Up vans on same day. MMPL has recorded the invoice in it's books on the same day. Price of the vans (ex-factory) was ₹ 10 lakh each (excluding GST @ 28%).

However, vans were physically received by MMPL at its showroom in Udaipur, Rajasthan on 2<sup>nd</sup> May and payment was also made on the same day. After the payment, two Vans got damaged completely in a fire in the showroom in first week of May and therefore, they were written off in books in month of receipt by MMPL.

Discuss availability of ITC on pick-up vans to MMPL with reference to the provisions under GST law. In which month, MMPL is eligible to avail ITC on purchase of vans and how much ITC is available in respect of vans?

#### **Answer**

Section 16(2)(b) of the CGST Act, 2017 provides that **no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless he has received the goods or services or both.**

Explanation to section 16(2)(b) of the CGST Act, 2017 provides that **it shall be deemed that the registered person has received the goods** or, as the case may be, services, where the **goods are delivered by the supplier to a recipient or any other person on the direction of such registered person**, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise.

Further, it has been clarified vide a circular that **in case of Ex-works contract, the property in the goods**

can be considered to have been passed on to the dealer by the Original Equipment Manufacturer (OEM) upon handing over of the said goods to the transporter at his factory gate, meaning thereby that the goods can be considered to have been delivered to the registered person (the dealer), through the transporter, by the supplier (the OEM) at his factory gate and the supply of the said goods can be considered to have fructified at the factory gate of the OEM, even though the goods may be physically received by the registered person (the dealer) after the transit period.

In the given case, **since the contract between M/s Ganesh Traders (OEM) and MMPL (dealer) is ex-works**, pick up vans are **considered to be received by MMPL on 29<sup>th</sup> April** i.e. the date on which the vans are handed over to the transporter, even though they were physically received in the month of May.

So, **initially on 29<sup>th</sup> April, full ITC of ₹ 28 lakh** [ $₹ 10 \text{ lakh} \times 10 \text{ vans} \times 28\%$ ] **can be availed** while filing the return of the month of April.

Subsequently, after the receipt of vans in the showroom, **2 vans were destroyed due to fire and written off in the books.**

So, ITC in respect of such vans, which was already availed has to be reversed while filing the return of the next month-May, **since ITC on the goods, which are destroyed is not available in accordance with section 17(5) of the CGST Act, 2017.**

Amount of ITC **to be reversed** in return of next month is = **₹ 5.6 lakh** [ $₹ 10 \text{ lakh} \times 2 \text{ vans} \times 28\%$ ].

### Question 15

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

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

### Answer

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

Since in the given case, the mini bus has a **seating capacity of 16 persons, the ITC thereon will not be blocked.**

- (ii) Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons with certain exceptions. Thus, ITC on motor vehicles for transportation of goods is allowed unconditionally.

Therefore, **ITC on trucks purchased by Bangur Ceramics Ltd for transportation of its finished goods** from the factory to dealers located in various locations within the country **is allowed.**

- (iii) Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for

transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for making further supply of such motor vehicles.

Being a dealer of cars, "Hans Premium" has **purchased the cars for further supply. Therefore, ITC on such cars is allowed** even though seating capacity is less than 13.

- (iv) Section 17(5) of the CGST Act, 2017 inter alia, blocks input tax credit in respect of outdoor catering services. However, ITC is available on such services, when the same are provided by an employer to its employees under a statutory obligation.

Thus, in view of the above- mentioned provisions, Sun & Moon packers Pvt. Ltd. can avail **ITC in respect of outdoor catering services availed by it as the same is being provided under a statutory obligation.**

### Question 16

Le Marc Ltd. of Nashik, Maharashtra, a registered supplier, is engaged in manufacturing taxable goods. It provides the following details of items purchased and services availed by it from Gujarat, for month of March:

S.N.	Particulars	IGST (₹)
1	Motor vehicle purchased for employees to be used for personal as well as business purposes	1,50,000
2	Motor vehicle purchased for transportation of goods within the factory	2,00,000
3	Food items for consumption of employees. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.	2,000
4	Rent-a-cab facility availed for employees to fulfill a statutory obligation in this regard. Government has notified such service under section 17(5)(b)(iii)(A) of CGST Act, 2017.	36,000

Calculate the amount of eligible input tax credit for the month of March.

### Answer

#### Computation of eligible input tax credit

Particulars	Eligible ITC (₹)
Motor vehicle purchased for employees to be used for personal as well as business purposes [Note-1]	-
Motor vehicle purchased for transportation of goods within the factory [Note-1]	2,00,000
Food items for consumption of employees [Note-2]	-
Rent-a-cab facility given to employees [Note-3]	<u>36,000</u>
<b>Total eligible input tax credit</b>	<b>2,36,000</b>

#### Notes:

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

1. ITC on motor vehicles and other conveyances is blocked except when they are used-
  - (i) for making the following taxable supplies, namely:
    - (A) further supply of such vehicles or conveyances; or
    - (B) transportation of passengers; or

- (C) imparting training on driving, flying, navigating such vehicles or conveyances;
- (ii) for transportation of goods.
- Thus, in the given case, ITC on motor vehicle purchased for transportation of goods within the factory will only be allowed
2. ITC in respect of food and beverages is blocked unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply. Thus, in the given case, ITC of taxes paid on food for employees is not allowed.
  3. ITC on supply of rent-a cab services are not blocked where the Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service.

### Question 17

Ramoplast Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps – ‘Forever Glow’ in Mumbai. It has provided following information pertaining to purchases made/services availed in the month of January:

Particulars	GST paid (₹)
Soap making machine	50,000
Motor vehicles for transportation of inputs	70,000
Membership of ‘Fit and Fine’ health and fitness centre for its employees	25,000
Inputs purchased, but stolen from the factory	40,000

You are required to compute the input tax credit (ITC) available with Ramoplast Soap Factory for the month of January assuming that all the other conditions for availing ITC, wherever applicable, have been fulfilled.

### Answer

#### Computation of ITC available with Ramoplast Soap Factory

Particulars	Amount (₹)
Soap making machine [ITC in respect of goods used in course/furtherance of business is available in terms of section 16 of the CGST Act]	50,000
Motor vehicles for transportation of inputs [ITC in respect of motor vehicles and conveyances is blocked, except when used, inter alia, for transportation of goods, in terms of section 17(5) of the CGST Act]	70,000
Membership of ‘Fit and Fine’ health and fitness centre for its employees [ITC in respect of membership of a club, health and fitness centre is blocked in terms of section 17(5) of the CGST Act]	Nil
Inputs stolen from the factory [ITC in respect of goods stolen is blocked in terms of section 17(5) of the CGST Act]	<u>Nil</u>
<b>Total ITC available</b>	<b><u>1,20,000</u></b>

### Question 18

CANWIN Ltd., a registered supplier, is engaged in manufacture of Tanks. The company provides the following information pertaining to GST paid on purchases made/input services availed by it during month of January:

	Particulars	GST Paid (₹)
(i)	Purchase of Machinery where debit note is issued	1,15,000
(ii)	Input purchased was directly delivered to Mr. Joe, a job worker & a registered supplier	80,000
(iii)	Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	50,000
(iv)	Works Contract services taken for construction of Staff quarters in company premises	4,25,000

Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January by giving brief explanations for treatment of various items. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.

### Answer

#### Computation of input tax credit (ITC) available with CANWIN Ltd. for the month of January

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

#### Notes:

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

### Question 19

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

Inward Supplies	GST (₹)
(1) Goods used in constructing an additional floor of office building	18,450
(2) Goods given as free sample to prospective customers	15,000
(3) Trucks used for transportation of inputs in the factory	11,000
(4) Inputs used in trial runs	9,850
(5) Confectionery items for consumption of employees working in the factory	3,250
(6) Cement used for making foundation and structural support to plant and machinery	8,050

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

**Answer**

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

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

**Question 20**

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

S. N.	Particulars	GST (₹)
(1)	Raw materials (to be received in the month of September)	2,50,000
(2)	Membership of a club availed for employees working in the factory (not obligatory to be provided under any law)	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those items is ₹ 80,000)	1,50,000

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

**Answer****Computation of ITC that can be availed by Harshgeet Pvt. Ltd. for the month of July:**

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

**Question 21**

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

S. No	Particulars	GST (₹)
(1)	Purchase of iron which is used as a raw material [Goods were received in two lots - first in March and the second in April]	2,50,000
(2)	Purchase of accessories which were delivered directly to the dealers of the company on the direction of Dina Ltd. [Only invoice was received by Dina Ltd.]	90,000
(3)	Purchase of bus (seating capacity 15) for the transportation of employees from their residence to company and back	1,97,000
(4)	General insurance taken on a car (seating capacity 5) used by executives of the company for official purposes	5,200

You are required to determine the ITC that can be availed by Dina Ltd. for the month of March, by giving brief explanations for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

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

Particular	ITC (₹)
Purchase of iron used as a raw material [When inputs are received in lots, ITC can be availed only on the receipt of last lot. Hence, since last lot is received in April, ITC cannot be availed in March.]	Nil
Purchase of accessories delivered directly to the dealers of the company	90,000

[Goods delivered to another person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. Thus, ITC is available to the registered person, on whose order/direction the goods are delivered to a third person.]	
Bus for the transportation of employees [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,97,000
General insurance taken on car (seating capacity 5) used by executives for official purpose [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles. Since, the car is not used for any of the eligible purposes, ITC thereon is blocked and thus, ITC on general insurance taken on such car is also blocked.]	Nil
<b>Total ITC</b>	<b>2,87,000</b>

## Question 22

Jamku Ltd., a registered person, is engaged in the business of spices. It provides following details in relation to GST paid on inward supplies procured by it during the month of October.

S. No	Particulars	GST (₹)
(1)	Raw spices purchase <ul style="list-style-type: none"> <li>Raw spices sold to customers</li> <li>Raw spices used for personal use of directors</li> </ul>	50,000 20,000
(2)	Electric machinery purchased for being used in the manufacturing process	25,000
(3)	A 6 seater motor vehicle used for transportation of employees	55,000
(4)	Payment made to a contractor for construction of staff quarters	1,25,000

Determine the amount of ITC that can be availed by Jamku Ltd. for the month of October by giving the necessary explanation for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

## Answer

### Computation of ITC that can be availed by Jamku Ltd. for the month of October

Particular	ITC (₹)
Purchase of raw spices which are sold to customers [Every registered person is entitled to take credit of input tax charged on any supply of goods to him which are used or intended to be used in the course or furtherance of his business.]	50,000
Purchase of raw spices for personal use of directors [ITC is not available on goods used for personal consumption.]	Nil
Electric machinery purchased for being used in the manufacturing process	25,000

[Every registered person is entitled to take credit of input tax charged on any supply of goods to him which are used or intended to be used in the course or furtherance of his business.]	
Motor vehicle used for transportation of employee [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. In the given case, since the supplier is in the business of spices, ITC on a 6 seater motor vehicle used for transportation of employees is blocked credit. ]	Nil
Payment made to a contractor for construction of staff quarters [ITC is not available for works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service]	Nil
<b>Total ITC</b>	<b>75,000</b>

### Question 23

ABC Ltd., registered under GST, is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.

S. No.	Items	GST (₹)
(i)	Electrical transformers to be used in the manufacturing process	5,20,000
(ii)	Trucks used for the transport of raw material	1,00,000
(iii)	Raw material	2,00,000
(iv)	Confectionery items. These items were supplied free of cost to the customers in a customer meet organized by the company	25,000

Determine the amount of ITC that can be availed by ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

### Answer

#### Computation of ITC that can be availed by with ABC Co. Ltd. for the month of July

S. No.	Items	ITC (₹)
(i)	Electrical transformers [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	5,20,000
(ii)	Raw material [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	2,00,000
(iii)	Raw material [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	2,00,000
(iv)	Confectionery items for consumption of customers at customers meet	Nil

	[ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply-Section 17(5)(b)(i)]	
	<b>Total ITC</b>	<b>8,20,000</b>

### Question 24

M/s Poorvi Ltd, a registered supplier of various goods and services, provided the following information pertaining to GST paid on inward supplies for the month of August, 20XX.

S.N.	Particulars	GST Paid (₹)
1.	Purchased goods which are used for activities related to his obligation under corporate social responsibility as per section 135 of The Companies Act, 2013.	3,00,000
2.	Purchased raw material worth ₹ 5,90,000 including GST in 5 lots. 3. lots of raw material worth ₹ 3,00,000 excluding GST received in the current month and remaining lots will be received in the month of September, 20XX.	90,000
3.	Company paid for outdoor catering expenses for the lunch of its factory employees during the lunch hours as per the policy of the company. There is no legal obligation to provide such lunch facility to the employees.	50,000
4.	Purchased goods from M/s Om Traders -all goods and invoices were received by the company in August 20XX, but one invoice out of these invoices has not been furnished by the supplier in the statement of outward supplies (using IFF). The GST paid on the invoice not furnished is ₹ 50,000.	2,00,000
5.	Purchased raw material to manufacture finished goods. Such finished goods to be sold to potential customers under Scheme 'Buy one get one free'.	1,50,000

Compute the amount of net ITC available to M/s Poorvi Ltd. for the month of August 20XX with necessary explanations for the treatment of all the items in the table. Subject to information given above, all other conditions necessary for availing the ITC have been fulfilled.

### Answer

#### Computation of net ITC available to M/s Poorva Ltd. for August 20XX

	Particulars	₹
1.	Goods used for activities related to corporate social responsibility [ITC in respect of goods used for activities relating to obligations under corporate social responsibility (CSR) is not available under section 17 of CGST Act as same is blocked. ]	-
2.	Raw material purchased in lots [When goods are received in lots, ITC can be taken only upon receipt of the last lot].	-
3.	Outdoor catering expenses [ITC on outdoor catering services is blocked as ITC is not available under section 17 since such services are being provided by employer to employee without statutory obligation.]	-
4.	Goods purchased from M/s Om Traders [2,00,000 – 50,000] [ITC can be availed only if the details of the invoice have been furnished by the supplier in Statement of outward supplies or GSTR-1 OR using Invoice Furnishing Facility (IFF). Thus, ITC of GST amounting to ₹ 50,000 paid on supply in respect of which the details of invoice have not been furnished, is not available.]	1,50,000

5.	Raw material [“Buy one get one free” offer is not an individual supply of two goods, it is supply of two goods for the price of one. Thus, ITC is available on the inputs used in relation to supply of goods as part of said offer.]	1,50,000
	<b>Total ITC</b>	<b>3,00,000</b>

## **Fundamentals for Availment of Input Tax Credit (ITC)**

### **Question 25**

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 for authorised operations 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 testing agency's services to extent attributable to the SEZ supplies. Give your comments.

### **Answer**

**ITC is disallowed only to the extent it pertains to supplies used for non-business purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units for authorised operations are zero rated supplies** in terms of section 16(1) of the IGST Act. **Thus, full ITC is allowed** on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ for authorised operations.

## **Special Cases Enabling Availment of Input Tax Credit (ITC)**

### **Question 26**

What is the ITC entitlement of a newly registered person?

### **Answer**

- (i) A person who has **applied for registration within 30 days from the date on which he became liable to registration**, can **take 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**.
- (ii) In case of **voluntary registration**, ITC of inputs held **in stock and inputs contained in semi-finished or finished goods held in stock on day immediately preceding date of registration can be taken**.

### **Question 27**

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

### **Answer**

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

**Question 28**

Babla Enterprises is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1<sup>st</sup> October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla Enterprises was ₹ 45 lakh. Examine the eligibility of Babla Enterprises for availing ITC, if any.

**Answer**

Since the exemption available on goods being supplied by Babla Enterprises, an unregistered person, gets withdrawn, it becomes liable to registration as its turnover had crossed the threshold limit on the day when the exemption is withdrawn.

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

**Question 29**

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

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

**Answer**

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

As per section 18(1)(d), Mamta Trade Links will be **entitled to take credit of input tax in respect of inputs held in stock** and inputs contained in semi- finished or finished goods held in stock relating to such exempt supply **and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e. 30<sup>th</sup> September**. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

**Special Cases Enabling Reversal of Input Tax Credit (ITC)****Question 30**

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 or plant and machinery, **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**.

### Question 31

Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled?

#### Answer

**Yes**, as per section 29(3), the **cancellation of registration under this section shall not affect the liability of the person** to pay tax and other dues under this Act or to discharge any obligation under this Act or the rules made thereunder **for any period prior to the date of cancellation whether or not such tax and other dues are determined before or after the date of cancellation**.

Further, as per section 29(5), **every registered taxable person whose registration is cancelled 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 **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**.

### Question 32

Granites Textiles Ltd. purchased a needle detecting machine on 8<sup>th</sup> July, 2025 from Makhija Engineering Works Ltd. for ₹ 10,00,000 (excluding GST) paying GST @ 18% on the same. It availed the ITC of the GST paid on the machine and started using it for manufacture of goods. The machine was sold on 22<sup>nd</sup> October, 2026 for ₹ 7,50,000 (excluding GST), as second hand machine to LT. Pvt. Ltd. GST rate on supply of machine is 18%. State the action which Granites Textiles Ltd. is required to take, if any, in accordance with the statutory GST provisions on the sale of the second-hand machine.

#### Answer

Section 18 of the CGST Act, 2017 read with the CGST Rules, 2017 provides that if capital goods or plant and machinery on which input tax credit has been taken are supplied outward by the registered person, he must **pay an amount that is the higher of the following**:

- (a) **input tax credit taken on such goods reduced by 5% per quarter** of a year or part thereof from the date of issue of invoice for such goods (i.e., ITC pertaining to remaining useful life of capital goods), or
- (b) **tax on transaction value**.

Accordingly, the amount payable on supply of needle detecting machine shall be computed as follows:

Particulars	₹	₹
Input tax credit taken on the machine (₹ 10,00,000 × 18%)		1,80,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine		
(i) For the year 2025-26 = (₹ 1,80,000 × 5%) × 3 quarters	27,000	
(ii) For the year 2026-27 = (₹ 1,80,000 × 5%) × 3 quarters	<u>27,000</u>	54,000
<b>Amount required to be paid (A)</b>		<b>1,26,000</b>

Duty leviable on transaction value ( $\text{₹ } 7,50,000 \times 18\%$ ) (B)		1,35,000
Amount payable towards disposal of machine is higher of (A) and (B)		1,35,000

## **Transfer of ITC**

### **Question 33**

A registered person transfers its business to another person. Is such registered person allowed to transfer the unutilized ITC lying in its electronic credit ledger to such transferred business? Discuss.

### **Answer**

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

The registered person should **furnish the details of change in constitution on the common portal and submit a certificate from practicing Chartered Accountant/Cost Accountant** certifying that the **change in constitution** has been **done with a specific provision for transfer of liabilities**. Upon acceptance of such details by the transferee on the common portal, the unutilized ITC gets credited to his electronic credit ledger. Transferee should duly account for inputs and capital goods so transferred in his books of account.

## **Utilisation of ITC**

### **Question 34**

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

### **Answer**

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

1. IGST credit should first be utilized towards payment of IGST.
2. Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.
3. Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
4. Subsequently, ITC of CGST should be utilized for payment of CGST and IGST in that order.
5. ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order.
6. ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.
7. ITC of SGST/UTGST cannot be utilized for payment of CGST and vice versa.

### **Question 35**

From the following information, compute the Net GST payable for the month of March, 20XX:

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

**Answer****Computation of net GST payable for the month of March, 20XX**

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

**Question 36**

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

or

“Rule 86A of the CGST Rules, 2017 provides that in certain specified circumstances, Commissioner on the basis of reasonable belief may not allow debit of an amount equivalent to such credit in electronic credit ledger.” State the grounds (as guided by CBIC) on which the reasons for such belief must be based on.

**Answer**

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

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

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

**Question 37**

Rule 86B restricts the use of Input Tax Credit (ITC) available in the Electronic Credit Ledger for discharging output tax liability. List down the exceptions to the rule 86B.

**Answer**

Rule 86B of the CGST Rules, 2017 restricts the use of ITC available in the Electronic Credit Ledger for discharging output tax liability by a registered person. **Exceptions to rule 86B** are as follows:

- (1) Where the **said person/proprietor/karta/managing director/any of its two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees**, as the case may be, have **paid more than ₹ 1 lakh as income tax in each of the last 2 financial years**.
- (2) Where the registered person has **received a refund of more than ₹ 1 lakh in the preceding FY on account of unutilised ITC** in case of
  - (i) zero rated supplies made without payment of tax or
  - (ii) inverted duty structure.
- (3) Where the registered person has **discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively**, upto the said month in the current FY.
- (4) Where the registered person is **Government Department, Public Sector Undertaking, Local authority or Statutory body**.

Said restriction may be removed by Commissioner/authorised officer after required verifications and safeguards.

# **Computation of GST Liability**

**Question 38**

Shipra Traders is a registered supplier of goods in Assam. It purchased goods valued at ₹ 10,000 from Kartik Suppliers located within the same State. Kartik Suppliers charged CGST & SGST separately in its invoice. Subsequently, Shipra Traders sold goods valuing ₹ 9,500 to Rabina Manufacturers located in Assam. 20% of the inputs purchased are still lying in stock and there was no opening stock of goods. Rate of CGST and SGST on supply and purchase of goods is 9% each. Calculate the net GST payable by Shipra Traders and input tax credit (ITC) to be carried forward, if any.

**Answer****Computation of net GST payable by Shipra Traders**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
GST payable on intra-State supply of goods [Being an intra-State supply, CGST and SGST is payable on the same]	855 [9,500 × 9%]	855 [9,500 × 9%]
Less: ITC on intra-State purchase of goods [ITC of CGST and SGST paid on intra-State purchase is available in full, even if some inputs are lying in stock]	<u>900</u> [10,000 × 9%]	<u>900</u> [10,000 × 9%]
<b>Net GST payable</b>	<b>Nil</b>	<b>Nil</b>
<b>Input tax credit carried forward in Electronic Credit Ledger</b>	<b>45</b>	<b>45</b>

**Question 39**

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

	Particulars	(₹)
(i)	Inter-state taxable supply of goods	10,00,000
(ii)	Intra state taxable supply of goods	2,00,000
(iii)	Intra state purchase of taxable goods	5,00,000

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

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

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

Both inward and outward supplies are exclusive of taxes wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. Ajay for the month of August.

**Answer****Computation of net GST payable by Mr. Ajay for the month of August****Working of GST payable on Outward supplies**

S.N.	Particulars	(₹)	GST (₹)
(i)	Intra-State taxable supply of goods		
	CGST @ 9% on ₹ 2,00,000	18,000	
	SGST @ 9% on ₹ 2,00,000	<u>18,000</u>	36,000
(ii)	Inter-State taxable supply of goods		
	IGST @ 18% on ₹ 10,00,000		1,80,000

**Computation of total ITC**

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

**Computation of GST payable from cash ledger**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable	18,000	18,000	1,80,000
Less: ITC	(18,000)-CGST	(18,000)-SGST	(25,000)-IGST
			(47,000)-CGST
			(57,000)-SGST
<b>Net GST payable</b>	<b>Nil</b>	<b>Nil</b>	<b>51,000</b>

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

**Question 40**

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

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

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

Particulars	Amount (₹)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

Paritosh & Co. has following opening balance of ITCs for the tax period:

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

**Note:**

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

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

**Answer**

**Computation of GST payable on outward supplies**

S. N.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 10,00,000	90,000	90,000		1,80,000
(ii)	Intra-State supply of goods for ₹ 8,00,000			1,44,000	1,44,000
	<b>Total GST Payable</b>				<b>3,24,000</b>

**Computation of Total ITC**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	60,000	1,40,000
Add: ITC on Intra-State purchases of goods valuing ₹ 3,00,000	27,000	27,000	Nil
Add: ITC on Inter-State purchases of goods valuing ₹ 2,50,000	Nil	Nil	45,000
<b>Total ITC</b>	<b>84,000</b>	<b>87,000</b>	<b>1,85,000</b>

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

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	90,000	90,000	1,44,000	3,24,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST or SGST liabilities in any order to minimize cash outflow]	(22,000) IGST	(19,000) IGST	(1,44,000) IGST	1,85,000
CGST and SGST ITC utilized Against CGST and SGST output Tax liability respectively	(68,000) CGST	(71,000) SGST		1,39,000
<b>Minimum GST payable in cash</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
ITC balance to be carried forward next month	16,000	16,000	Nil	32,000

**Note:** The above computation is one of the many ways to set off the ITC of IGST (₹ 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash and carry forward both CGST and SGST ITC equally. To illustrate, IGST of ₹ 10,000 can be set off against SGST payable and IGST of ₹31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be ₹25,000 and ₹7,000 (totaling to ₹ 32,000), respectively.

**Question 41**

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

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

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

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

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

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

**Note:**

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

Compute minimum GST, payable in cash, by XT Pvt. Ltd. for tax period. Make suitable assumption as required.

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

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 8,00,000	72,000	72,000		1,44,000
(ii)	Inter-State supply of goods for ₹ 3,00,000			54,000	54,000
	<b>Total GST payable</b>				<b>1,98,000</b>

**Computation of total ITC**

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

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

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

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

### Question 42

Mr. Himanshu, a registered supplier of chemicals, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies for the month of September 20XX:

Intra-State supply of goods	₹ 25,00,000
Inter-State supply of goods	₹ 5,00,000
He has also made the following inward supply:	
• Intra-State purchase of goods from registered dealer	₹ 14,00,000
• Intra-State purchase of goods from unregistered dealer	₹ 2,00,000
• Inter-State purchase of goods from registered dealer	₹ 4,00,000
Balance of ITC at the beginning of September 20XX:	
• CGST	₹ 95,000
• SGST	₹ 60,000
• IGST	₹ 50,000

#### Additional Information:

- He purchased a car (Intra-State supply) used for business purpose at a price of ₹ 6,72,000 (including CGST of ₹ 36,000 & SGST of ₹ 36,000) on September 15, 20XX. He capitalized the full value including GST in the books on the same date to claim depreciation.
- Out of Inter-State purchase from registered dealer, goods worth ₹ 1,00,000 were received on October 3, 20XX due to road traffic jams.

#### Note:

- Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
- Both inward and outward supplies given above are exclusive of taxes, wherever applicable.
- All the conditions necessary for availing the ITC have been fulfilled except mentioned above.

Compute the net CGST, SGST and IGST payable in cash by Mr. Himanshu for the month of September, 20XX ensuring minimum cash is to be paid from CGST.

## Answer

## Computation of net GST payable in cash of Mr. Himanshu for September, 20XX

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b>Total tax liability</b>				
Intra-State outward supplies of goods	25,00,000	2,25,000	2,25,000	
Inter-State outward supplies of goods	5,00,000			90,000
Total tax liability (A)		2,25,000	2,25,000	90,000
<b>Input Tax Credit (ITC)</b>				
Brought forward ITC		95,000	60,000	50,000
Intra-State purchase of goods from registered dealer [Note-1]	14,00,000	1,26,000	1,26,000	
Inter-State purchase of goods from registered dealer [Note-1 and Note 4]	3,00,000	-	-	54,000
Intra-State purchase of goods from unregistered dealer [Note-2]	2,00,000	-	-	-
Purchase of car used for business purpose [Note-3]	-	-	-	-
Total ITC (B)		2,21,000	1,86,000	1,04,000
Net GST liability = (A)-(B)		4,000	39,000	(14,000)
Less: Set off from IGST credit [Note-5]		4,000	10,000	
<b>Net GST payable in cash</b>		<b>Nil</b>	<b>29,000</b>	<b>Nil</b>

## Notes:

- Every registered person is entitled to take credit of input tax charged on any inward supply of goods used/intended to be used in the course/furtherance of his business.
- Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the tax leviable thereon, since no tax has been paid, so no credit is available.
- Input tax paid on capital goods cannot be availed as ITC if depreciation has been claimed on such tax component. Moreover, ITC on motor vehicle (car) is blocked under section 17(5) of CGST Act, 2017.
- A registered person is entitled to avail input tax in respect of any supply of goods to him only if he has actually received the said goods. Since goods worth ₹ 1,00,000 have not been received by Mr. Himanshu in month of September 20XX, credit in respect of same cannot be claimed in the said month.

## Question 43

KNK Ltd., a registered supplier of Mumbai is a manufacturer of heavy machines. Its outward supplies (exclusive of GST) for the month of January, 20XX are as follows:

S. No.	Particulars	Amount (₹)
(i)	Inter-State	85,00,000
(ii)	Intra-State	15,00,000

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

S. No.	Particulars	CGST paid (₹)	SGST paid (₹)
(i)	Raw material A (of which 70% of inputs procured were used and 30% were in stock at the end of the January, 20XX)	60,000	60,000
(ii)	Raw material B (of which 90% material received in factory and remaining material completely damaged due to a road accident on the way to factory. There was no negligence on the part of the KNK Ltd.)	50,000	50,000
(iii)	Construction of pipelines laid outside the factory premises	30,000	30,000
(iv)	Insurance charges paid for trucks used for transportation of good.	55,000	55,000

Additional Information:

- (i) There is no opening balance of any input tax credit and all the conditions necessary for availing the input tax credit (ITC) have been fulfilled.
- (ii) Details of GST paid on inward supplies are available in GSTR-2A except for item (i) i.e. Raw Material A, for which supplier has not filed its GSTR-1 for the month of January 20XX, hence corresponding input tax credit (ITC) is not reflecting in GSTR-2A of KNK Ltd. in January, 20XX.

Compute the following:

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

Working notes should form part of your answer.

### Answer

#### (i) Computation of amount of eligible ITC available for the month of January, 20XX

S. No.	Particulars	CGST (₹)	SGST (₹)
(i)	Raw materials B (90%) [Note-1]	45,000	45,000
(ii)	Construction of pipelines laid outside the factory premises [Note-2]	Nil	Nil
(iii)	Insurance charges paid for trucks used for transportation of goods [Note-3]	55,000	55,000
(iv)	Raw materials A [Note-4]	Nil	Nil
	<b>Total eligible ITC</b>	<b>1,00,000</b>	<b>1,00,000</b>

#### Notes:

1. ITC on goods destroyed is blocked under section 17 of the CGST Act, 2017.
2. ITC on works contract services availed for construction of plant and machinery is allowed but pipelines laid outside the factory premises are excluded from the definition of plant and machinery and hence, ITC thereon is blocked.
3. ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is also allowed on insurance services relating to motor vehicles, ITC on which is allowed.
4. ITC in respect of invoices not furnished by the suppliers in their GSTR-1s and thus, not being reflected in GSTR-2B of recipient, cannot be claimed.

**(ii) Computation of minimum net GST payable in cash for the month of January, 20XX**

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

**Question 44**

Mr. Ekaant, a supplier registered in Delhi, is engaged in the business of sale and purchase of plastic raincoats. The turnover of Mr. Ekaant was ₹ 2.5 crores in last financial year. He furnishes the following information pertaining to inward/outward supply made by him for the month of July, 20XX:

Particulars	Amount (₹ in lakh)
Value of inter-State outward supply to registered persons	30
Value of intra-State outward supply to registered persons	50
Value of intra-State outward supply to unregistered persons	15
Value of intra-State inward supply from registered persons	10
Value of inter-State inward supply from registered persons	5
Value of intra-State inward supply from unregistered persons	2

Following additional information is also provided by Mr. Ekaant:

Particulars	Amount (₹ in lakh)
IGST credit on capital goods purchased in the month of July	1.5
CGST/ SGST credit on other inward supplies [including credit of ₹ 5,000 (CGST and SGST each) on account of membership of a club]	0.5 (CGST and SGST each)
Availed consultancy services from Mr. Sujit, lawyer located in Delhi [Intra-State services]	1

The amount of ITC brought forward in the month of July, 20XX is as under:

CGST:	₹ 2 lakh
SGST:	₹ 2 lakh
IGST:	₹ 5 lakh

Calculate the net GST liability (CGST and SGST or IGST, as the case may be) to be paid in cash for the month of July, 20XX by assuming the rates of GST as under:

CGST	9%
SGST	9%
IGST	18%

**Note:**

- (i) All the amounts given above are exclusive of taxes.
- (ii) All the conditions necessary for availing the ITC have been fulfilled.

**Answer****Computation of net GST liability of Mr. Ekaant**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b>Total tax liability</b>				
Value of intra-State legal consultancy services i.e. inward supplies liable to reverse charge mechanism (to be paid in cash) <b>(A)</b> [Note-1]	1,00,000	9,000	9,000	-
Value of inter-State outward supplies <b>(B1)</b>	30,00,000	-	-	5,40,000
Value of intra-State outward supplies to registered as well as unregistered persons <b>(B2)</b> (₹ 50,00,000+ ₹ 15,00,000)	65,00,000	5,85,000	5,85,000	-
<b>Total (B) = (B1) +(B2)</b>		<b>5,85,000</b>	<b>5,85,000</b>	<b>5,40,000</b>
<b>Input tax Credit</b>				
Brought forward ITC		2,00,000	2,00,000	5,00,000
Value of intra-State inward supplies from registered person [Note-2]	10,00,000	90,000	90,000	
Value of inter-State inward supplies from registered person [Note-2]	5,00,000	-	-	90,000
Value of intra-State inward supplies from unregistered person [Note-3]	2,00,000	-	-	-
IGST credit of capital goods [Note- 2]				1,50,000
Credit on other inward supplies purchased in the month of July less credit on membership of a club [Note-2 & 4]		45,000	45,000	-
Credit of legal consultancy services [Note-2]		<u>9,000</u>	<u>9,000</u>	=
<b>Total (C)</b>		<b>3,44,000</b>	<b>3,44,000</b>	<b>7,40,000</b>
<b>Net liability (B)-(C)</b>		2,41,000	2,41,000	(2,00,000)
Less: Set off from IGST credit [Note-5]		2,00,000	-	-
<b>Liability after set off (D)</b>		<b>41,000</b>	<b>2,41,000</b>	<b>Nil</b>
<b>Net GST liability to be paid in cash (A) + (D)</b>		<b>50,000</b>	<b>2,50,000</b>	<b>Nil</b>

**Notes:**

1. Services supplied by an individual advocate to any business entity located in the taxable territory by way of legal services, directly or indirectly are taxable under reverse charge mechanism. Thus, tax is payable by the recipient (Mr. Ekaant) on said services to the Government.

Further, as per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger [ITC amount] may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

2. Every registered person is entitled to take credit of input tax charged on any inward supply of goods and/or services which are used or intended to be used in the course or furtherance of his business in terms of section 16 of CGST Act, 2017. Further “input tax” in relation to a registered person includes the tax payable under reverse charge mechanism in terms of section 2(62) of the CGST Act, 2017.
3. Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the central tax leviable thereon under section 9(4) till 30.09.2019 [Notification No.8/2017 CT (R) dated 28.06.2017]. Since no tax has been paid, so no credit is available.
4. ITC is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.
5. Input tax credit of IGST has been used to pay IGST and CGST in that order.

### Question 45

‘XY’ of Kolkata is engaged in supply of various goods and services. It pays GST under regular scheme. The following information is provided by it for the month of July:

Payments	Amount (₹)	Receipts	Amount (₹)
Inter-State purchases of office stationery	1,40,000	Inter-State supply of office stationery	2,00,000
Repairing of lorry used to transport goods from warehouse to clients’ location [Intra-State supply]	1,00,000	Intra-State supply of 500 combi packs containing one calculator and one diary	4,00,000
		Intra-State supply of services of business correspondent to Shubhvidhi Bank for accounts in its urban area branch	1,00,000

The following additional information is provided by ‘XY’ in relation to the above receipts and payments:

- (i) 10% of the inter-State supply of office stationery are made to unregistered persons.
- (ii) Each combi pack (containing a calculator and a diary) is priced at ₹ 800. The calculator and the diary are individually priced at ₹ 700 and ₹ 200 respectively.
- (iii) An invoice of ₹ 40,000 towards purchase of office stationery is missing and no other tax paying document is available in respect of such goods.
- (iv) All the figures mentioned above are exclusive of taxes, wherever applicable.
- (v) Rates of CGST, SGST and IGST for all services, office stationery and calculator are 9%, 9% and 18% respectively. Rates of CGST, SGST and IGST for diary are 14%, 14% and 28% respectively.
- (vi) Subject to information given above, all necessary conditions for availing ITC have been fulfilled.

Details of opening balances of input tax credit as on 1<sup>st</sup> July is given hereunder:

Tax	Amount (₹)
CGST	5,000
SGST	5,000
IGST	80,000

Compute minimum net GST [CGST, SGST or IGST, as the case may be] payable in cash by ‘XY’ for July month.

### Answer

## Computation of minimum net GST payable in cash by 'XY' for the month of July

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b>Total tax liability</b>				
Inter-State supply of stationery [Note 1]	2,00,000			36,000
Intra-State supply of 500 combi packs of calculators and diaries [Note-2]	4,00,000 (500 x 800)	56,000 (4,00,000 x 14%)	56,000 (4,00,000 x 14%)	
Intra-State supply of services of business correspondent to Shubhvidhi Bank for accounts in its urban area branch [Note-3]	1,00,000	9,000 (1,00,000 x 9%)	9,000 (1,00,000 x 9%)	
<b>Total tax liability</b>		<b>65,000</b>	<b>65,000</b>	<b>36,000</b>
<b>Input tax credit (ITC)</b>				
Brought forward ITC		5,000	5,000	80,000
Inter-State purchase of office stationery [Note-4]	1,00,000			18,000
Intra-State repairing of lorry used for transportation of goods [Note-5]	1,00,000	9,000	9,000	
<b>Total ITC</b>		<b>14,000</b>	<b>14,000</b>	<b>98,000</b>
<b>Minimum net GST payable in cash</b>				
Total tax liability		65,000	65,000	36,000
IGST credit being set off against IGST liability				(36,000)
IGST credit being used to pay CGST and SGST liability in any order and in any proportion		(11,000)	(51,000)	
CGST and SGST credit being used to pay CGST and SGST liability respectively		(14,000) CGST	(14,000) SGST	
<b>Minimum net GST payable in cash</b>		<b>40,000</b>	<b>Nil</b>	<b>Nil</b>

## Notes:

- Taxable supplies made by a registered person are liable to tax irrespective of whether they are made to a registered person or to an unregistered person.
- Supply of calculator and diary as a combi pack with a single price of ₹ 800 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply which attracts highest rate of tax.
- Services provided by a business facilitator/business correspondent to a banking company only with respect to accounts in its rural area branch are exempt and not with respect to accounts in its urban area branch.
- ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
- ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

Note: IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer for minimum net CGST and SGST payable in cash as amount of CGST and SGST liabilities are same also amount of ITC for CGST and SGST is also same.

**Question 46**

Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February 20XX:

	Particulars	Amount in ₹
(i)	Intra-state taxable supply of service	5,20,000
(ii)	Legal fee paid to a Lawyer located within the state	20,000
(iii)	Rent paid to the State Govt. for his office building	30,000
(iv)	Received for services towards conduct of exams in Loveall University, Pune (recognized by law), being an inter-state transaction	16,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Thiraj for the month of February, 20XX.

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively. Aggregate turnover of Mr. Thiraj in previous year was ₹ 42,00,000. All the amounts given above are exclusive of taxes.

**Answer****Computation of net GST liability by Mr. Thiraj for the month of February, 20XX**

S.N.	Particulars	Value of supply (₹)	CGST@9% (₹)	SGST@9% (₹)	IGST@ 18% (₹)
<b>Output supply</b>					
(i)	Intra-State taxable supply of services	5,20,000	46,800	46,800	
(ii)	Services towards conduct of exams in Love all University, Pune [Note-1]	16,000			Exempt
<b>Inward supply</b>					
(iii)	Legal fee paid to lawyer located within State [Note-2]	20,000	1,800	1,800	
(iv)	Rent paid to State Government for Office Building [Note-3]	30,000	<u>2,700</u>	<u>2,700</u>	
Total tax liability			51,300	51,300	
Less: Cash paid towards tax payable under reverse charge [A] [Note-4]			<u>(4,500)</u>	<u>(4,500)</u>	
Output tax payable for which ITC can be set off			46,800	46,800	
Less: ITC of tax paid on legal fees and rent			<u>(4,500)</u>	<u>(4,500)</u>	
Output tax payable after set off of ITC [B]			42,300	42,300	
<b>Net GST liability [A] + [B]</b>			<b>46,800</b>	<b>46,800</b>	

**Notes:**

1. Since Loveall University provides education recognized by law, it is an educational institution and services provided to an educational institution, by way of conduct of examination are exempt from GST.
2. In case of legal services provided by an advocate to any business entity GST is payable under reverse charge by the recipient of service.
3. In case of services supplied by, inter alia, State Government by way of renting of immovable property to a person registered under the CGST Act, GST is payable under reverse charge by the recipient of service

4. The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

### Question 47

Alfa Institute of Management (AIM), a private college, is registered under GST in the State of Punjab. AIM provides the following particulars for the month of April:

Sl.No.	Particulars	Amount (₹)
i.	Tuition fee received from students pursuing management courses recognised by Punjab University, established by an Act of State Legislature	18,00,000
ii.	Tuition fee received from students pursuing under-graduate courses recognised by Stan University, London under Dual Degree programmes	8,50,000
iii.	Fee received from students of competitive exam training academy run by a Department of AIM	5,40,000
iv.	Mess fees received from students pursuing qualification recognized by Indian law (Mess is run by AIM on its own)	3,20,000
v.	Amount paid to Local Municipal Corporation for premises taken on rent for conducting coaching classes for competitive exams	50,000
vi.	Legal services availed from Top Care & Co., a Partnership firm of advocates, for the competitive exam training academy (Intra-state transaction)	20,000

**Note:** The aggregate turnover of AIM in the preceding financial year exceeds ₹ 20 lakh. Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both outward and inward supplies. All the amounts given above are exclusive of taxes, wherever applicable. All the conditions necessary for availing the ITC have been fulfilled, wherever applicable. There is no opening balance of ITC under any head of tax.

From the information given above, you are required to calculate the Value of taxable supply and minimum GST liability (CGST, SGST or IGST as the case may be) to be paid in cash, if any, by AIM for the month of April.

### Answer

#### Computation of value of taxable supply and net GST liability to be paid in cash by AIM for April

Particulars	Amount (₹)	
Tuition fee received from students pursuing recognized management courses [Note-1]	Nil	
Tuition fee received from students pursuing under-graduate courses recognized by Foreign University [Note-2]	8,50,000	
Fee received from students of Competitive Exam Training Academy [Note-3]	5,40,000	
Mess fees received from students [Note-4]	Nil	
<b>Total value of taxable supply</b>	13,90,000	
Particulars	CGST (₹)	SGST (₹)
GST liability under forward charge @ 9% [Note-5]	1,25,100	1,25,100
Services on which tax is payable under reverse charge:		
Rent paid to Local Municipal Corporation [Note-6]	4,500	4,500

Legal services from Top Care & Co., a partnership firm of advocates [Note-7]	<u>1,800</u>	<u>1,800</u>
GST liability under reverse charge payable in cash [A] [Note-8]	<u>6,300</u>	<u>6,300</u>
Output tax payable against which ITC can be set off	1,25,100	1,25,100
Less: ITC of renting immovable property and legal services	<u>6,300</u>	<u>6,300</u>
Output tax payable after set off of ITC [B]	1,18,800	1,18,800
<b>Net GST liability payable in cash [A] + [B]</b>	<b>1,25,100</b>	<b>1,25,100</b>

**Notes:**

- Services provided by an educational institution to its students are exempt. Further, educational institution means an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by Indian law. So, tuition fee received by Punjab University, being an educational institution, is exempt, since it provides qualification recognised by Indian law.
- Tuition fee received by Stan University is taxable since Stan University is not an educational institution as qualification provided by it is not recognised by Indian law.
- Fee received from students of competitive exam training academy is taxable as Department of AIM is not an educational institution since competitive exam training does not lead to grant of a recognized qualification.
- Catering services provided by educational institutions to its students are exempt.
- Since all the services provided are intra-State, CGST and SGST @ 9% is charged
- GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.
- GST is payable under reverse charge in case of legal services supplied by a firm of advocates to a business entity.
- The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

**Question 48**

Sreshth Pvt. Ltd., a registered supplier of goods and services in Kolkata, has furnished the following information for the month of February:

S.N.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods	4,00,000
(ii)	Purchase of goods destroyed due to fire before being put into the production process (It is an intra-State transaction)	5,50,000
(iii)	Services provided to a foreign diplomatic mission located in India (It is an intra-State transaction)	1,00,000
(iv)	Intra-State purchase of food items for being served to the customers, free of cost. (It is an intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GST is payable @ 5% (It is an inter-State transaction)	2,00,000
(vi)	Inter-State services provided to Dhruv Ltd. for a business exhibition held in Delhi	10,000

(vii)	Inter-State security services provided to Torrent Higher Secondary School (unregistered under GST) for their annual day function organised in Katyani Auditorium outside the School campus	15,000
(vii)	Inputs to be received in 3 lots, out of which 2 <sup>nd</sup> lot was received during the month	40,000

The company has following balances of ITC with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	50,000

**Note:**

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unless otherwise mentioned.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Sreshth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Sreshth Pvt. Ltd. for the month of February. Make suitable assumptions as required.

**Answer**

**Computation of GST payable on outward supplies**

S.No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Total (₹)
	<b>GST payable under forward charge</b>				
(i)	Intra-State supply of goods [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services provided to a foreign diplomatic mission located in India [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to Torrent higher secondary school for their annual day function to be held in Katyani Auditorium. [Note-4]	Nil	Nil	2,700	2,700
	<b>Total GST payable under forward charge</b>	<b>45,000</b>	<b>45,000</b>	<b>4,500</b>	<b>94,500</b>
	<b>GST payable under reverse charge</b>				
	GTA services availed [GST is payable by recipient on RCM basis on receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12% and services is received by the specified recipient. Since in given case, services have been received from a GTA where GST is payable @ 5% and recipient is specified recipients, RCM provisions will be applicable.]	<b>Nil</b>	<b>Nil</b>	<b>10,000</b>	<b>10,000</b>

**Notes:**

1. Intra-State supply of goods is leviable to CGST and SGST.
2. Services by a foreign diplomatic mission located in India are exempt. However, no exemption is available with respect to the services provided to a foreign diplomatic mission located in India.
3. Services by an organiser to any person in respect of a business exhibition are exempt, only if such business exhibition is held outside India. Thus, in the given case, said service is taxable.
4. Security services provided to Torrent higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt.

**Computation of total ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods destroyed due to fire before being put into the production process [ITC is blocked on lost goods, stolen goods, destroyed goods and goods that are written off]	Nil	Nil	Nil
Add: Purchase of food items for being served to the customers, free of cost [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [ITC is available for the services received from GTA since it is used in course or furtherance of business.]	Nil	Nil	10,000
Add: Inputs to be received in 3 lots, out of which 2nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
<b>Total ITC</b>	<b>57,000</b>	<b>Nil</b>	<b>60,000</b>

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

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Total (₹)
<b>GST payable under forward charge</b>	45,000	45,000	4,500	94,500
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(10,500) IGST	(45,000) IGST	(4,500) IGST	60,000
	(34,500) CGST			34,500
GST payable under reverse charge on GTA services [Payable in cash since tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash]			10,000	
<b>Minimum GST payable in cash</b>	<b>Nil</b>	<b>Nil</b>	<b>10,000</b>	<b>Nil</b>

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

**Question 49**

Mr. Prithviraj, registered under GST, is engaged in supplying services as below in Maharashtra. He has furnished following information with respect to services provided/received by him, during February month:

S.N.	Particulars	Amount (₹)
(i)	Carnatic music performance given by Mr. Prithviraj to promote a brand of readymade garments (Intra-State transaction)	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised for his prospective customers (Intra-State transaction)	50,000
(iii)	Services of transportation of students provided to Subhaskar College providing education as part of a curriculum for obtaining a recognised qualification (Intra-State transaction)	1,00,000
(iv)	Legal services availed for official purpose from an advocate located in Gujarat (Inter-State transaction)	1,75,000
(v)	Services provided to Wealth Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area (Intra-State transaction)	2,00,000
(vi)	Recovery agent's services provided to a car dealer (Intra-State transaction)	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes (Intra-State transaction)	40,000

**Note:**

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Mr. Prithviraj was ₹ 2.5 crore in the previous financial year.

Compute the net GST payable in cash, by Mr. Prithviraj for the month of February.

**Answer****Computation of GST payable**

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>GST payable under forward charge</b>				
Carnatic music performance given to promote a brand of readymade garments [Carnatic music performance by Mr. Prithviraj is not exempt from GST even though the consideration charged does not exceed ₹ 1,50,000 since said performance has been made by him as a brand ambassador.]	1,40,000	12,600	12,600	Nil
Services of transportation of students provided to Subhaskar College [Services of transportation of students provided to an educational institution other than an institution providing pre- school education or education up to higher secondary school, are not exempt.]	1,00,000	9,000	9,000	Nil
Services provided to Wealth Bank as a business	2,00,000	18,000	18,000	Nil

correspondent [Services provided by a business correspondent to a banking company are not exempt when such services are provided with respect to accounts in its urban area branch.]				
Services provided as a recovery agent [Tax is payable under forward charge since recovery agent's services are being provided to a person other than banking company/financial institution/NBFC.]	15,000	1,350	1,350	Nil
Total GST payable under forward charge (A)		40,950	40,950	Nil
<b>GST payable under reverse charge</b>				
Legal services availed from an advocate [Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (₹ 20 lakh) are not exempt and tax on the same is payable under reverse charge.]	1,75,000	Nil	Nil	31,500
Total GST payable under reverse charge (B)		Nil	Nil	31,500
<b>Total GST payable [(A)+(B)]</b>		<b>40,950</b>	<b>40,950</b>	<b>31,500</b>

**Computation of total ITC available**

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Outdoor catering services availed [ITC on outdoor catering services is blocked except when such services are (i) used by the taxpayer who is in the same line of business or (ii) provided by the employer to its employees under a statutory obligation.]	50,000	Nil	Nil	Nil
Legal services availed [ITC is available as said services are used in course or furtherance of business.]	1,75,000	Nil	Nil	31,500
General insurance taken on a car (seating capacity 5) used for official purposes [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.]	40,000	Nil	Nil	Nil
<b>Total ITC available</b>		<b>Nil</b>	<b>Nil</b>	<b>31,500</b>

**Computation of net GST payable in cash**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
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GST payable under forward charge	40,950	40,950	Nil
Less: ITC of IGST1	(15,750) IGST	(15,750) IGST	-
	25,200	25,200	Nil
Add: GST payable under reverse charge in cash [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	<u>Nil</u>	<u>Nil</u>	<u>31,500</u>
<b>Net GST payable in cash</b>	<b>25,200</b>	<b>25,200</b>	<b>31,500</b>

Note: CGST and SGST is payable on intra-State transaction and IGST is payable on inter-State transactions.

### Question 50

M/s. Grey, a registered taxable person under regular scheme provides following information in respect of supplies made by it during the month of April, 20XX:

		<b>Amount (₹)</b>
(i)	Inter-state supply of goods	1,00,000
(ii)	Intra-state supply of 500 packets of detergent @ ₹ 400 each along with a plastic bucket worth ₹ 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	
(iii)	Supply of online educational journals to M/s. Pinnacle, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply.	50,000

M/s. Grey has also received the following inward supplies:

(iv)	Inter-state supply of goods (out of which invoice for goods worth ₹ 20,000 is missing and no other tax paying document is available)	70,000
(v)	Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply.	50,000

Details of opening balances of ITC as on 1.4.20XX are as follows:

CGST	5,000
SGST	5,000
IGST	40,000

Following additional information is provided:

- Rate of GST in respect of all inward and outward supplies except item (ii) above is 18%. i.e. CGST and SGST @ 9% and IGST @ 18%.
- All figures mentioned above are exclusive of taxes.
- All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.

Compute the minimum net GST payable in cash by M/s. Grey for the month of April, 20XX.

### Answer

#### Computation of minimum net GST payable in cash by M/s. Grey for the month of April, 20XX

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
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<b><u>Total tax liability</u></b>				
Inter-State supply of goods	1,00,000			18,000
Intra-State supply of 500 packets of detergents along with a plastic bucket [Note-1]	2,00,000 (500 x 400)	28,000 (2,00,000 x 14%)	28,000 (2,00,000 x 14%)	
Supply of online educational journal to private coaching centre [Note-2]	50,000	4,500 (50,000 x 9%)	4,500 (50,000 x 9%)	
Total tax liability (A)		32,500	32,500	18,000
<b><u>Input tax credit (ITC)</u></b>				
Brought forward ITC		5,000	5,000	40,000
Inter-State purchase of goods [Note-3]	50,000			9,000
Repairing of bus with seating capacity of 20 passengers [Note-4]	50,000	4,500	4,500	
Total ITC (B)		9,500	9,500	49,000
<b><u>Minimum net GST payable in cash</u></b>				
Total tax liability		32,500	32,500	18,000
Less: Set off of IGST liability from IGST credit				(18,000)
Set off IGST credit against CGST and SGST liability in any order and in any proportion		(23,000)	(8,000)	
Set off of CGST and SGST credit against CGST and SGST liability respectively		(9,500) CGST	(9,500) SGST	
<b>Minimum net GST payable in cash</b>		<b>Nil</b>	<b>15,000</b>	<b>Nil</b>

**Notes:**

- Supply of detergent and bucket together with a single price of ₹ 400 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply that attracts highest rate of tax (28%).
- Supply of online educational journal is exempt only when the same is provided to an educational institution which provides a qualification recognised by law. Since, the private coaching centre does not provide any recognised qualification, supply of online educational journals to the same will be taxable.
- ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
- ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.
- IGST credit, after set off against IGST liability, can be utilised against CGST & SGST liability in any order and in any proportion. Thus, there cannot be one answer for minimum net CGST & SGST payable in cash as amount of CGST and SGST liabilities are same also amount of ITC for CGST & SGST is also same.

**Question 51**

X Electronics is a registered manufacturer of electrical appliances. It made contract with dealers, that purchase of air conditioners of capacity 1.5 ton in the month of October, 20XX of quantity of more than 50 units will entitle them for 10% discount.

Inter-State supply made during the month of October 20XX is ₹ 50,00,000 Details of Intra-State supply:

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

Intra-State inward supplies are:

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

X Electronics made supply of Air Conditioners (capacity 1.5 ton) to only one dealer named Mr. L.

Gym membership for employees is not obligatory for X Electronics under any law.

Opening Balance of ITC is as under:

CGST: ₹ 58,000

SGST: ₹ 70,000

IGST: ₹ 10,00,000

**Note:**

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

Compute the Net GST payable in cash by X Electronics for the month of October, 20XX.

**Answer****Computation of net GST payable in cash by X Electronics for October 20XX**

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
I. Intra-State supply				
Supply of microwave oven	15,00,000	1,35,000	1,35,000	
Supply of refrigerators with stabilizers [Being mixed supply, the supply shall be treated as a supply of that particular supply which attracts the highest rate of tax and taxed accordingly. Thus, it will be taxed @ 14% CGST and 14% SGST.]	40,00,000	5,60,000	5,60,000	

	Supply of 100 (₹ 50 lakh/₹ 50,000) air conditioners [Since 100 air conditioners have been supplied, discount @ 10% will be available.]	45,00,000 [₹ 50,00,000 x 90%]	4,05,000	4,05,000	
II.	Inter-State supply @ 18%	50,00,000			9,00,000
Total outward tax liability			11,00,000	11,00,000	9,00,000
Less: Input Tax Credit (Refer Working Note below)					
IGST credit first utilized towards payment of IGST. Remaining amount can be utilized towards CGST and SGST in any order and in any proportion			1,00,000 (IGST)		9,00,000 (IGST)
CGST credit set off against CGST liability and SGST credit set off against SGST liability as CGST credit cannot be utilized towards payment of SGST and vice versa.			5,08,000 (CGST)	5,20,000 (SGST)	
<b>Net GST liability payable in cash</b>			4,92,000	5,80,000	Nil

**Working Note**

**Computation of ITC available with X Electronics**

Particulars		CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC		58,000	70,000	10,00,000
Intra-State inward supplies				
Raw material	20,00,000	1,80,000	1,80,000	
Gym membership for employees [ITC on membership of a health and fitness centre is blocked if there is no statutory obligation for the employer to provide the same.]	50,000	Nil	Nil	
Truck purchased for transportation of goods [ITC on motor vehicles used for transportation of goods is not blocked.]	30,00,000	2,70,000	2,70,000	
Total ITC		5,08,000	5,20,000	10,00,000

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

**Question 52**

M/s. ABC & Co., a chartered accountancy firm, has its office in Bengaluru and is registered under GST in the State of Karnataka. It submitted the following information for the month of April:

S.N.	Particulars	Amount of services provided excluding GST (₹)
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1.	Statutory audit services provided (intra-State supplies)	1,20,000
2.	ITR filing services provided within Karnataka (intra-State supplies)	1,60,000
3.	Internal audit services provided to Mumbai client (inter-State supplies)	1,80,000

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

S.N.	Particulars	CGST (₹)	SGST (₹)
1.	Car purchased by firm for the use of senior partner of the firm for official use	42,000	42,000
2.	Office rent paid to landlord who is registered in State of Karnataka	450	450
3.	Professional fee paid to Mr. Rajesh, a practicing Chartered Accountant, for professional services availed [TDS of ₹ 20,000 is deducted under section 194] of the Income-tax Act, 1961]	18,000	18,000
4.	Computer purchased for office purpose	3,000	3,000

Out of the above 4 suppliers, landlord of office to whom rent was paid did not upload his GSTR-1 within the specified time allowed under GST resulting in GST amount not being reflected in GSTR-2B of M/s. ABC & Co.

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

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

### Answer

#### Computation of net GST payable by ABC & Co. for the month of April

Particulars	Value of supply	CGST (₹)	SGST (₹)	IGST (₹)
Statutory audit services	1,20,000	10,800	10,800	
ITR filing services	1,60,000	14,400	14,400	
Internal audit services	1,80,000	=	=	<u>32,400</u>
Total output tax liability		25,200	25,200	32,400
Less: ITC [Refer Working Note] [CGST credit is set off against CGST liability and SGST credit is set off against SGST liability since CGST credit cannot be utilized towards payment of SGST liability and vice versa.]		<u>(21,000)</u>	<u>(21,000)</u>	
<b>Net GST payable</b>		<b>4,200</b>	<b>4,200</b>	<b>32,400</b>

### Working Note:

#### Computation ITC that can be availed

Particulars	CGST (₹)	SGST (₹)
<b>Computation of eligible ITC</b>		
Car purchased for official use by senior partner [ITC on motor vehicles used for transportation of persons with seating capacity upto 13 persons (including driver) is blocked except when used for making specified outward supplies.]	Nil	Nil
Office rent paid to landlord	Nil	Nil

[No ITC since the supplier did not upload the details of invoice in his GSTR- 1 and said details are not being reflected in GSTR-2B of recipient.]		
Professional fee paid [ITC on services used in the course/furtherance of the business is allowed.]	18,000	18,000
Computer for office purpose [ITC on goods used in the course/furtherance of the business is allowed.]	<u>3,000</u>	<u>3,000</u>
<b>Total eligible ITC which can be availed</b> [ITC in respect of invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of recipient.]	<b>21,000</b>	<b>21,000</b>

### Question 53

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

	<b>Particulars</b>	<b>Amount (₹)</b>
(1)	List price of machine supplied [exclusive of items given below]	80,000
(2)	Tax levied by Local Authority on sale of such machine	6,000
(3)	Discount of 2% on list price of machine was provided (recorded in invoice of machine)	
(4)	Packing expenses for safe transportation charged separately in the invoice	4,000

Star Ltd. received ₹ 5,000 as subsidy from a NGO on sale of each such machine, The Price of ₹ 80,000 of the machine is after considering such subsidy.

During the month of February, 20XX, Star Ltd. supplied three machines to Intra-State customers and one machine to Inter-State customer.

Star Ltd. purchased inputs (intra-State) for ₹ 1,20,000 exclusive of GST for supplying the above four machines during the month. The Balance of ITC at the beginning of February, 20XX was:

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

**Note:**

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

Compute the minimum net GST payable in cash by Star Ltd. for the month of February, 20XX.

### Answer

#### Computation of value of taxable supply

<b>Particulars</b>	<b>Amount (₹)</b>
List price of the machine	80,000
Add: Tax levied by Local Authority on the sale of machine [Tax other than GST, if charged separately, are includible in the value in terms of section 15 of the CGST Act, 2017.]	6,000
Add: Packing expenses for safe transportation	4,000

[Includible in the value as per section 15 of the CGST Act, 2017.]	
Add: Subsidy received from a NGO on sale of each machine [Subsidy received from a non-Government body and which is directly linked to the price, the same is included in the value in terms of section 15 of the CGST Act, 2017.]	<u>5,000</u>
Total	95,000
Less: Discount @ 2% on ₹ 80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15 of the CGST Act, 2017.]	<u>1,600</u>
<b>Value of taxable supply</b>	<b>93,400</b>

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

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

**Working Note: Computation of total ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC	18,000	4,000	26,000
<b>Add: Inputs purchased during the month</b>	<b>10,800</b> [₹ 1,20,000 × 9%]	<b>10,800</b> [₹ 1,20,000 × 9%]	
Total ITC available	28,800	14,800	26,000

**Question 54**

ABC Ltd., a registered supplier in Surat, Gujarat has calculated output net GST liability after adjusting ITC in the books for the month of February 20XX is CGST: ₹ 3,00,000 SGST: ₹ 2,50,000 IGST: ₹ 3,00,000

During the above month, the following additional information is provided by ABC Ltd.:

S. N.	Particulars	Amount (excluding GST) ₹
1	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. hiring charges for the trucks were ₹ 7,500 per truck per day	3,75,000
2	The company sold goods to X & Co. of Delhi on 6th January 20XX with a condition that interest @ 2% per month will be charged on invoice	5,00,000

	value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6 <sup>th</sup> January 20XX. X & Co. paid the consideration for the goods on 20 <sup>th</sup> February along with applicable interest.	
3	Company sought legal consultancy services for its business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat.	1,50,000
4	The company ordered 3,000 packets of tools which are to be delivered by the supplier of Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full quantity in February 20XX and the last lot would be delivered in April 20XX.	5,00,000
5	The company supplied 10,000 packets of tools to one of its customer at ₹ 10 per packet in Gujarat in January 20XX. Afterwards, the company re-values it at ₹ 9 per packet in February 20XX and the company issued credit note to the customer for ₹ 1 per packet.	

The rate of GST is 9% CGST, 9% SGST and 18% IGST. You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February 20XX.

**Answer**

**Computation of net GST liability of ABC Ltd. to be paid in cash for February 20XX**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Net output GST liability as given		3,00,000	2,50,000	3,00,000
Add: Trucks given on hire to GTA [Services by way of giving a means of transportation of goods on hire to a goods transport agency are exempt.]	3,75,000	--	--	--
Add: Interest on delayed payment of 15 days (6 <sup>th</sup> February, 20XX to 20 <sup>th</sup> February, 20XX) [Includible in value in terms of section 15 of the CGST Act, 2017.]	5,900 [5,90,000 × 2% × 15/30]	--	--	900
<b>Total output tax liability</b>		<b>3,00,000</b>	<b>2,50,000</b>	<b>3,00,900</b>
Less: ITC in respect of legal services paid as reverse charge is available	1,50,000	(13,500) [1,50,000 × 9%]	(13,500) [1,50,000 × 9%]	
<b>Net output tax liability (A)</b>		<b>2,86,500</b>	<b>2,36,500</b>	<b>3,00,900</b>
Legal consultancy services received (B) Tax is payable under reverse charge on legal services received by a business entity from a partnership firm of advocates. Further, tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	1,50,000	13,500 [1,50,000 × 9%]	13,500 [1,50,000 × 9%]	

<b>Total GST payable in cash [(A) + (B)]</b>		<b>3,00,000</b>	<b>2,50,000</b>	<b>3,00,900</b>
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**Notes:**

- (1) ITC on goods received in lots is available on receipt of last lot. Hence, ITC on tools received will not be available in February 20XX.
- (2) Since discount given by ABC Ltd. on the packets of tools was not known at the time of supply, it shall not be excluded from its value of supply.

**Question 55**

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

S.N.	Particulars	Amount (₹)
(i)	Outward supplies made during the month	
	a. Within Jharkhand	₹ 24,00,000
	b. Outside Jharkhand	₹ 5,00,000
		29,00,000
(ii)	Purchase of raw materials from registered dealers within Jharkhand which includes materials worth ₹ 2,00,000 purchased from Mr. Krishna, a registered person who is paying tax under composition scheme.	7,00,000
(iii)	Bus purchased from a registered dealer in Tatanagar, Jharkhand. Bus used to ferry its 25 workers to and from factory.	12,00,000

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

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

Opening balances of input tax credit as on 01.09.20XX were as follows:

CGST (₹)	SGST (₹)	IGST (₹)
20,000	5,000	95,000

**Note:**

- (i) All the figures mentioned above are exclusive of taxes.
- (ii) Both inward & outward supplies within the State of Jharkhand are to be considered intra-State supplies and outside the State of Jharkhand are inter-State supplies.
- (iii) Subject to information given above, all other conditions necessary for availing ITC have been fulfilled.

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

Brief and suitable notes should form part of your answer.

**Answer**

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

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward supplies made within Jharkhand	2,16,000 [24,00,000 × 9%]	2,16,000 [24,00,000 × 9%]	
Outward supplies made outside Jharkhand			90,000 [5,00,000 × 18%]
Total output tax	2,16,000	2,16,000	90,000
Less: Input Tax Credit [Refer Working Note below] [IGST credit be first utilized for payment of IGST liability. Remaining IGST credit has been utilized for payment of SGST liability since the SGST liability is to be kept at minimum. After exhausting IGST credit, CGST and SGST credit to be utilized. CGST credit to be utilized for payment of CGST and SGST credit to be utilized for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	-	5,000 (IGST)	(90,000) (IGST)
	2,16,000 (CGST)		
		2,03,000 (SGST)	
<b>Minimum net GST payable in cash</b>	<b>Nil</b>	<b>8,000</b>	<b>Nil</b>
ITC to be carried forward next month	2,000		

**Working Note:**

**Computation of ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	20,000	5,000	95,000
Purchase of raw materials from registered dealers within Jharkhand [7,00,000 – 2,00,000] [ITC on purchases of goods worth ₹ 2,00,000 on which tax is paid in composition scheme is blocked. ITC on remaining purchases worth ₹ 5,00,000 is available, being supply of goods used/intended to be used in course/furtherance of business.]	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]	
Bus purchased from dealer in Jharkhand used to ferry 25 workers to and from factory [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,68,000 [12,00,000 × 14%]	1,68,000 [12,00,000 × 14%]	
<b>Total ITC available</b>	<b>2,18,000</b>	<b>2,03,000</b>	<b>95,000</b>

**Question 56**

Ajay Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. The company provided the following details for the month of February 20XX:

S.N.	Particulars	Amount in ₹
(i)	Outward supply of goods made during the month to various non- related persons:	

	Particulars	Market value	Transaction Value (₹)	As given in particulars column
	a. in the State of Bihar (Intra- State)	3,00,000	4,00,000	
	b. to other States (Inter-State)	2,00,000	1,00,000	
(ii)	Services provided to the State Government of Karnataka for conducting a computer training programme for its employees. Total expenditure incurred for the said programme was ₹ 90,000, of which ₹ 63,000 was borne by the State Govt. (Inter-State transaction)			5,00,000
(iii)	Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTN for convenience of accounting and billing. Value under section 15 - ₹ 20,000 (Intra -State)			Nil
(iv)	Intra - State inward supply of various services for use in the course or furtherance of business (30 invoices)			6,50,000

**Additional Information:**

- (a) All the amounts given above are exclusive of taxes.
- (b) During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 02.01.20XX was omitted to be recorded in the books of accounts and no payment was made against the same till the end of March 20XX. This invoice was issued by Mr. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra -State transaction).
- (c) Rate of GST applicable on various supplies are as follows:

Nature of supply	CGST	SGST	IGST
Car rental service	2.5%	2.5%	5%
All other inward and outward supplies	9%	9%	18%

- (d) No opening balance of input tax credit exists in the beginning of the month.
- (e) Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to ₹ 1,50,000 were e-invoices in which Invoice Reference Number (IRN) was not mentioned. However, all invoices were duly reflected in GSTR 2B for month of February 20XX, since the suppliers had filed their GSTR-1.
- (f) Subject to the information given above, conditions necessary for claiming ITC were complied with.

You are required to calculate the amount of net GST liability payable in cash by Ajay Limited for the month of February 20XX. Brief notes for treatment given for each item should form part of your answer.

**Answer**

**Computation of net GST payable in cash by Ajay Ltd. for the month of February 20XX**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward intra-State supply of goods made in the State of Bihar [Value of supply is transaction value of goods]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
Outward supply of goods made to other States [Value of supply is the transaction value of the goods.]			18,000 [1,00,000 × 18%]
Inter-State services provided to State Government of Karnataka for conducting a computer training programme			90,000 [5,00,000 × 18%]

[Not exempt since the State Government has borne less than 75% of total expenditure of the training programme.]			
Intra-State stock transfer to Gaya Branch with separate registration [Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.]	1,800 [20,000 × 9%]	1,800 [20,000 × 9%]	
<b>Total output tax</b>	<b>37,800</b>	<b>37,800</b>	<b>1,08,000</b>
<b>Less:</b> Input Tax Credit [Refer Working Note below] [CGST credit should be utilized for payment of CGST and IGST in that order. Similarly, SGST credit should be utilized for payment of SGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	(37,800) (CGST)		(7,200) (CGST)
		(37,800) (SGST)	(7,200) (SGST)
<b>Net GST payable in cash</b>	<b>Nil</b>	<b>Nil</b>	<b>93,600</b>

**Working Note:**

**Computation of ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State inward supply of services [₹ 6,50,000 – ₹1,50,000] [ITC cannot be claimed on the e-invoices without IRN since an e-invoice without IRN is not treated as valid document for claiming ITC.]	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]	--
Cars taken on rental basis from Mr. Mukesh [Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a non-body corporate to a body corporate and invoice is issued charging CGST/SGST @ 2.5% is payable under reverse charge. Time of supply of such services is 4 <sup>th</sup> March being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in February, tax liability on the same does not arise in said month. Further, ITC on renting of motor car services received is blocked since the recipient - Ajay Ltd. is not in the same line of business.]	--	--	--
<b>Total ITC available</b>	<b>45,000</b>	<b>45,000</b>	<b>--</b>

**Question 57**

Craftmodel Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. It is not engaged in renting of cars business. The company provided the following details for the month of May, 20XX.

Sl.No.	Particulars				Amount in ₹
(i)	Outward supply of goods made during month to various non-related persons:				As given in particulars column
		<b>Particulars</b>	<b>Market value (₹)</b>	<b>Transaction Value (₹)</b>	
	a.	In the State of Bihar (Intra-State)	3,00,000	4,00,000	
	b.	To other States (Inter-State)	7,50,000	6,00,000	
(ii)	The company pledged its 5% equity shares to the merchant banker for the purpose of proposed initial public offer.				
(iii)	Stock transfer of goods worth ₹ 58,000 without consideration to its branch at Gaya (Bihar). Branch has been declared as an additional place of business in the registration certificate.				
(iv)	Intra-State inward supply of various services for use in the course or furtherance of business (30 invoices). Out of 30 invoices, details of 10 invoices amounting to ₹ 2,50,000 were not furnished by the suppliers in their GSTR-1s and resultantly, were not reflected in Craftmodel Limited's GSTR-2B.				12,00,000
(v)	Outward supply of services of milling of paddy into rice (Intra-State)				2,00,000
(vi)	Outward supply of services of giving trucks on hire to a Governmental authority (Intra-State)				1,50,000
(vii)	Amount paid to IIM Ahmedabad, Gujarat for providing 15 days' management training to 10 managers from 10 <sup>th</sup> May. The IIM provided Participation Certificates at the end of the training program.				5,00,000
(viii)	Purchased air tickets for its employees from Patna to Guwahati, Assam airport in economy class. Total fare was ₹ 1,00,000, out of which basic fare was ₹ 80,000.				

**Additional Information:**

- (a) All the amounts given above are exclusive of taxes, wherever applicable.
- (b) During the course of arranging and filing documents, the Accountant of Craftmodel Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 2<sup>nd</sup> April, 20XX was omitted to be recorded in the books of accounts and no payment was made against the same till the end of May, 20XX. This invoice was issued by Mr. Rahuketu of Patna, from whom Craftmodel Limited had taken cars on rental basis. Invoice included cost of fuel also.
- (c) Regarding pledging of shares, Face value of shares is ₹ 5,00,000. Market value of shares is ₹ 8,00,000.
- (d) Rate of GST applicable on various supplies are as follows:

Nature of supply	CGST	SGST	IGST
Car rental service	2.5%	2.5%	5%
Transportation of passengers by air	2.5%	2.5%	5%
All other inward and outward supplies	9%	9%	18%

- (e) No opening balance of input tax credit exists in the beginning of the relevant tax period.
- (f) Subject to the information given above, conditions necessary for claiming ITC were complied with.
- Calculate the amount of net GST liability payable in cash by Craftmodel Limited for the month of May, 20XX.

**Answer****Computation of net GST payable in cash by Craftmodel Ltd. for the month of May, 20XX**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward intra-State supply of goods made in the State of Bihar. [Value of supply is the transaction value of the goods.]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
Outward supply of goods made to other States. [Value of supply is the transaction value of the goods.]			1,08,000 [6,00,000 × 18%]
Pledging of 5% equity shares to the merchant banker [Supply includes supply of goods and services. Shares being securities are neither goods nor services. Thus, transfer of shares which is neither goods nor services is not a supply.]			Nil
Intra-State stock transfer to Gaya Branch with no separate registration. [Stock transfer between 2 units of a legal entity under single registration is not a deemed supply under GST and hence, the same is not liable to tax under GST since branch with same GSTIN is not a distinct person.]	-	-	
Services of milling of paddy into rice. [Milling of paddy into rice cannot be considered as an intermediate production process in relation to cultivation of plants for food, fibre or other similar products or agricultural produce. Thus, it is not eligible for exemption.]	18,000 (2,00,000 × 9%)	18,000 (2,00,000 × 9%)	
Services of giving trucks on hire to a Governmental authority [Services by way of giving motor vehicles on hire to a Governmental authority are taxable.]	13,500 (1,50,000 × 9%)	13,500 (1,50,000 × 9%)	
<b>Total output tax</b>	<b>67,500</b>	<b>67,500</b>	<b>1,08,000</b>
<b>Less:</b> Input Tax Credit [Refer Working Note below] IGST credit should first be utilized towards payment of IGST.			(90,000)
ITC of CGST should be utilized for payment of CGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST	(67,500) (CGST)		(18,000) (CGST)
ITC of SGST should be utilized for payment of SGST and IGST in that order. However, ITC of SGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully. ITC of SGST cannot be utilized for payment of CGST.		(67,500) (SGST)	-
<b>Minimum Net GST payable in cash</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
ITC balance to be carried forward next month	-	<b>18,000</b>	-

**Working Note:****Computation of ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
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Intra-State inward supply of services used in the course of business. [ITC cannot be availed by a registered person in respect of invoices, the details of which have not been furnished by the supplier in GSTR-1.]	85,500 (9,50,000 x 9%)	85,500 (9,50,000 x 9%)	-
Training course organized by IIM, Gujarat. [Not exempt. Short duration programmes offered by IIMs for which participation certificate is awarded are not 'qualification recognized by law'. ITC is available in respect of supply of services which are used in the course or furtherance of his business. Further, the place of supply of services in relation to training and performance appraisal to a registered person, shall be the location of such person. Thus, place of supply is Patna (Bihar). Further, where the location of the supplier and the place of supply are in two different States, it shall be treated as inter-State supply of services].	-	-	90,000 (5,00,000 x 18%)
Air tickets from Patna to Guwahati [Transport of passengers by air terminating in an airport located in Assam is exempt from GST as said transportation is in economy class.].			
Cars taken on rental basis from Mr. Rahuketu. [Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a non-body corporate to a body corporate and CGST/SGST is charged @ 2.5% each, is payable under reverse charge. Time of supply of such services is 1 <sup>st</sup> February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in May, 20XX, tax liability on the same does not arise in said month. Further, ITC on renting of motor car services received is blocked since the recipient - Craftmodel Ltd. is not in the same line of business]	--	--	--
<b>Total ITC available</b>	<b>85,500</b>	<b>85,500</b>	<b>90,000</b>

### Question 58

Charm Limited, registered under GST in the State of Jharkhand, manufactures cosmetic products and appointed Mr. Handsome of Mumbai, who is registered under GST in the State of Maharashtra, as their Del-credere agent (DCA) to sell their products. Being a DCA, he agrees to raise invoices in his own name and also guarantees for the realization of payments from customers to Charm Limited.

In order to realize the payments from customers on time, he extends short term transaction based loans to them and charges interest for the same.

Mr. Handsome provides you the following details of transactions carried out during the month of March 20XX:

S.N.	Particulars	Amount (₹)
	<b>Outward supply:</b>	
i.	Goods sold by Mr. Handsome in his DCA capacity (intra -State transaction)	2,80,000

ii.	Interest earned from the above customers for short term credit facility provided for timely payment of dues. (intra-State transaction)	20,000
iii.	Commission bill raised on Charm Limited (inter-State transaction) in respect of DCA services provided.	30,000
	<b>Inward supply:</b>	
iv	Inter-State supply of goods received from Charm Limited. Being a DCA, no consideration was paid. Value under section 15 - ₹ 2,00,000	Nil
v.	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost. Company charges ₹ 75,000 for such training when it provides the same to others.	Nil

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amounts given above are exclusive of taxes wherever applicable. Subject to the information given above, necessary conditions are complied with for availment of input tax credit.

You are required to calculate the gross GST liability and eligible input tax credit for the month of March 20XX of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No. (i) to (v).

**Answer**

**Computation of gross GST liability of Mr. Handsome for the month of March 20XX**

Particulars		CGST (₹)	SGST (₹)	IGST (₹)
Goods sold by Mr. Handsome in his DCA capacity	2,80,000	27,000	27,000	
Add: Interest earned for short term credit facility provided to above customers [Interest included in value of supply of goods sold since where DCA is an agent under Schedule - I of CGST Act, short term credit facility provided by DCA to buyer is subsumed in supply of goods by DCA to buyer.]	<u>20,000</u>	[3,00,000 × 9%]	[3,00,000 × 9%]	
Commission charged for DCA services [Being taxable supply of services.]				5,400 [30,000 × 18%]
<b>Gross GST liability</b>		<b>27,000</b>	<b>27,000</b>	<b>5,400</b>
<b>Note:</b> Since the invoice for goods sold is issued by the DCA – Mr. Handsome in his own name, he would fall under the ambit of an agent under Schedule – I of the CGST Act.				

**Computation of eligible ITC for the month of March 20XX**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Inward supply of goods from Charm Limited free of cost [Supply of goods by principal Charm Ltd. to agent Mr. Handsome qualifies as supply even if it is made without consideration.]			36,000 [2,00,000 × 18%]
Training in marketing and distribution received from Charm Limited free of cost [Since no consideration is charged for the services provided, said services do not qualify as supply. As no GST is paid on the same, ITC is not available]	--	--	--
<b>Total ITC available</b>	<b>Nil</b>	<b>Nil</b>	<b>36,000</b>

**Question 59**

Jino Enterprises, a partnership firm is a regular taxable person registered in Guwahati, Assam and is engaged in supply of Air conditioners and its accessories as well as air conditioned repairing services. Details of their various activities for the month of October 20XX are as follows:

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

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

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

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

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

Additional Information:

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

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

Calculate the amount of minimum CGST, SGST & IGST tax payable in cash by Jino Enterprises for the month of October, 20XX.

**Answer**

**Computation of minimum CGST, SGST and IGST payable in cash by Jino Enterprises for the month of October, 20XX**

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

**Working Note: Computation of ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Purchase of business class air tickets for travel from Assam [Not exempt, since air travel embarking from Assam is not being undertaken in economy class. Further, ITC is available since service is used in the course/furtherance of business.]	1,000 [40,000 × 2.5%]	1,000 [40,000 × 2.5%]	
Invoices relating to previous financial year [ITC in respect of any invoice can be taken upto 30 <sup>th</sup> November following the end of FY to which such invoice relates or furnishing of the relevant annual return, whichever is earlier.]	20,000	20,000	80,000
<b>Total ITC available</b>	<b>21,000</b>	<b>21,000</b>	<b>80,000</b>

## Question 60

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

S.N.	Particulars	Amount (₹)
	<b><u>OUTWARD SUPPLY:</u></b>	
i.	Intra-state supply of goods to M/s. Natural & Sons	7,00,000
ii.	Intra-state transfer of goods to its branch office in the state of West Bengal. Both places are under the same GSTIN.	1,00,000
iii.	Provided inter-state supply of sponsorship services to XYZ Ltd of Chennai	80,000
iv.	Advance received for future supply of management consultancy service to Mr. Sharad (Intra-state supply)	40,000
	<b><u>INWARD SUPPLY: (Intra-state)</u></b>	
i.	Purchase of taxable goods from registered suppliers.	8,00,000
ii.	Availed Works Contract service for repair of office building. Amount of repair was debited in the profit & loss account.	30,000
iii.	Availed legal service from an advocate to represent the matter in the Court relating to collection of disputed proceed from customers.	50,000

## Notes:

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

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

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

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

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

## Answer

## Computation of minimum net GST payable in cash by M/s Honest Enterprise for month of December

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b><u>GST payable under forward charge</u></b>				
Intra-State supply of goods to M/s Natural & Sons	7,00,000	17,500 [7,00,000 × 2.5%]	17,500 [7,00,000 × 2.5%]	
Intra-State branch transfer [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]	1,00,000	--	--	
Inter-State supply of sponsorship service to XYZ Ltd. of Chennai [Since sponsorship service is provided by any person other than body corporate to a body	80,000			--

corporate, tax on the same is payable by recipient – XYZ Ltd. - under reverse charge.]				
Advance received for future intra-State supply of management consultancy service [In case of supply of service, tax is payable at the time of receipt of advance amount too]	40,000	3,600 [40,000 × 9%]	3,600 [40,000 × 9%]	
Total output tax		21,100	21,100	
Less: ITC utilized		27,200	27,200	
<b>Net GST payable [A]</b>		Nil	Nil	
Legal services availed [B] [Tax on legal services availed by a business entity from an advocate is payable under reverse charge. Further, tax payable under reverse charge cannot be set off against ITC and thus, reverse charge has to be paid in cash since tax payable under reverse charge is not an output tax.]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	
<b>Minimum net GST payable in cash [A] + [B]</b>		<b>4,500</b>	<b>4,500</b>	

**Working Note:**

**Computation of ITC available**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State purchase of taxable goods [ITC of goods used in the course/furtherance of business is available.]	8,00,000	20,000 [8,00,000 × 2.5%]	20,000 [8,00,000 × 2.5%]	
Works contract service for repair of office [ITC is available since the repair amount is debited in the profit & loss account and not capitalized in the books of account.]	30,000	2,700 [30,000 × 9%]	2,700 [30,000 × 9%]	
Legal services availed [ITC of services used in the course / furtherance of business is available]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	
<b>Total</b>		<b>27,200</b>	<b>27,200</b>	

**Question 61**

MLM Private Limited, a registered person in Udaipur, Rajasthan engaged in various lines of business, provided the following details regarding the transactions undertook in the month of March, 20XX:

Outward Transactions	Amount (₹)
Advance received from Mr. Gokul for Business support services to be supplied in the month of April, 20XX.	2,00,000
Provided commissioning services under Pure labour contract to M/s Raj Builders of Jaipur, Rajasthan for Multi-storey residential complex.	5,00,000

Stock transferred without consideration to its branch in Jodhpur, Rajasthan. Branch has same GSTIN.		1,25,000
Intra State Outward sale of goods to various unrelated persons:		As provided in the column
<b>Market Value</b>	<b>Transaction Value</b>	
5,00,000	5,75,000	
Provided warehousing services for Kidney beans (Rajma), Red lentils and other pulses.		50,000
<b>Inward Transactions</b>		<b>Amount (₹)</b>
Received Car rental services from Carman Private Limited, an unregistered company in Udaipur engaged in car renting services. MLM Private Limited paid rent on monthly basis (Cost of fuel also included in monthly rent). [Rate of CGST and SGST is 6% each]		1,20,000
Intra-State inward supply of various goods and services for use in the course or furtherance of business.		7,50,000 [Goods] 2,50,000 [Services]

**Additional Information**

- The Company paid ₹ 50,000 to Mr. Ajay, an independent director, as sitting fees.
- The Company made donation of ₹ 4,50,000 to a local old age home (a trust not registered under GST) for setting a Water Cooler at old age home with the name of company embedded on the water cooler to express their support for the good cause.
- All the figures are exclusive of GST.
- All inward and outward supplies are intra-State except where otherwise stated.
- Subject to information given above, all the conditions necessary for availing the ITC have been fulfilled.
- Rates of GST are given below except where otherwise stated:

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

Calculate the net GST Payable in cash by MLM Private Limited for the month of March, 20XX.

**Answer****Computation of net GST payable in cash by MLM Private Limited for the month of March 20XX**

Particulars	Value (₹)	CGST (₹)	SGST (₹)
<b>GST payable under forward charge</b>			
Advance received from Mr. Gokul for business support services [Tax is payable at the time of receipt of advance for supply of services.]	2,00,000	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]
Commissioning services under pure labour contract for multi-story residential complex [Taxable, as pure labour contract services pertain to a residential complex.]	5,00,000	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]
Intra-State branch transfer [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]	--	--	--
Intra-State supply of goods to unrelated persons [Transaction value is the value of supply]	5,75,000	34,500 [5,75,000 × 6%]	34,500 [5,75,000 × 6%]

Warehousing services for pulses [Exempt, since warehousing of pulses is exempt from GST]	--		
Total output tax		97,500	97,500
Less: ITC available		<u>72,000</u>	<u>72,000</u>
Net GST payable [A]		<b>25,500</b>	<b>25,500</b>
<b>GST payable under reverse charge</b>			
Services of an independent director availed [B] [Tax on services provided by a director to a company is payable under reverse charge. Further, tax payable under reverse charge cannot be set off against ITC and thus, has to be paid in cash since the tax payable under reverse charge is not an output tax.]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]
<b>Net GST payable in cash [A] + [B]</b>		<b>30,000</b>	<b>30,000</b>

**Working Note:**

**Computation of ITC available**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Car rental services [Tax is not payable under reverse charge mechanism since supplier is a body corporate. Further, no tax is payable under forward charge also since supplier is unregistered and thus, no ITC is available.]	--			
Intra-State inward supply of goods [ITC of goods used in the course/ furtherance of business is available.]	7,50,000	45,000 [7,50,000 × 6%]	45,000 [7,50,000 × 6%]	
Intra-State inward supply of services [ITC of services used in the course/ furtherance of business is available.]	2,50,000	22,500 [2,50,000 × 9%]	22,500 [2,50,000 × 9%]	
Services of an independent director availed [ITC of services used in the course/ furtherance of business is available.]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	
Donation made to local old age home there's no quid pro quo and thus, it is not a supply [Since the name of donor – the company - is displayed in such a manner: <ul style="list-style-type: none"> <li>• which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy</li> <li>• which is not aimed at giving publicity / advertisement / promotion to the donor's business</li> </ul> Hence, no ITC is available.]	--			
<b>Total</b>		<b>72,000</b>	<b>72,000</b>	

**Question 62**

Evershine Pvt. Ltd., a GST registered supplier located in Jaipur, Rajasthan is engaged in taxable supply of packaging goods and consultancy services. It provides following details of various activities undertaken during the month of September:

**(A) Details of Outward Supplies:**

- (1) Supply of goods of ₹ 18,00,000 to Vaidehi Enterprises, a registered person of Udaipur, Rajasthan. Further, received ₹ 50,000 from Vaidehi Enterprises towards freight charges (as agreed to deliver goods at Vaidehi Enterprises' premises) which was not included in above value of supply.
- (2) Supply of goods worth ₹ 35,00,000 to Calc. Exim, a registered person of Prayagraj, Uttar Pradesh. Further, the amount of ₹ 60,000 charged separately (not included above) from Calc. Exim on account of municipal taxes levied in relation to such outward supply.
- (3) Supply of services to Sunshine Ltd., a registered person in Jodhpur, Rajasthan before discount worth ₹ 6,00,000. Further, discount of ₹ 30,000 which has been given at the time of supply of service and duly recorded in the invoice.
- (4) It delivered the goods worth ₹ 2,00,000 to Jeevan Solutions, a registered person located at Bikaner, Rajasthan on the direction of Raghu Enterprise, a registered person of Mumbai, Maharashtra and tax invoice was issued by Evershine Pvt. Ltd. to Raghu Enterprise of Mumbai, Maharashtra.

**(B) Details of Inward Supplies:**

- (1) Purchased raw material goods worth ₹ 20,00,000 from PQR Ltd; a GST registered dealer, located at Kanpur, Uttar Pradesh. Goods worth ₹ 1,00,000 out of total purchases were not received during the month.
- (2) Purchased machinery for manufacturing process worth ₹ 2,00,000 from MPQ Pvt. Ltd., a GST registered dealer, located at Bengaluru, Karnataka. Company has claimed depreciation under Income Tax Act 1961 on full value of the machine, including the GST component.
- (3) Purchased truck worth ₹ 15,00,000 from GST registered dealer, located at Ajmer, Rajasthan for transportation of its goods. GST rate on truck is: CGST 14%, SGST 14%, IGST 28%.
- (4) Purchased car (having seating capacity of 7 persons) costing to ₹ 10,00,000 excluding GST from Mihir Automobiles Pvt. Ltd., a GST registered dealer, located at Ajmer, Rajasthan for use of its director for official purpose. GST rate on car: CGST 14%, SGST 14%, IGST 28%
- (5) Purchased goods worth ₹ 5,00,000 from DEF Buildwell Pvt. Ltd., a registered person of Jaipur, Rajasthan for construction of an additional floor of factory building, of Evershine Pvt. Ltd.

Opening balance of Input tax credit as on the beginning of September-CGST ₹ 20,000, SGST ₹ 50,000 and IGST ₹ 75,000. Rate of GST applicable on both inward and outward supply of goods & services: CGST 9%, SGST 9% and IGST @18%, except where otherwise provided.

**Notes:**

- (i) All the figures mentioned above are exclusive of taxes.
- (ii) Subject to information given above, conditions necessary for claiming ITC were complied with.
- (iii) All inward supplies are used for taxable goods only.
- (iv) Brief and suitable notes should form part of your answer.

Calculate the amount of net minimum GST payable in cash by Evershine Pvt. Ltd. for the month of September,.

## Answer

## Computation of minimum net GST payable in cash by Evershine Pvt. Ltd. for the month of September

Particulars		Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>Output tax payable</b>					
Intra-State supply of goods to Vaidehi Enterprises [Since arranging freight is the liability of supplier, it is a composite supply and thus, freight charges are added to the value of principal supply.]	Place of supply is location where movement of goods terminates	18,50,000	1,66,500	1,66,500	Nil
Inter-State supply to Calc. Exim [Municipal tax is includible in value since it is a tax levied under a law other than GST law and is charged separately.]		35,60,000	Nil	Nil	6,40,800
Intra-State supply to Sunshine Ltd. [Place of supply is location of recipient. Discount given at the time of supply is deductible from the value since duly recorded in the invoice.]		5,70,000	51,300	51,300	Nil
Inter-State supply to Raghu Enterprise [Place of supply in case of bill to ship model is principal place of business of a third person at whose instructions the goods are delivered by supplier to recipient. Thus, it is considered as Inter State supply.]		2,00,000	Nil	Nil	36,000
Total output tax			2,17,800	2,17,800	6,76,800
Less: ITC available [Refer note below] [IGST credit to be utilized first towards payment of IGST.]			Nil	Nil	(4,17,000)
CGST credit utilized for payment of CGST and IGST in that order			(2,17,800)	Nil	(12,200)
SGST credit utilized for payment of SGST and IGST in that order			Nil	<u>(2,17,800)</u>	<u>(42,200)</u>
<b>Minimum net GST payable in cash</b>			Nil	Nil	2,05,400

## Working Note:

## Computation of ITC available

Particulars		Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance			20,000	50,000	75,000
Inter-State purchase of raw material [ITC is not available on goods worth ₹ 1,00,000 since not received during the month.]	Place of supply is location where movement of goods terminates.	19,00,000	Nil	Nil	3,42,000 [19,00,000 × 18%]

Purchase of machinery [ITC is not available since depreciation has been claimed on the GST component.]		2,00,000	Nil	Nil	Nil
Intra-State purchase of truck [ITC on motor vehicles used for transportation of goods is available.]		15,00,000	2,10,000 [15,00,000 × 14%]	2,10,000 [15,00,000 × 14%]	Nil
Purchase of car [ITC on motor vehicles for transportation of persons with seating capacity up to 13 persons (including driver), is blocked, except when used for specified purposes.]		10,00,000	Nil	Nil	Nil
Purchase of goods for construction of an additional floor [ITC on goods used in construction of immovable property (other than plant or machinery) on one's own account is blocked if capitalized in the books.]		5,00,000	Nil	Nil	Nil
<b>Total</b>			<b>2,30,000</b>	<b>2,60,000</b>	<b>4,17,000</b>
<b>Note</b> – Where location of supplier and place of supply are in two different States, it is an inter-State supply and where location of supplier and place of supply are in same State, it is an intra-State supply.					

### Question 63

DEF Pvt. Ltd., a registered supplier of goods and services in Pune, Maharashtra, has furnished the following details for the month of January, 2026. The turnover of DEF Pvt. Ltd. was ₹ 3.2 crores in last financial year.

S. N.	Particulars	Amount (₹)
1.	Intra State supply of taxable goods	5,00,000
2.	F Ltd. of Mumbai (unregistered) had promised to DEF Pvt. Ltd. in Oct 25 to complete contract within 3 months, but they were not able to complete committed contract, so DEF Pvt. Ltd. received consideration for non-performance of contract on time as decided by pre written agreement.	2,00,000
3.	DEF Pvt. Ltd. had provided service of booking of flight tickets for employee of H Enterprise (registered in Delhi) in the economy class from Bagdogra (West Bengal) to Pune Maharashtra.	20,000
4.	DEF Pvt. had purchased goods worth ₹ 5,00,000 from R Ltd. (registered in Gujarat) on 15.03.2025. Now R Ltd. issued debit note on 15.01.2026 for post delivery service to DEF Pvt. Ltd. as per part of terms of sales.	25,000
5.	DEF Pvt. Ltd. had sold one of its unit in Pune as a going concern (with all goods and unexecuted orders) to H Ltd. (registered in New Delhi)	10,00,000
6.	DEF Pvt. Ltd. had provided service to Mr. Y (registered in Punjab) to organise business exhibition in Dubai.	5,00,000
7.	Inter-State supply of service	10,00,000

8.	Amount towards receipt of intra State services	6,00,000
9.	Purchase of confectionery items which are to be used to supply free of cost to customers in a customer meet organised by DEF Pvt. Ltd.	1,00,000

Opening balance of Input Tax credit at the beginning of Jan 2026.

CGST ₹ 25,000

SGST ₹ 25,000

IGST ₹ 30,000

**Additional Information:**

- (1) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unless otherwise mentioned.
- (2) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (3) All the conditions necessary for availing the ITC have been fulfilled.

From the information given above, compute the output tax liability and input tax credit available to DEF Pvt. Ltd., for the month of January, 2026. Make suitable assumptions wherever required.

**Answer**

**(i) Computation of output tax liability of DEF Pvt. Ltd. for January, 2026**

Particulars	Value (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>Output tax payable</b>				
Intra-State supply of taxable goods	5,00,000	45,000	45,000	
Consideration for non-performance of contract [Being 'liquidated damages', they are not the consideration for tolerating the non-performance of the contract. Hence, not a supply]	2,00,000	-	-	
Service of booking of flight tickets [Taxable since service of booking of air tickets is being provided here. Only the service of transportation of passengers in economy class embarking from Bagdogra is exempt. Further, the place of supply of services made to a registered person is the location of such person, viz. Delhi in given case. Thus, same is inter- State supply.]	20,000			3,600
Selling of Pune unit as going concern to H Ltd. [Services by way of transfer of a going concern is exempt.]	10,00,000	-	-	-
Service in relation to business exhibition in Dubai [Services by an organiser to any person in respect of a business exhibition held outside India is exempt.]	5,00,000	-	-	--
Inter-State supply of service	10,00,000	-	-	1,80,000
<b>Total output tax liability</b>		<b>45,000</b>	<b>45,000</b>	<b>1,83,600</b>

**(ii) Computation of input tax credit available to DEF Pvt. Ltd. for January, 2026**

Particulars	Value (₹)	CGST@ 9% (₹)	SGST@ 9% (₹)	IGST @ 18% (₹)
Opening balance		25,000	25,000	30,000
Issue of debit note for post delivery service [ITC on debit notes issued in a financial year can be availed any time till 30 <sup>th</sup> November of the succeeding financial year or date of filing of the relevant annual return, whichever is earlier, irrespective of the date of original invoice/ supply. Further, place of supply being Pune in given case, same is inter-State supply.]	25,000			4,500
Receipt of intra-State services [ITC on services used in the course or furtherance of business is allowed.]	6,00,000	54,000	54,000	
Purchase of confectionery items [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.]	1,00,000	-	-	-
<b>Total</b>		<b>79,000</b>	<b>79,000</b>	<b>34,500</b>

**Question 64**

Surya is engaged in providing a bouquet of goods and services. It is registered in Jaipur, Rajasthan. It provides the following information for the month of January:

S.N.	Particulars	Amount (₹)
(i)	Organised a business exhibition in Gujarat for Jignesh Industries, registered in Surat, Gujarat	20,00,000
(ii)	Provided accommodation services to 10 CA students (originally from outside Rajasthan) in a hostel owned by Surya Homes located in Jaipur, Rajasthan. [Hostel accommodation charges are ₹ 22,000 per student per month. As per agreement, minimum period of stay of the students in hostel is 4 months.]	2,20,000
(iii)	Performed the carnatic music to promote a brand of readymade garments–Rigley Garments, registered in Udaipur, Rajasthan.	1,45,000
(iv)	Intra-State services provided as a business correspondent of Manimani Bank, registered in Rajasthan, with respect to accounts in its Jaipur city branch.	1,20,000
(v)	Rented a commercial property in Jaipur, Rajasthan to Ganga Ltd., a supplier of goods & services registered in Jodhpur, Rajasthan. Surya is a director in Ganga Ltd.	3,00,000
(vi)	Sponsored a Business Summit organized in Bikaner, Rajasthan, by Associated Chamber of Commerce and paid a sponsorship fee of ₹ 5,00,000 to Associated Chamber of Commerce, registered in Jaipur, Rajasthan.	
(vii)	Received the services of transportation of goods by road from Sindhu Transporters, an unregistered Goods Transport Agency of Jodhpur, Rajasthan.	2,00,000
(viii)	Taken cars on rental basis from Ajay Limited, registered in Jodhpur, Rajasthan.	1,50,000

Notes:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services except the car rental service and service of transportation of goods by GTA, on which the rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% respectively.
- (ii) All the amounts given above are exclusive of taxes, wherever applicable.
- (iii) There was no opening balance of the ITC for the relevant period.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST or IGST, as the case may be) for the month of January for Surya.

**Answer**

**Computation of minimum net GST payable in cash for the month of January by Surya**

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b><u>GST payable under forward charge</u></b>				
Business exhibition organized for Jignesh Industries [Taxable since services by an organiser to any person in respect of a business exhibition are exempt only when such exhibition is held outside India. Further, it is an inter- State supply as place of supply of organisation of event including supply of service in relation to an exhibition is location of recipient i.e. Gujarat.]	20,00,000	-	-	3,60,000 [20,00,000 x 18%]
Provided accommodation services to CA students in hostel [Supply of accommodation services having value of supply exceeding ₹ 20,000 per person per month are exempt provided that the accommodation service is supplied for a minimum continuous period of 90 days. Since in the given case, hostel accommodation charges per student per month exceed ₹ 20,000, said services are taxable. Further, it is an intra-State supply since the place of supply of services in relation to immovable property is location of immovable property, i.e. Rajasthan.]	2,20,000	19,800 [2,20,000 x 9%]	19,800 [2,20,000 x 9%]	-
Carnatic music performance	1,45,000	13,050	13,050	-

[Classical musical performance by artist-Surya is not exempt even though consideration charged for such performance does not exceed ₹ 1,50,000 as he has performed as a brand ambassador. Further, it is an intra-State supply since the place of supply is location of recipient, i.e. Rajasthan.]		[1,45,000 x 9%]	[1,45,000 x 9%]	
Business correspondent services provided [Taxable since services provided in the capacity of a business correspondent to a banking company are exempt only when said services are provided with respect to account in its rural area branch.]	1,20,000	10,800 [1,20,000 x 9%]	10,800 [1,20,000 x 9%]	-
Renting of commercial property to Ganga Ltd. [Taxable since renting of only residential dwelling for use as residence is exempt. Further, since services are being provided by director of company in his personal capacity and supplier of services of renting of commercial property is a registered person, tax is payable under forward charge. Moreover, it is an intra-State supply as place of supply of services in relation to immovable property is location of immovable property, i.e. Rajasthan.]	3,00,000	27,000 [3,00,000 x 9%]	27,000 [3,00,000 x 9%]	-
<b>Total output tax liability (A)</b>		<b>70,650</b>	<b>70,650</b>	<b>3,60,000</b>
<b>Less: ITC available</b>				
Business Summit sponsored [Since recipient of sponsorship services is an individual (Surya), tax is not payable under reverse charge. It is an intra-State supply since place of supply of sponsorship services is location of recipient, i.e. Rajasthan. Further, ITC is available on said service since it is used in course or furtherance of business.]	5,00,000	45,000 [5,00,000 x 9%]	45,000 [5,00,000 x 9%]	

Services of transportation of goods received from unregistered GTA [It is intra-State supply since the place of supply of services by way of transportation of goods provided to a registered recipient is location of such recipient, i.e., Rajasthan. Moreover, ITC is available on said service since it is used in course or furtherance of business.]	2,00,000	5,000 [2,00,000 x 2.5%]	5,000 [2,00,000 x 2.5%]	-
Taken cars on rental basis from Ajay Limited. [Tax is not payable under reverse charge since the recipient, Surya is not a body corporate and supplier- Ajay Limited is a body corporate. It is an intra-State supply as place of supply of car rental services is location of recipient, i.e. Rajasthan. also, ITC is available on said service since it is used in course or furtherance of business.]	1,50,000	3,750 [1,50,000 x 2.5%]	3,750 [1,50,000 x 2.5%]	-
<b>Total ITC available (B)</b>		<b>53,750</b>	<b>53,750</b>	<b>Nil</b>
<b>Net GST (A)-(B)</b> [ITC of CGST and SGST has been utilized for payment of CGST and SGST liability respectively.]		<b>16,900</b>	<b>16,900</b>	<b>3,60,000</b>
<b><u>GST payable under reverse charge</u></b>				
Services of transportation of goods received from unregistered GTA [Since GTA is unregistered, it has not exercised the option to pay tax itself; thus, tax on services of transportation of goods being provided to a registered person is payable under reverse charge by Surya @2.5% each CGST & SGST.]	2,00,000	5,000 [2,00,000 x 2.5%]	5,000 [2,00,000 x 2.5%]	
<b>Total net GST payable in cash</b>		<b>21,900</b>	<b>21,900</b>	<b>3,60,000</b>

### Question 65

Galaxy Cube Private Ltd., a registered person in Bharuch, Gujarat, engaged in various lines of business, provided the following details regarding its transactions made during the month of May 20XX:

<b>Outward/Inward Transactions:</b>	<b>Amount ₹</b>
Supplied a latest technology laptop with touch screen option to Managing Director's friend (Open market value as well as sale to unknown customers was at ₹ 90,000)	60,000
Supplied printed letter cards to M K Industries, a registered person in Gandhinagar, Gujarat. Logo design was supplied by M K Industries. Out of ₹ 5,00,000, Materials cost was ₹ 4,00,000 and balance was Printing cost.	5,00,000
Provided services of transportation of passengers by an Omnibus through an Electronic Commerce Operator (ECO).	12,58,000
Provided catering services to Excel University of Patna, Bihar, which is recognized by UGC for granting recognised qualification	2,12,000
Made supply of goods in the territorial waters to Blue Waters Inc., registered in the State of Maharashtra. Such place of territorial water was at a distance of 5 nautical miles to baseline of coastal State of Gujarat and 7 nautical miles to baseline of coastal State of Maharashtra.	4,50,000
Purchased goods from DK & Co., a registered composition dealer.	3,35,000

Additional Information:

- (i) During the course of filing invoices, accountant identified an invoice dated 31.03.20XX, issued by Mr. Mahajan, whose residential house was taken on rent for MD of the company for his residential use. Invoice was for ₹ 50,000 (excluding tax). No payment has been made for this invoice.
- (ii) All the figures given above are exclusive of GST.
- (iii) All inward and outward supplies are intra-state except where details of place of recipient are given.
- (iv) Subject to the information given above, all the conditions necessary for availing ITC have been fulfilled.
- (v) GST Rates are as follows:

<b>Particulars</b>	<b>CGST</b>	<b>SGST</b>	<b>IGST</b>
Supply of Goods	6%	6%	12%
Supply of Services	9%	9%	18%

Compute the net minimum GST payable in cash by Galaxy Cube Private Ltd. for the month of May 20XX.

**Answer**

**Computation of output tax liability of Galaxy Cube Pvt. Ltd. for May, 20XX**

<b>Particulars</b>	<b>Value (₹)</b>	<b>CGST (₹)</b>	<b>SGST (₹)</b>	<b>IGST (₹)</b>
<b><u>GST payable under forward charge</u></b>				
Supply of laptop to Managing Director's Friend [Since supply is made to an unrelated person (Managing Director's friend not being a related person) and price is the sole consideration, value of supply is the transaction value i.e. the price actually paid or payable for the said supply.]	60,000	3,600 [60,000 × 6%]	3,600 [60,000 × 6%]	
Supplied printed letter cards to M K Industries [Since letter cards are supplied by the printer using its own physical inputs to print the logo supplied by the recipient, it is a composite supply wherein principal supply is supply of goods. Its an intra-State supply as place of supply is Gujarat	5,00,000	30,000 [5,00,000 X 6%]	30,000 [5,00,000 X 6%]	

being location where movement of goods terminates.]				
Transportation of passenger services by an omnibus provided through electronic commerce operator (ECO) [Tax on transportation of passengers services by an omnibus provided through ECO by a company is not a notified service under section 9(5) of CGST Act and hence tax is payable by Galaxy Cube Private Ltd. and not by ECO as person supplying such service through ECO is a company.]	12,58,000	1,13,220 [12,58,000 X 9%]	1,13,220 [12,58,000 X 9%]	
Catering services to Excel University [Taxable/Not exempt since catering services are exempt only when such services are provided to an educational institution providing services by way of pre-school education & education up to higher secondary school or equivalent. In this case, catering services are provided to an educational institution providing education as a part of a curriculum for obtaining a qualification recognized by any law. Thus, same are taxable. Further, it is an inter-State supply since place of supply is Patna being the place of performance of services.]	2,12,000	-	-	38,160 [2,12,000 X 18%]
Supply of goods in territorial waters [Where supply is in the territorial waters, the place of supply is deemed to be in the coastal State where the nearest point of the appropriate baseline is located, viz. Gujarat in the given case. Hence, supply will be intra-State supply of goods.]	4,50,000	27,000 [4,50,000 X 6%]	27,000 [4,50,000 X 6%]	
<b>Total GST payable under forward charge</b>		<b>1,73,820</b>	<b>1,73,820</b>	<b>38,160</b>
<b><u>Less: Eligible ITC</u></b>				
Goods purchased from composition dealer [ITC is not available since input tax does not include the tax paid under the composition levy and a composition supplier does not collect tax from the recipients. Also, ITC on inward supplies received from a composition supplier is blocked.]		-	-	-
Residential house taken on rent for MD [ITC is available as said services are used in course or furtherance of business.]		(4,500) [50,000 X 9%]	(4,500) [50,000 X 9%]	
<b>Net GST</b>		<b>1,69,320</b>	<b>1,69,320</b>	<b>38,160</b>
Add: GST payable under reverse charge [Tax on renting of residential dwelling to a registered person is payable by such registered person under reverse charge, IN CASH since ITC can only be utilized for paying the output tax. Further, GST liability on said services arises in the month of May since time of supply is 31.05.20XX, being earliest of (i) date of payment or (ii) 61 <sup>st</sup> day from the date of issue of invoice by supplier.]		4,500 [50,000 X 9%]	4,500 [50,000 X 9%]	
<b>Minimum net GST payable in cash</b>		<b>1,73,820</b>	<b>1,73,820</b>	<b>38,160</b>

**Question 66**

M/s. Shri Durga Corporation Pvt. Ltd. is a supplier of goods and services at Kolkata. It has furnished the following information for the month of February, 20XX:

	Particulars	Amount (₹)
(i)	Intra-State sale of taxable goods including ₹ 1,00,000 received as advance in January, 20XX, the invoice for the entire sale value is issued on 15 <sup>th</sup> February, 20XX	4,00,000
(ii)	Goods purchased from unregistered dealer on 20 <sup>th</sup> February, 20XX (Inter-State purchases are worth ₹ 30,000 and balance purchases are intra-State)	1,00,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
(iv)	Goods transport services received from a GTA. GTA is paying tax @12% (It is an inter-State transaction)	2,00,000

Compute net GST liability (CGST, SGST or IGST, as the case may be) of M/s Shri Durga Corporation Pvt. Ltd. for the month of February, 20XX.

Assume the rates of GST, unless otherwise specified, as under:

CGST	9%
SGST	9%
IGST	18%

**Note:**

- (i) The turnover of M/s. Shri Durga Corporation Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.
- (ii) All the amounts given above are exclusive of taxes.

**Answer****Computation of GST liability of M/s. Shri Durga Corporation Pvt. Ltd. for the month of February, 20XX**

Particulars	Value of Supply	CGST (₹)	SGST (₹)	IGST (₹)
Intra -State sale of taxable goods [Note-1]	4,00,000	36,000	36,000	
Goods purchased from unregistered dealer on 20 <sup>th</sup> February, 20XX [Note-2]	Nil	Nil	Nil	
Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-3]	1,00,000	9,000	9,000	
Goods transport services received from GTA [Note-4]	2,00,000			Nil
<b>Total GST liability for the month of February, 20XX</b>		<b>45,000</b>	<b>45,000</b>	<b>Nil</b>
Less: Input tax credit available [Note-5] (₹ 2,00,000 x 12%)		<u>24,000</u>		
<b>Net GST liability for the month of February, 20XX</b>		<b>21,000</b>	<b>45,000</b>	<b>Nil</b>

**Notes:**

- Section 12 of CGST Act, 2017 read with Notification No. 66/2017 CT dated 15.11.2017 provides that the time of supply for all suppliers of goods (excluding composition suppliers) is the time of issue of invoice, without any turnover limit. Thus, liability to pay tax on the advance received in January, 20XX will also arise in the month of February, when the invoice for the supply is issued.

2. All intra-State and inter-State procurements made by a registered person from unregistered person have been exempted from reverse charge liability, without any upper limit for daily procurements.
3. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt. Labour contracts **for repairing** are thus, taxable.
4. As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA) provided such GTA has not paid GST @ 12%. Since in the given case, services have been received from a GTA who has paid GST @ 12%, reverse charge provisions will not be applicable.
5. Input tax credit is available for the services received from GTA. The input tax credit of IGST can be used against IGST, CGST and SGST in the respective order vide section 49(5) of CGST Act, 2017.

### Question 67

M/s Cute & Co., a partnership firm, registered supplier under GST in Bengaluru (Karnataka State), has provided the following information for the month of October, 20XX:

S.No.	Details of transactions	Amount (₹)
(i)	Intra-State taxable supply of Direct Selling Agent (DSA) service to public sector Bank.	2,50,000
(ii)	Services provided to a Governmental authority by way of sanitation conservancy.	99,900
(iii)	Rent paid to a residential dwelling taken for running an office for providing DSA services; Owner of the residential property was not registered under GST; This is an intra-State supply availed.	25,000
(iv)	Purchased a car for the official use of managing partners of the Firm for business use (Inter-State purchase).	9,00,000
(v)	Availed Information Technology services for their business from Partner's friend Mr Allan Waugh from Melbourne, Australia. Mr. Waugh refused to take any consideration. Open Market value of said service was ₹ 1,25,000. (Inter-State transactions).	Nil
(vi)	Provided training and performance appraisal services in Bengaluru to following persons: (a) ABC Private Limited, a registered supplier in the State of Kerala (b) Babu Cones, a proprietorship concern of Rajasthan, which was not registered under GST	3,00,000 1,00,000

**Note:**

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
  - (ii) All the amounts given above are exclusive of taxes.
  - (iii) All the conditions necessary for availing the ITC have been fulfilled.
  - (iv) There was no opening balance of any input tax credit.
  - (v) The turnover of M/s Cute & Co was ₹ 2 crore in the previous financial year.
- Compute the net GST payable in cash, by M/s Cute & Co. for the month of October, 20XX. Correct legal provisions should form part of your answer.

## Answer

## Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax liability [Refer Working Note 1]	31,500	31,500	54,000
Less: ITC available [Refer Working Note 2]	<u>2,250</u>	<u>2,250</u>	=
Net GST payable	29,250	29,250	54,000
Add: Tax Payable under reverse charge to be paid in cash [The amount available in the electronic credit ledger may be used for making any payment towards output tax. Further, output tax means the tax chargeable on taxable supply of goods and/or services but excludes tax payable on reverse charge basis. Thus, tax liability under reverse charge has to be paid in cash]	<u>2,250</u>	<u>2,250</u>	
<b>Total GST Payable in cash</b>	<b>31,500</b>	<b>31,500</b>	<b>54,000</b>

## Working Notes

## 1. Computation of total value of taxable supplies made by M/s Cute &amp; Co. for month of Oct, 20XX

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b>Taxable under Forward Charge</b>				
Intra-State taxable supply of DSA service [Since DSA services are provided by partnership firm, so taxable under forward charge]	2,50,000	22,500	22,500	
Services provided to a Governmental authority by way of sanitation conservancy [exempt under GST]	99,900	-	-	
Information Technology services [Import of services from a non-related person without consideration, in the course or furtherance of business is not a supply.]	Nil			
Training and performance appraisal services to ABC Private Limited [Taxable; the place of supply of services in relation to training and performance appraisal to a registered person, shall be the location of such person. Thus, place of supply is Kerala and hence an inter-State transaction.]	3,00,000			54,000
Training and performance appraisal services to Babu Cones. [Taxable, the place of supply of services in relation to training and performance appraisal to an unregistered person, shall be the location where the services are actually performed. Thus, place of supply is Bengaluru, hence Intra-State transaction]	1,00,000	9,000	9,000	
	<b>7,49,900</b>	<b>31,500</b>	<b>31,500</b>	<b>54,000</b>
<b>Taxable under Reverse Charge</b>				
Rent paid for residential unit [Service by way of renting of residential dwelling to a registered person is taxable under reverse charge mechanism]	25,000	2,250	2,250	

<b>Total value of taxable supplies</b>	<b>7,74,900</b>	<b>33,750</b>	<b>33,750</b>	<b>54,000</b>
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**2. Computation of ITC that can be availed by M/s Cute & Co. for the month of October, 20XX**

<b>Particulars</b>	<b>CGST (₹)</b>	<b>SGST (₹)</b>	<b>IGST (₹)</b>
Rent paid to residential dwelling for providing DSA services [ITC is available as services are used in the course or furtherance of business.]	2,250	2,250	-
Purchase of car [Blocked credit in terms of section 17(5) of the CGST Act, 2017]			Nil
<b>Total ITC</b>	<b>2,250</b>	<b>2,250</b>	<b>-</b>

**Question 68**

M/s Consultease Services Private Limited, a company registered under GST in Mumbai, Maharashtra, offers business consultancy, digital marketing and project management services across India. The company recorded the following transactions in October:

- Consultancy services for market analysis:** Provided consultancy services for market analysis to XYZ Ltd., a registered client in Chennai, Tamil Nadu (Inter-State), for ₹ 4,50,000. Additionally, the company paid an amount of ₹ 4,500 as professional tax applicable in the State of Maharashtra as per requirement of local state legislation. The amount of professional tax was recovered separately from XYZ Ltd.
- Digital Marketing Services for Launch Event:** Conducted digital marketing for an upcoming product launch for Mr. A based in Rajasthan, who is an unregistered person under GST. The agreed fee for the said services is ₹ 3,00,000. Out of the agreed fee, an amount of ₹ 25,000 is incurred by Mr. A. The company was liable to pay the same in relation to the supply and the net payment received by the company was ₹ 2,75,000 (exclusive of any tax).
- Travelling payment for the team:** The employees incurred an amount of ₹ 50,000 on travel to Kolkata for client project and claimed a reimbursement of the same from the company. As a policy, company charged such expenses from the clients on actual basis.
- Discount passed on to customer:** Post supply discount was offered to a customer amounting to ₹ 50,000 against a supply for which invoice was issued in September. The customer has not reversed the input tax credit relating to such discount.
- Recovery of late payment charges:** The company received an amount of ₹ 1,00,000 as late payment charges for delay in payment for consideration from a client whose service contract was completed in June.
- Purchase of car:** A car was purchased in the name of company for use by the director. The total cost of car was ₹ 10,50,000 (inclusive of IGST amounting to ₹ 1,50,000).
- Insurance services:** The company paid for insurance of the above new car amounting to ₹ 25,000 which includes IGST amounting to ₹ 2,300.
- Procurement of services:** The company received inter-State supply of services used for business purpose on which GST paid was ₹ 45,000. Said credit was not restricted in any provision of GST laws.
- Sponsorship:** The company sponsored a sports event wherein it paid an amount of ₹ 2,00,000 to the event organizer XYZ and Associates.

You are required to compute the following for the month of October:

- (a) Total value of supply
- (b) output tax payable by the Company.
- (c) net GST payable in cash.

**Note**

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All the amounts given above are exclusive of taxes.
- (iii) There was no opening balance of input tax credit.
- (iv) The turnover of the company was ₹ 10 crores in the previous financial year.
- (v) All the transactions are inter-State, unless otherwise specified.

**Answer**

**(a) Computation of total value of supply**

Particulars	IGST (₹)
Consultancy services provided to XYZ Ltd. (As per section 15 of the CGST Act, 2017, the value of supply includes the amount of any tax paid under any law other than GST. Accordingly, the amount of professional tax is includible in the value of services.)	4,54,500
Digital marketing services provided to Mr. A (The amount incurred by the recipient on behalf of the supplier is includible in the value of supply.)	3,00,000
Travelling expenses recovered from the client (Incidental expenses like travelling expenses incurred in course of supply is includible in value of supply.)	50,000
Post supply discount (No adjustment of post supply discount is allowed as the customer has not reversed the input tax credit.)	-
Late payment charges (The late payment charges recovered are includible in GST and liable to tax at the time of receipt of amount.)	1,00,000
<b>Total value of supply for October</b>	<b>9,04,500</b>

**(b) Computation of output tax payable**

Particulars	IGST (₹)
Total value of outward supply	9,04,500
<b>Total output tax payable @ 18%</b> (Company is liable to pay GST on sponsorship services under reverse charge, but the tax payable under reverse charge is not included in the value of output tax.)	1,62,810

**(c) Computation of net GST payable in cash**

Particulars	IGST (₹)
<b>Total output tax</b>	<b>1,62,810</b>
<b>Less: Input Tax Credit [Refer Working Note below]</b>	<b>(81,000)</b>
<b>Net GST payable (A)</b>	<b>81,810</b>
<b>Add: GST payable under reverse charge for receipt of sponsorship services (B)</b>	<b><u>36,000</u></b>

[Tax on sponsorship services availed by a body corporate from any person other than body corporate is payable under reverse charge. Since the tax payable under reverse charge is not an output tax, ITC cannot be utilized to pay GST payable under reverse charge. Thus, it has to be paid in cash.]	
Total GST payable in cash (A) +(B)	<b>1,17,810</b>

**Working Note:**

**Computation of ITC available**

Particulars	IGST (₹)
Purchase of car for use by director (ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Purchase of car for use by director is not a specified purpose.)	-
Insurance of car (ITC is not allowed on services of insurance relating to the motor vehicles on which ITC is blocked. Since, the car is not used for any of the eligible purposes, ITC thereon is blocked and thus, ITC on insurance taken on such car is also blocked)	-
ITC on receipt of service (ITC is available on service used in course or furtherance of business.)	45,000
ITC on sponsorship services (ITC is available on services used in the course or furtherance of business.)	36,000
<b>Total ITC available</b>	<b>81,000</b>

**Question 69**

As per the CGST Act 2017, Vishnu Limited was not mandatorily required to get registered, however it opted for voluntary registration and applied for registration on 12<sup>th</sup> February 2026. Registration certificate has been granted by the Department on 24<sup>th</sup> February 2026, Vishnu Limited is not engaged in making inter-State outward taxable supplies. The CGST and SGST liability for the month of February, 2026 is ₹ 31,000 each. Vishnu Limited provides the following information of goods held in stock on 23<sup>rd</sup> February 2026:

S. N.	Particulars	Amount (₹)
1.	Capital goods procured on 5 <sup>th</sup> February 2026, (Rate of CGST and SGST @ 6% each) being intra State supply.	2,00,000
2.	Inputs contained in finished goods stock held were procured on 13 <sup>th</sup> February 2025 (Rate of IGST @18%) being inter-State supply.	3,00,000
3.	Value of Inputs received on 10 <sup>th</sup> October, 2025 contained in semi-finished goods held in stock (Rate of CGST and SGST @ 6% each) being intra-State supply.	2,50,000
4.	Inputs procured on 1 <sup>st</sup> February 2026 lying in stock of semi -finished goods (Rate of CGST and SGST @ 7.5 % each) being intra-State supply.	1,50,000
5.	Inputs procured on 8 <sup>th</sup> February 2026 lying in stock of finished goods. (Rate of IGST @ 18%) being inter-State supply.	60,000

You are required to determine the eligible ITC available and amount of net minimum GST to be paid in cash by Vishnu Limited for the month of February 2026.

**Answer****Computation of minimum net GST to be paid in cash by Vishnu Limited for month of February 2026**

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

**Note:** Person taking voluntary registration can avail ITC on inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration, i.e. on 23.02.2026, only within 1 year from date of issue of tax invoice by supplier.

Computation of eligible ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Capital goods [Person taking voluntary registration cannot avail ITC on capital goods held on day immediately preceding date of grant of registration.]	Nil	Nil	Nil
Inputs procured on 13 <sup>th</sup> February 2025	Nil	Nil	Nil
Inputs procured on 10 <sup>th</sup> October 2025	15,000	15,000	Nil
Inputs procured on 1 <sup>st</sup> February 2026	11,250	11,250	Nil
Inputs procured on 8 <sup>th</sup> February 2026	<u>Nil</u>	<u>Nil</u>	<u>10,800</u>
<b>Total ITC</b>	<b>26,250</b>	<b>26,250</b>	<b>10,800</b>

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

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

# CHAPTER - 9

## Electronic Commerce Transaction and TCS

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### Tax Collection at Source

#### Question 1

Whether rate of tax of 0.5% notified u/s 52 is CGST or SGST or a combination of both CGST and SGST?

#### Answer

The rate of **TCS as notified under CGST Act is payable under CGST and the equal rate of TCS is expected under the SGST Act also**, in effect aggregating to 0.5%.

#### Question 2

Is every e-commerce operator required to collect tax on behalf of actual supplier?

#### Answer

**Yes**, every e-commerce operator is required to collect tax where consideration with respect to the supply is being collected by the e-commerce operator.

However, **no TCS is required** to be collected in the following cases:

- (i) **on supply of services notified under section 9(5)** of the CGST Act, 2017.
- (ii) **on exempt supplies**
- (iii) **on supplies on** which the recipient is required to pay tax on **reverse charge basis**.

#### Question 3

Mr. X is a supplier selling his own products through a web site hosted by him. Does he fall under the definition of an “electronic commerce operator”? Whether he is required to collect TCS on such supplies?

#### Answer

As per the definitions in Section 2(44) and 2(45) of the CGST Act, 2017, **Mr. X will come under the definition of an “electronic commerce operator”**. However, according to Section 52 of the Act **ibid**, **TCS is required to be collected** on the net value of taxable supplies made through it by other suppliers **where the consideration is to be collected by the ECO**. In cases, where someone is **selling their own products through a website, there is no requirement to collect tax at source** as per the provisions of this Section. These transactions will be liable to GST at the prevailing rates.

#### Question 4

If Mr. A purchase goods from different vendors and in turn Mr. A, is selling them on his own website under his own billing, Is TCS required to be collected on such supplies?

#### Answer

**No**. According to Section 52 of the CGST Act, 2017, **TCS is required to be collected** on the net value of

taxable supplies made through E-commerce operator by other suppliers **where the consideration is to be collected by the ECO**. In this case, there are two transactions - Mr. A purchase the goods from the vendors, and those goods are sold through his own website. For the first transaction, GST is leviable, and will need to be paid to vendor, on which credit is available to Mr. A. The second transaction is a supply on own account of Mr. A, and not by other suppliers and there is **no requirement to collect tax at source**. The transaction will attract GST at the prevailing rates.

### **Question 5**

State whether the provisions pertaining to tax collected at source under section 52 of CGST Act, will be applicable, if Fitan Ltd. sells watch on its own through its own website?

#### **Answer**

As per Section 52, **every electronic commerce operator not being an agent**, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of the Council, **of the net value of taxable supplies made through it by other suppliers** where the consideration with respect to such supplies is to be collected by the operator.

So, if **person sell on his own**, provisions pertaining to tax collected at source (TCS) won't be applicable.

### **Question 6**

State whether the provisions pertaining to tax collected at source under section 52 of CGST Act, will be applicable, if ABC limited who is dealer of Royul brand sells watches through Slipkart, an electronic commerce operator?

#### **Answer**

As per Section 52, every electronic commerce operator not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator. **If ABC limited who is dealer of Royul brand sells watches through Slipkart, then the provision of TCS will be applicable to Slipkart.**

### **Question 7**

There is no onus of filing any monthly & annual statements by ECO. Examine the technical veracity of the statement by explaining relevant provisions.

#### **Answer**

The given statement is **invalid**. An electronic statement has to be filed by the ECO containing details of the outward supplies of goods and/ or services effected through it, including the supplies returned through it and the **amount collected by it as TCS during the month within 10 days after the end of the each month in which supplies are made**.

Additionally, the ECO is also mandated to file an **Annual Statement on or before 31st day of December following the end of the financial year**.

The Commissioner has been empowered to extend the due date for furnishing of monthly and annual statement by the person collecting tax at source.

### **Question 8**

Who is liable to collect TCS (collection of tax at source) under Section 52 of the CGST Act, 2017. Briefly explain the provisions relating to registration, filing of return and deposit of TCS to Government as per the provisions of section 52 of the CGST Act, 2017 and rule 12 of the CGST Rules, 2017.

### **Answer**

**Every Electronic Commerce Operator (ECO), not being an agent, is liable to collect tax at source (TCS).**

Such **ECO is required to submit a registration application** in prescribed form through the common portal. The proper officer shall, after due verification, **grant registration within 3 working days** from the date of the application. On a request or upon an enquiry or pursuant to any other proceeding under GST law, if the proper officer is satisfied that a **person is no longer liable to collect the tax at source, he may cancel his registration.**

Such **ECO shall furnish a monthly statement** in prescribed form containing the details of the outward supplies of goods and/or services effected through it, including supplies returned through it and the amount collected by it as TCS during the month **within 10 days after the end of each month in** which tax has been collected at source.

They also required to **file annual statement on or before 31<sup>st</sup> December** following end of financial year.

The TCS amount collected by the ECO has to be deposited by 10th of the month succeeding the month in which TCS has been collected.

# CHAPTER - 10

## Registration

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### Registration Basics

#### Question 1

What are the advantages of taking registration in GST?

#### Answer

Registration will confer following advantages to the business:

- **Legally recognized** as supplier of goods or services.
- **Proper accounting of taxes** paid on the input goods or services which **can be utilized for payment of GST** due on supply of goods or services or both by the business.
- **Legally authorized to collect tax from his purchasers** and **pass on the credit** of the taxes paid on the goods or services supplied to purchasers or recipients.
- Become **eligible to avail various other benefits and privileges** rendered under the GST laws.

#### Question 2

Can a person without GST registration collect GST and claim ITC?

#### Answer

**No**, a person without GST registration can neither collect GST from his customers nor can claim any input tax credit of GST paid by him.

#### Question 3

Is there a provision for a person to get himself voluntarily registered though he may not be liable to pay GST?

#### Answer

**Yes**. In terms of sub-section (3) of section 25, a person, though **not liable to be registered under sections 22 or 24 may get himself registered voluntarily**, and all provisions of the GST law, as are applicable to a registered person, shall apply to such person.

### Liability for Registration (Section 22 to 24)

#### Question 4

List the inclusions and exclusions for computing the "Aggregate Turnover" under CGST Act, 2017.

#### Answer

Aggregate turnover **includes** the aggregate value of all:

- (i) **taxable** supplies,

- (ii) **exempt** supplies,
- (iii) **exports** of goods and/or services and
- (iv) **inter-State** supplies of persons having the same PAN., to be computed on all India basis

Aggregate turnover **excludes**:

- (i) **value of inward supplies** on which tax is payable by a person on reverse charge basis,
- (ii) central tax, State tax, Union territory tax, integrated tax and
- (iii) cess

### Question 5

P Ltd, a registered person provided following information for the month of October:

Particulars	Amount (₹)
Intra-State outward supply	8,00,000
Inter-State exempt outward supply	4,00,000
Turnover of exported goods	20,00,000
Payment of IGST	1,20,000
Payment of CGST and SGST	45,000 each
Payment of custom duty on export	40,000
Payment made for availing GTA services	3,00,000

GST is payable on Reverse Charge for GTA services.

Explain the meaning of aggregate turnover u/s 2(6) of the CGST Act and compute the aggregate turnover of P Ltd. for the month of October. All amounts are exclusive of GST.

### Answer

The term aggregate turnover means the aggregate value of:

- (i) all taxable supplies
- (ii) exempt supplies,
- (iii) exports of goods or services or both and
- (iv) inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excluding
  - (i) central tax, State tax, Union territory tax, integrated tax and cess.
  - (ii) the value of inward supplies on which tax is payable by a person on reverse charge basis

#### Computation of aggregate turnover of P Ltd. for the month of October

Particulars	Amount (₹)
In terms of the definition of the aggregate turnover given above, the aggregate turnover of P Ltd. has been computed as follows:	
Intra-State outward supply	8,00,000
Inter-State exempt outward supply	4,00,000
Turnover of exported goods	20,00,000

Payment of IGST	Nil
Payment of CGST and SGST	Nil
Payment of customs duty on export	40,000
Payment made under reverse charge for availing GTA services	Nil
<b>Aggregate turnover</b>	<b><u>32,40,000</u></b>

### Question 6

State the persons who are not liable for registration as per provisions of Section 23 of Central Goods and Service Tax Act, 2017.

### Answer

As per provisions of Section 23 of CGST Act, 2017, the persons who are not liable for registration are as under:

- Person **engaged exclusively in supplying goods/services/both that are wholly exempt** from tax.
- Person **engaged exclusively in supplying goods/services/both that are not liable to tax.**
- Agriculturist** to the extent of supply of produce out of cultivation of land.
- Persons **only engaged in making supplies of taxable goods or services or both liable to reverse charge** other than supplier of metal scrap.
- Persons **making inter-State supplies of taxable services up to an aggregate turnover of ₹ 20 lakh** (₹ 10 lakh in case of special category States except Jammu and Kashmir).
- Casual Taxable Persons making taxable supplies of specified handicraft goods up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States except Jammu and Kashmir) subject to specified conditions.
- Persons making inter-State supplies of specified handicraft goods up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of special category States except Jammu and Kashmir) subject to specified conditions.
- Persons making supplies of services through an electronic commerce operator** (other than supplies specified under section 9(5) of the CGST Act) **up to an aggregate turnover of ₹ 20 lakh** (₹ 10 lakh in case of special category States except Jammu and Kashmir).

### Question 7

Answer the following, after reading the below given paragraph, briefly discuss the relevant provision, decide the correct conclusion and determine the validity of the given advice (Correct/Incorrect)

Dharun provides service as a business facilitator to Zio Bank Limited by facilitating in opening of bank accounts to villagers in its rural branches in Punjab and earned a commission of ₹ 22 lakh in the month of April, 20XX. So far he is not registered under GST. Dharun's tax consultant advised him that he is liable for registration under GST as his gross receipts exceeded ₹ 20 lakh. Dharun has no other receipt / business activity other than the above.

### Answer

Services by a **business facilitator to a banking company** with respect to accounts in its **rural area branch is exempt** from GST.

Since in the given case, Dharun is **engaged exclusively in providing the exempt services**, it is **not liable to obtain registration** even though his aggregate turnover exceeds ₹ 20 lakh.

Thus, the **advice given by his tax consultant is not correct**.

### Question 8

Nesamani started his business activities in the month of February in the State of Orissa. He provided the following details:

Particulars	Amount in ₹
(i) Outward supply of petrol (Intra State)	4,00,000
(ii) Transfer of exempt goods to his branch in Rajasthan (Inter- State)	2,00,000
(iii) Outward supply of taxable goods by his branch in Uttar Pradesh (Intra State)	5,00,000
(iv) Outward supply of services on which tax is payable under RCM by the recipient of services (Intra-State)	6,00,000
(v) Inward supply of services on which tax is payable under RCM (Intra- State)	2,00,000

From the information given above, compute the aggregate turnover of Nesamani and also decide whether he is required to get registration under GST. Assume that the amounts given above are exclusive of taxes.

### Answer

Particulars	Amount (₹)
<b>Computation of aggregate turnover of Nesamani</b>	
Outward supply of petrol [Supply of petrol being a non-taxable supply is an exempt supply. Value of exempt supply is includible in aggregate turnover.]	4,00,000
Inter-State stock transfer of exempt goods [Supply of taxable/exempt goods between distinct persons is includible.]	2,00,000
Outward supply of taxable goods from Uttar Pradesh branch [Value of outward supplies under same PAN are includible.]	5,00,000
Outward supply of services taxable under reverse charge [Includible in aggregate turnover.]	6,00,000
Inward supply of services taxable under reverse charge [Excludible from the aggregate turnover.]	--
<b>Aggregate turnover</b>	<b>17,00,000</b>

For a supplier engaged in supply of goods and services from the States of Orissa and Uttar Pradesh, the threshold limit of aggregate turnover to obtain registration is ₹ 20 lakh. However, a person required to pay tax under reverse charge has to obtain registration compulsorily irrespective of the quantum of turnover.

Since in the given case, Nesamani is required to pay tax under reverse charge, it is **liable to obtain registration compulsorily irrespective of his quantum of turnover**.

### Question 9

B Enterprises started its business activities in the month of January, in the State of Karnataka. It provides the following information:

S.N.	Particulars	Amount (₹)
1.	Value of intra-State outward taxable supply of goods	7,00,000
2.	Value of inter-State outward taxable supply of services	6,00,000
3.	Value of intra-State outward supply on which tax is payable under RCM	1,00,000
4.	Value of intra-State outward supply of exempted good from its other place of business in the State of Manipur (under same PAN)	5,00,000

From the information given above, you are required to calculate the aggregate turnover of B Enterprises with necessary explanations and specify with reason whether it is liable to get registered under CGST Act or not.

### Answer

#### Computation of aggregate turnover of B Enterprises, Karnataka, for January

Particulars	(₹)
Intra-State outward taxable supply of goods [Aggregate turnover includes value of all taxable supplies.]	7,00,000
Inter-State outward taxable supply of services [Aggregate turnover includes value of inter-State supplies.]	6,00,000
Intra-State outward supply on which tax is payable under reverse charge mechanism [Aggregate turnover includes value of all taxable supplies whether taxable under reverse charge or forward charge.]	1,00,000
Intra-State outward supply of exempted goods from Manipur [Aggregate turnover includes value of exempt supplies made in all the States under same PAN]	<u>5,00,000</u>
<b>Aggregate turnover</b>	<b>19,00,000</b>
Persons making any inter-State taxable supply of goods are required to obtain compulsory registration, but in case of inter-State supply of taxable services, threshold limit of ₹ 20 lakh is available. Such threshold limit gets reduced to ₹ 10 lakh in case of specified Special Category State provided taxable supply is being made therefrom. <b>Since B Enterprises is making exempt supplies from Manipur - a specified Special Category State, the applicable threshold limit of registration for B Enterprises is ₹ 20 lakh. Thus, it is not liable to be registered as its aggregate turnover does not exceed the threshold limit.</b>	

### Question 10

Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May 20XX are as follows:

State	Turnover (₹)
Madhya Pradesh	5,00,000
Gujarat	14,00,000
Tripura	12,00,000

- (i) Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.
- (ii) Will your answer be different if Q Ltd. supplies only petrol & diesel from Tripura instead of any other taxable goods?

### Answer

Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds ₹ 20 lakh in a financial year. An enhanced threshold limit for registration of ₹ 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States. However, the applicable threshold limit for registration gets reduced to ₹ 10 lakh in case a person is engaged in making supply from a specified Special Category State provided such supply is a taxable supply.

- (i) Since Q Ltd. is making supply of taxable goods from Tripura – a specified Special Category State, the **applicable threshold limit will get reduced to ₹ 10 lakh.**

Thus, it is **liable to be registered under GST** as its aggregate turnover [₹ 31 lakh] exceeds the said threshold limit.

- (ii) In case Q Ltd. is **making supply of non-taxable goods [petrol and diesel] from Tripura, the applicable threshold limit will not be reduced to ₹ 10 lakh;** enhanced threshold limit of ₹ 40 lakh will be applicable.

Thus, it is **not liable to be registered under GST** as its aggregate turnover [₹ 31 lakh] does not exceed the said threshold limit.

### Question 11

Examine whether the supplier is liable to get registered in the following independent cases:

- (i) Ankit of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is ₹ 25 lakh.
- (ii) Sanchit of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is ₹ 30 lakh.

### Answer

As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the rest of India.
- (i) Though Ankit is dealing in Assam, he is **not entitled for higher threshold limit for registration as the same is applicable only in case of exclusively supply of goods** and he is exclusively engaged in providing services. Thus, the **applicable threshold limit for registration in this case is ₹ 20 lakh** and hence, Ankit is liable to get registered under GST.
- (ii) Since **Sanchit is engaged in supply of both taxable goods and services**, the **applicable threshold limit for registration in his case is ₹ 20 lakh.** Thus, Sanchit is liable to get registered under GST as his turnover is more than the threshold limit.

**Question 12**

State which of the following suppliers are liable to be registered:

- (a) Agents supplying taxable goods on behalf of some other taxable person and such agent's aggregate turnover does not exceed the applicable threshold limit during the financial year.

Note: Invoices are issued to customers in the name of agent.

- (b) An agriculturist who is engaged exclusively in supply of produce out of cultivation of land and its aggregate turnover exceeds the applicable threshold limit during the financial year.

**Answer**

- (a) Section 22 stipulates that every **supplier becomes liable to registration if his turnover exceeds the applicable threshold limit in a financial year**. However, as per section 24, a **person making taxable supply of goods/services or both on behalf of other taxable persons** whether as an agent or not is **liable to be compulsorily registered even if its aggregate turnover does not exceed the applicable threshold** limit during the financial year.
- (b) As per section 23, an **agriculturist who is engaged exclusively in supply of produce out of cultivation of land is not required to obtain registration even if his turnover exceeded the applicable threshold limit for registration**.

**Question 13**

Examine, with reason, whether registration is required, under CGST Act, in the following independent cases:

- (i) Aadhav Computers of Gujarat is providing computer maintenance service. Aggregate turnover of Aadhav Computers is ₹ 15 lakh which comprises both inter-State and intra-State supply.
- (ii) Soft Wings of West Bengal, exclusively trading in garments, supplies its taxable goods in various States of India from its outlet in West Bengal. Aggregate turnover of Soft Wings is ₹ 35 lakh.

**Answer**

- (i) Registration is **compulsory for suppliers engaged in inter-State supply**. However, **threshold exemption** of ₹ 20 lakh [₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland] is **available in case of inter-State supply of taxable services**.

Therefore, **Aadhav Computers** (aggregate turnover ₹ 15 lakh) is **not required to obtain registration** even though it is engaged in inter-State supply of taxable services.

- (ii) The **threshold limit for registration in the State of West Bengal for the persons engaged exclusively in supply of goods, is ₹ 40 lakh**. However, **registration is compulsory if the supplier is engaged inter-State supply of goods** irrespective of the quantum of aggregate turnover. The threshold exemption is not available in case of inter-State supply of taxable goods. Thus, **Soft Wings is required to obtain registration**.

**Question 14**

Mr. Q, a casual taxable person of Gujarat state is a trader of taxable notified handicraft goods. It makes supplies to the states of Maharashtra, Rajasthan and Andhra Pradesh. Turnover for October, 20XX is ₹ 18 Lakh.

- (A) Explain the provisions of registration for casual taxable person under GST. Examine whether Mr. Q is liable for registration or not?
- (B) What will be the answer if Mr. Q makes trading in taxable notified products instead of taxable notified handicraft goods which involves 75% making on machine and 25% by hand?

### Answer

- (A) **A casual taxable person is required to obtain compulsory registration** under GST irrespective of the quantum of its aggregate turnover. However, a **threshold limit of ₹ 20 lakh** (₹ 10 lakh in case of specified Special Category States) **is available for registration to a casual taxable person who:**
- (i) is **making inter-State taxable supplies of notified handicraft goods and** notified hand-made goods,
  - (ii) is availing the benefit of exemption from registration available to inter-State supply of above-mentioned goods upto the aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States), and
  - (iii) has **obtained a PAN** and
  - (iv) has **generated an e-way bill.**
- In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover does not exceed ₹ 20 lakh, he will not be liable to registration provided he fulfills other conditions specified herein.
- (B) In case **Mr. Q is engaged in trading of notified products which are predominantly made by machine**, he will **not be eligible for the exemption** from registration under aforesaid provisions and **needs to take compulsory (mandatory) registration.**

### Question 15

Examine whether the supplier of goods is liable to get registered in the following independent cases:

- (i) Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 33 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY.
- (ii) Pulkit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.
- (iii) Harshit of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 24 lakh.

### Answer

As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, pan masala and tobacco and manufactured tobacco substitutes, fly ash bricks; fly ash aggregates; fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:

- (i) Raghav is eligible for higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since **Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹ 10 lakh.** Thus, Raghav is liable to get registered under GST as his turnover has exceeded limit of ₹10 lakh. Further, **he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.**
- (ii) The **applicable threshold limit for GST registration for Pulkit in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa.** Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.
- (iii) Harshit being exclusively **engaged in supply of pan masala is not eligible for higher threshold limit of ₹40 lakh.** The **applicable threshold limit for registration in this case is ₹20 lakh.** Thus, Harshit is liable to get registered under GST.

### Question 16

Examine whether the liability to register compulsorily under section 24 arises in each of the independent cases mentioned below:

- (i) Meenu, a supplier in Maharashtra, is exclusively engaged in supply of potatoes produced out of cultivation of her own land, within Maharashtra and also outside Maharashtra.
- (ii) Jinu Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Further, it provides intra-state services of refining of oil to customers. Total turnover of supply of machine oil is ₹ 10 lakh, supply of petrol is ₹ 5 lakh and supply of services is ₹ 6 lakh.
- (iii) Tilu is working as an agent, he is supplying taxable goods as an agent of Tiku (who is registered taxable person) and its aggregate turnover does not exceed the applicable threshold limit during the financial year. Invoices to customers are issued in name of Tilu.

### Answer

- (i) Section 24 provides that **persons making any inter-State taxable supply of goods are required to obtain registration compulsorily** under GST laws irrespective of the quantum of aggregate turnover. However, as per section 23, **an agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to registration.**

**Meenu is exclusively engaged in cultivation and supply of potatoes. Thus, she is not liable to registration** irrespective of the fact that she is engaged in making inter-State supply of goods. Further, Meenu will not be liable to registration, in given case, even if her turnover exceeds the threshold limit.

- (ii) Section 24 specifies the categories of persons who are required to be mandatorily registered under GST irrespective of the quantum of their aggregate turnover.

In the given case, Jinu Oils does not fall in any of the specified categories. Therefore, it is **not required to obtain registration compulsorily under GST.**

However, as per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making supply of both goods and services is ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland and ₹ 20 lakh for the rest of India. Thus, the applicable threshold limit for the State of Gujarat is ₹ 20 lakh for supply of both goods and services. Further, aggregate turnover includes exempted turnover of goods or services.

Accordingly, **Jinu Oils is liable obtain registration since its aggregate turnover [₹ 21 lakh (including turnover of exempt supply of petrol)] exceeds the threshold limit of ₹ 20 lakh.**

- (iii) Section 24 provides that **persons who make taxable supply of goods and/or services on behalf of other taxable persons** whether as an agent or otherwise are **required to obtain registration compulsorily** under GST laws irrespective of the quantum of aggregate turnover.

Therefore, **Tilu will be mandatorily required to obtain registration.**

### Question 17

Explain the registration requirements under GST law in the following independent cases:

- (i) Mr. Ahmad of Jammu engaged in the business of supplying tobacco based Pan Masala with an aggregate turnover of ₹ 24 lacs.
- (ii) Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of ₹ 13 lacs.

Will your answer be different if Mr. Lepcha is located in Meghalaya?

### Answer

- (i) A person is eligible for enhanced **threshold limit of ₹ 40 lakh** in the State of Jammu and Kashmir if he is engaged exclusively in intra-State supply of goods.

However, the **enhanced threshold limit is not applicable** if the person **is engaged, inter alia, in the supply of pan masala** and all goods of chapter 24 i.e. Tobacco and manufactured tobacco substitutes. In that case, the **normal threshold limit of ₹ 20 lakh will be applicable.**

In view of said provisions, in the given case, **Mr. Ahmad is liable to register** since his aggregate turnover (₹ 24 lakh) exceeds the applicable threshold limit for registration of ₹ 20 lakh.

- (ii) The **enhanced threshold limit of ₹ 40 lakh** as applicable to a person engaged exclusively in intra-State supply of goods, is **not applicable to Mizoram** [a specified Special Category State]. Instead, a **lower threshold limit of ₹ 10 lakh for registration is applicable for Mizoram.**

Thus, in the given case, **Mr. Lepcha of Mizoram is liable to register** since his aggregate turnover (₹ 13 lakh) exceeds the applicable threshold limit for registration of ₹ 10 lakh.

The enhanced threshold limit of ₹ 40 lakh is also specifically not applicable **in the State of Meghalaya. Instead, the normal threshold limit of ₹ 20 lakh for registration is applicable to it.**

Therefore, if **Mr. Lepcha is located in Meghalaya, he is not liable to register** since his aggregate turnover (₹ 13 lakh) does not exceed the applicable threshold limit for registration of ₹ 20 lakh.

**Question 18**

State with brief reason, whether following suppliers of taxable goods are required to register under GST Law:

- (i) Mr. Raghav is engaged in wholesale cum retail trading of medicines in the State of Assam. His aggregate turnover during the financial year is ₹ 9,00,000 which consists of ₹ 8,00,000 as Intra-State supply and ₹ 1,00,000 as Inter-State supply.
- (ii) Mr. S.N Gupta of Rajasthan is engaged in trading of taxable goods on his own account and also acting as an agent of Mr. Rishi of Delhi. His turnover in the financial year 20XX is of ₹ 12 lakhs on his own account and ₹ 9 lakhs on behalf of principal. Both turnovers are Intra -State supply.

**Answer**

- (i) **Person making any inter-State taxable supply of goods is required to obtain registration compulsorily** under GST laws irrespective of the quantum of aggregate turnover.

Thus, in the given case **Mr. Raghav is required to obtain registration compulsorily under GST laws** even though his aggregate turnover does not exceed the threshold limit of ₹ 10 lakh [since Assam is a Special Category State] in the financial year.

- (ii) Persons **who make taxable supply of goods on behalf of other taxable persons** whether as an agent or otherwise are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover. Aggregate turnover includes all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

**Since Mr. S.N Gupta is also acting as an agent of Mr. Rishi of Delhi, he is required to obtain registration compulsorily under GST laws.**

**Question 19**

Pure Oils, Delhi has supplied machine oil and high-speed diesel in the month of April as per the details given in table below. Pure Oils is not yet registered.

S. N.	Particulars	Amount (₹)
1	Supply of machine oil in Delhi	15,00,000
2	Supply of high speed diesel in Delhi	10,00,000
3	Supply of machine oil made in Punjab by Pure Oils from its branch located in Punjab	10,00,000

- (i) Determine whether Pure Oils is liable for registration. All the above amounts are exclusive of GST.
- (ii) What will be your answer if Pure Oils supplies the high speed diesel in Delhi in the capacity of an agent of Mixed Oils Ltd., (non-registered), where invoices to customers are issued in name of Pure Oils?

**Answer**

- (i) As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a **supplier is liable to be registered in the State/Union territory from where he makes a taxable supply** of goods and/or services, **if his aggregate turnover in a financial year exceeds the threshold limit**. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, pan masala and tobacco and manufactured tobacco substitutes, fly ash bricks; fly ash aggregates; fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.  
(b) ₹ 20 lakh for the rest of India.

As per section 2(6), 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 aggregate turnover is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

Section 9(2) provides that CGST is not leviable on five petroleum products i.e. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. As per section 2(47), exempt supply includes non-taxable supply. Thus, supply of high speed diesel in Delhi, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.

In the backdrop of the above-mentioned discussion, the aggregate turnover of Pure Oils for the month of April is computed as under:

S.N.	Particulars	Amount (₹)
(i)	Supply of machine oils in Delhi	15,00,000
(ii)	Add: Supply of high speed diesel in Delhi	10,00,000
(iii)	Add: Supply of machine oil made by Pure Oils from its branch located in Punjab	10,00,000
	<b>Aggregate Turnover</b>	<b>35,00,000</b>

Pure Oils is **making exclusive supply of goods and hence the threshold limit for registration would be ₹ 40,00,000**. Since the aggregate turnover does not exceed ₹ 40,00,000, **Pure Oils is not liable to be registered till April**. However, if in remaining months of the financial year, its turnover exceeds the said limit, then it would be liable to be registered.

(ii) **In case Pure Oils makes the supply in capacity of an agent of Mixed Oils Ltd.:**

Section 24 provides that an **agent who is engaged in making taxable supplying of goods on behalf of other taxable persons, shall be liable to obtain registration irrespective of the threshold turnover limit**. However, in the present case, if Pure Oils supply high speed diesel on behalf of Mixed Oil Ltd. in Delhi as its agent where **invoices to customers are issued in name of Pure Oils**, it shall **still not be liable to obtain registration** in Delhi since section 24 comes into play only when agent or in other capacity is making taxable supply of goods on behalf of taxable persons (principal) whereas **in the given case, Pure Oils is supplying non-taxable goods on behalf of Mixed Oils Ltd.**, who is not registered.

## Effective Date of Registration

### Question 20

Determine the effective date of registration in following cases:

- (a) The aggregate turnover of Dhampur Footwear Industries of Delhi has exceeded the applicable threshold limit of ₹ 40 lakh on 1<sup>st</sup> September. It submits the application for registration on 20<sup>th</sup> September. Registration certificate is granted to it on 25<sup>th</sup> September.
- (b) Mehta Teleservices is an architect in Lucknow. Its aggregate turnover exceeds ₹ 20 lakh on 25<sup>th</sup> October. It submits the application for registration on 27<sup>th</sup> November. Registration certificate is granted to it on 5<sup>th</sup> December.

### Answer

- (a) Every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit [₹ 40 lakh in this case] in a financial year [Section 22 read with Notification No. 10/2019 CT dated 07.03.2019]. Since in the given case, **the turnover of Dhampur Industries exceeded ₹ 40 lakh on 1st September, it becomes liable to registration on said date.**

Further, since the **application for registration has been submitted within 30 days** from such date, the **registration shall be effective from the date on which the person becomes liable to registration.** Therefore, the **effective date of registration is 1<sup>st</sup> September.**

- (b) Since in the given case, the turnover of **Mehta Teleservices exceeds the applicable threshold limit [₹ 20 lakh] on 25<sup>th</sup> October, it becomes liable to registration on said date.**

Further, since the **application for registration has been submitted after 30 days** from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration. Therefore, the **effective date of registration is 5<sup>th</sup> December.**

### Question 21

BBD Pvt. Ltd. of Gujarat exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'Z' only within Gujarat and is not registered under GST laws. The turnover of the company in the previous year 2024-25 was ₹ 50 lakh. The company expects the sales to grow by 10% in the current year 2025-26.

However, effective 01.01.2026, exemption available on 'Z' was withdrawn by Central Government and GST@ 5% was imposed thereon. The turnover of the company for nine months ended on 31.12.2025 was ₹ 42 lakh.

BBD Pvt. Ltd. is of opinion that it is not required to get registered under GST for current year 2025-26.

Examine the above scenario and advise BBD Pvt. Ltd. whether it needs to get registered under GST or not.

### Answer

For a **supplier exclusively engaged in intra-State supply of goods**, the **threshold limit of turnover to obtain registration in the State of Gujarat is ₹ 40 lakh.** However, a **person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration.**

Therefore, since BBD Pvt. Ltd. was engaged exclusively in supplying exempted goods till 31.12.2025, it was not required to be registered till that day; though voluntary registration was allowed.

The position, however, will change from 01.01.2026 as the supply of goods become taxable from that day and turnover of BBD Pvt. Ltd. is more than ₹ 40 lakh. Since aggregate turnover limit of ₹ 40 lakh includes exempt turnover also, turnover of 'Z' till 31.12.2025 will be considered for determining threshold limit even though same was exempt from GST. **Therefore, BBD Pvt. Ltd. needs to register within 30 days from 01.01.2026.**

## **Registration Procedure**

### **Question 22**

In order to be eligible for grant of registration, a person must have a Permanent Account Number issued under the Income- tax Act, 1961. State one exception to it.

#### **Answer**

**A Permanent Account Number is mandatory** to be eligible for grant of registration. **One of the exceptions 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 duly signed or verified** through electronic verification code **by his authorized signatory who is an Indian Resident having valid PAN** and application will be submitted in a different prescribed form [Section 25(6) & (7)].

### **Question 23**

What could be the liabilities (in so far as registration is concerned) on transfer of a business?

#### **Answer**

The transferee or the successor shall be **liable to be registered with effect from the date of such transfer or succession** and he will have to **obtain a fresh registration with effect from the date of such transfer or succession** [Section 22(3)].

### **Question 24**

If a person is making taxable supplies from different States, with the same PAN number, can he operate with a single registration?

**or**

Is there an option to take centralized registration for services under GST Law?

#### **Answer**

**No.** Every person who is liable to take a registration will **have to get registered separately for each of the States from where he makes taxable supply(ies)** provided his aggregate turnover exceeds applicable threshold limit in a financial year.

### **Question 25**

Can a person having multiple places of business in a State obtain separate registrations for each place of business?

**Answer**

**Yes.** In terms of the proviso to sub-section (2) of section 25, a person having multiple places of business in a State **may obtain a separate registration for each place of business**, subject to such conditions as may be prescribed.

**Question 26**

At the time of registration, will the assessee have to declare all his places of business?

**Answer**

**Yes.** The principal place of business and place of business have been separately defined under sections 2(89) & 2(85) respectively. The **taxpayer will have to declare the principal place of business as well as the details of additional places of business** in the registration form.

**Question 27**

Whether the registration granted to any person is permanent?

**Answer**

**Yes,** the registration certificate once granted is **permanent unless surrendered, cancelled or suspended.**

**Question 28**

Can the Department, through the proper officer, suo-moto proceed to register a person under GST?

**Answer**

**Yes.** In terms of sub-section (8) of section 25, where a **person who is liable to be registered under GST law fails to obtain registration, the proper officer may**, without prejudice to any action which may be taken under CGST Act, or under any other law for the time being in force, **proceed to register such person** in the manner as prescribed in the CGST Rules.

**Question 29**

Is it necessary for the UN bodies to get registration under GST?

**Answer**

In terms of section 25(9), all notified UN bodies, Consulate or Embassy of foreign countries and any other class of persons as may be notified would be **required to obtain a unique identification number (UIN) from the GST portal.**

The structure of the said ID would be uniform across the States in conformity with GSTIN structure and the **same will be common for the Centre and the States.** This **UIN will be needed for claiming refund of taxes** paid on notified supplies of goods and services received by them, and for any other purpose as may be notified.

**Question 30**

What is the responsibility of the taxable person making supplies to UN bodies?

**Answer**

The taxable supplier **making supplies to UN bodies is expected to mention the UIN on the invoices** and treat such supplies as **if supplies are made to another registered person (B2B)**.

**Question 31**

M/s Siya Ram is a trader of decorative items in Hauz Khas, Delhi. His aggregate turnover exceeded ₹ 20 lakh in the month of October, 20XX. He applied for registration on GST portal, but missed to submit the details of his bank account. His tax consultant advised him that prior submission of bank details is mandatory to obtain registration. Examine whether the advice of Mr. Siya Ram's tax consultant is correct.

**Answer**

**The advice of Mr. Siya Ram's consultant** that prior submission of bank details is mandatory to obtain registration is **not valid in law**.

A rule 10A of the CGST Rules, 2017 vide Notification No. 31/2019 CT dated 28.06.2019 allows the registered person to furnish information with respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision, soon after obtaining certificate of registration and a GSTIN, but **not later than 30 days from the date of grant of registration** or the **date on which the return required under section 39 is due** to be furnished, **whichever is earlier**.

This **relaxation is however not available** for those **who have been granted registration as TDS deductor/TCS collector** under rule 12 **or who have obtained suo-motu registration** under rule 16.

**Question 32**

"Aadhaar authentication is not required for persons who are already registered under GST." Examine and discuss the correctness of the statement. You are required to elaborate the relevant legal provisions.

**Answer**

The given **statement is incorrect**. Aadhaar authentication has been **made mandatory for the new registrants as well as for the existing registrants**. With regard to existing registrants, section 25(6A) of the CGST Act, 2017 stipulates that **every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number**, in prescribed form, manner and time. New rule 10B of the CGST Rules, 2017 prescribes the manner in which aadhaar authentication needs to be done by a registered person.

A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:

- **Proprietor**, in the case of proprietorship firm,
- **Any partner**, in the case of a partnership firm,
- **Karta**, in the case of a Hindu undivided family,
- **Managing director or any whole-time director**, in the case of a company,
- **Any Members of Managing Committee** of an Association of persons or body of individuals or a Society,

▪ **Trustee in the Board of Trustees**, in the case of a Trust; and of the Authorized Signatory,

**in order to be eligible for** the following purposes:

- ✓ for **filing of application for revocation of cancellation** of registration [Rule 23]
- ✓ for **filing of refund application** in Form RFD-01 [Rule 89]
- ✓ for **refund of the IGST paid on goods exported** out of India [Rule 96]

First proviso to section 25(6A) of the CGST Act, 2017 provides that **if an Aadhaar number is not assigned to an existing registered person**, such person shall be offered alternate and viable means of identification in the prescribed manner. Such manner has been prescribed by rule 10B of the CGST Rules, 2017 as follows:

If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, **such person shall furnish the following identification documents**, namely:

- (a) his/her **Aadhaar Enrolment ID slip**; and
- (b)
  - (i) **Bank passbook** with photograph; or
  - (ii) **Voter identity card** issued by the Election Commission of India; or
  - (iii) **Passport**; or
  - (iv) **Driving license** issued by the Licensing Authority

However, **once Aadhaar number is allotted** to such person, he **shall undergo the authentication of Aadhaar number within a period of 30 days** of the allotment of the Aadhaar number.

The afore-said rule 10B **shall not be applicable** to persons notified under section 25(6D) of the CGST Act, 2017, i.e. **to persons exempt from aadhaar authentication**.

## **Cancellation and Suspension of Registration and revocation of cancellation**

### **Question 33**

Determine with brief reasons, whether the following statements are True or False:

Registration under the CGST Act, 2017 can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within three months from the date of registration.

### **Answer**

The said statement is **False**.

Registration under the CGST Act, 2017 **can be cancelled** by the proper officer, **if the voluntarily registered person has not commenced the business within six months** from the date of registration.

### **Question 34**

What happens when the registration is obtained by means of willful mis- statement, fraud or suppression of facts?

### **Answer**

In such cases, the **registration may be cancelled** from such date, including any retrospective date, as may deem fit **by the proper officer** [Section 29(2)(e)].

### Question 35

Discuss the circumstances where registration is liable to be cancelled.

or

State any five circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017.

### Answer

Section 29(1) of the CGST Act, 2017 provides that the **proper officer may, either on his own motion or on an application filed by the registered person** or by his legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed, having regard to the circumstances where:

- (i) the business has been **discontinued, transferred** fully for any reason **including death** of the proprietor, **amalgamated** with other legal entity, demerged or otherwise disposed of; or
- (ii) there is any **change in the constitution** of the business; or
- (iii) the taxable person, other than the person registered under sub-section (3) of section 25, is **no longer liable to be registered** under section 22 or section 24

Further, section 29(2) of the CGST Act, 2017 provides that the **proper officer may cancel the registration** of a person from such date, **including any retrospective date**, as he may deem fit, where:

- (i) A registered person has contravened any of the following prescribed provisions of the GST law:
  - (a) he **does not conduct any business from the declared place** of business.
  - (b) he **issues invoice/bill without supply** of goods/services in violation of the provisions of GST law.
  - (c) he **violates the provisions of anti-profiteering**.
  - (d) he **violates the provisions relating to furnishing of bank details**.
  - (e) he avails **ITC in violation** of the provisions of the GST law.
  - (f) furnishes the details of outward supplies in GSTR-1 as amended in GSTR-1A for one or more tax periods is more than outward supplies declared by him in his valid return for said tax periods.
  - (g) he **violates the provision relating to restrictions on use of amount** available in electronic credit ledger
  - (h) he **violates the provision of Rule 86B**
- (ii) A person paying tax under composition levy has **not furnished returns for a FY beyond 3 months from due date of furnishing return**.
- (iii) A registered person required to file return monthly under **regular scheme has not furnished returns for continuous period of 6 months**.
- (iv) A registered person required to file return quarterly with QRMP **scheme has not furnished returns for continuous period of 2 tax periods**.
- (v) Voluntarily registered person has **not commenced the business within 6 months** from the date of registration.
- (vi) Registration was obtained by means of **fraud, wilful misstatement or suppression** of facts.

The proper officer **shall not cancel registration without** giving the person an **opportunity of being heard**.

### Question 36

Mr. Hridya has obtained a voluntary registration under the GST law in the State of Madhya Pradesh in January but has not commenced the business till the month of September. In October, the proper officer issues a show cause notice to him for cancellation of his registration. You are required to examine whether the action taken by the proper officer is justified in law. Also, list the other circumstances when the proper officer can cancel registration under section 29(2).

### Answer

As per section 29(2), one of the circumstances where **registration can be cancelled by the proper officer** from such date, including any retrospective date, as he may deem fit, **after giving an opportunity of being heard** is **where any person who has taken voluntary registration** under sub-section (3) of section 25 has **not commenced business within six months** from the date of registration. Thus, the action taken by the proper officer in the given case is justified in law.

As per section 29(2) read with rule 21, **in following cases**, registration can be cancelled by proper officer:

- (a) a person paying tax under composition scheme has **not furnished the return for a financial year beyond three months** from the due date of furnishing the said return.
- (b) any registered person required to file return under section 39(1) for each month or part thereof (i.e. monthly return filer), has **not furnished returns for a continuous period of 6 months**.
- (c) any registered person required to file return under proviso to section 39(1) (Quarterly return under QRMP scheme), has **not furnished returns for a continuous period of 2 tax periods**.
- (d) any person who has taken voluntary registration under sub-section (3) of section 25 **has not commenced business within six months from the date of registration**
- (d) registration has been **obtained by means of fraud, wilful misstatement or suppression** of facts.
- (e) a registered person **does not conduct any business from the declared place** of business.
- (f) a registered person **issues invoice/bill without supply of goods/services** in violation of the provisions of the CGST Act, or the rules made thereunder.
- (g) a registered person **violates the provisions of section 171**. Section 171 contains provisions relating to anti-profiteering measure.
- (h) a registered person **violates the provision of rule 10A**.
- (i) a registered person **avails input tax credit in violation of the provisions of section 16** of the CGST Act or the rules made thereunder.
- (j) a registered person furnishes the details of outward supplies in Form GSTR-1, as amended in Form GSTR-1A if any, under section 37 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods.
- (k) a registered person **violates the provision of rule 86B**.
- (l) a registered person **violates the provisions of third or fourth proviso to rule 23(1)**.

### Question 37

Under the provision of section 29(1) of CGST Act, 2017 read with rule 21A of CGST Rules, 2017 related to suspension of registration if the registered person has applied for cancellation of registration, what is the period and manner of suspension of registration?

**Answer**

Where a registered person has applied for cancellation of registration, the registration shall be **deemed to be suspended from:**

- (a) the **date of submission** of the application or
- (b) the **date from which the cancellation is sought**, whichever is **later**, pending the completion of proceedings for cancellation of registration.

Such person **shall not make any taxable supply during the period of suspension and shall not be required to furnish any return.**

The expression “shall not make any taxable supply” mean that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the suspension period.

**Question 38**

Explain the procedure for revocation of cancellation of registration where the registration of a person is cancelled suo-motu by the proper officer as per the provisions of CGST Act, 2017.

**Answer**

Where the **registration of a person is cancelled suo-motu by the proper officer**, such registered person may **apply for revocation of the cancellation** of registration to such proper officer, **within 90 days** (or within extended time period) **from the date of service of the order of cancellation** of registration.

If the proper officer is satisfied that there are **sufficient grounds for revocation of cancellation**, he **may revoke the cancellation of registration, by an order within 30 days** of receipt of application and communicate the same to applicant.

Otherwise, **he may reject the revocation application**. However, before rejecting the application, he has to **first issue SCN to the applicant who shall furnish clarification within 7 working days** of service of SCN.

The proper officer shall **dispose application (accept/reject the same) within 30 days of receipt of clarification**.

**Question 39**

Mr. X of Haryana intends to start business of supply of building material to various construction sites in Haryana. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer suo-motu cancelled the registration of Mr. X. You are required to examine whether the action taken by proper officer is valid in law?

Mr. X has applied for revocation of cancellation of registration after 100 days from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. However, Mr. X contends that the period of submission of application may be extended on sufficient grounds being shown. You are required to comment upon the validity of contentions raised by Department and Mr. X.

**Answer**

As per section 29 of the CGST Act, 2017, the **proper officer may cancel the registration** of a person from such date, including any retrospective date, as he may deem fit, where:

- (a) a **registered person has contravened such provisions of the Act** or the rules made thereunder as may be prescribed; or
- (b) A person paying tax under composition levy has **not furnished returns for a FY beyond 3 months from due date of furnishing return.**; or
- (c) any registered person, other than a person specified in clause (b), has **not furnished returns for a continuous period of six months**; or
- (d) any person who has **taken voluntary registration** under sub-section (3) of section 25 **has not commenced business within six months from the date of registration**; or
- (e) registration has been **obtained by means of fraud, wilful misstatement, or suppression** of facts:

Thus, in view of the above-mentioned provisions, suo-motu **cancellation of registration of Mr. X by proper officer is valid in law** since Mr. X, a voluntarily registered person, has **not commenced his business within 6 months** from the date of registration.

Further, where registration of a person is cancelled suo-motu by the proper officer, such **registered person may apply for revocation of cancellation to such proper officer, within 90 days from date of service of the order of cancellation of registration.** However, the said period of 90 days may, on sufficient cause being shown and for reasons to be recorded in writing, **be extended for a period not exceeding 180 days by Commissioner** or officer authorised by him not below the rank of **Additional/Joint Commissioner.**

Thus, considering the above provisions, the **contention of Department is not valid in law as extension can be sought** in the prescribed time limit for revocation of cancellation of registration. The contention raised by Mr. X is valid in law as extension in time limit is allowed on sufficient cause being shown and for reasons to be recorded in writing.

#### Question 40

Ranmo Limited, a registered entity under GST has demerged its operations with effect from 31<sup>st</sup> May, 20XX. The registration of Ranmo Limited has been cancelled suo-motu by the Proper Officer. The order of cancellation of registration was passed on 4<sup>th</sup> June, 20XX and was served on 7<sup>th</sup> June, 20XX.

Ranmo Limited wishes to apply for revocation of cancellation of registration on 4<sup>th</sup> September, 20XX. The tax consultant of Ranmo Limited advised that application for revocation of cancellation or registration is time barred and hence not valid in law.

You are required to examine the technical veracity of the advice given by Tax Consultant of Ranmo Limited.

#### Answer

A registered person, whose registration is cancelled by the proper officer on his own motion, may, subject to the provisions of rule 10B of the CGST Rules, 2017, submit an **application for revocation of cancellation of registration, in prescribed form, to such proper officer, within a period of 90 days from the date of the service of the order of cancellation of registration.**

However, such period may, on sufficient cause being shown, and for reasons to be recorded in writing, be **extended by the Commissioner or an officer authorised** by him in this behalf, **not below the rank of Additional Commissioner or Joint Commissioner, as the case may be, for a further period not exceeding 180 days.**

Thus, in the given case, Ranmo Limited can apply for revocation of cancellation of registration within a period of 90 days from the date of the service of the order of cancellation of registration, i.e. **within 90 days from 7<sup>th</sup> June, 20XX**. The **application submitted for revocation of cancellation of registration is valid in law** as the same has been submitted within the prescribed time limits.

Thus, the **advice given by Tax Consultant of Ranmo Limited is not valid in law**.

### **Casual Taxable Person and Non Resident Taxable Person**

#### **Question 41**

What is the validity period of the registration certificate issued to a casual taxable person and non-resident taxable person?

#### **Answer**

In terms of section 27(1) read with proviso thereto, the certificate of registration issued to a “casual taxable person” or a “non-resident taxable person” shall be **valid for a period specified in the application for registration or 90 days from the effective date of registration, whichever is earlier**. However, the proper officer, at the request of the said taxable person, **may extend the validity of the aforesaid period of 90 days by a further period not exceeding 90 days**.

#### **Question 42**

Answer the following questions with respect to casual taxable person under the CGST Act, 2017:

- (i) Who is a casual taxable person?
- (ii) Can a casual taxable person opt for the composition scheme?
- (iii) When is the casual taxable person liable to get registered?
- (iv) What is the validity period of the registration certificate issued to a casual taxable person?
- (v) Can the validity of registration certificate issued to a casual taxable person be extended? If yes, what will be the period of extension.

#### **Answer**

- (i) Casual taxable person means a person **who occasionally undertakes transactions involving supply** of goods and/or services in the course or furtherance of business, whether as principal, agent or in any other capacity, **in a State/UT where he has no fixed place of business**.
- (ii) **No**, a casual taxable person cannot opt for the composition scheme.
- (iii) A casual taxable person (CTP) is liable to obtain registration compulsorily under GST laws, **at least 5 days prior to commencement of business**.

However, **threshold limit of ₹ 20 lakh** (₹ 10 lakh in case of Special Category States other than Jammu & Kashmir) **is available in case of CTP** making taxable supplies of specified handicraft goods.

- (iv) The registration certificate issued to a casual taxable person will be **valid for**:
  - (a) the **period specified in the registration application**, or
  - (b) **90 days from the effective date of registration** whichever is **earlier**.

- (v) **Yes**, the validity of registration certificate issued to a casual taxable person can be extended.

**It can be extended by a further period not exceeding 90 days.**

### Question 43

Mr. Akash Malhotra of Gujarat often participates in the jewellery exhibition at Trade Fair in Delhi, which is organised every year in the month of February. Mr. Akash Malhotra applied for registration in January. The proper officer demanded an advance deposit of tax in an amount equivalent to the estimated tax liability of Mr. Akash Malhotra.

You are required to examine whether any advance tax is to be paid by Mr. Akash Malhotra at the time of obtaining registration?

### Answer

**Yes, advance tax is to be paid** by Mr. Akash Malhotra at the time of obtaining registration. Since Mr. Akash Malhotra **occasionally undertakes supply** of goods in the course or furtherance of business **in a State where he has no fixed place of business**, thus **he qualifies as casual taxable person** in terms of section 2(20) of CGST Act, 2017.

While a normal taxable person does not have to make any advance deposit of tax to obtain registration, a casual taxable person shall, **at the time of submission of application for registration** is required, in terms of section 27(2) read with proviso thereto, to **make an advance deposit of tax** in an amount **equivalent to the estimated tax liability** of such person for the period for which the registration is sought. If registration is to be extended beyond the initial period of 90 days, an advance additional amount of tax equivalent to the estimated tax liability is to be deposited for the period for which extension beyond 90 days is being sought.

### Question 44

Mr. Allan, a non-resident person, wishes to provide taxable supply of goods. He has no fixed place of business or residence in India. He seeks your advise on the following aspects, relating to CGST Act, 2017:

- (i) When shall he apply for registration?
- (ii) Is PAN mandatory for his registration?
- (iii) What is the period of validity of RC granted to him?
- (iv) Will he be able to extend the validity of his registration? If yes, what will be the period of extension?

### Answer

- (i) Mr. Allan, being a non-resident person, should apply for registration, irrespective of the threshold limit, **at least 5 days prior to the commencement of business.**
- (ii) **No**, PAN is not mandatory for his registration.

He **has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory** who is an Indian Resident having valid PAN.

However, in case of a business entity incorporated or established outside India, the application for registration shall be submitted along with its tax identification number or unique number on the basis of which the entity is identified by the Government of that country or its PAN, if available.

- (iii) Registration Certificate granted to Mr. Allan will be **valid for:**
  - (a) **Period specified in the registration application**, or
  - (b) **90 days** from the effective date of registration **whichever is earlier**.
- (iv) **Yes**, Mr. Allan can get the validity of his registration extended. **Registration can be extended further by a period not exceeding 90 days.**

# CHAPTER - 11

## Tax Invoice, Credit and Debit Note

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### Basics About Invoices

#### Question 1

Shyam Fabrics has opted for composition levy scheme in the current financial year. It has approached you for advice whether it is mandatory for it to issue a tax invoice. You are required to advise him regarding same.

#### Answer

A registered **person paying tax under the provisions of section 10 [composition levy] shall issue, instead of a tax invoice, a bill of supply.**

#### Question 2

A registered person has to mandatorily issue separate invoices for taxable and exempted goods when supplying both taxable as well as exempted goods to an unregistered person. Examine validity of statement.

#### Answer

The statement is **not valid in law**. As per the CGST Rules, 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.**

#### Question 3

Chidanand Products Pvt. Ltd. is a registered supplier who has opted for composition levy in the current financial year. He wishes to know whether the issue of a bill of supply can be dispensed with under any circumstances. You are required to advise him.

#### Answer

**Yes.** Chidanand Products Pvt. Ltd. **may not issue a bill of supply if the value** of the goods or services or both supplied **is less than ₹ 200** subject to the condition that:

- (a) the **recipient is not a registered** person; and
- (b) the **recipient does not require such bill of supply,**

and he **shall issue a consolidated bill of supply for such supplies at the close of each day** in respect of all such supplies.

#### Question 4

Jain & Sons is a trader dealing in stationery items. It is registered under GST and has undertaken following sales during the day:

S. N.	Recipient of supply	Amount (₹)
1.	Raghav Traders - a registered retail dealer	190
2.	Dhruv Enterprises – an unregistered trader	358

3.	Gaurav – a painter [unregistered]	500
4.	Oberoi Orphanage –an unregistered entity	188
5.	Aaradhya – a student [unregistered]	158

None of the recipients require a tax invoice [Raghav Traders being a composition dealer].

Determine in respect of which of the above supplies, Jain & Sons may issue a Consolidated Tax Invoice instead of Tax Invoice, at the end of the day.

### Answer

In the given illustration, **Jain & Sons can issue a Consolidated Tax Invoice only with respect to supplies made to Oberoi Orphanage [worth ₹188] and Aaradhya [worth ₹158]** as the value of goods supplied to these recipients is less than ₹200 as also these recipients are unregistered and don't require a tax invoice.

As regards the supply made to Raghav Traders, although the **value of goods supplied to it is less than ₹200, Raghav Traders is registered under GST. So, Consolidated Tax Invoice cannot be issued.**

**Consolidated Tax Invoice can also not be issued for supplies of goods made to Dhruv Enterprises and Gaurav** although both of them are unregistered. The reason for the same is that the value of goods supplied is not less than ₹ 200.

### Question 5

Udai Singh, a registered supplier, has received advance payment with respect to services to be supplied to Sujamal. His accountant asked him to issue the receipt voucher with respect to such services to be supplied. However, he is apprehensive as to what would happen in case a receipt voucher is issued, but subsequently no services are supplied. You are required to advise Udai Singh regarding the same.

### Answer

**Udai Singh is required to issue a receipt voucher at the time of receipt of advance payment** with respect to services to be supplied to Sujamal. A receipt voucher is a document evidencing receipt of advance money towards a supply of goods and/or services or both. A registered person, on receipt of advance payment with respect to any supply of goods or services or both, shall issue a receipt voucher or any other document, evidencing receipt of such payment.

Where, on receipt of advance payment with respect to any supply of goods or services or both the registered person **issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued** in pursuance thereof, said registered person **may issue to person who had made payment, a refund voucher against such payment.** So, in case subsequently no services are supplied by Udai Singh, and no tax invoice is issued in pursuance thereof, Udai Singh may issue a refund voucher against such payment to Sujamal.

### Question 6

Royal Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Park Royal, Delhi on 4<sup>th</sup> January. For the occasion, it gets the service by way of makeover of its models from Aura Beauty Services Ltd., Ashok Vihar, on 4<sup>th</sup> January, for which a consideration of ₹ 5,00,000 (excluding GST) has been charged. Aura Beauty Services Ltd. issued a duly signed tax invoice on 10<sup>th</sup> February showing the lumpsum amount of ₹ 5,90,000 inclusive of CGST and SGST @ 9% each for the services provided. Answer the following questions:

- (i) Examine whether the tax invoice has been issued within the time limit prescribed under law.
- (ii) Tax consultant of Royal Fashions objected to the invoice raised suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Aura Beauty Services Ltd. However, Aura Beauty Services Ltd. contended that there is no mandatory requirement of showing tax component separately in the invoice. You are required to examine the validity of the objection raised by tax consultant of Royal Fashions.

**Answer**

- (i) As per section 31 read with the CGST Rules, in case of taxable supply of services, **invoices should be issued before or after the provision of service, but within a period of 30 days** [45 days in case of insurer/ banking company or financial institutions including NBFCs] from the date of supply of service. In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e. **upto 3<sup>rd</sup> February. However, the invoice has been issued on 10<sup>th</sup> February.**
- (ii) Section 31 read with the CGST Rules, inter alia, provides that **tax invoice in addition to other mandatory details shall also contain the amount of tax** charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess). Further, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, **the amount of tax charged in respect of taxable goods or services which shall form part of the price at which such supply is made.**  
**The objection raised by the tax consultant** of Royal Fashions suggesting that the amount of tax charged in respect of the taxable supply of makeover services should be shown separately in the invoice raised by Aura Beauty Services Ltd., is **valid in law.**

**E-Invoicing****Question 7**

- (i) What is 'e-invoicing'?
- (ii) What is the threshold limit for mandatory issuance of E-invoice for all registered businesses?

**Answer**

- (i) E-invoicing is **reporting of business to business (B2B) invoices to GST system** for certain notified category of taxpayers.
- (ii) The threshold limit for mandatory issuance of e-invoice for all registered businesses is ₹ 5 crores.

**Question 8**

List out category of persons who are exempted from the E-invoicing provisions.

**Answer**

Following entities are exempt from the mandatory requirement of e- invoicing even if their turnover exceeds ₹ 5 crore in any preceding financial year from 2017-18 onwards:

- **Special Economic Zone units**
- **Insurer**
- **Banking company or financial institution** including NBFC
- **GTA** supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of **passenger transportation service**
- Person supplying services by way of admission to **exhibition of cinematograph films in multiplex screens**
- **A Government Department**
- **A local authority**

### Question 9

Blue Panda Pvt. Ltd. is a manufacturing company that supplies goods to various registered dealers across India. The company had an aggregate turnover of ₹ 6 crore in the financial year 2023-24. The finance team of the company is not sure whether e-invoicing provisions are applicable to company and is of view that under e-invoicing system, invoices need to be generated directly on e-invoicing portal instead of its ERP system.

You are required to advise the finance team on the following questions:

- (a) What is e-invoicing, and whether it would apply to Blue Panda Pvt. Ltd.?
- (b) Does Blue Panda Pvt. Ltd. need to create its invoices directly on the e-invoicing portal?

### Answer

- (a) **E-invoicing** is a system for electronically reporting Business-to- Business (B2B) invoices to the GST system for certain **notified taxpayers whose turnover exceeds ₹ 5 crore in any financial year from 2017-18 onwards**. Since Blue Panda Pvt. Ltd. had an aggregate turnover of ₹ 6 crore in FY 2023-2024, it is required to issue e-invoices for its B2B transactions.
- (b) **No, Blue Panda Pvt. Ltd. does not need to create invoices directly on the e-invoicing portal**. The company will continue generating its GST invoices using its own Accounting/Billing/ERP system. The **only requirement is that these invoices must be reported to the Invoice Registration Portal (IRP)** for validation and issuance of a **unique Invoice Reference Number (IRN)**.

### Question 10

Bali Limited, a registered taxpayer, provides security services to registered persons from Mumbai office and Delhi office. The aggregate turnover of Mumbai office and Delhi office in the preceding financial year is ₹ 3 crore and ₹ 2.5 crore respectively. For the month of November in the current financial year, Bali Limited prepares duplicate invoices and does not issue e-invoice as it is of the view that it's aggregate turnover does not cross the threshold limit to make it liable for issuing e- invoices.

Briefly explain whether view taken by Bali Limited is correct in law? Also explain advantages of e-invoicing.

### Answer

The view taken by Bali Limited is **not correct in law**.

All registered businesses with an **aggregate turnover** (based on PAN) in any preceding financial year from

2017-18 onwards **greater than ₹ 5 crore are required to issue e-invoices** in respect of B2B supplies (supply of goods and/or services to a registered person).

The eligibility is based on aggregate annual turnover on common PAN. Thus, the **aggregate total turnover of Bali Limited is more than ₹ 5 crores** (considering both the GSTINs) and is **required to issue e-invoices**.

Further, **where e-invoicing is applicable, there is no need of issuing invoice copies in triplicate/duplicate**.

E-invoice has many advantages for businesses, which have been given as under:

- (i) **Auto-reporting of invoices into GST return and auto-generation of e-way bill (wherever required).** Under e-invoicing, business has to report the B2B invoice data only once in the e-invoice form and the same is reported in multiple forms (GSTR-1, e-way bill etc.). E-way bill can be auto-generated using e-invoice data. GSTR-1 can also be auto-populated with the e-invoice data. It will become part of the business process of the taxpayer.
- (ii) **Accuracy/Reconciliation.** Since same data is reported to tax department as well as to the buyer to prepare his inward supplies (purchase) register, transcription errors are reduced. On receipt of information through GST System, buyer can do reconciliation with his Purchase Order.
- (iii) **Early payment.** E-invoicing facilitates standardisation and inter-operability leading to reduction of disputes among transacting parties and thus, improving payment cycles.
- (iv) **Cost reduction.** E-invoicing helps in reducing processing costs and thus, leads to improvement of overall business efficiency.
- (v) **Reduction of tax evasion.** Since a complete trail of B2B invoices is available with Department, it will enable the system-level matching of input tax credit and output tax thereby reducing the tax evasion.
- (vi) **Elimination of fake invoices.** E-invoicing eliminates the fake invoices. Claiming fictitious input tax credit (ITC) by raising fake invoices is also one of the biggest challenges currently faced by tax-authorities. The e-invoice system helps to curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities have access to data in real-time.
- (vii) **Paper Elimination.** E-invoicing helps in paper elimination and thereby it is eco- friendly.

### Question 11

Determine in which of the following independent cases, e-invoicing is applicable?

- (i) Harnam & Co., dealing in interior decoration products made supplies to various registered and unregistered persons in the preceding financial year. The aggregate turnover of Harnam & Co. in the preceding financial year is ₹ 6 crore.
- (ii) Rich & Poor Bank, registered under GST has an aggregate turnover of ₹ 7.5 crore in the preceding financial year.

### Answer

All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards **greater than ₹ 5 crore are required to issue e-invoices** in respect of B2B supplies (supply of goods and/or services to a registered person).

Further, **following entities are exempt** from the mandatory requirement of e-invoicing:

- (a) **Special Economic Zone** units

- (b) **Insurer or banking company** or financial institution including NBFC
- (c) **GTA** supplying services in relation to transportation of goods by road in a goods carriage
- (d) **Supplier of passenger transportation** service
- (e) Person supplying **services by way of admission to exhibition of cinematograph films in multiplex** screens

Thus, above mentioned entities are **not required to issue e-invoices even if their turnover exceeds ₹ 5 crore** in the preceding financial year from 2017-18 onwards.

In view of the above-mentioned provisions, the answer to the independent cases are as under:

- (i) The aggregate turnover of Harnam & Co. exceeds the threshold limit of aggregate turnover applicable for e-invoicing. Thus, **Harnam & Co. is mandatorily required to issue e-invoices in respect of supplies made to registered persons.**
- (i) Banking company is specifically exempt from mandatory requirement of e-invoicing even if the turnover exceeds ₹ 5 crore in the preceding financial year. **Thus, e- invoicing is not applicable to Rich & Poor Bank.**

### Question 12

- (a) Eden Ltd., registered under GST and dealing in educational toys, has an aggregate turnover of ₹ 9 crore in the preceding financial year. The tax consultant of Eden Ltd. advised it to issue e-invoices mandatorily in the current financial year. However, Eden Ltd. is of the view that since it's aggregate turnover is less than the threshold limit applicable for e-invoicing, so it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.
- (b) A Government Department is registered under GST. It's aggregate turnover in the preceding financial year is ₹ 12 crore. You are required to comment with the help of relevant provisions whether the said Department is required to issue e-invoices in the current financial year.

### Answer

- (a) E-invoicing has been made **mandatory for all registered businesses** (except specified class of persons) with an **aggregate turnover in any preceding financial year from 2017-18 onwards greater than ₹ 5 crore in respect of B2B supplies** (supply of goods or services or both to a registered person) or for exports. Thus, the **advice given by tax consultant** of Eden Ltd. for issuance of e-invoices mandatorily in the current financial year **is valid in law** as the aggregate turnover of Eden Ltd. has exceeded the threshold limit i.e. ₹ 5 crore in the preceding financial year.
- (b) **Following entities are exempt** from the mandatory requirement of e-invoicing:
  - **Special Economic Zone** units
  - **Insurer or banking company** or financial institution including NBFC
  - **GTA** supplying services in relation to transportation of goods by road in a goods carriage
  - Supplier of **passenger transportation** service
  - Person supplying **services by way of admission to exhibition of cinematograph** films in multiplex screens
  - **Government Department** and a **local authority**

Further, the **above taxpayers exempted from the mandatory requirement of e-invoicing** are required to provide a declaration on the tax invoice stating that though their aggregate turnover exceeds the notified aggregate turnover for e-invoicing, they are not required to prepare an e-invoice.

Thus, above mentioned entities are **not required to issue e-invoices even if their turnover exceeds ₹ 5 crore** in the preceding financial year from 2017-18 onwards but are required to provide a declaration as discussed above.

Thus, in the given case, the **Government Department is not required to issue e-invoices** in the current financial year even if its aggregate turnover has exceeded ₹ 5 crore.

### Question 13

Dream World Pvt. Ltd is registered under GST in the State of Haryana. During the Financial Year 2025-26, its annual aggregate turnover was ₹ 12 crore. In the month of April 2026, it supplied goods worth ₹ 12 lakh to Nightmare Ltd (a registered taxable person).

- (i) You are required to ascertain whether issue of e-invoice is mandatory in respect of this transaction?
- (ii) What would be your answer if Nightmare Ltd is a SEZ (Special Economic Zone) unit?

### Answer

- (i) All **registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than ₹ 5 crore** are required to issue e-invoices.

Thus, issuance of e-invoice is mandatory in respect of the given transaction as the aggregate turnover of Dream World Pvt. Ltd. in the preceding financial year exceeded ₹ 5 crore.

- (ii) Issue of **e-invoice is exempt in respect of supply BY the SEZ (Special Economic Zone) unit.**

Here **SEZ unit is receiver of supply**. Thus, the **issuance of e-invoice is mandatory** in respect of given transaction even in case where Nightmare Ltd. is a SEZ (Special Economic Zone) unit.

### Question 14

Mr. X, a registered person under GST has aggregate turnover in the preceding financial year amounting to ₹ 8 crore. He is desirous to know whether e-invoicing is applicable for supplies made by registered person to Government Departments or establishments/Government agencies/local authorities/PSUs which are registered solely for the purpose of deduction of tax at source as per provisions of section 51 of the CGST Act, 2017. You are required to advise Mr. X.

### Answer

**Government Departments or establishments/Government agencies/local authorities/PSUs, which are required to deduct TDS under section 51 of the CGST Act, 2017, are liable for compulsory registration** in accordance with section 24(vi) of the CGST Act, 2017.

Therefore, Government Departments or establishments/Government agencies/local authorities/PSUs, registered solely for the purpose of deduction of TDS, are to be **treated as registered persons under the GST law** as per provisions of section 2(94) of the CGST Act, 2017.

Accordingly, **the registered person, whose turnover exceeds the prescribed threshold for generation of e-invoicing, is required to issue e-invoices for the supplies made to such Government Departments**

or establishments/Government agencies/local authorities/PSUs, etc. under rule 48(4) of the CGST Rules, 2017 [Circular No. 198/10/2023 GST dated 17.07.2023].

## **Dynamic QR**

### **Question 15**

Is Dynamic Quick Response (QR) Code applicable to suppliers who issue invoice to unregistered persons? If no, list the suppliers to whom Dynamic QR Code is not applicable.

### **Answer**

Dynamic QR code is **applicable to invoices issued in respect of supplies made to unregistered persons by a registered supplier** provided its **aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores**.

However, it is **not applicable to following suppliers** issuing invoices to unregistered persons:

- (i) **Insurer or banking company or financial institution including NBFC**
- (ii) **GTA supplying services** in relation to transportation of goods by road in a goods carriage
- (iii) **Supplier of passenger transportation service**
- (iv) **Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens**
- (v) **Supplier of online information and database access or retrieval (OIDAR) services**

## **Revised Tax Invoice**

### **Question 16**

Briefly discuss the following with reference to GST law:

- (i) **Revised Tax Invoice**
- (ii) **Bill of Supply**

### **Answer**

- (i) A registered **person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration** to him may, issue a revised tax invoice against the invoices already issued during said period, **within 1 month from the date of issuance of certificate of registration** in prescribed manner.
- (ii) A registered person **supplying exempted goods and/or services or paying tax under composition levy**, shall issue in prescribed manner, a bill of supply instead of a tax invoice, containing prescribed particulars.

### **Question 17**

The aggregate turnover of Sangri Services Ltd., Delhi, exceeded ₹ 20 lakh on 12<sup>th</sup> August. He applied for registration on 3<sup>rd</sup> September and was granted the registration certificate on 6<sup>th</sup> September. You are required

to advise Sangri Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices.

**Answer**

As per section 25 read with CGST Rules, where an **applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration**. Since, Sangri Services Ltd.'s turnover exceeded ₹ 20 lakh on 12<sup>th</sup> 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. 12<sup>th</sup> August.

As per section 31 read with CGST Rules, every registered person who has been **granted registration with effect from a date earlier than the date of issuance of certificate of registration** to him, **may issue Revised Tax Invoices**. Revised Tax Invoices shall be issued **within 1 month from the date of issuance of certificate of registration**. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.

Therefore, in the given case, **Sangri Services Ltd. has to issue the Revised Tax Invoices** in respect of taxable supplies effected during the period starting from the effective date of registration (12<sup>th</sup> August) till the date of issuance of certificate of registration (6<sup>th</sup> September) **within 1 month from the date of issuance of certificate of registration, i.e. on or before 6<sup>th</sup> October**.

**Question 18**

Rameshwar Industries is engaged in the manufacturing semi-conductors in the State of Assam. It makes only intra-State outward supplies. Following details have been made available by Rameshwar Industries:

Date of commencement of business	April 14
Date when turnover exceeded ₹ 10 lakh	April 29
Date when turnover exceeded ₹ 20 lakh	May 15
Date when turnover exceeded ₹ 40 lakh	May 28
Date of application for registration as per the provisions of Section 22 of the CGST Act	June 15
Date of issuance of certificate of registration	June 29

Based on above information, you are required to determine following by briefly stating relevant provision,

- (i) Effective date of registration of Rameshwar Industries
- (ii) Period for which revised tax invoice can be issued
- (iii) Timeline within which such revised tax invoice is to be issued.

**Answer**

- (i) Where an applicant **submits application for registration within 30 days** from the date, he becomes liable to registration, **effective date of registration is date on which he becomes liable to registration**.

Rameshwar Industries became liable to registration on 28<sup>th</sup> May when its turnover exceeded the applicable threshold limit of ₹ 40 lakh (since it is engaged exclusively in supply of goods). Since it applied for registration within 30 days, the **effective date of registration is 28<sup>th</sup> May**.

- (ii) Revised tax invoices can be issued against the invoices already issued during the period starting with the effective date of registration till the date of issuance of certificate of registration. Therefore, in the given case, **Rameshwar Industries can issue the revised tax invoices against the invoices already issued during the period beginning with 28<sup>th</sup> May till 29<sup>th</sup> June.**
- (iii) **Revised tax invoices are to be issued within 1 month** from the date of issuance of certificate of registration i.e. **within 1 month from 29<sup>th</sup> June i.e. upto 29<sup>th</sup> July.**

**Question 19**

Luv & Kush Pvt. Ltd. of Meghalaya engaged in the supply of gifts items and repair services, provides you the following details:

S. N.	Particulars	Date
1.	Commencement of the business of supplying goods and services	1 <sup>st</sup> August
2.	Turnover exceeds ₹ 10,00,000 on	15 <sup>th</sup> August
3.	Turnover exceeds ₹ 20,00,000 on	5 <sup>th</sup> September
4.	Application for registration made on	28 <sup>th</sup> September
5.	Registration certificate granted on	6 <sup>th</sup> October

The company seeks your advice as to how it should raise revised tax invoices for supplies made. Is there any specific provision for issuance of revised tax invoices to unregistered customers? Explain.

**Answer**

A supplier of both goods and services whose aggregate turnover in a financial year exceeds ₹ 20 lakh in a State/UT [₹ 10 lakh in specified Special Category States] is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of ₹ 20 lakh/ ₹ 10 lakh) in terms of section 22. Since Meghalaya is not a specified Special Category State, applicable threshold limit is ₹ 20 lakh.

Further, **where the application is submitted within said period, the effective date of registration is the date on which the person becomes liable to registration;** otherwise, it is the date of grant of registration.

Every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices within 1 month from the date of issuance of registration certificate in respect of taxable supplies effected during this period i.e. from the effective date of registration till the date of issuance of registration.

Since Luv & Kush Pvt. Ltd. has made the application for registration within 30 days of becoming liable for registration, the effective date of registration becomes the date on which the company becomes liable to registration i.e. 5<sup>th</sup> September.

Thus, **Luv & Kush Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (5<sup>th</sup> September) and the date of issuance of registration certificate (6<sup>th</sup> October), within 1 month from 6<sup>th</sup> October.**

Further, Luv & Kush Pvt. Ltd may issue a consolidated revised tax invoice in respect of all taxable supplies made to unregistered dealers during such period. However, **in case of inter-State supplies where the value of supply does not exceed ₹ 2.5 Lakh, a consolidated revised invoice** may be issued separately in respect of all unregistered recipients located in a State.

## **Delivery Challan**

### **Question 20**

Section 31 of the CGST Act, 2017 requires that a tax invoice shall be issued before or at the time of delivery/ removal of goods. Specify the situations where a tax invoice can be issued after delivery of goods. Discuss the provisions related to issue of tax invoice and delivery challan in case of transportation of goods in a semi knocked down or completely knocked down condition or in batches or lots.

### **Answer**

Situations **where a tax invoice can be issued after delivery of goods** are as follows:

- (1) **Supply of liquid gas** where the **quantity at the time of removal** from the place of business of the supplier **is not known**
- (2) **Transportation of goods for reasons other than by way of supply**
- (3) Such other supplies as may be notified by the Board

Where the goods are being transported in a **semi knocked down or completely knocked down condition** or in **batches or lots**:

- (a) Supplier **shall issue the complete invoice before dispatch** of the first consignment
- (b) Supplier shall issue a **delivery challan for each** of the **subsequent consignment**, giving reference of the invoice
- (c) **Copies of the corresponding delivery challan shall accompany** each consignment along with a duly certified copy of the invoice.
- (d) **Original copy of the invoice shall be sent along with the last consignment.**

## **Document other than Tax Invoice**

### **Question 21**

A non-banking financial company can issue a consolidated tax invoice at the end of every month for the supply made during that month. Examine the validity of the statement.

### **Answer**

The said statement is **valid in law**. A customer may avail numerous services from a non-banking financial company in a given tax period. It **may issue a consolidated tax invoice/ statement/ advice**, any other document in lieu thereof, by whatever name called may be issued/ made available, **physically/ electronically, for supply of services made during a month at the end of the month.**

### **Question 22**

ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens was issuing consolidated tax invoice for supplies at close of each day in terms of section 31(3)(b) of CGST Act, 2017 read with fourth proviso to rule 46 of CGST Rules, 2017.

During the month of October, the Department raised objection for this practice and asked to issue separate tax invoices for each ticket.

Advise ABC Cinemas for the procedure to be followed in the light of recent notification.

**Answer**

The procedure to be followed by ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens, is as under:

The **option to issue consolidated tax invoice is not available** to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens. Thus, **ABC Cinemas cannot issue consolidated tax invoice** for supplies made by it at the close of each day.

**ABC Cinemas is required to issue an electronic ticket.**

The said **electronic ticket shall be** deemed to be a tax invoice, even if such ticket **does not contain the details of the recipient** of service but contains the other information as prescribed to be mentioned.

**Debit and Credit Note****Question 23**

List out the situations in which a Credit note/Debit note may be issued under the CGST Act, 2017.

**Answer**

**Credit note is required to be issued by the Supplier:**

- (i) If **taxable value charged in the tax invoice** is found to **exceed the taxable value** in respect of supply of goods and/or services, or
- (ii) If **tax charged in tax invoice** is found to **exceed tax payable** in respect of supply of goods or services,
- (iii) if **goods supplied are returned** by the recipient, or
- (iv) if goods and/or services **supplied are found to be deficient**.

**Debit note is required to be issued by the Supplier:**

- (i) if **taxable value charged in the tax invoice** is found to be **less than the taxable value** in respect of supply of goods and/or services or
- (ii) if **tax charged in the tax invoice** is found to be **less than the tax payable** in respect of supply of goods and/or services

**Question 24**

List any three situations that warrant issue of credit note. Briefly explain the time line to declare such credit note in the GST return.

**Answer**

Situations that warrant the issue of credit note are as follows:

- The supplier has **erroneously declared a value which is more than the actual value** of the goods or services provided.
- The supplier has **erroneously declared a higher tax rate than what is applicable** for the kind of the goods or services or both supplied.

- The **quantity received by the recipient is less** than what has been declared in the tax invoice.
- The **quality of the goods or services or both supplied is not to the satisfaction** of the recipient thereby necessitating a partial or total reimbursement on the invoice value.

The details of **credit note are declared in the GST** return for the month during which such credit note has been issued but **not later than**:

- (i) **30<sup>th</sup> November following the end of the financial year** in which such supply was made, or
- (ii) the date of **furnishing of the relevant annual return**, whichever is **earlier**.

### Question 25

Kidzee Toys Ltd., a wholesaler of toys registered in Chandigarh, is renowned in the local market for the variety of toys and their reasonable prices. Kidzee Toys Ltd. makes supply of 100 pieces of baby's learning laptops and chat learning phones to Nancy General Store on 25<sup>th</sup> September by issuing a tax invoice amounting to ₹ 1,00,000.

However, the said toys were returned by Nancy General Store on 30<sup>th</sup> September. Discuss which document Kidzee Toys Ltd. is required to issue in such a case?

### Answer

**Kidzee Ltd. is required to issue a credit note** in such a case.

As per section 34, where one or more tax invoices have been issued for supply of any goods or services or both and the **goods supplied are returned by the recipient the registered person**, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed. Therefore, **Kidzee Ltd. is required to issue a credit note to Nancy General Store for the good returned**.

### Question 26

Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March:

- (i) Value of supply charged in invoice no. 1 was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000.
- (ii) Tax charged in invoice no. 4 was ₹ 32,000 against the actual tax liability of ₹ 68,000 due to wrong HSN code being chosen while issuing invoice.
- (iii) Value charged in invoice no. 8 was ₹ 3,20,000 as against the actual value of ₹ 4,20,000 due to wrong quantity considered while billing.

Kartik & Co. asks you to answer the following:

- (1) Who shall issue a debit/credit note under the CGST Act, 2017 in each of the above circumstances?
- (2) Whether debit note or credit note has to be issued in each of the above circumstances?
- (3) What is the maximum time-limit available for declaring the credit note in the GST Return?

### Answer

- (1) The **debit/credit note shall be issued by the registered person** who has supplied the goods and/or services, i.e. Kartik & Co. in all the cases.

- (2) **Yes, debit/credit note need to be issued** in each of the circumstances as under:
- (i) **A credit note** is required to be issued as the taxable value in invoice no. 1 exceeds the actual taxable value.
  - (ii) **A debit note** is required to be issued as the tax charged in the invoice no. 4 is less than the actual tax payable.
  - (iii) **A debit note** is required to be issued as the value of supply charged in the invoice no. 8 is less than the actual value.
- (3) **The details of the credit note cannot be declared later than 30<sup>th</sup> November following the end of the financial year** in which such supply was made or the date of **furnishing of the relevant annual return, whichever is earlier.**

**Question 27**

Rana Sanga Ltd., a registered supplier, has made following taxable supplies to its customer Babur in the quarter ending 30<sup>th</sup> June.

Date	Bill No.	Particulars	Invoice value [₹] (including GST)
5 <sup>th</sup> April	102	Notebooks [10 in numbers]	1,200
10 <sup>th</sup> May	197	Chart Paper [4 in number]	600
20 <sup>th</sup> May	230	Crayon colors [2 packets]	500
2 <sup>nd</sup> June	254	Poster colors [5 packets]	900
22 <sup>nd</sup> June	304	Pencil box [4 sets]	700

Goods in respect of bill no. 102, 230 and 254 have been returned by Babur. You are required to advise Rana Sanga Ltd. whether it can issue a consolidated credit note against all the three invoices?

**Answer**

Where one or more tax invoices have been issued for supply of any goods and/or services and

- (a) the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or
- (b) where the goods supplied are returned by the recipient, or
- (c) where goods and/or services supplied are found to be deficient,

the registered person, who has supplied such goods and/or services, may issue to the recipient one or more credit notes for supplies made in a financial year containing prescribed particulars.

**Thus, one (consolidated) or more credit notes can be issued in respect of multiple invoices issued in a financial year without linking the same to individual invoices.**

Hence, in view of the above-mentioned provisions, **Rana Sanga Ltd. can issue a consolidated credit note for the goods returned in respect of all the three invoices.**

# CHAPTER - 12

## Accounts and Records

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### Accounts and Records to be Maintained

#### Question 1

Who is required to maintain books of accounts and at which place in terms of section 35 read with rules?

#### Answer

**Every registered person shall keep and maintain, his books of accounts at his principal place of business** and books of account relating to additional place of business as mentioned in the certificate of registration. **Where more than one place of business is specified** in the certificate of registration, **the accounts relating to each place of business shall be kept at such places of business.**

#### Question 2

Mr. Sky is engaged in the business of trading of mobiles. He is eligible for composition scheme and has opted for the same. He seeks your advice for records which are not required to be maintained by him as composition taxable person.

#### Answer

A supplier who has opted for composition scheme is not required to maintain records relating to;

- (a) **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.
- (b) **Details of tax:** Account, containing the **details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit** claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

Thus, **Mr. Sky is not required to maintain above mentioned records.**

#### Question 3

Mr. Harsh Manjula is engaged in the business of works contract services and seeks your guidance as to specific records required to be maintained by him under GST law, if any.

**or**

Every registered person executing works contract shall keep separate accounts for works contract under CGST Rules, 2017. List the details to be maintained.

#### Answer

Mr. Harsh Manjula, executing works contract shall keep separate accounts for works contract showing -

- (a) the **names and addresses** of the persons **on whose behalf the works contract is executed**;
- (b) **description, value and quantity** (wherever applicable) **of goods/services received** for the execution of works contract;

- (c) description, value and quantity (wherever applicable) **of goods/services utilized** in the execution of works contract;
- (d) the **details of payment received** in respect of each works contract; and
- (e) the **names and addresses of suppliers** from whom he received goods or services.

#### Question 4

Commissioner has notified some specified persons to maintain additional accounts or documents as mentioned in rule 56 of the CGST Rules 2017, Agent as defined under Section 2(5) of the CGST Act, 2017 is one of them. List the additional accounts or documents to be kept by agent.

#### Answer

Additional accounts/documents to be kept by agent are as follows:

- (a) **particulars of authorisation received by him from each principal** to receive/supply goods/services on behalf of such principal separately;
- (b) **particulars including description, value and quantity** (wherever applicable) **of goods/services received on behalf of every principal**;
- (c) **particulars including description, value and quantity** (wherever applicable) **of goods/services supplied on behalf of every principal**;
- (d) details of **accounts furnished to every principal**; and
- (e) **tax paid on receipts/ supply** of goods/services effected **on behalf of every principal**.

#### Question 5

Chill Chain Cold is operating cold storage warehouse and seeks your guidance on the GST accounts and records to be maintained by them in terms of section 35.

#### Answer

Chill Chain Cold shall **maintain records of the consigner, consignee** and other relevant details of the goods in the prescribed manner.

Chill Chain Cold shall also maintain books of accounts with respect to the period for which **particular goods remain in warehouse, including** particulars relating to **dispatch, movement, receipt, and disposal**.

Chill Chain Cold shall store the goods in such manner that they **can be identified item-wise and owner-wise and shall facilitate any physical verification** or inspection by the proper officer on demand.

### Manner of Maintaining Accounts and Records

#### Question 6

Mr. X is of the view that records are to be mandatorily maintained manually only. You are required to examine the view taken by Mr. X.

#### Answer

The view taken by Mr. X is **not valid in law. Books of account include any electronic form of data stored on any electronic device.** The registered person may keep and maintain such accounts and other particulars in electronic form stored on any electronic device and record so maintained shall be **authenticated by means of a digital signature.** The registered person maintaining electronic records **shall produce, on demand, the relevant records** or documents, duly authenticated by him, in hard copy or in any electronically readable format.

**Where the accounts and records are stored electronically** by any registered person, he shall, **on demand, provide the details of such files, passwords of such files** and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stored in such files.

# CHAPTER - 13

## E-Way Bill

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### Requirement to Generate E-way Bill

#### Question 1

Explain the meaning of consignment value of goods.

#### Answer

Consignment value of goods shall be the value:

- determined in accordance with the provisions of section 15,
- **declared in an invoice, a bill of supply or a delivery challan**, as the case may be, issued in respect of the said consignment and
- also **includes the Central tax, State or Union territory tax, integrated tax and cess** charged, if any, in the document and
- shall **exclude the value of exempt supply** of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

#### Question 2

When goods are transferred by principal to job worker, there is no need to issue e-way bill. Comment on the validity of the above statement with reference to GST Laws.

#### Answer

The said statement is **not valid**.

When goods are transferred by principal to job worker, e-way bill is required to be **mandatorily issued**:

- in case of **intra-State** transfer, **if consignment value exceeds ₹ 50,000**, and
- in case of **inter-State** transfer, **irrespective of the value** of the consignment.

#### Question 3

Dhananjay Associates registered in Gujarat deals in industrial grade iron and steel products. The proprietor of Dhananjay Associates sold TMT Iron bars (GST applicable @ 18%) to a retailer in Maharashtra at a value of ₹ 40,000 (excluding GST). As per the agreement of sale, goods are to be delivered at the premises of retailer. The transportation cost of ₹ 7,000 has been charged separately to deliver the same to the retailer in Maharashtra. In the above scenario, determine whether an e-way bill is required to be issued under GST?

#### Answer

Consignment value of goods is the value determined in accordance with the provisions of section 15, and also includes the central tax, state or union territory tax, integrated tax and cess charged, if any, in the document.

Further, since arranging freight is the liability of supplier, it is a case of composite supply and thus, **freight charges are to be added in the value of principal supply**.

Accordingly, the **value of supply as per section 15** in the given case would include the transportation cost in

the **invoice value i.e. 47,000 (₹ 40,000 + ₹ 7,000).**

**Consignment value = ₹ 47,000 x 118% = ₹ 55,460.**

Since the movement of goods is in relation to supply of goods and the **consignment value exceeds ₹ 50,000, e-way bill is mandatorily required to be issued** under GST in the given case.

#### **Question 4**

M/s Sakura Enterprises made an inter-State supply of taxable goods valued at ₹ 47,500 and exempt goods valued at ₹ 2,000. Rate of IGST for taxable supply was 6%. Determine, with brief reasons, whether e-way bill generation is mandatory for the above supply made by M/s Sakura Enterprises.

#### **Answer**

In the given case, **consignment value of goods (including GST and excluding value of exempt supply) is ₹ 50,350 (47,500 × 106%).**

Since there is a movement of goods of **consignment value exceeding ₹ 50,000, M/s Sakura Enterprises is mandatorily required to issue e-way bill.**

#### **Question 5**

Talli Lal, a registered person, has transported alcoholic liquor for human consumption of consignment value of ₹ 1,50,000 from Delhi to Haryana. He has not generated e-way bill for the same. You are required to examine the correctness of action taken by Talli Lal.

#### **Answer**

**E-way bill is not required** to be generated where the goods being transported are alcoholic liquor for human consumption.

Thus, the action of Talli Limited of **not generating the e-way bill is correct in law.**

### **Validity of E-way Bill**

#### **Question 6**

A consignor hands over his goods for transportation on Friday to the transporter. However, assigned transporter starts the movement of goods from consigner's warehouse to its depot located at distance of 600 Km. on Monday. When will the e-way bill be generated and for how many days it will be valid?

#### **Answer**

E-way bill will be generated **before commencement of movement of goods by transporter on Monday.**

The validity period of the e-way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter.

**Thus, validity period in the given case, is 3 days**

### Question 7

Agni Ltd. a registered supplier wishes to transport cargo by road between two cities situated at a distance of 368 kilometres. Calculate the validity period of e-way bill under rule 138(10) of CGST Rules, 2017 for transport of the said cargo, if it is over dimensional cargo or otherwise.

### Answer

The validity period of e-way bill under rule 138(10) of the CGST Rules, 2017 for transport of cargo by road between two cities situated at a distance of 368 km is as under:

- (i) If it is **over dimensional cargo**: the validity period of the e-way bill is **one day from relevant date upto 20 km and one additional day for every 20 km or part thereof** thereafter.

Thus, validity period in given case:

= 1 day + 18 days

**= 19 days**

- (ii) If it is a cargo **other than over dimensional cargo**: the validity period of the e-way bill is **one day from relevant date upto 200 km and one additional day for every 200 km or part thereof** thereafter.

Thus, validity period in given case:

= 1 day + 1 day

**= 2 days**

### Transfer, Cancellation or Extension

### Question 8

Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter.

Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder.

### Answer

In the given scenario, **only one e-way bill is required** to be issued.

Part A can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorisation.

Where the **goods are transferred from one conveyance to another**, the consignor or the recipient, who has provided information in Part A, or the transporter shall, **before such transfer and further movement of goods, update the details of conveyance in the e-way bill** on the common portal in Part B.

Thus, **on reaching Kheda, Mr. Shah or the recipient of the goods**, who has filled Part A of the e-way bill, or **Mehta Transporter** can, before the transfer and further movement of goods, **update the details of conveyance** in Part B of the e-way bill.

Further, the **consignor or the recipient**, who has furnished the information in Part A, or the **transporter**,

**may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B** for further movement of the consignment.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, or Mehta Transporter can assign the said e-way bill to Parikh Transporter who will thereafter update the details of conveyance in Part B.

However, upon updation of the details of the conveyance by Parikh transporter in Part B, Mr. Shah or recipient, as the case may be, who has furnished the information in Part A shall not be allowed to assign the e-way bill number to another transporter.

### **Question 9**

Discuss the correctness of the following statements:

- (i) Once generated, an e-way bill cannot be cancelled.
- (ii) E-way bill generated in one State is valid in another State.

### **Answer**

- (i) The said statement is **partially correct**. Where an e-way bill has been generated, but goods are either not transported at all or are not transported as per the details furnished in the e-way bill, **the e-way bill may be cancelled** electronically on common portal **within 24 hours of generation** of e-way bill.

However, an **e-way bill cannot be cancelled if it has been verified in transit** in accordance with the provisions of rule 138B of the CGST Rules, 2017.

- (ii) The said statement is **correct**. The e-way bill generated under Goods and Services Tax Rules of any State or Union territory **shall be valid in every State and Union territory**.

### **Question 10**

Mr. X, a registered person has caused movement of goods of consignment value exceeding ₹ 50,000 in relation to a supply and thus, generated e-way bill. However, after generation of e-way bill, he found a mistake in the e-way bill and wants to edit it. You are required to advise Mr. X whether he can do so with the help of relevant provisions?

### **Answer**

If there is a mistake, incorrect or wrong entry in the e-way bill, then **it cannot be edited or corrected**. Only **option is cancellation of e-way bill within 24 hours of generation and generate a new one** with correct details.

Thus, in view of the above-mentioned provisions, **Mr. X cannot edit the e-way bill**. However, he can cancel the e-way bill within 24 hours of generation and generate a new one with correct details.

## **Miscellaneous**

### **Question 11**

"It is mandatory to furnish the details of conveyance in Part-B of E-way Bill."

Comment on validity of above statement with reference to provisions of E-Way Bill under CGST Rules, 2017.

**Answer**

The given statement is **partially valid**.

An e-way bill is **valid for movement of goods by road only when the information in Part-B** – which includes details of conveyance - **is furnished**.

However, the details of conveyance **may not be furnished in Part-B** of the e-way bill where the goods are **transported for a distance of upto 50 km within the State/Union territory**:

- (a) **from the place of business of the consignor to the place of business of the transporter** for further transportation or
- (b) **from the place of business of the transporter finally to the place of business of the consignee**.

**Question 12**

What are the documents and devices to be carried by person-in-charge of conveyance under rule 138A of CGST Rules, 2017?

**Answer**

The person-in-charge of a conveyance has to carry -

- (a) the **invoice or bill of supply or delivery challan**, as the case may be; and
- (b) a **copy of the e-way bill in physical form** or the e-way bill number in electronic form or mapped to a Radio Frequency Identification Device embedded on to the conveyance [except in case of movement of goods by rail or by air or vessel] in such manner as may be notified by the Commissioner

**Question 13**

Explain the following terms regarding e-way bill under the relevant CGST Rules:

- (i) Consolidated e-way bill in case of road transport.
- (ii) Acceptance/rejection of e-way bill.

**Answer**

- (i) **Consolidated e-way bill in case of road transport**

Consolidated e-way bill (EWB) is a **single document containing the details of multiple e-way bills** (even with different validity periods) **in respect of multiple consignments of various consignors and consignees being transported in a single vehicle/conveyance** generated by the transporter to carry a single document instead of carrying separate documents for each consignment in conveyance.

- (ii) **Acceptance/rejection of e-way bill**

The details of the e-way bill generated shall be **made available to supplier** (if registered), where the **information in Part A of e-way bill is furnished by recipient/transporter**, or recipient (if registered), where the information in Part A of e-way bill is furnished by supplier/transporter, who shall communicate his acceptance or rejection of the consignment covered by the e-way bill.

If **such person does not communicate the acceptance/rejection within 72 hours** from the time of the details being made available to him on the common portal or the time of delivery of goods, whichever is earlier, it **will be deemed that he has accepted the details**.

**Question 14**

"One consolidated e-way bill can be generated for multiple invoices". Comment on the validity of the above statement with reference to GST law.

**Answer**

The statement is **invalid**.

**Multiple invoices cannot be clubbed to generate one e-way bill.** If multiple invoices are issued by the supplier to recipient, for movement of such goods, multiple e-way bills have to be generated.

Thus, **for each invoice, one e-way bill has to be generated**, irrespective of the fact whether same or different consignors or consignees are involved.

However, **after generating all these e-way bills, one consolidated e-way bill can be prepared** for transportation purpose, if goods are going in one vehicle.

**Question 15**

Briefly discuss the provisions related to inspection and verification of goods in transit as laid in Rule 138C of CGST Rules, 2017.

**Answer**

A **summary report of every inspection of goods in transit** shall be recorded online by the proper officer in Part A of a prescribed form **within 24 hours of inspection** and **the final report in Part B of said form shall be recorded within 3 days of such inspection**.

However, where the circumstances so warrant, the Commissioner, or any other officer authorised by him, may, on sufficient cause being shown, **extend the time for recording of the final report** in Part B of said form, for a further period **not exceeding 3 days**.

The period of 24 hours or, as the case may be, 3 days shall be **counted from the midnight of the date on which the vehicle was intercepted**.

Where the **physical verification of goods being transported** on any conveyance has been **done during transit at one place within the State/Union territory** or in any other State/Union territory, **no further physical verification of the said conveyance shall be carried out again in the State/Union territory, unless a specific information** relating to evasion of tax is made available subsequently.

**Question 16**

Rule 138E of CGST Rules, 2017 prohibits certain persons to furnish the information in Part A of Form GST EWB-01 in respect of any outward movement of goods of a registered person. List the said persons.

**Answer**

As per rule 138E of the CGST Rules, 2017, following persons (including a consignor, consignee, transporter, an e-commerce operator or a courier agency) **shall not be allowed to furnish the information in Part A of Form GST EWB-01** in respect of any outward movement of goods of a registered person:

- (a) A **composition supplier who has not furnished the Statement** for payment of self-assessed tax (Form GST CMP-08) **for 2 consecutive quarters**.

- (b) A person paying tax under **regular scheme** has **not furnished returns for consecutive 2 tax periods**.
- (c) A person paying tax under **regular scheme** has **not furnished Statement** of Outward Supplies (Form GSTR-1) **for any 2 months or quarters**.
- (d) A person **whose registration has been suspended** under the GST law.

### Question 17

Mr. Venaram proprietor of M/s. Lalit Kirana Stores is registered as a composition dealer in the Jodhpur district of Rajasthan. He has not furnished the statement for payment of self - assessment tax in the form GST CMP-08 for two consecutive quarters. He placed an order for purchase of taxable goods worth ₹ 5,50,000 with M/s. Bob & Sons (a partnership firm), a registered dealer in the Bikaner district of Rajasthan. M/s. Bob & Sons has been regularly filing its GST returns. M/s. Bob & Sons wants to generate E-way bill with respect to intra- state supply to be made to M/s. Lalit Kirana Stores. Whether M/s. Bob & Sons is allowed to generate E-way bill as per the provisions of CGST Act, 2017? Answer with proper reasoning.

### Answer

Where a **person paying tax under composition scheme has not furnished the statement for payment of self-assessed tax for 2 consecutive quarters**, e-way bill shall not be allowed to be generated in respect of any outward movement of goods by such person.

However, this **restriction does not apply to generation of e-way bill in respect of inward movement of goods** by the defaulter.

Hence, in the given case, **M/s. Bob & Sons is allowed to generate e-way bill** with respect to supply to be made to M/s Lalit Kirana Stores since M/s. Bob & Sons, who is making the outward movement of goods, is a regular return filer.

### Question 18

Mr. Shambhu, a trader registered under GST in Delhi is engaged in wholesale business of toys for kids. Mr. Nandi registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Shambhu for selling to end consumers.

Mr. Shambhu paying tax in regular scheme in Delhi, has not filed GSTR-3B for last 2 months. Mr. Nandi wants to generate e-way bill for toys amounting to ₹ 5,00,000 to be supplied to Mr. Shambhu. Also Mr. Narayan from Jammu approached Mr. Shambhu for purchasing toys amounting to ₹ 75,000 for the purpose of return gift on his son's first birthday party. Shambhu wants to generate an e-way bill in respect of an outward supply of goods to Mr. Narayan.

Examine with reference to the provisions under GST law, whether Mr. Nandi and Mr. Shambhu can generate e-way bill?

### Answer

Rule 138E of the CGST Rules, 2017 contains provisions pertaining to blocking of e-way bill generation facility, i.e. disabling the generation of e-way bill.

A user will not be able to generate e-way bill for a GSTIN if the said GSTIN is not eligible for e-way bill generation as per rule 138E.

Rule 138E as amended vide Notification No. 15/2021 CT dated 18.05.2021 provides that **blocking of GSTIN for e-way bill generation would only be for the defaulting supplier** GSTIN and not for the defaulting Recipient or Transporter GSTIN.

In terms of rule 138E, a **person paying tax under regular scheme who has not furnished the returns for a consecutive period of 2 tax periods is considered as a defaulting person.**

Suspended GSTIN cannot generate e-way bill as supplier. However, the suspended GSTIN can get the e-way bill generated as recipient or as transporter.

In other words, **e-way bill generation facility is blocked only in respect of any outward movement of goods of the registered person who is not eligible** for e-way bill generation as per rule 138E. E-way bills **can be generated in respect of inward supplies of said registered person.**

Thus, applying the above provisions, there will be **no restriction in generating e-way Bill by Mr. Nandi as Mr. Nandi** who is making outward movement of goods is a regular return filer.

**E-way bill generation is blocked in case of movement of goods made by Mr. Shambhu to Mr. Narayan** as it's an outward movement of goods of Mr. Shambhu who has not filed GSTR-3B for past 2 months

# CHAPTER - 14

## Payment of Tax and TDS

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### Electronic Cash Ledger

#### Question 1

How many types of electronic ledger/register are being maintained on GST common portal?

#### Answer

- (a) Electronic **cash** ledger
- (b) Electronic **credit** ledger
- (c) Electronic **liability** register

#### Question 2

What are the main features of GST payment process?

#### Answer

The main features of GST payment process are as follows:

- (a) **Electronically generated challan** from GSTN common portal in all modes of payment and no use of manually prepared challan;
- (b) Facilitation for the tax payer by providing **hassle free, anytime, anywhere** mode of payment of tax;
- (c) Convenience of making **payment online**;
- (d) **Realtime data for tax collection** in electronic format;
- (e) **Faster remittance of tax revenue** to the Government Account;
- (f) **Paperless** transactions;
- (g) **Speedy Accounting** and reporting;
- (h) **Electronic reconciliation** of all receipts;
- (i) **Simplified procedure** for banks;

#### Question 3

Answer the following with reference to GST Laws:

- (i) What is CIN?
- (ii) How does the new payment system benefit the taxpayer & the Commercial Tax Department?

#### Answer

- (i) CIN is Challan Identification Number. It is generated by the banks indicating that the payment has been realized and credited to the appropriate government account against a generated challan.
- (ii) The new payment system benefits the taxpayer and the commercial tax department in the following ways:

**Benefits to Taxpayer:**

- No more queues and waiting for making payments as payments can be made online 24 X 7.
- Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan. Paperless transactions.
- Tax consultants can make payments on behalf of the clients.
- Greater transparency.

**Benefits to the Commercial Tax Department:**

- Revenue will come earlier into the Government Treasury as compared to the old system.
- Logical tax collection data in electronic format.
- Speedy accounting and reporting.
- Electronic reconciliation of all receipts

**Question 4**

M/s. Daksha Enterprises has made a cash deposit of ₹ 10,000 under minor head 'tax' of major head 'SGST'. It has a liability of ₹ 2,000 for minor head "Interest" under the major head "SGST".

State whether M/s. Daksha Enterprises can utilise the amount available for payment of interest.

**Answer**

The registered person is **allowed to transfer amount available under any minor head of a major head to any of the minor head of same or other major head** as per Section 49(10) of CGST Act in **Form PMT-09**.

Therefore, in the given case, amount of ₹ 10,000 available under minor head 'tax' of major head 'SGST' can be utilised for payment of liability of ₹ 2,000 under minor head 'interest' of the same major head, after making a due transfer entry using Form GST PMT-09 from the minor head of 'tax' to 'interest'.

**Question 5**

Mr. A has deposited a sum of ₹ 30,000 under minor head of "Interest" column for the major head "IGST". At the time of filing GSTR-3B for a particular tax period, he noticed that there is no sufficient amount under the minor head 'Tax' towards payment of ₹ 30,000. When approached with the consultant, Mr. A was guided to deposit the tax amount under proper head of account and claim a refund for the remittance of amount deposited under head "interest". Examine the relevant provisions of CGST Act, 2017 towards payment of tax and compliance with the law.

**Answer**

Provisions of Section 49(10) of CGST Act, 2017 **permit a registered person for transferring the amount deposited under any of the minor head** i.e. tax, interest, penalty, fees or others **to any of the heads** under IGST/CGST/SGST/UTGS and make the payment of taxes there upon. Accordingly, Mr. A need not deposit the tax amount under head "tax" and claim a refund for the remittance of amount deposited under head "interest". Rather, **using the Form GST PMT 09, such amount can be transferred suo-moto on the common portal** from "interest" to "tax" head and tax liability be paid accordingly.

### Question 6

Pranesh has deposited a sum of ₹ 5,000 under the head of 'Fee' column of Cess and ₹ 4,000 was lying unutilized under the head of 'Penalty' column of IGST. Both the deposits were made wrongly instead of depositing under the head of Fee column under SGST.

In the light of the provisions of section 49(10) & 49(11) of the CGST Act, 2017, briefly explain the relevant provisions as how can Pranesh rectify these errors?

### Answer

A registered person is **allowed to make intra-head or inter-head transfer of amount, as available in electronic cash ledger**, using specified form. It can transfer any amount of tax, interest, penalty, fee or others, under one (major/minor) head to another (major/minor) head, as available in electronic cash ledger.

Therefore, in the given case, **amount of ₹ 5,000 available under minor head 'fee' of major head 'cess' and ₹ 4,000 available under minor head 'penalty' of major head 'IGST' can be transferred to minor head 'fee' of major head 'SGST'** using specified form.

### Question 7

Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September and wishes to pay his IGST liability for the month. Since he is making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Sahil regarding the various modes of deposit in the electronic cash ledger. Further, advise him with regard to following issues:

- Are manual challans allowed under GST?
- What is the validity period of the challan?
- Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?

### Answer

As per the provisions of CGST Act, 2017 read with relevant rules, the deposit in electronic cash ledger can be made through any of the following modes, namely:

- Internet Banking** through authorised banks;
  - Unified Payment Interface (UPI)** from any bank;
  - Immediate Payment Services (IMPS)** from any bank;
  - Credit card or Debit card** through the authorised bank;
  - National Electronic Fund Transfer or Real Time Gross Settlement** from any bank; or
  - Over the Counter** payment through authorised banks for deposits **up to ten thousand rupees** per challan **per tax period**, by cash, cheque or demand draft.
- Manual or physical challans are not allowed** under the GST regime. It is mandatory to generate challans online on the GST Portal.
  - Challan is valid for a period of 15 days** from the date of generation of challan.
  - A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the CGST Act, 2017 to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess.

## **Electronic Credit Ledger**

### **Question 8**

State the name of output tax under GST, where any of the input tax credit under GST can be utilized?

#### **Answer**

IGST. IGST, CGST, SGST, UTGST i.e. **all input tax credit can be utilized** against output tax liability known as IGST. However, it has to be utilized in prescribed manner.

### **Question 9**

M/s ABC & Co. have defaulted in filing the return under Section 39 of CGST Act, 2017 i.e. GSTR-3B for the month of March within the specified due date. Reason for such delay is attributable to delay in closure of books for March, which have been finalised during May. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of ₹ 2,000 under CGST and SGST each. Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger Give your guidance in this regard.

#### **Answer**

Section 49(3) of the CGST Act, 2017 provides that the **amount available in the electronic cash ledger may be used for making any payment** towards tax, interest, penalty, fees or any other amount payable under the provisions of this Act or the rules made there under in prescribed manner.

Further, section 49(4) provides that the **amount available in the electronic credit ledger may be used for making any payment towards output tax** under this Act or under the IGST Act in prescribed manner.

Accordingly, as per the combined reading of the above provisions, **late fees shall be paid only through electronic cash ledger and not possible through electronic credit ledger**. Thus, **contention of the accountant of M/s ABC & Co., is not correct** and the above amount shown on the common portal has to be deposited in Electronic Cash Ledger under appropriate minor head, through any of the specified modes.

### **Question 10**

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

#### **Answer**

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

**"Output tax" inter alia excludes tax payable on reverse charge basis**. Thus, **Ms. Jimmy cannot adjust input tax credit** for payment of interest, penalty as also for payment of tax under reverse charge.

### **Question 11**

Suhasini is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid ₹

75,000 to various vendors. The total input tax involved on the goods and services procured by her is ₹ 13,500. Out of the total bills paid by her, one bill for ₹ 15,000 relates to security services availed for security of her office, tax on which is payable under reverse charge. Input tax involved in such bill is ₹ 2,700.

Suhasini is of the opinion that for the month of October, no GST is payable from electronic cash ledger as she has sufficient balance of ITC for payment of GST under reverse charge on security services.

Do you think Suhasini is right? Explain with reasons assuming provisions of rule 86B are not applicable.

### **Answer**

The amount available in the electronic credit ledger, i.e. **ITC may be used for making any payment towards output tax**. Output tax in relation to a taxable person, means the tax chargeable on taxable supply of goods or services or both made by him or by his agent but **excludes tax payable by him on reverse charge basis**.

Therefore, **ITC cannot be used to pay the tax liability under reverse charge**. The same is always required to be paid through electronic cash ledger and not electronic credit ledger. Thus, **Suhasini is wrong and she will need to pay the GST of ₹ 2,700 on security service through electronic cash ledger**.

## **Electronic Liability Ledger**

### **Question 12**

- (i) Explain the consequences, if the taxable person under GST law files the GST return under Section 39(1) of the CGST Act, 2017, but does not make payment of self- assessment tax.
- (ii) State the items which are to be debited to electronic liability register of the taxable person under the CGST Act, 2017 and rules thereunder.

### **Answer**

- (i) If the taxable person under GST law files the GST return under section 39(1) of the CGST Act, 2017, but does **not pay the self-assessment tax, the return is not considered as a valid return**. Since **the input tax credit can be availed only on the basis of a valid return**, the taxable person, in the given case, will **not be able to claim any input tax credit**.

He **shall pay interest, penalty, fees or any other amount payable under the CGST Act** for filing return without payment of tax.

- (ii) The items to be debited to electronic liability register of the taxable person are as under:
  - (a) **all amounts payable** towards tax, interest, late fee and any other amount **as per return filed**;
  - (b) **all amounts payable** towards tax, interest, penalty and any other **amount determined in a proceeding by an Assessing authority** or as ascertained by the taxable person;
  - (c) the amount of **tax and interest as a result of mismatch**.
  - (d) any **interest amount that may accrue** from time to time.

### **Question 13**

Explain the order of discharge of tax and other dues as per the provisions of section 49(8) of the CGST Act, 2017.

## Answer

The order of discharge of tax and other dues as per provisions of section 49(8) of the CGST Act, 2017 is as under:

- (a) **self-assessed tax and other dues** related to returns **for the previous tax periods** should be discharged first.
- (b) **the self-assessed tax and other dues for the current period** should be discharged next.
- (c) **Lastly, any other amount** payable including **demand determined under section 73 or section 74** should be discharged.

## Question 14

Mr. Ram Narayan, a registered supplier under GST, wants to first discharge his self- assessed tax liability for the current period before settling the dues for the previous tax period. Examine briefly whether he can do so?

## Answer

As per section 49(8) of the CGST Act, 2017, the liability of a taxable person **has to be discharged in a chronological order as under:**

- (a) self-assessed tax and other **dues for the previous tax periods** have to be discharged first;
- (b) the self-assessed tax and other **dues for the current period** have to be discharged next;
- (c) Once these two steps are exhausted, thereafter **any other amount payable including demand determined under section 73 or section 74** of the CGST Act, 2017 to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last.

This sequence **has to be mandatorily followed**.

Thus, in view of the above-mentioned provisions, **Mr. Ram Narayan cannot discharge his self-assessed tax liability for the current period before settling the dues for the previous tax period.**

## Question 15

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

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

## Answer

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

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

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

**Question 16**

Mr. Manik provides the following information regarding his tax & other liabilities under GST law as per Electronic Liability Register:

S. N.	Particulars	Amount (₹)
1.	Tax due for the month of May	25,000
2.	Interest due for the month of May	2,000
3.	Penalty due for the month of May	3,000
4.	Tax due for the month of June	35,000
5.	Liability arising out of demand notice u/s 73	48,000

Mr. Manik wants to clear his liability of demand notice u/s 73 first.

Discuss the provision of order of discharge of GST liability u/s 49 (8) of the CGST Act & advice to Mr. Manik.

**Answer**

The order of discharge of GST liability under section 49(8) of the CGST Act is as under:

- (i) self-assessed tax, interest, penalty, fee or any other amount related to returns of the previous tax periods.
- (ii) self-assessed tax, interest, penalty, fee or any other amount related to returns of the current tax period.
- (iii) any other amount payable including demand determined under section 73 or section 74,

In view of the above provisions, Mr. Manik cannot clear his liability of demand notice u/s 73 first.

The order of discharge of liability of Mr. Manik will be as under:

1. Tax, interest and penalty for the month of May, ₹ 30,000
2. Tax due for the month of June, ₹ 35,000
3. Liability arising out of demand notice u/s 73, ₹ 48,000

**Interest on Delayed Payment of Tax****Question 17**

When shall the interest be payable by a registered person and what is the maximum rate of interest chargeable for the same? Discuss in terms of provisions of CGST Act, 2017

**Answer**

**Interest is payable** in the following cases:

- **failure to pay tax**, in full or in part within the prescribed period,
- **undue or excess claim of input tax credit**,
- undue or excess **reduction in output tax liability**.

The maximum rate of interest chargeable for the same is as under:

- (a) **18% p.a. in case of failure to pay** full/part tax within the prescribed period
- (b) **24% p.a. [presently notified @18% p.a.] in case of undue or excess claim of input tax credit** or undue or excess reduction in output tax liability.

### **Question 18**

Mr. Alok, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 20XX on 15<sup>th</sup> April, 20XX. The prescribed due date to file the said GSTR 3B was 20<sup>th</sup> February, 20XX. The amount of net GST payable, in Cash i.e. Electronic Cash Ledger on supplies made by him for the said month worked out to be ₹ 36,500 which was paid on 15<sup>th</sup> April, 20XX. Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Alok. Ignore the effect of leap year, if applicable in this case.

### **Answer**

Interest is payable in case of delayed payment of tax **@ 18% per annum from the date following the due date of payment to the actual date of payment of tax.**

Thus, the amount of interest payable by Mr. Alok is as under:

Period of delay = 21<sup>st</sup> February, 20XX to 15<sup>th</sup> April, 20XX = **54 days**

Hence, amount of interest = ₹ 36,500 x 18% x 54/365 = **₹ 972**

### **Question 19**

ABC Ltd., have filed their GSTR-3B for the month of July, 20XX within the due date prescribed under Section 39 i.e. 20.08.20XX. Post filing of the return, the registered person has noticed during September 20XX that tax dues of ₹ 40,000 for the month of July, 20XX have not been paid. ABC Ltd., has paid the above amount of ₹ 40,000, through GSTR-3B of September 20XX, filed on 20.10.20XX [payment through Cash ledger - ₹ 30,000 and Credit ledger ₹ 10,000]. Examine the Interest payable under the CGST Act, 2017.

What would be your answer if, GSTR-3B for the month of July 20XX has been filed belatedly on 20.10.20XX and the self-assessed tax of ₹ 40,000 has been paid on 20.10.20XX [payment through electronic cash ledger - ₹ 30,000 and electronic credit ledger ₹ 10,000]

### **Notes:**

- No other supply has been made nor tax payable for the month of July, 20XX other than ₹ 40,000 missed out to be paid on forward charge basis
- Ignore the effect of leap year, if applicable in this case.

### **Answer**

Interest is payable under Section 50 of the CGST Act, 2017 in case of delayed payment of tax **@ 18% per annum from the date following the due date of payment to the actual date of payment of tax.**

As per proviso to sub-section (1) of Section 50, **interest is payable on the net tax liability paid in cash**, only if return to be filed for a tax period under Section 39, has been filed after due date to furnish such return.

In the above scenario, ABC Ltd., has defaulted in making the payment for ₹ 40,000 on self-assessment basis in the return for the month of July, 20XX. Accordingly, interest is payable on the gross liability and proviso of

sub-section 50(1) shall not be applicable.

Thus, the amount of interest payable by ABC Ltd., is as under: Period of delay = 21<sup>st</sup> August, 20XX to 20<sup>th</sup> October, 20XX = **61 days** Hence, amount of interest = ₹ 40,000 x 18% x 61/365 = **₹ 1,203**

Alternatively, if ABC Ltd., have filed the return for the month of July, 20XX on 20.10.20XX, beyond the stipulated due date of 20.08.20XX and if the self-assessed tax for July, 20XX has been paid on 20.10.20XX, Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only.

Hence Interest is payable from 21<sup>st</sup> August 20XX till 20<sup>th</sup> October 20XX = **61 days** Amount of Interest = ₹ 30,000 x 18% x 61/365 = **₹ 902**

## Question 20

GSTR 3B for the month of January 20XX has been filed by M/s Avisha Limited, a registered person, within the due date prescribed by the CGST Act 2017 which is on February 20<sup>th</sup>, 20XX. It came to the notice of the Co. that tax due for the month of January, 20XX has been paid short by ₹ 16,000. The short fall of ₹ 16,000 has been paid through cash ledger and credit ledger at the time of filing GSTR 3B for the month of February 20XX on March 20<sup>th</sup>, 20XX in the following manner:

Particulars	Cash Ledger	Credit Ledger
Shortfall	₹ 12,000	₹ 4,000

Assume that electronic cash ledger and credit ledger carry sufficient balance for the above short fall.

- (i) You are required to calculate the amount of interest payable if any under section 50 of the CGST Act 2017 and rule 88B of the CGST rules 2017.
- (ii) Give the effect if GSTR3B for the month of January 20XX had been filed belatedly on March 20, 20XX and all other conditions remaining same.

Calculation should be rounded off to nearest rupee. Consider 20XX as leap year, give effect of same.

## Answer

Interest is payable in case of delayed payment of tax @ **18% per annum from the date following the due date of payment to the actual date of payment of tax.**

Above interest is payable on the net tax liability paid in cash only if return in Form GSTR-3B for a tax period has been filed after the due date to furnish such return. Otherwise, interest is payable on gross tax liability.

- (i) Since Avisha Limited has furnished Form GSTR-3B for the month within the prescribed due date, interest is payable **on the gross tax liability** deposited with a **delay of 29 days** [21.02.20XX - 20.03.20XX (both inclusive)] as under: = ₹ 16,000 x 18% x 29/366 = **₹ 228** (rounded off)
- (ii) If Avisha Limited has filed Form GSTR-3B for the month after the due date, i.e. on 20.03.20XX, interest is payable **on the net tax liability** paid through Electronic Cash Ledger only, for a **delay of 29 days**, as under: = ₹ 12,000 x 18% x 29/366 = **₹ 171** (rounded off)

## Question 21

Mr. Ranjan availed ITC of ₹ 1,00,000 in GSTR-3B for the month of June, 20XX. The Output tax liability for June 20XX was Nil. His intra-State output supply for the month of July 20XX was ₹ 5,00,000 (excluding GST). He utilized the available ITC against the output tax liability for the month of July 20XX while filing GSTR-3B. Mr.

Ranjan found on 22<sup>nd</sup> September, 20XX that he wrongly availed ITC of ₹ 1,00,000 in the month of June 20XX. He reversed the unutilized amount of wrongly availed ITC standing in credit ledger on 30<sup>th</sup> September, 20XX and paid the utilized amount of ITC by cash. The GST rate is 18%. Calculate the interest payable under the applicable GST law, if Mr. Ranjan filed:

- (i) Form GSTR-3B for the month of June 20XX on 19<sup>th</sup> July, 20XX.
- (ii) Form GSTR-3B for the month of July 20XX was filed on 25<sup>th</sup> August, 20XX.

(Note: The due date of filing of GSTR-3B is 20<sup>th</sup> day of the following month. But the due date of filing of GSTR-3B was extended to 22<sup>nd</sup> August, 20XX for the month of July 20XX)

### **Answer**

Output tax liability for the month of July, 20XX

$$= ₹ 5,00,000 \times 18$$

$$= ₹ 90,000.$$

**Mr. Ranjan has utilized wrongly availed ITC amounting to ₹ 90,000 for discharging this tax liability while filing GSTR-3B for the month of July 20XX.**

In case of wrongful availment and utilization of ITC, the **interest shall be calculated on the amount of ITC wrongly availed and utilised, for the period starting from the date of utilisation of such wrongly availed ITC till the date of reversal** of such credit or payment of tax in respect of such amount at the specified rate.

**No interest is payable for ₹ 10,000 since it was not utilized** even though wrongly availed.

The **date of utilisation** of such ITC shall be taken to be earlier of the following:

- (a) **Due date of filing of return [22<sup>nd</sup> August, 20XX]**

or

- (b) **Actual date of filing of return [25<sup>th</sup> August, 20XX].**

**i.e. 22<sup>nd</sup> August, 20XX**

**Amount of ITC wrongly availed and utilized = ₹ 90,000**

Date of utilization of wrongly availed ITC = 22<sup>nd</sup> August, 20XX Date of payment of tax = 30<sup>th</sup> September, 20XX

Period of delay = 23<sup>rd</sup> August, 20XX to 30<sup>th</sup> September, 20XX (Both days inclusive) = **39 days**

**Rate of interest - 18% Interest** will be as follows:

$$= ₹ 90,000 \times 18\% \times 39/365$$

$$= ₹ 1,731 \text{ (rounded off) [₹ 865 each under CGST and SGST]}$$

### **Tax Deducted at Source**

#### **Question 22**

Mr. Bholuram, a supplier located in Meerut, U.P. supplied the bedsheets, pillow covers and blankets to a Governmental agency, registered in U.P. under a contract. The total contract value is ₹ 4,61,000 excluding GST. The value of supply is bifurcated as below:

400 Blankets for ₹ 600 each	₹ 2,40,000
850 Bed Sheets for ₹ 180 each	₹ 1,53,000

1700 Pillow Covers for ₹ 40 each

₹ 68,000

Is Governmental agency required to deduct tax at source (while making the payment to Mr. Bholuram) under section 51 of the CGST Act, 2017 and if yes, determine the amount of tax to be deducted source?

### **Answer**

As per section 51 of the CGST Act, 2017, it is **mandatory for the following persons to deduct tax at source** from payments made to the suppliers of taxable goods and/or services:

- (a) **Central/State Government** department or establishment;
- (b) **local authority**; or
- (c) **Governmental agencies**; or
- (d) such notified persons

**The tax would be deducted @ 1%** (each under CGST and SGST) of the **payment made to the supplier** of taxable goods and/or services, **where the total value of such supply, under a contract, exceeds ₹ 2,50,000** (excluding the amount of Central tax, State tax, Union Territory tax, Integrated tax and cess indicated in the invoice). **Thus, individual supplies may be less than ₹ 2,50,000, but if total value of supplies under a contract is more than ₹ 2,50,000, TDS has to be deducted.**

In the given case, Mr. Bholuram has made supplies to a Governmental agency and total value of supply under a contract exceeds ₹ 2,50,000, it is mandatory for Governmental agency to **deduct TDS @1% each under CGST and SGST on the net value of taxable supplies.**

**The amount of TDS** required to be deducted each under **CGST & SGST each is ₹ 4,610.**

### **Question 23**

Mohan, a registered person in Salem, Tamil Nadu, makes intra-State supply of taxable goods amounting to ₹ 13,57,000 (inclusive of GST) to a Public Sector Undertaking (PSU). Consideration for same is received in 5 equal instalments from the PSU. Tax rates applicable: CGST 9%, SGST 9%, IGST 18%

What will be your view with respect to applicability of TDS provisions as per section 51 of the CGST Act, 2017 regarding above transaction?

What is the period by which TDS is required to be deposited to the Government account?

### **Answer**

In case of intra-State supply of goods by a supplier to a PSU, TDS @ 1% each under CGST and SGST is liable to be deducted by PSU **only when the total value of supply under a contract exceeds ₹ 2,50,000** (exclusive of tax & cess), from the payment made or credited to the supplier.

Accordingly, in the given case, since the value of supply under the contract excluding taxes and cesses is ₹ 11,50,000 ( $₹ 13,57,000 \times 100/118$ ),

**TDS @ 1% on payment of each of the instalment of ₹ 2,30,000 ( $₹ 11,50,000/5$ ), i.e. ₹ 2,300 each under CGST and SGST is to be deducted even though the individual payment is less than ₹ 2,50,000.**

The amount of TDS deducted shall be paid to the Government by the deductor within 10 days after the end of the month in which such deduction is made or by 10th of the succeeding month.

## Question 24

Ramlala Enterprises, registered in Delhi, is engaged in supply of interior decoration services to Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh). The total contract value inclusive of GST is Rs 15,50,000 and payment for the same is due in October, 2023.

You are required to determine amount of tax, if any, to be deducted in the above case assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively.

Will your answer be different, if Ramlala Enterprises is registered under composition scheme?

## Answer

As per section 51 of the CGST Act, 2017 read with section 20 of the IGST Act, 2017 and Notification No. 50/2018 CT 13.09.2018, following persons are **required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/UTGST)] or IGST @ 2% from payment** made/credited to supplier (deductee) of taxable goods or services or both, **where the total value of such supply, under a contract, exceeds ₹ 2,50,000:**

- (a) **a department or establishment of the Central Government** or State Government; or
- (b) **local authority**; or
- (c) **Governmental agencies**; or
- (d) **an authority or a board** or any other body, -
  - (i) **set up by an Act of Parliament** or a State Legislature; or
  - (ii) **established by any Government,****with 51% or more participation** by way of equity or control, to carry out any function; or
- (e) **Society established by the Central Government** or the State Government or a Local Authority under the Societies Registration Act, 1860, or
- (f) **Public sector undertakings.**

Further, for the purpose of deduction of tax, the **value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess** indicated in the invoice.

Proviso to section 51(1) of the CGST Act, 2017 stipulates that **no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.**

Section 12(3) of the IGST Act, 2017, inter alia, stipulates that the **place of supply of services, directly in relation to an immovable property**, including services provided by interior decorators, **shall be the location at which the immovable property is located** or intended to be located. Accordingly, the **place of supply** of the interior decoration of Andhra Bhawan **shall be Delhi.**

Since the location of the supplier (Ramlala Enterprises) and the place of supply is Delhi and the State of registration of the recipient i.e. Government of Andhra Pradesh is Andhra Pradesh, **no tax is liable to be deducted in the given case.**

**Answer will remain unchanged even if Ramlala Enterprises is registered under composition scheme.**

# CHAPTER - 15

## Returns

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### Basics of Returns

#### Question 1

Quicktax, a GST return filing service provider, has asked its clients to provide the scanned copies of the tax invoices issued to B2B customers for uploading on the GST portal and filing the return.

Whether the process followed by Quicktax is correct?

#### Answer

**No, the process followed by Quicktax is not correct.**

The registered persons supplying goods or services to B2B customers are required to **upload the invoice wise details of supplies** made during the tax period. However, there is **no requirement to upload the scanned copies of the invoices** issued to the customers on the GST portal at the time of filing returns. **Only information required as per the format of GST returns is to be captured in the return filing utility** and the same is to be uploaded on the GST portal and not the scanned copies of the actual invoices.

### GSTR-1 and GSTR-3B

#### Question 2

“All taxpayers are required to file GSTR-1 only after the end of the tax period.” Examine validity of statement.

#### Answer

The statement is **partially valid**.

A taxpayer **cannot file Form GSTR-1** before the end of the current tax period. However, following are the **exceptions to this rule**:

- a. **Casual taxpayers**, after the closure of their business
- b. **Cancellation of GSTIN** of a normal taxpayer.

A taxpayer who has applied for cancellation of registration will be allowed to file Form GSTR-1 after confirming receipt of the application.

#### Question 3

Mr. Kohli is a registered supplier in the State of Gujarat. He is filing GSTR-1 every month. During the month of February, he went out of India and thus, could not do any business transaction during that month. He believes that as there is no transaction, there is no need to file GSTR-1 for the month of February.

Is he correct if he is a monthly filer? Explain.

#### Answer

No, Mr. Kohli is **not correct**. **GSTR-1 needs to be filed even if there is no business activity** in the tax period. Therefore, in the given case, **even though Mr. Kohli was out of India** and thus, could not do any business transaction during the month of February, he is **still required to file GSTR-1** for that month.

### Question 4

"In Form GSTR-1, submission of invoice-wise details of outward supplies is mandatory for all kind of invoices issued during the tax period." Comment on the validity of the above statement with reference to GST laws.

### Answer

**The said statement is not valid.**

In respect of following outward supplies, **consolidated details and not invoice-wise details** are required to be uploaded in the GSTR-1:

- (a) **Intra-State supplies made to unregistered persons** for each rate of tax
- (b) **Inter-State supplies made to unregistered persons with invoice value upto ₹ 1,00,000** for each rate of tax separately for each State.

### Question 5

Mr. Gauri Shiva, a registered person in Punjab, supplies goods taxable @ 12% [CGST @ 6%, SGST @ 6% & IGST @ 12%] in the States of Punjab and Haryana. He has furnished the following details in relation to independent supplies made by him in the quarter ending June, 20XX:

Supply	Recipient	Nature of supply	Value (₹)
1	Mr. A, a registered person	Inter-State	80,000
2	Mr. B, a registered person	Inter-State	2,55,000
3	Mr. C, an unregistered person	Intra -State	90,000
4	Mr. D, an unregistered person	Intra-State	2,60,000
5	Mr. M, an unregistered person	Inter-State	3,00,000
6	Mr. N, an unregistered person	Inter-State	50,000
7	Mr. O, an unregistered person	Inter-State	1,00,000
8	Mr. P, an unregistered person	Inter-State	2,80,000
9	Mr. Q, a registered person	Intra-State	50,000
10	Mr. R, a registered person	Intra-State	3,10,000

The aggregate annual turnover of Mr. Gauri Shiva in the preceding financial year was ₹ 1.20 crore. With reference to rule 59 of the CGST Rules, 2017, discuss the manner in which the details of above supplies are required to be furnished in GSTR-1.

### Answer

Rule 59 of the CGST Rules, 2017, inter alia, stipulates that the details of outward supplies of goods and/or services furnished in form GSTR-1 shall include the-

- (a) **invoice wise details** of all-
  - (i) **inter-State and intra-State supplies made to the registered persons;** and
  - (ii) **inter-State supplies with invoice value more than one lakh rupees made to the unregistered persons;**
- (b) **consolidated details** of all-
  - (i) **intra-State supplies made to unregistered persons** for each rate of tax; and

- (ii) State wise inter-State supplies with **invoice value upto one lakh rupees made to unregistered persons** for each rate of tax;

Thus, in view of the above-mentioned provisions, Mr. Gauri Shiva should furnish the details of outward supplies of goods made by him during the quarter ending June 20XX in the following manner:

Supply	Recipient	Nature of supply	Value (₹)	Manner of furnishing details
1	Mr. A, a registered person	Inter-State	80,000	Invoice-wise details
2	Mr. B, a registered person	Inter-State	2,55,000	Invoice-wise details
3	Mr. C, an unregistered person	Intra-State	90,000	Consolidated details of supplies 3 and 4
4	Mr. D, an unregistered person	Intra-State	2,60,000	
5	Mr. M, an unregistered person	Inter-State	3,00,000	Invoice-wise details
6	Mr. N, an unregistered person	Inter-State	50,000	Consolidated details of supplies 6 and 7
7	Mr. O, an unregistered person	Inter-State	1,00,000	
8	Mr. P, an unregistered person	Inter-State	2,80,000	Invoice-wise details
9	Mr. Q, a registered person	Intra-State	50,000	Invoice-wise details
10	Mr. R, a registered person	Intra-State	3,10,000	Invoice-wise details

### Question 6

Mehul Enterprises, registered under GST in Uttar Pradesh and a monthly return filer, is engaged in making taxable supplies of goods and services. It furnished the details of its outward supplies in Form GSTR-1 for the month of January on 11<sup>th</sup> February.

However, on 14<sup>th</sup> February, the accountant of Mehul Enterprises noticed that one invoice issued to Vaishali Traders (registered in Gujarat) for supply of goods of value of ₹ 1,00,000 (taxable @ 18%) pertaining to January has been inadvertently missed to be declared in Form GSTR-1 furnished for January. He has approached you for the advice before furnishing Form GSTR-3B for the said month. You are required to briefly discuss whether Mehul Enterprises can amend the details of outward supply furnished in Form GSTR-1 of January. If such amendment is permitted and details of Form GSTR-1 are amended, whether the details of said invoice will be available in Form GSTR-2B of Vaishali Traders for the month of January.

### Answer

As per proviso to rule 59(1), a **registered person may, after furnishing** the details of outward supplies of goods or services or both in **Form GSTR-1** for a tax period **but before filing of return in Form GSTR-3B** for the said tax period, at his own option, **amend or furnish additional details** of outward supplies of goods or services or both **in Form GSTR-1A for the said tax period**. Thus, **Mehul Enterprises has the option to furnish the details of the invoice issued to Vaishali Traders in Form GSTR-1A** on or after 14<sup>th</sup> February but before filing Form GSTR-3B for January. The corresponding effect of the changes made through Form GSTR-1A on the liability of Mehul Enterprises **shall be reflected in Form GSTR-3B for January**.

Further, rule 60(7)(ia) provides that the additional details or amendments in details of outward supplies furnished by the supplier in Form GSTR-1A filed after the due date of furnishing of Form GSTR-1 for the previous tax period shall be reflected in Form GSTR-2B for the current tax period. This implies that the ITC for the supplies declared or amended by the suppliers through **Form GSTR-1A will be available to the recipient in Form GSTR-2B generated for the next tax period**.

**So, details of missing invoice of Vaishali Traders will be available in Form GSTR-2B for February month.**

### Question 7

If a return has been filed, how can it be revised if some changes are required to be made?

#### Answer

In GST since the **returns are built from details of individual transactions**, there is **no requirement for having a revised return**. Any need to revise a return may arise due to the need to change a set of invoices or debit/credit notes.

**Instead of revising the return** already submitted, the system **allows amendment in the details of those individual details** of those transactions (invoices or debit/credit notes) that are required to be amended. They **can be amended in any of the future GSTR- 1 in the tables specifically provided** for the purposes of amending previously declared details.

Registered person may, after furnishing the details of outward supplies of goods or service or both in FORM GSTR-1 for a tax period but before filing of return in FORM GSTR-3B for the said tax period, at his own option, **amend or furnish additional details of outward supplies of goods or services or both in FORM GSTR-1A for the said tax period**.

**Omission or incorrect particulars discovered in the returns** filed under section 39 of the CGST Act, 2017 **can be rectified in the return to be filed for the month during which such omission or incorrect particulars are noticed**. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in **“Amendment Tables” contained in GSTR-1**. However, **no such rectification of any omission or incorrect particulars is allowed after 30<sup>th</sup> November** following the end of the financial year to which such details pertain or actual date of furnishing of relevant annual return, whichever is earlier

### Question 8

Briefly elaborate the provisions relating to nil GSTR-3B.

#### Answer

**Filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity** in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

**A Nil GSTR-3B does not have any entry in any of its tables**. For example, a Nil GSTR-3B for a tax period cannot be filed, if the taxpayer has made any outward supply (including nil-rated, exempt or non-GST supplies) or has received any supplies which are taxable under reverse charge or it intends to take ITC etc.

**A Nil GSTR-3B can be filed through an SMS using the registered mobile number** of the taxpayer. GSTR-3B submitted through SMS is verified by registered mobile number-based **OTP facility**.

A taxpayer **may file Nil GSTR-3B, anytime on or after the 1st day of the subsequent month/quarter for which the return is being filed for**.

### Question 9

Mr. X, a registered taxpayer under regular scheme, did not make any taxable supply during the month of July. Is he required to file a GSTR-3B if he is monthly filer?

**Answer**

A registered taxpayer is required to furnish a return u/s 39 for every month (every quarter in case of quarterly filers) even if no supplies have been effected during such period. In other words, **filing of Nil GSTR-3B is also mandatory.**

Therefore, being a monthly filer, **Mr. X is required to file GSTR-3B** even if he did not make any taxable supply during the month of July.

**Question 10**

Mrs. Zarina, a registered dealer in Rajasthan, did not file GSTR-3B for the month of June but she wants to file GSTR-3B for the month of July. Is it possible? Answer with reference to section 39.

**Answer**

As per section 39(10), a registered person is **not allowed to furnish a return for a tax period if the return for any of the previous tax periods has not been furnished** by him.

Therefore, in the given case, Mrs. Zarina cannot file GSTR-3B for July if she has not filed GSTR-3B for the preceding month, i.e., June.

**Question 11**

SBS Ltd., has availed input tax credit for ₹ 54,000 IGST during February on a particular purchase. Accounting records for the above purchase, indicate that IGST paid to the supplier is ₹ 45,000 as per the bill received. GSTR-1 uploaded by the supplier for the above supply indicates ₹ 45,000 as tax paid. Examine as per GST provisions, what value shall be updated in the ledgers maintained on behalf of SBS Ltd., on the common portal

**Answer**

SBS Ltd., have accounted and paid ₹ 45,000 as IGST to the supplier concerned. However, avilment of input tax credit has been made for ₹ 54,000.

As per Section 49(2) of CGST Act, 2017 "The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41, to be maintained in such manner as may be prescribed."

Accordingly, electronic credit ledger of SBS Ltd., shall be updated with a value of ₹ 54,000 as per self-assessed return to be filed for February, though the input tax credit shown by the supplier is only ₹ 45,000.

**Question 12**

- (a) Miss Kashi is a registered intra-State supplier of goods in Haryana. During the months of August and September, she was out of station on a religious pilgrimage with her family for 55 days. Thus, no business transaction was made during August. Miss Kashi is of the opinion that as there is no transaction, there is no need to file monthly return [GSTR-3B] for the month of August. However, her tax consultant has advised her to file nil GSTR-3B. Whether the advice given by tax consultant is correct? Explain.

- (b) Will your answer in (a) change, if Miss Kashi has placed an order for some purchases during August over her mobile phone, which has been received in her premises and she intends to take input tax credit on the same?
- (c) Assuming in (a) above, Miss Kashi does not have internet facility in her mobile and there is no facilitation centre notified by the Commissioner, whether no return is required to be filed in the absence of means to file return? Explain.

### Answer

- (a) The advice given by **tax consultant is correct.**
- Under GST law, **filing of GSTR-3B is mandatory** for all normal and casual taxpayers, **even if there is no business activity** in any tax period. For such tax period, a **Nil GSTR-3B is required to be filed.**
- Therefore, in the given case, even though Miss Kashi was out of station on a religious pilgrimage with her family for 55 days and thus, could not do any business transaction during the month of August, she is still required to file Nil GSTR-3B for that month.
- (b) Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case, **Miss Kashi has received certain purchases, she cannot file Nil GSTR-3B**, as the said purchases will need to be disclosed in the "Table for Eligible ITC" in GSTR-3B.
- Thus, Miss Kashi is **required to file monthly return, GSTR-3B for the month of August.**
- (c) GSTR-3B can be submitted electronically on the common portal, either directly or through a Facilitation Centre notified by the Commissioner. Further, **a Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer.**
- Thus, Miss Kashi is **required to file Nil GSTR-3B for the month of August through an SMS using her registered mobile number even though there is no internet facility** in her mobile and no Facilitation Centre notified by the Commissioner.

### Question 13

Discuss the provisions of Section 39(9) of the CGST Act, 2017, relating to rectification of errors/omissions in GST returns already filed and also state its exceptions. State the time limit for making such rectification.

or

Write a short note on:

- (i) Rectification of errors/omissions in respect of returns filed u/s 39 of the CGST Act, 2017.
- (ii) Exception to the rectification
- (iii) Time-limit for making such rectification

### Answer

#### (i) Rectification of errors/omissions

Omission or incorrect particulars discovered in the returns filed under section 39 can be rectified in the return to be filed for the tax period during which such omission or incorrect particulars are noticed.

**Tax payable as a result of such error or omission will be required to be paid along with interest.**

**(ii) Exception to the rectification**

Rectification of error or omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities is **not permitted**.

**(iii) Time limit for making such rectification**

The maximum time limit within which the rectification of errors/omissions is permissible is **earlier of the following** dates:

- (a) **30<sup>th</sup> day of November following the end of the financial year** to which such details pertain or
- (b) **Actual date of filing** of the relevant annual return

**Question 14**

Mr. Sameer, a registered person under GST, is unable to tile GSTR-1 on the reason being shown that tax payable under GSTR-1 which has been filed in respect of last tax period exceeds the tax payable under GSTR-3B which has been filed for the corresponding tax period. Explain the procedure to be followed by the department and Mr. Sameer for the same as per the provisions of Rule 88C of the CGST Rules 2017.

**Answer**

In the given case, Mr. Sameer would be **intimated on the portal and his email address of such difference** and be directed to either

- (i) **pay the differential tax liability** along with interest, or
- (ii) **explain the difference,**

**within 7 days** period.

On receiving such intimation, Mr. Sameer **should either**

- (i) **deposit the amount** specified in the said intimation fully or partially, along with interest and furnish the details on the common portal or
- (ii) **furnish a reply** explaining the reasons for any amount of differential tax liability remaining unpaid, **within 7 days** period.

Where any amount specified in the said intimation remains unpaid within 7 days period and where no explanation is furnished by Mr. Sameer or where the explanation furnished by him is not found to be acceptable by the proper officer, the said amount shall be recoverable from him.

**Question 15**

Briefly explain the manner of dealing with difference in ITC available in auto-generated statement containing the details of ITC and that availed in return prescribed in terms of rule 88D of the CGST Rules, 2017.

**Answer**

Rule 88D of the CGST Rules, 2017 provides as follows:

**Where the amount of ITC availed by a registered person in the return for a tax period(s) furnished by him in Form GSTR-3B exceeds the ITC available** to such person in accordance with the auto-generated statement containing the details of ITC in Form GSTR-2B in respect of the said tax period(s), by specified amount and percentage, the said **registered person shall be given an intimation** in prescribed form

electronically on the common portal, and a copy of such intimation shall also be sent to his e-mail address provided at the time of registration or as amended from time to time. **Said intimation shall highlight the said difference and will direct him to-**

- (a) **pay an amount equal to the excess ITC** availed in the said Form GSTR-3B, along with interest payable under section 50 of the CGST Act, 2017, through prescribed form, or
- (b) **explain the reasons for the aforesaid difference** in ITC on common portal, within a period of 7 days.

Such registered person shall, **upon receipt of said intimation, either,**

- (a) **pay an amount equal to the excess ITC**, as specified in intimation, fully or partially, along with interest payable, through prescribed form and furnish the details thereof, electronically on the common portal, or
- (b) **furnish a reply, electronically on the common portal**, incorporating reasons in respect of the amount of excess ITC that has still remained to be paid, **within 7 days' period.**

Where any **amount specified in the intimation remains to be paid within 7 days' period and where no explanation/reason is furnished by the registered person in default** or where the explanation/reason furnished by such person is **not found to be acceptable by the proper officer**, the said amount shall be liable to be demanded in accordance with the **provisions of section 73/section 74** of the CGST Act, 2017.

## **Other Returns**

### **Question 16**

Mr. Kalpesh is a registered dealer in Kerala paying tax under composition levy from 1st April. However, he opts to pay tax under regular scheme from 1st December.

Is he liable to file GSTR-4 for the said F.Y. during which he opted out of composition scheme? Discuss.

### **Answer**

Where a taxpayer opts to withdraw from the composition scheme, he **has to file GSTR-4 for the period for which he has paid tax under the composition scheme**. Such return is required **to be furnished till 30<sup>th</sup> day of June following the end of the financial year** during which such withdrawal falls. Therefore, in the given case, Mr. Kalpesh is liable to file GSTR-4 for the said F.Y. during which he opted out of composition scheme by 30<sup>th</sup> June of next F.Y.

### **Question 17**

Examiner whether the following statements are true or false giving brief reasons:

A composition tax payer, who has not rendered any taxable supply during a quarter, is not required to file any return.

### **Answer**

The given statement is false. Composition tax payer is required to furnish return under section 39 for every quarter even if no supplies have been effected during such period. In other words, filing of Nil return is also mandatory.

**Question 18**

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

**Answer**

The statement is **not correct**. Every registered person paying tax under section 10, i.e. a **composition supplier, is required to file a return annually in Form GSTR-4**. Form GSTR-4 for a financial year should be furnished **by 30<sup>th</sup> June of the succeeding financial year**. However, a composition supplier is **required to pay his tax on a quarterly basis**. A quarterly statement for payment of self-assessed **tax in GST CMP-08 is required to be furnished by 18<sup>th</sup> day of the month succeeding such quarter**.

Therefore, while the **return is to be furnished annually, payment of tax needs to be made on a quarterly basis**, by a composition supplier.

**Question 19**

Sangam Ltd., obtains registration for paying taxes under section 9 of CGST Act. He asked his tax manager to pay taxes on quarterly basis. However, Sangam Ltd.'s tax manager advised the Company to pay taxes on monthly basis. You are required to examine the validity of the advice given by tax manager?

**Answer**

The **advice given by tax manager is valid in law**. Payment of taxes by the normal tax payer is to be done on monthly basis by the 20<sup>th</sup> 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 20<sup>th</sup> of April. Composition tax payers will need to pay tax on quarterly basis.**

**Question 20**

Elaborate the provisions relating to annual return contained under section 44 of the CGST Act, 2017.

**Answer**

**Every registered person, other than an input service distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person** shall furnish an annual return which may include a self-certified reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year, with the audited annual financial statement for every financial year electronically, within prescribed time, form and manner.

However, the **Commissioner may exempt** any class of registered persons from filing annual return. Further, any department of the Central Government or a State **Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General** of India, or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force, **is not required to furnish annual return.**

**Question 21**

X Ltd., a normal taxpayer, is winding up its business in Rajasthan. The Tax Consultant of X Ltd. has suggested that X Ltd. will have to file either the annual return or the final return at the time of voluntary cancellation of registration in the state of Rajasthan.

Do you agree with the stand taken by Tax Consultant of X Ltd.? Offer your comments.

**Answer**

**No, the stand taken by Tax Consultant of X Ltd. is not correct.**

**Annual return is required to be filed by every registered person** paying tax as a normal taxpayer. **Final return is filed by the registered persons who have applied for cancellation of registration within three months of the date of cancellation or the date of cancellation order.**

In the given case, X Ltd., a registered person, is winding up its business and has thus, applied for cancellation of registration. Therefore, it is **required to file both annual return and final return.**

**Question 22**

Who is required to furnish Final Return under CGST Act, 2017 and what is the time limit for the same? Discuss.

**Answer**

**Every registered person** who is required to furnish a return u/s 39(1) of the CGST Act, 2017 and whose **registration has been surrendered or cancelled** shall **file a Final Return electronically** in the prescribed form through the common portal.

Final Return has to be filed **within 3 months of the:**

(i) **date of cancellation**

or

(ii) **date of order of cancellation**

whichever is **later**.

**Question 23**

Explain who is required to furnish final return, time limit for filing of final return and late fee for delay in filing final return.

**Answer**

**Every registered person** who is required to furnish a return and whose **registration has been surrendered or cancelled** is required to file a final return.

The final return **has to be filed within 3 months** of the:

(i) **date of cancellation** or

(ii) **date of order of cancellation**

whichever is **later**.

**Quantum of late fee for not filing the final return** is as follows:

- (i) ₹ 100 for every day during which such failure continues or
- (ii) ₹ 5,000

whichever is **lower**.

An **equal amount of late fee is payable under the respective SGST/UTGST Act** as well.

### **Quarterly Return Monthly Payment (QRMP) Scheme**

#### **Question 24**

Discuss the eligibility for QRMP scheme under GST?

#### **Answer**

Registered persons (other than supplier of online information and database access or retrieval services (OIDAR) located in non-taxable territory and providing such services to a non-taxable online recipient), having **an aggregate turnover up to ₹ 5 crore** in the preceding financial year, and who have opted to furnish quarterly return under QRMP scheme are eligible for QRMP scheme as the class of persons who shall **furnish a return for every quarter, and pay the tax due every month.**

Thus, the taxpayers whose aggregate turnover is up to ₹ 5 crore in the preceding financial year are eligible for QRMP scheme. For computing aggregate turnover, details furnished in returns for tax periods in the preceding financial year shall be taken into account.

#### **Question 25**

Mr. Sumit is a registered dealer in the state of Punjab. In the month of May, he decides to apply for QRMP scheme. As he wants to switch to QRMP scheme, he had not filed his returns for the months of May and June.

Please guide to Mr. Sumit regarding the following:

- (A) Conditions and restrictions of QRMP scheme.
- (B) Manner of exercising option of QRMP scheme.

#### **Answer**

- (A) Conditions and restrictions of QRMP scheme

Mr. Sumit has to fulfil the following conditions and restrictions for opting for QRMP scheme:

- His **aggregate annual turnover (PAN based) is up to ₹ 5 crore** in the preceding financial year.
- He has **furnished the return for the preceding month**, as due on the date of exercising such option.
- He is **not required to exercise the option every quarter.**

- (B) Manner of exercising option of QRMP scheme

Registered person – Mr. Sumit - intending to opt for QRMP scheme for any quarter should **indicate his preference for furnishing of return on a quarterly basis from 1st day of the 2nd month of the preceding quarter till last day of the 1st month of the quarter** for which option is being exercised.

**Question 26**

List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF).

**Answer**

Details of outward supplies which can be furnished using IFF are as follows:

- (a) **invoice wise details** of inter-State and intra-State supplies **made to the registered persons**;
- (b) **debit and credit notes**, if any, issued during the month for such invoices issued previously.

**Question 27**

List details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF). Also briefly list cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF.

**Answer**

Details of outward supplies which can be furnished using IFF are as follows:

- (a) **invoice wise details of inter-State and intra-State supplies** made to the registered persons;
- (b) **debit and credit notes**, if any, issued during the month for such invoices issued previously.

Cases where a registered person is **debarred from furnishing details of outward supplies** in GSTR-1/using IFF:

- (i) A registered person is not allowed to furnish Form GSTR-1, if he has **not furnished the return in Form GSTR-3B for the preceding month**.
- (ii) A registered person, opting for QRMP (Quarterly Return Monthly Payment) scheme is not allowed to furnish Form GSTR-1/using IFF, if he has **not furnished the return in Form GSTR-3B for preceding tax period**.

**Question 28**

M/s Cavenon Enterprises, a registered supplier of designer wedding dresses under regular scheme, has aggregate annual turnover of ₹ 30 lakh in the preceding financial year. It is of the view that in the current financial year, it is permitted to file its monthly statement of outward supplies-GSTR-1 - on a quarterly basis while its accountant advises it to file the same on a monthly basis. You are required to advise M/s Cavenon Enterprises on the same.

During a given tax period in the current financial year, owing to an off-season, M/s Cavenon Enterprises has not made any taxable supply. Therefore, M/s Cavenon Enterprises opines that no return under GST is required to be filed for the said period. You are required to examine the technical veracity of the opinion of M/s Cavenon Enterprises.

**Answer**

Section 37 of the CGST Act, 2017 stipulates that GSTR-1 for a particular month is **required to be filed on or before the 10<sup>th</sup> day of the immediately succeeding month**, i.e. on a **monthly basis**.

However, presently, as a measure of easing the compliance requirement for small tax payers, GSTR-1 has been **allowed to be filed quarterly by small tax payers with aggregate annual turnover up to ₹ 5 crore**

in the preceding financial year or the current financial year. Tax payers with annual aggregate turnover above ₹ 5 crore will however continue to file GSTR- 1 on a monthly basis.

In view of the same, **M/s Cavenon Enterprises can file its GSTR-1 on quarterly basis** as its aggregate turnover does not exceed ₹ 5 crore in the preceding financial year.

Further, **GSTR-1 needs to be filed even if there is no business activity in a tax period**. Thus, in the present case, even if no supply has been made by M/s Cavenon Enterprises, a **nil return is required to be filed for the relevant tax period**.

## **Goods and Service Tax Practitioners (GSTPs)**

### **Question 29**

Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act?

### **Answer**

Following persons can be registered as Goods and Service Tax Practitioners:

Any person who, (i) is a **citizen of India**; (ii) is a person of **sound mind**; (iii) is **not adjudicated as insolvent**; (iv) has **not been convicted by a competent court**; and satisfies any of the following conditions, namely that he:

1. is a **retired officer of Commercial Tax Department** of any State Govt./CBIC who, during service under Government had worked in a post **not lower than the rank of a Group-B gazetted officer for a period ≥ 2 years**, or
2. is **enrolled as a Sales Tax Practitioner or Tax Return Preparer** under the erstwhile indirect tax laws for a **period of not less than 5 years**, or
3. acquired any of the prescribed qualifications
4. has **passed Graduate/postgraduate degree or its equivalent examination** having a degree in specified disciplines, from any Indian University or a degree examination of any Foreign University recognised by any Indian University as equivalent to degree examination
5. has passed any other notified examination
6. has **passed final examination of ICAI/ICSI/Institute of Cost Accountants of India**

### **Question 30**

A is a chartered accountant in practice and is registered under GST. On a query regarding return filing process by a potential client, A has represented him as a GST practitioner. A is of the view that since he is a qualified chartered accountant with a GST registration in the name of his proprietorship firm, he also qualifies as GST practitioner.

Is the understanding of A correct? Discuss.

### **Answer**

The **understanding of A is not correct**.

A **chartered accountant can become a GST practitioner (GSTP)**. However, holding a certificate of practice

as a chartered accountant and having GST registration does not imply that such chartered accountant is a GST practitioner as well. **For becoming a GSTP, even a chartered accountant in practice has to follow the enrolment process of GSTP** as provided under the GST law and only upon approval of such enrolment can a chartered accountant represent himself as a GSTP.