

M.K.G

CA EDUCATION

9811429230 / 9212011367

WEBSITE: WWW.MKGEDUCATION.COM

EMAIL: MKCAEDUCATION@GMAIL.COM

GST

- ❖ **Central Goods and Services Tax Act, 2017.**
- ❖ **State Goods and Services Tax Act, 2017.**
- ❖ **Integrated Goods and Services Tax Act, 2017.**
- ❖ **Union Territory Goods and Services Tax Act, 2017.**
- ❖ **Goods and Services Tax (Compensation to States) Act, 2017**

After the book has been published, some error/mistake etc may be detected/or there may be some amendments etc, all such corrections/amendments shall be uploaded on our website www.mkgeducation.com in icon no.11.

13th Edition

Author

This Book is the result of combined efforts of
Chartered Accountants/ company executives /
other professionals / feedback of our thousands of students

MAY – 2025
SEPT – 2025
JAN – 2026

(Only for private circulation)

CONNECT WITH US ON SOCIAL MEDIA FOR LATEST UPDATES

**IN ORDER TO GET LATEST UPDATES FROM MKG, YOU
MUST GET CONNECTED WITH US ON FACEBOOK PAGE/
YOUTUBE OTHERWISE YOU WILL LOSE ALL
INFORMATION'S. LINK IS AS GIVEN BELOW:**

Facebook page

<https://www.facebook.com/mkgcaeducation/>

Youtube channel

<https://www.youtube.com/c/mkguptacaeducationk>

Instagram

Instagram: <https://www.instagram.com/mkcaeducation/>

Our website

www.mkgeducation.com

**FOR ONLINE PURCHASE OF OUR BOOK
PLEASE SEE DETAILS GIVEN ON OUR
WEBSITE :WWW.MKGEDUCATION.COM**

PAPER – 3 : TAXATION
(One paper – Three hours – 100 Marks)

SECTION A: INCOME TAX LAW (50 MARKS)

Objective:

- (a) To develop an understanding of the provisions of income-tax law
- (b) To acquire the ability to apply such provisions to solve problems and address application-oriented issues.

Contents:

1. Basic Concepts
 - (i) Income-tax law: An introduction
 - (ii) Significant concepts in income-tax law, including person, assessee, previous year, assessment year, income, agricultural income
 - (iii) Basis of Charge
 - (iv) Procedure for computation of total income and tax payable in case of individuals
2. Residential status and scope of total income
 - (i) Residential status
 - (ii) Scope of total income
3. Heads of income and the provisions governing computation of income under different heads
 - (i) Salaries
 - (ii) Income from house property
 - (iii) Profits and gains of business or profession
 - (iv) Capital gains
 - (v) Income from other sources
4. Provisions relating to clubbing of income, set-off or carry forward and setoff of losses, deductions from gross total income
5. Advance Tax, Tax deduction at source and tax collection at source
6. Provisions for filing return of income and self-assessment
7. Computation of total income and income-tax payable by an individual under the alternative tax regimes under the Income-tax Act, 1961 to optimise tax liability

Note: If any new legislation(s) are enacted in place of an existing legislation(s), the syllabus will accordingly include the corresponding provisions of such new legislation(s) in the place of the existing legislation(s) with effect from the date to be notified by the Institute. Similarly, if any existing legislation(s) on income tax law ceases to be in force, the syllabus will accordingly exclude such legislation(s) with effect from the date to be notified by the Institute.

Further, the specific inclusions/exclusions in any topic covered in the syllabus will be effected by way of Study Guidelines every year, if required. Specific inclusions/exclusions in a topic may also arise due to additions/deletions made every year by the Annual Finance Act.

SECTION B: GOODS AND SERVICES TAX (50 MARKS)**Objective:**

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

Contents:

1. GST Laws: An introduction including Constitutional aspects
2. Levy and collection of CGST and IGST
 - (i) Application of CGST/IGST law
 - (ii) Concept of supply including composite and mixed supplies
 - (iii) Charge of tax including reverse charge
 - (iv) Exemption from tax
 - (v) Composition levy
3. Basic concepts of:
 - (i) Classification
 - (ii) Place of supply
 - (iii) Time of supply
 - (iv) Value of supply
 - (v) Input tax credit
4. Computation of GST liability
5. Registration
6. Tax invoice; Credit and Debit Notes; Electronic way bill
7. Accounts and Records
8. Returns
9. Payment of tax

Note – If any new legislation(s) is enacted in place of an existing legislation(s), the syllabus will accordingly include the corresponding provisions of such new legislation(s) in place of the existing legislation(s) with effect from the date to be notified by the Institute. Similarly, if any existing legislation ceases to have effect, the syllabus will accordingly exclude such legislation with effect from the date to be notified by the Institute. Students shall not be examined with reference to any particular State GST Law.

Consequential/corresponding amendments made in the provisions of the Goods and Services Tax laws covered in the syllabus of this paper which arise out of the amendments made in the provisions not covered in the syllabus will not form part of the syllabus. Further, the specific inclusions/exclusions in the various topics covered in the syllabus will be effected every year by way of Study Guidelines. The specific inclusions/exclusions may also arise due to additions/ deletions every year by the annual Finance Act.

GOODS AND SERVICES TAX

01.	COMPUTATION OF GST	18-54
02.	TIME OF SUPPLY	55-67
03.	VALUE OF SUPPLY	68-86
04.	RETURN	87-101
05.	PAYMENT OF GST	102-116
06.	COMPOSITION SCHEME	117-150
07.	REGISTRATION	151-181
08.	MEANING OF SUPPLY	182-210
09.	INPUT TAX CREDIT	211-246
10.	TAX INVOICE, DEBIT & CREDIT NOTE	247-265
11.	E-WAY BILL	266-278
12.	REVERSE CHARGE	279-300
13.	EXEMPTION FROM GST	301-341
14.	ACCOUNTS AND RECORDS	342-343
15.	TDS / TCS	344-345
16.	IGST ACT	346-353
17.	MISCELLANEOUS	354-366
18.	EXAMINATION QUESTIONS	367-418
19.	CASE STUDIES	419-460

PART B (NOT COVERED IN SYLLABUS)

20.	TOPICS NOT COVERED IN SYLLABUS	461-461
21.	CLASSIFICATION / CONSTITUTIONAL PROVISIONS / CIRCULAR	462-471

LIST OF IMPORTANT SECTIONS

- Section – 1** :Short title, extent and commencement
- Section – 2**: Definitions
- Section – 3**: Officers under this Act (not covered in syllabus)
- Section – 4**: Appointment of officers (not covered in syllabus)
- Section – 5**: Powers of officers (not covered in syllabus)
- Section – 6**: Authorisation of officers of State tax or Union territory tax as proper officer in certain Circumstances (not covered in syllabus)
- Section – 7**: Scope of supply
- Section – 8**: Tax liability on composite and mixed supplies
- Section – 9**: Levy and Collection
- Section – 10**:Composition levy
- Section – 11**:Power to grant exemption from tax
- Section – 12**:Time of supply of goods
- Section – 13**:Time of supply of services
- Section – 14**: Change in rate of tax in respect of supply of goods or services (not covered in syllabus)
- Section – 15**:Value of taxable supply
- Section – 16**:Eligibility and condition for taking input tax credit
- Section – 17**:Apportionment of credit in case of mix use and blocked credits
- Section – 18**:Availability of credit in case of new registration or opting out of composition scheme etc.
- Section – 19**: Taking input tax credit in respect of inputs and capital goods sent for job work (not covered in syllabus)
- Section – 20**: Manner of distribution of credit by Input Service Distributor (not covered in syllabus)
- Section – 21**: Manner of recovery of credit distributed in excess (not covered in syllabus)
- Section – 22**:Persons liable for registration
- Section – 23**:Persons not liable for registration
- Section – 24**:Compulsory registration
- Section – 25**:Procedure for registration
- Section – 26**: Deemed Registration
- Section – 27**: Casual Taxable Person / Non Resident Taxable Person
- Section – 28**:Amendment of registration
- Section – 29**:Cancellation of registration
- Section – 30**:Revocation of cancellation of registration
- Section – 31**:Tax invoice
- Section – 31A**: Facility of digital payment to recipient
- Section – 32**:Prohibition of collection of tax by unregistered dealers
- Section – 33**:Amount of tax to be indicated in tax invoice and other documents
- Section – 34**:Credit and debit notes
- Section – 35**: Accounts and other records
- Section – 36**: Period of retention of accounts
- Section – 37**:Furnishing details of outward supplies (GSTR-1)
- Section – 38**: Communication of details of inward supplies and input tax credit (GSTR -2A/2B)
- Section – 39**: Furnishing of returns (GSTR-3B)
- Section – 40**:First return
- Section – 41**: Availment of input tax credit
- Section – 42**: Matching, reversal and reclaim of input tax credit (not covered in syllabus)
- Section – 43**: Matching, reversal and reclaim of reduction in output tax liability (not covered in syllabus)
- Section – 43A**: Procedure for furnishing return and availing input tax credit
- Section – 44**:Annual return (GSTR-9)
- Section – 45**:Final return (GSTR-10)
- Section – 46**:Notice to return defaulters (GSTR - 3A)

Section – 47: Levy of late fee

Section – 48: Goods and services tax practitioners

Section – 49: Payment of tax, interest, penalty and other amounts/utilization of ITC

Section – 50: Interest on delayed payment of tax

Section – 51: Tax deduction at source

Section – 52: Collection of tax at source

Section – 53: Transfer of input tax credit (not covered in syllabus)

Section – 54: Refund of tax (not covered in syllabus)

Section – 55: Refund in certain cases (not covered in syllabus)

Section – 56: Interest on delayed refunds (not covered in syllabus)

Section – 57: Consumer Welfare Fund (not covered in syllabus)

Section – 58: Utilisation of Fund (not covered in syllabus)

Section – 68: Inspection of goods in movement.

LIST OF IMPORTANT RULES

Rule – 1: Short title 1 and commencement

Rule – 2: Definitions

Composition scheme

Rule – 3 to 7: Intimation for composition levy/Conditions / restrictions/Rate of tax

Registration

Rule – 8: Application for registration

Rule – 9: Verification of the application and approval

Rule – 10: Issue of registration certificate

Rule – 16: Suo motu registration

Rule – 19: Amendment of registration

Rule – 20: Application for cancellation of registration

Rule – 21: Registration to be cancelled in certain cases

Rule – 22: Cancellation of registration

Rule – 23: Revocation of cancellation of registration

Rule – 24: Migration of persons registered under the existing law

Rule – 25: Physical verification of business premises in certain cases

Rule – 26: Method of authentication

Rule – 27 to 35: Not cover in the syllabus

Input Tax Credit

Rule – 36: Documentary requirements and conditions for claiming input tax credit

Rule – 37: Reversal of input tax credit in the case of non-payment of consideration within 180 days

Rule – 40: Availment of ITC on registration or shifting to normal scheme etc.

Rule – 42: Reversal of ITC on Inputs/Input Services in case of mix use (Not covered in Syllabus)

Rule – 43: Reversal of ITC on Capital Goods in case of mix use (Not covered in Syllabus)

Rule – 44: Reversal of ITC on cancellation of registration/ shifting to composition scheme etc.

Invoice/Credit/Debit Notes

Rule – 46: Tax invoice

Rule – 46A: Invoice-cum-bill of supply

Rule – 47: Time limit for issuing tax invoice

Rule – 48: Manner of issuing invoice

Rule – 49: Bill of supply

Rule – 50: Receipt voucher

Rule – 51: Refund voucher

Rule – 52: Payment voucher

Rule – 53: Revised tax invoice and credit or debit notes

Rule – 54: Tax invoice in special cases

Rule – 55: Transportation of goods without issue of invoice

Rule – 55A: Tax Invoice or bill of supply to accompany transport of goods

Returns

Rule – 59: Form and manner of furnishing details of outward supplies (GSTR -1)

Rule – 60: Form and manner of ascertaining details of inward supplies. (GSTR -2A/2B)

Rule – 61: Form and manner of submission of monthly return (GSTR -3B)

Rule – 62: Form and manner of submission of quarterly return by the composition supplier

Rule – 68: Notice to non-filers of returns

Rule – 80: Annual return

Rule – 81: Final return

Payment of GST

Rule – 85 to 88: Electronic Liability Register/Electronic Credit Ledger/Electronic Cash Ledger

E-Way Bill

Rule – 138: Information to be furnished prior to commencement of movement of goods and generation of e-way bill.

Rule – 138A: Documents and devices to be carried by a person-in-charge of a conveyance.

Rule – 138B: Verification of documents and conveyances.

Rule – 138C: Inspection and verification of goods.

Rule – 138D: Facility for uploading information regarding detention of vehicle.

Rule – 138E: Restriction on furnishing of information in PART A of FORM GST EWB-01.

ETI AGARWAL

ALL INDIA TOPPER OF CA-IPC (NOV-13)

ROLL NO. - 366539

**MARKS IN TAXATION:89%
(HIGHEST MARKS IN TAXATION ALL OVER INDIA)
(AGGREGATE MARKS 79.71%)**

(FEEDBACK)

A man for whom teaching is neither a business nor a profession, rather a passion for doing good, great and unique in the field of teaching is none other than MK Gupta Sir.

Sir's unmatched style of teaching coupled with his patience and calmness in dealing with students is simply excellent.

The structure of learning pattern, regular mock tests, motivational cash prizes and student friendly study material covering practical illustrations, past year questions and bare act.. all contributed to making this journey easy and building up the confidence needed for IPCC.

Moreover, the vast knowledge and experience of the faculty assisted in making the concepts crystal clear and handling each n every doubt of students.

The administration and management stands second to none.

MK GUPTA classes is a place which can change the word impossible 2 I M POSSIBLE. It made me a better person both personally n professionally.

I think 4 success 4 elements are necessary-desire, dedication, direction and discipline...and all the 4 i got from Sir..

THANK YOU so much Sir..

In the end i would just like to say MK GUPTA SIR NOT ONLY MAKES CA. HE MAKES HUMANS!!

ETI AGARWAL

AKSHAY JAIN

ALL INDIA TOPPER OF CA-IPC (NOV-13)

ROLL NO.- 368162

MARKS IN TAXATION : 87%

(SECOND HIGHEST MARKS IN TAXATION ALL OVER INDIA)

(AGGREGATE MARKS 79.71%)

(FEEDBACK)

Experience of those four months with M.K. GUPTA SIR was out of the world.

As a teacher, M.K. GUPTA SIR is just like a sea of knowledge & you get each and everything from very beginning to end from him.

Sir is really a nice person. He is very motivational and his words of motivation can influence anybody to work hard & make their parents proud.

M.K. GUPTA CA EDUCATION is the only place where the provisions of tax laws are combined with the practical knowledge. Study material provided is excellent and it contains numerous problems covering all aspects and such type of problems are not available anywhere. Sir is not giving any home work rather home work is done in the class itself and students are invited to solve the problem before the entire class.

Be honest towards your studies & Sir will show you the way of success. The way, Sir is making students ready for the professional world is praiseworthy. Exposure given by sir to face interview of Big four CA Firms is excellent.

The test Series conducted by the Sir in all the subjects of IPC is very nice Scheme to score such good marks and exam are conducted in the similar manner as it is conducted by ICAI.

I would like to express my gratitude to Sir because it was only his efforts that helped me reach this position.

Sir its your Success.

A Message to all : -

“COME & HAVE A TIME THAT YOU WILL CHERISH THROUGHOUT YOUR LIFE”.

AKSHAY JAIN

VIJENDER AGGARWAL
ALL INDIA TOPPER OF CA-IPCC (NOV-10)
ROLL NO. - 174639

MARKS IN TAXATION:92%
(HIGHEST MARKS IN TAXATION ALL OVER INDIA)
(AGGREGATE MARKS 83.71%)

(FEEDBACK)

A person who possesses such vast knowledge in the field of taxation, that we people can only dream of, is none other than M. K. Gupta Sir.

He possesses the rare ability to teach this procedural subject with utmost ease, enabling his students to grasp all the provisions without any confusion.

The quality of study material provided is such that a good study of it helped me score 92 marks. The variety and complexity of practical problems covered in the books are not available anywhere else.

One can find many places where taxation is being taught but it is hardly possible to find a better place where tax laws are combined with their practical applicability to ensure that all concepts are crystal clear.

Sir is extremely generous. Money-making doesn't appear to be his priority and it is clearly reflected in his classes, where the infrastructure and administration stands second to none and students are awarded handsome cash-prizes not only in classes but also in tests, which are regularly conducted.

Thanking Sir for all what he has done would be an insult since it was only his efforts that helped me reach this position. Sir, its your success. The relationship between us started in CPT only and continued in IPCC and I hope it will continue forever.

VIJENDER AGGARWAL

PRACHI JAIN

ALL INDIA TOPPER OF CA-PCC (MAY-10)

ROLL NO. - 66312

MARKS IN TAXATION:88%

(HIGHEST MARKS IN TAXATION ALL OVER INDIA)

(AGGREGATE MARKS 77.67%)

(FEEDBACK)

M. K. Gupta Sir is an outstanding teacher. He is not only a good teacher but a good person by heart. His way of teaching is excellent. There are many provisions in tax but Sir repeats every provision atleast two times. This helps in understanding those provisions easily.

His books are very good. Everything from theory to PRACTICAL ILLUSTRATION, EXAMINATION QUESTIONS and BARE ACT is covered in his books.

Sir's staff and management is also very good. Everything is handled in a systematic manner and on time. Overall it was a good experience.

Thanks Sir !! :-

PRACHI JAIN

FEEDBACK

(CA-Intermediate)

NO OTHER TEACHER OF TAXATION IN INDIA HAS BETTER RESULT THAN OURS

OPINION OF OUR STUDENTS

1. AKSHAY (Roll No. 685445) (Total Marks- 607) AIR-6 (Taxation-80)

Firstly, I want to thank M.K. Gupta Sir for teaching me the tax in the easiest manner many students can think. Tax is a very hard subject but the way Sir teaches the Tax is excellent. I also want to say one more thing that the staff of MKG is very supporting. They listen to the students' problems very patiently and help them to solve their problems. At last, I want to say that no one in this CA field can teach so nicely that MK Gupta Sir teaches.

Thank You

2. DEEPANSHU GOYAL (Roll No. 625914) (Total Marks- 570) AIR-17 (Taxation-75)

MK Gupta Sir is a powerhouse of knowledge. I can't thank him enough for providing me with vast exposure about taxation. His mock tests are so good that I was eager to attempt them. He is proactive in solving doubts. This subject became so light & interesting that I started gaining knowledge in it. It was my best experience with MKG with rank in both foundation & intermediate. Recorded classes were very helpful for me, I used to reach at 6:30 am and continued till 11 am and studied taxation. It was a beautiful journey altogether, and with 10 views, you can view the lectures many times. It helped me revise many concepts. It became my interest rather than a burden. I was so excited to give a mock test so that I can build my confidence.

3. SHIVAM MISHRA (Roll No. 624937) (Total Marks- 560) AIR-20 (Taxation-83)

MK Gupta Sir has a very unique style of teaching. He teaches every concept very clearly and correlates every provision with practical life. Taxation is a very vast subject you cannot learn every provision rather you can understand them. Talking about study material, it covers all types of questions. You do not need to refer study material as it is incorporated in Sir's books. I would recommend every one to join MK Gupta CA Education.

4. PRASHANT YADAV (Roll No. 354233) 92 Marks

M.K. Gupta Sir is an outstanding teacher. He possesses very vast knowledge of taxation. Sir repeats every concept at least three times which makes all concepts crystal clear. Study material provided is very good, it covers everything from illustration to examination problem and from theory to Bare Act. Staff and infrastructure facilities of MKG Classes are incomparable. Thank you Sir for your love and support.

5. MOHIT SHARMA (Roll No. 353392) 89 Marks

A brilliant personality in my life who has motivated the student to a good path. He is very different from others. Sir concentrates not only on the marks but also on the overall development of the student.

I am truly glad that I studied from Sir. He taught me how to compete in life. Every student gets very good marks with a little effort, if he is a student of M.K. Gupta CA Education.

6. MANISHA BHAMBRI (Roll No. 456626) 89 Marks

M.K. Gupta Sir is the best teacher I have ever met. His study material being the best helped me a lot in my exams. He is the most sincere teacher who never wastes a single moment and gives his best towards his profession. He teaches not only the theoretical portion but the practical approach too. He teaches us how to be a good human being and how to live life happily. Thank you Sir for your support every time I needed.

7. ANISH SHRESTHA (Roll No.344028) 88 Marks

M.K. Gupta Sir is a very excellent teacher. The way he is dedicated towards teaching make us to be dedicated towards our study. Every concept and every doubt of taxation whichever do I had, he has make clear. The best thing about Sir is, he use to revise the concept more than 3 times which makes student very easy for preparing their exam.

You will have all the sufficient material for study and lots of questions with answers for practice a systematically designed materials.

Thank a lot to Sir for being so much helpful and lot of love.

8. KAPIL KHANNA (Roll No.341539) 85 Marks

Sir 'M.K. Gupta' is the best teacher for Taxation. I feel fortunate to be his student, the amount of knowledge he imparts is fantastic and uncomparable. He is a person who burns himself up like a candle to light the path of his dearest students to the road of success. I wish Sir teaches all the subjects of IPCC, since he is simply the best. Thank you for everything Sir. It you and only you who can guide students like us to reach the zenith.

9. JITENDRA (Roll No.337780) 85 Marks

Before joining CA, I was so much scary about the "Taxation" but after joining M.K. Gupta CA Education for taking taxation class my scary converted into my strength now. This is just because of Sir's knowledge & teaching style with practicality. Study material provided by Sir is also awesome for study.

10. PUNEET WASAN (Roll No.368537) 84 Marks

M.K. Gupta Sir has a vast knowledge in the subject. The topics taken in the class are very well planned. I found the book really very good. Infact, I practiced all the previous attempts questions of each chapter and every small question was covered in the chapter. I recommend the students to be thorough with book and one will score undoubtedly high marks in tax. All the best!! Thank you so much Sir.

11. ISHA MALIK (Roll No.339842) 84 Marks

I do not have words to express my gratefulness for M.K. Gupta Sir. He really possesses vast knowledge and rich experience in taxation. Study material provided by Sir is also very good which covers everything for getting through the exam. There is no doubt that due to excellent coaching given by Sir, I have been able to secure good marks. I pray to God for his long, happy and prospective life. I wish him to continue give coaching to the prospective students for a longer period. I appeal to all the students who qualify CPT to take coaching from Gupta Sir for getting sure success. Thank you Sir.

12. RUPAL GARG(Roll No.393844) 84 Marks

M.K. Gupta Sir is, as I believe, the best teacher for Taxation. He is so knowledgeable that I was totally awe inspired by him. Every day in the class was exciting as he explains everything with real examples and full depth. The books are superb with lots of practical questions. Thank you Sir.

13. AKANSHA GOEL (Roll No.336693) 84 Marks

It was a great experience studying from M.K. Gupta Sir. He has a vast pool of the knowledge of the subject. The book is a comprehensive one too.

14. PRASIT SHARMA (Roll No.344702) 84 Marks

Taking about the coaching, the teaching style of M.K. Gupta Sir is too much excellent. He has good dealing with student in every situation. If anyone asked about the taxes coaching, I prefer M.K. Gupta Sir because he is the one & only best teacher in Taxation.

15. MANSI BAJAJ (Roll No.354329) 83 Marks

Sir teaches so well and clarifies all our queries. He makes us understand the whole concept very clearly. He is an amazing teacher and the best teacher in the field of Taxation.

16. RASHI GUPTA (Roll No.337864) 83 Marks

M.K. Gupta Sir is a very friendly and helping teacher. He always answered my queries well. His coaching classes are very knowledgeable and books are also very good.

17. HARSH AGARWAL (Roll No.491097) 83 Marks

M.K. Gupta Sir is a good teacher. He teaches all aspects of Taxation whether it is practical knowledge or theoretical knowledge. He teaches every point for 2-3 times and it gets learn in class only. His practical knowledge about the subject is very good.

18. RAHUL ARORA (Roll No.337403) 83 Marks

M.K. Gupta Sir is a great mentor. Sir has excellent knowledge about the subject. He makes every concept crystal clear. Every concept is explained atleast twice in the class. He connect every topic with practical life. Study material is excellent. Bare Act is covered in the study material. Three months experience with M.K. Gupta Sir is memorable moments of my life. Thank you Sir, for your guidance and encouragement.

19. SEJAL MEHTA (Roll No.353096) 83 Marks

Coaching for Taxation was an enriching experience in terms of the conceptual clarity which I gained on each and every topic. Learning tax became so easy with the simplified notes provided.

Also, the kind of knowledge that Sir shares with the students is very commendable and useful in understanding the practical aspects of Taxation. Attending the coaching is worth the time spent.

20. ANU SETHI (Roll No.353491) 83 Marks

I have never seen teacher like M.K. Gupta Sir. His way to teaching, knowledge and experience is awesome i.e. brilliant. Overall regards for such marks is only M.K. Gupta Sir.

21. ASHISH GUPTA (Roll No.353575) 82 Marks

M.K. Gupta Sir is a very good teacher and he has a very vast knowledge of taxation. He gives his best to every student in a class. The atmosphere of the class when he was teaching in a class is very awesome. I am giving all my credit to M.K. Gupta Sir for securing marks in Taxation.

22. RAGHAV GUPTA (Roll No.491122) 82 Marks

M.K. Gupta Sir is an outstanding teacher. He possesses a very vast knowledge about the subject. His way of teaching is fabulous. Every concept is explained with help of an example. Study material is all exhaustive that he provides. Also, queries are taken up promptly. Thank you Sir for your guidance.

23. SHREYA MALIK (Roll No.340228) 82 Marks

M.K. Gupta Sir is the best teacher I have ever come across. His level of knowledge is tremendous. The way he teaches, with so much patience and willingness, keeps every student motivated. The marks I have scored in tax is all because of him. Thank you so much Sir. I am a student of video class and I have never met Sir in person. I would be grateful if I would be given a chance to meet him in person.

24. PRABHAW KUMAR AGARWALLA (Roll No.369428) 82 Marks

Teaching was excellent and queries handled were excellent. Teaching methodology was really excellent and helped a lot to me.

25. PRABHAT RANJAN (Roll No.347926) 81 Marks

M.K. Gupta Sir has a very deep knowledge about the subject and his practical approach towards the subject. Sir repeats every provision atleast twice. This helps in understanding those provision easily.

The books notes and all the management is done very properly and in a smooth manner. All in all the best way to study tax.

26. ANKIT KHEMKA (Roll No.338055) 81 Marks

M.K. Gupta Sir is excellent teacher of Tax. He repeats the provision two to three times and doubts are also taken by the faculty. His books are also very good. Bare Act is covered in his books for more understanding about the Act. Sir also provide regular test and prize also given by him motivates the student to work hard. Environment provided by M.K. Gupta Classes is also very good to study.

27. ARTI SRIVASTAVA (Roll No.347859) 80 Marks

Sir's unmatched style of teaching. Regular mock test, also help in to achieve good marks in Taxation. Sir's books contain illustration. Past year question also help to achieve to good marks. Sir's build confidence in every student to achieve success in life. Thank you, so much Sir.

28. SHIVANGI GUPTA (Roll No.337956) 80 Marks

M.K. Gupta Sir is an amazing teacher. The tax subject is all about provisions so many sections but Sir makes it simpler for us out of all the subjects, I found Taxation to be the most interesting one. Sir's study material and notes are sufficient. Study material covers all the past year exam questions, practice questions with solutions. His practical experiences help our understanding level to reach new heights. Thank you Sir for everything.

GOODS AND SERVICES TAX

COMPUTATION OF GST LIABILITY

ITC/OUTPUT TAX/ NET TAX

Concept of GST was introduced first of all in France in 1954.

Goods and Services Tax in fact includes the following taxes:

1. Central Goods and Services Tax (Regulated through Central Goods and Services Tax Act, 2017).
2. State Goods and Services Tax (Regulated through State Goods and Services Tax Act, 2017).
3. Integrated Goods and Services Tax (Regulated through Integrated Goods and Services Tax Act, 2017).
4. Union Territory Goods and Services Tax (Regulated through Union Territory Goods and Services Tax Act, 2017).
5. Goods and Services Tax, Compensation to States (Regulated through Goods and Services Tax (Compensation to States) Act, 2017)

Syllabus of CA-INTER covers only Central GST and Integrated GST.

Prior to the concept of GST, there was multiple taxation in indirect taxes and also there was cascading effect i.e. tax on tax but after GST there is no multiple taxation and also no cascading effect and it can be explained with the help of the illustration given below:

Illustration 1: ABC Ltd. has purchased raw material for ₹10,00,000 plus excise duty 10% plus VAT @ 10%. The company has incurred ₹5,00,000 being processing charge and sold the final product at a profit of ₹2,00,000 and charged output excise duty @ 10% plus VAT @ 10%.

Discuss tax treatment.

Solution:

BEFORE GST

	₹
Raw Material	10,00,000
Add: Excise Duty @ 10%	1,00,000
Total	11,00,000
Add: VAT @ 10%	1,10,000
	12,10,000
Add: Processing charges	5,00,000
Cost	17,10,000
Add: Profit	2,00,000
Transaction Value	19,10,000
Add: Output Excise Duty 10%	1,91,000
Total	21,01,000
Add: VAT @ 10%	2,10,100
Amount payable by the buyer	23,11,100

The raw material has been taxed twice and also there is **cascading effect** i.e. tax on tax.

MODIFIED TAX STRUCTURE BEFORE GST

Raw Material	10,00,000
Add: Excise Duty @ 10%	1,00,000
Total	11,00,000
Add: VAT @ 10%	1,10,000
Cost	12,10,000

Assessee shall be allowed input Tax credit as given below:

Excise Duty	1,00,000
VAT	1,10,000

Since tax credit has been allowed, cost of final product shall be as given below:

Cost of Raw Material	10,00,000
Add: Processing charges	5,00,000
Add: Profit	2,00,000
Transaction Value	17,00,000
Add: Excise Duty 10%	1,70,000
Total	18,70,000
Add: VAT @ 10%	1,87,000
Amount payable by the buyer	20,57,000
Payment of taxes by ABC Ltd. to Government	
(i) Excise Duty	
On output	1,70,000
Less: Input Tax Credit	(1,00,000)
Net Excise Duty	70,000
(ii) Output VAT	1,87,000
Less: Input Tax Credit	(1,10,000)
Net Payable	77,000

Excise duty/VAT paid by ABC Ltd. on raw material shall be called input tax and its tax credit is allowed. Excise duty/VAT on final product shall be called output tax. Input tax credit shall be deducted from output tax and balance shall be called net tax.

Still it has defects because there is VAT on Excise duty i.e. it has cascading effect.

AFTER GST

There is no multiple taxation and also there is no cascading effect and now under GST it will work in the manner given below:

ABC Ltd. has purchased raw material for ₹10,00,000 plus CGST @ 10% and SGST 10% The company has incurred ₹5,00,000 being processing charge and sold the final product at a profit of ₹2,00,000 and charged output CGST @ 10% plus SGST @ 10%.

Discuss tax treatment.

Solution:

	₹
Raw Material	10,00,000
Add: CGST @ 10%	1,00,000
Add: SGST @ 10%	1,00,000
Total	12,00,000
Input tax credit	
CGST	1,00,000
SGST	1,00,000
Cost of Raw Material	10,00,000
Add: Processing charges	5,00,000
Cost	15,00,000
Add: Profit	2,00,000
Transaction Value	17,00,000
Add: Output CGST @ 10%	1,70,000
Add: Output SGST @ 10%	1,70,000
Total	20,40,000

Computation of Net Tax

	CGST ₹
Output tax	1,70,000
Less: ITC Raw material - CGST	(1,00,000)
Net Tax Payable	70,000
	SGST ₹
Output tax	1,70,000
Less: ITC Raw Material - SGST	(1,00,000)
Net Tax Payable	70,000

There is no multiple taxation and no cascading effect (Tax on Tax).

Before the concept of GST, Excise duty was charged on manufacture and Value added tax also called sales tax was charged on sale of goods. Excise duty was payable on cost plus profit and sales tax was payable on cost plus profit plus excise duty and accordingly sales tax was charged on excise duty also i.e. there is tax on tax and it is called cascading effect (as shown above) but after GST there is no cascading effect and the manufacturer shall charge CGST plus SGST instead of excise and VAT. Also CGST/SGST shall be charged on cost plus profit.

Payment of GST

A supplier shall be required to pay GST **upto 20th of next month** and has to file **challan no. PMT-06** and payment is to be made online. However over the Counter payment can be made through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft:

As per section 170, GST shall be rounded off in the **multiple of rupee 1** and if there is 50 paise or more, it will be rounded off to the higher multiple otherwise it will be ignored.

In case of delay in payment of tax, **as per section 50** interest shall be charged @ **18% per annum** for the period of delay.

In case of excess payment, refund shall be granted within 60 days from the date of application otherwise interest shall be allowed u/s **56 @ 6% per annum** for the period after 60 days.

Illustration 2: ABC Ltd is a manufacturer and is registered in GST in Delhi and has purchased raw material/spare parts etc. for ₹6,00,000 plus CGST @ 9% plus SGST @ 9% and incurred ₹ 4,00,000 on processing. Profit @ 40% on cost and entire product was sold to a wholesaler and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax.

The wholesaler has further sold it to retailer at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the wholesaler.

The retailer has further sold it to a consumer Mr. X at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the retailer.

Solution:**Computation of Net Tax Liability of ABC Ltd.**

	₹
Raw Material	6,00,000
Add: CGST @ 9%	54,000
Add: SGST @ 9%	54,000
Total	7,08,000
Input tax credit	
CGST	54,000
SGST	54,000
Cost of Raw Material	6,00,000
Add: Processing charges	4,00,000
Cost	10,00,000
Add: Profit @ 40% of ₹10,00,000	4,00,000

Transaction Value	14,00,000
Add: Output CGST @ 12%	1,68,000
Add: Output SGST @ 12%	1,68,000
Total	17,36,000

Computation of Net Tax

	CGST ₹
Output tax	1,68,000
Less: ITC Raw material - CGST	(54,000)
Net Tax	1,14,000

	SGST ₹
Output tax	1,68,000
Less: ITC Raw material - SGST	(54,000)
Net Tax	1,14,000

Computation of Net Tax Liability of wholesaler

	₹
Purchase price of wholesaler	17,36,000
Less: ITC Goods – CGST	(1,68,000)
Less: ITC Goods – SGST	(1,68,000)
Cost to Wholesaler	14,00,000
Add: Profit @ 30% of ₹14,00,000	4,20,000
Transaction Value	18,20,000
Add: CGST @ 12%	2,18,400
Add: SGST @ 12%	2,18,400
Total	22,56,800

Computation of Net Tax

	CGST ₹
Output tax	2,18,400
Less: ITC Goods - CGST	(1,68,000)
Net Tax payable	50,400

Computation of Net Tax

	SGST ₹
Output tax	2,18,400
Less: ITC Goods - SGST	(1,68,000)
Net Tax payable	50,400

Computation of Net Tax of Retailer

	₹
Purchase price of Retailer	22,56,800
Less: ITC Goods – CGST	(2,18,400)
Less: ITC Goods – SGST	(2,18,400)
Cost to Retailer	18,20,000
Add: Profit @ 30% of ₹18,20,000	5,46,000
Transaction Value	23,66,000
Add: CGST @ 12%	2,83,920
Add: SGST @ 12%	2,83,920
Total	29,33,840

Computation of Net Tax

	CGST ₹
Output tax	2,83,920
Less: ITC Goods – CGST	(2,18,400)

Net Tax Payable	65,520
	SGST ₹
Output tax	2,83,920
Less: ITC Goods – SGST	(2,18,400)
Net Tax Payable	65,520

Illustration 3: Mr. X is a dealer in Delhi purchased goods for ₹ 10,00,000 plus CGST 10% and SGST 10% and sold the goods at a profit of ₹ 2,00,000 and he is not a registered dealer, in this case tax treatment shall be as given below:

Solution:	₹
Purchase price	10,00,000
Add: CGST @ 10%	1,00,000
Add: SGST @ 10%	1,00,000
Total	12,00,000

Input tax credit of CGST & SGST is not allowed because Mr. X is not registered.

Cost	12,00,000
Add: profit	2,00,000
Sale Value	14,00,000

(b) presume he is registered.

Solution:	₹
Purchase price	10,00,000
Add: CGST @ 10%	1,00,000
Add: SGST @ 10%	1,00,000
Total	12,00,000

Input tax credit of CGST & SGST is allowed.

Cost	10,00,000
Add: profit	2,00,000
Sale Value	12,00,000
Add: CGST @ 10%	1,20,000
Add: SGST @ 10%	1,20,000
Total	14,40,000

Computation of Net Tax

CGST

Output	1,20,000
Less: ITC	(1,00,000)
Net Tax	20,000

SGST

Output	1,20,000
Less: ITC	(1,00,000)
Net Tax	20,000

Illustration 4:

ABC Ltd. purchased raw material ₹7,00,000 + CGST @ 10% + SGST @ 10% . Processing charge ₹3,00,000 profit 40% on cost entire product was sold and output CGST @ 10%/ SGST @ 10%.

Compute ITC/ Output tax/ Net Tax . Also amount for which product is sold.

(a) Registered in GST

(b) Unregistered in GST.

Solution (a):

Computation of Net Tax Liability of ABC limited

	₹
Raw Material	7,00,000
Add: CGST @ 10%	70,000
Add: SGST @ 10%	70,000
Total	8,40,000
Input tax credit	
CGST	70,000
SGST	70,000
Cost of Raw Material	7,00,000
Add: Processing cost	3,00,000
COST	10,00,000
Add: Profit @ 40% on cost	4,00,000
Transaction Value	14,00,000
Add: CGST @ 10%	1,40,000
Add: SGST @ 10%	1,40,000
Total	16,80,000

Computation of Net Tax

CGST

Output	1,40,000
Less: ITC	(70,000)
Net Tax	70,000

SGST

Output	1,40,000
Less: ITC	(70,000)
Net Tax	70,000

(b) Computation of Net Tax Liability of ABC limited

	₹
Raw Material	7,00,000
Add: CGST @ 10%	70,000
Add: SGST @ 10%	70,000
Total	8,40,000
Input tax credit	
CGST	Nil
SGST	Nil
Cost of Raw Material	8,40,000
Add: Processing cost	3,00,000
COST	11,40,000
Add: Profit @ 40% on cost	4,56,000
Transaction Value	15,96,000

Illustration 5: ABC Ltd is a manufacturer and is registered in GST in Delhi and has purchased raw material/spare parts etc. for ₹5,00,000 plus CGST @ 12% plus SGST @ 12% and incurred ₹2,00,000 on processing. Profit @ 40% on cost and entire product was sold to a wholesaler and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax.

The wholesaler has further sold it to retailer at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the wholesaler.

The retailer has further sold it to a consumer Mr. X at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the retailer.

Solution:**Computation of Net Tax Liability of ABC Ltd.**

	₹
Raw Material	5,00,000
Add: CGST @ 12%	60,000
Add: SGST @ 12%	60,000
Total	6,20,000
Input tax credit	
CGST	60,000
SGST	60,000
Cost of Raw Material	5,00,000
Add: Processing charges	2,00,000
Cost	7,00,000
Add: Profit @ 40% of ₹7,00,000	2,80,000
Transaction Value	9,80,000
Add: Output CGST @ 12%	1,17,600
Add: Output SGST @ 12%	1,17,600
Total	12,15,200

Computation of Net Tax

	CGST ₹
Output tax	1,17,600
Less: ITC Raw material - CGST	(60,000)
Net Tax	57,600

	SGST ₹
Output tax	1,17,600
Less: ITC Raw material - SGST	(60,000)
Net Tax	57,600

Computation of Net Tax Liability of wholesaler

	₹
Purchase price of wholesaler	12,15,200
Less: ITC Goods – CGST	(1,17,600)
Less: ITC Goods – SGST	(1,17,600)
Cost to Wholesaler	9,80,000
Add: Profit @ 30% of ₹9,80,000	2,94,000
Transaction Value	12,74,000
Add: CGST @ 12%	1,52,880
Add: SGST @ 12%	1,52,880
Total	15,79,760

Computation of Net Tax

	CGST ₹
Output tax	1,52,880
Less: ITC Goods - CGST	(1,17,600)
Net Tax payable	35,280

Computation of Net Tax

	SGST ₹
Output tax	1,52,880
Less: ITC Goods - SGST	(1,17,600)
Net Tax payable	35,280

Computation of Net Tax of Retailer

	₹
Purchase price of Retailer	15,79,760
Less: ITC Goods – CGST	(1,52,880)

Less: ITC Goods – SGST	(1,52,880)
Cost to Retailer	12,74,000
Add: Profit @ 30% of ₹12,74,000	3,82,200
Transaction Value	16,56,200
Add: CGST @ 12%	1,98,744
Add: SGST @ 12%	1,98,744
Total	20,53,688

Computation of Net Tax

	CGST ₹
Output tax	1,98,744
Less: ITC Goods – CGST	(1,52,880)
Net Tax Payable	45,864

	SGST ₹
Output tax	1,98,744
Less: ITC Goods – SGST	(1,52,880)
Net Tax Payable	45,864

Illustration 6: ABC Ltd. purchased raw material ₹ 800,000 and paid CGST 14% + SGST 14% and incurred ₹600,000 for processing and had profit of 30% on cost and charged CGST 14% + SGST 14%. It was purchased by wholesaler XYZ ltd. and the product was sold further at a profit of 20% on cost and charged CGST 14% + SGST 14%.

Solution:**Computation of Net Tax Liability of ABC Ltd.**

	₹
Raw Material	8,00,000
Add: CGST @ 14%	1,12,000
Add: SGST @ 14%	1,12,000
Total	10,24,000
Input tax credit	
CGST	1,12,000
SGST	1,12,000

Cost of Raw Material	8,00,000
Add: Processing charges	6,00,000
Cost	14,00,000
Add: Profit @ 30% of ₹14,00,000	4,20,000
Transaction Value	18,20,000
Add: Output CGST @ 14%	2,54,800
Add: Output SGST @ 14%	2,54,800
Total	23,29,600

Computation of Net Tax

	CGST ₹
Output tax	2,54,800
Less: ITC Raw material - CGST	(1,12,000)
Net Tax	1,42,800

	SGST ₹
Output tax	2,54,800
Less: ITC Raw material - SGST	(1,12,000)
Net Tax	1,42,800

Computation of Net Tax Liability of XYZ Limited

	₹
Purchase price of wholesaler	23,29,600

Less: ITC Goods – CGST	(2,54,800)
Less: ITC Goods – SGST	(2,54,800)
Cost to Wholesaler	18,20,000
Add: Profit @ 20% of ₹18,20,000	3,64,000
Transaction Value	21,84,000
Add: CGST @ 14%	3,05,760
Add: SGST @ 14%	3,05,760
Total	27,95,520

Computation of Net Tax

	CGST ₹
Output tax	3,05,760
Less: ITC Goods - CGST	(2,54,800)
Net Tax payable	50,960

Computation of Net Tax

	SGST ₹
Output tax	3,05,760
Less: ITC Goods - SGST	(2,54,800)
Net Tax payable	50,960

Illustration 7: Mr. A is a manufacturer in Delhi. He purchased raw material ₹6,00,000 + CGST @ 10% + SGST @ 10% and incurred ₹4,00,000 on processing and charged profit 40% on cost and sold entire product and output CGST @ 10% and SGST @ 10%. The product was purchased by a wholesaler Mr. B and he further sold it at a profit of 20% on cost and charged output CGST @ 10% and SGST @ 10%. Compute Input Tax Credit allowed to Mr. A and Mr. B and also net tax payable by each of them.

Solution:**Computation of Net Tax Liability of Mr. A**

	₹
Raw Material	6,00,000
Add: CGST @ 10%	60,000
Add: SGST @ 10%	60,000
Total	7,20,000
Input tax credit	
CGST	60,000
SGST	60,000

Cost of Raw Material	6,00,000
Add: Processing charges	4,00,000
Cost	10,00,000
Add: Profit @ 40% of ₹10,00,000	4,00,000
Transaction Value	14,00,000
Add: Output CGST @ 10%	1,40,000
Add: Output SGST @ 10%	1,40,000
Total	16,80,000

Computation of Net Tax

	CGST ₹
Output tax	1,40,000
Less: ITC Raw material - CGST	(60,000)
Net Tax	80,000

	SGST ₹
Output tax	1,40,000

Less: ITC Raw material - SGST	(60,000)
Net Tax	80,000

Computation of Net Tax Liability Mr. B

	₹
Purchase price of wholesaler	16,80,000
Less: ITC Goods – CGST	(1,40,000)
Less: ITC Goods – SGST	(1,40,000)
Cost to Wholesaler	14,00,000
Add: Profit @ 20% of ₹14,00,000	2,80,000
Transaction Value	16,80,000
Add: CGST @ 10%	1,68,000
Add: SGST @ 10%	1,68,000
Total	20,16,000

Computation of Net Tax

	CGST ₹
Output tax	1,68,000
Less: ITC Goods - CGST	(1,40,000)
Net Tax payable	28,000

Computation of Net Tax

	SGST ₹
Output tax	1,68,000
Less: ITC Goods - SGST	(1,40,000)
Net Tax payable	28,000

Illustration 8: Mr. X is a dealer registered in GST and has purchased goods for ₹7,60,000 and paid CGST @ 9% and SGST @ 9% and sold goods at a profit of 40% on cost and charged output CGST @ 9% and SGST@ 9%. Compute tax payable, Output Tax and Input Tax.

b) Presume he is unregistered dealer.

Solution:

	₹
Purchase price	7,60,000
Add: CGST @ 9%	68,400
Add: SGST @ 9%	68,400
Total	8,96,800

Input tax credit of CGST & SGST is allowed.

Cost	7,60,000
Add: profit @ 40%	3,04,000
Sale Value	10,64,000
Add: CGST @ 9%	95,760
Add: SGST @ 9%	95,760
Total	12,55,520

Computation of Net Tax

	CGST ₹
Output tax	95,760
Less: ITC Goods – CGST	(68,400)
Net Tax Payable	27,360

	SGST ₹
Output tax	95,760
Less: ITC Goods – SGST	(68,400)
Net Tax Payable	27,360

b) If he is an unregistered dealer.

	₹
Cost	8,96,800
Add: profit @ 40%	3,58,720
Total	12,55,520

Illustration 9: Mr. X is dealer registered in GST and has submitted information as given below:

Goods A purchased for ₹ 3,00,000 + CGST @ 9% and SGST @ 9% and sold the goods at a profit of 40% on cost and charged CGST @ 9% and SGST @ 9%.

Goods B purchased ₹ 5,00,000 + CGST @ 14% + SGST @ 14% and sold goods at a profit of ₹ 3,00,000 charged CGST @ 14% + SGST @ 14%.

Goods C purchased ₹7,00,000 + CGST @ 6% + SGST @ 6% and sold goods at a profit of 40% on sale and charged CGST @ 6% + SGST @ 6%.

Compute Input Tax Credit /Output Tax / Net Tax.

Solution:**Computation of Net Tax Liability of Mr. X**

	₹
Goods A	3,00,000
Add: CGST @ 9%	27,000
Add: SGST @ 9%	27,000
Total	3,54,000
Input tax credit	
CGST	27,000
SGST	27,000
Cost of Goods A	3,00,000
Add: Profit @ 40%	1,20,000
Transaction Value	4,20,000
Add: Output CGST @ 9%	37,800
Add: Output SGST @ 9%	37,800
Total Sale	4,95,600
Goods B	5,00,000
Add: CGST @ 14%	70,000
Add: SGST @ 14%	70,000
Total	6,40,000
Input tax credit	
CGST @ 14%	70,000
SGST @ 14%	70,000
Cost of Goods B	5,00,000
Add: Profit	3,00,000
Transaction Value	8,00,000
Add: Output CGST @ 14%	1,12,000
Add: Output SGST @ 14%	1,12,000
Total Sale	10,24,000
Goods C	7,00,000
Add: CGST @ 6%	42,000
Add: SGST @ 6%	42,000
Total	7,84,000
Input tax credit	
CGST @ 6%	42,000
SGST @ 6%	42,000

Cost of Goods C	7,00,000.00
Add: Profit @ 40% on sale $(7,00,000/60 \times 40)$	4,66,666.67
Transaction Value	11,66,666.67
Add: Output CGST @ 6%	70,000.00
Add: Output SGST @ 6%	70,000.00
Total Sale	13,06,666.67

Computation of Net Tax

	CGST ₹
Output Tax	
Goods A	37,800
Goods B	1,12,000
Goods C	70,000
	2,19,800
Less: ITC – GOODS A – CGST	(27,000)
Less: ITC – GOODS B – CGST	(70,000)
Less: ITC – GOODS C – CGST	(42,000)
Net Tax	80,800
	SGST ₹
Output Tax	
Goods A	37,800
Goods B	1,12,000
Goods C	70,000
	2,19,800
Less: ITC – GOODS A – SGST	(27,000)
Less: ITC – GOODS B – SGST	(70,000)
Less: ITC – GOODS C – SGST	(42,000)
Net Tax	80,800

INTER STATE SUPPLY

(IGST Act)

Illustration 10

Mr. X is a dealer registered in GST and he has purchased goods from Haryana for ₹10,00,000 plus IGST @ 12% and goods were sold in Delhi at a profit of ₹1,00,000 and charged CGST @ 6% and SGST @ 6%. In this case sale value and tax charged shall be as given below:

	₹
Purchase price	10,00,000
Add: IGST @ 12%	1,20,000
Total	11,20,000

Input tax credit of IGST is allowed of ₹ 1,20,000.

Cost	10,00,000
Add: profit	1,00,000
Sale Value	11,00,000
Add: CGST @ 6%	66,000
Add: SGST @ 6%	66,000
Sale value inclusive of tax	12,32,000

Computation of Net Tax

	CGST ₹
Output tax	66,000
Less: ITC Raw Material-IGST	(66,000)
Net Tax Payable	Nil

	SGST ₹
Output tax	66,000
Less: ITC Raw Material-IGST	(54,000)
Net Tax Payable	12,000

There is no multiple taxation and no cascading effect (Tax on Tax).

Illustration 11: Mr. X is a registered dealer in GST Act in Delhi and has submitted information as given below:

- Purchased goods 'A' from Haryana ₹6,00,000 IGST @ 20% and sold the goods in Delhi at a profit of 20% on purchase price plus CGST @ 10% plus SGST @ 10%.

- Purchased goods 'B' from Delhi ₹5,00,000 and CGST @ 10% plus SGST @ 10% and sold goods at a profit of 30% of cost price + CGST @ 10% plus SGST @ 10%.

- Purchased goods 'C' from Delhi ₹7,00,000 plus CGST @ 10% plus SGST @ 10% and the goods were sold in inter-state sale in UP and charged IGST @ 20% and the dealer has taken profit of 40% on cost.

Discuss tax treatment and Compute Net Tax Payable.

Solution:**Goods 'A'**

	6,00,000
Add: IGST @ 20%	1,20,000
	7,20,000
Input Tax Credit - IGST	1,20,000
	6,00,000
Add: Profit @ 20%	1,20,000
	7,20,000

Add: CGST @ 10%	72,000
Add: SGST @ 10%	72,000

Goods 'B'

	5,00,000
Add: CGST @ 10%	50,000
Add: SGST @ 10%	50,000
Input Tax Credit	
CGST	50,000
SGST	50,000
	5,00,000
Add: Profit @ 30%	1,50,000
	6,50,000
Add: CGST @ 10%	65,000
Add: SGST @ 10%	65,000

Goods 'C'

	7,00,000
Add: CGST @ 10%	70,000
Add: SGST @ 10%	70,000
Input Tax Credit	
CGST	70,000
SGST	70,000
	7,00,000
Add: Profit @ 40%	2,80,000
	9,80,000
Add: IGST @ 20%	1,96,000

Computation of Net Tax

Particulars	IGST ₹
Output Tax	
Goods C	1,96,000
Less: ITC Raw Material A – IGST	(1,20,000)
Net Tax Payable	76,000

Computation of Net Tax

Particulars	CGST ₹
Output Tax	
Goods A	72,000
Goods B	65,000
Total	1,37,000
Less: ITC Raw Material B – CGST	(50,000)
Less: ITC Raw Material C – CGST	(70,000)
Net Tax Payable	17,000

Computation of Net Tax

Particulars	SGST ₹
Output Tax	
Goods A	72,000
Goods B	65,000
Total	1,37,000
Less: ITC Raw Material B - SGST	(50,000)
Less: ITC Raw Material C – SGST	(70,000)
Net Tax Payable	17,000

Illustration 12: ABC Ltd is engaged in manufacturing and registered under GST Act and the company has submitted information as given below:

Purchased raw material 'A' from some other state ₹1,00,000 + IGST @ 15%.

Purchased raw material 'B' from Delhi ₹3,00,000 + CGST @ 10% + SGST @ 10%

Processing charges 4,00,000. Taken services of production engineer and paid ₹3,00,000 + CGST @ 7.5% + SGST @ 7.5%. Profit ₹5,00,000 and entire product was sold and charged output tax CGST @ 10% + SGST @ 10% . Compute Net Tax Payable.

Solution: Raw Material 'A'

Transaction Value	₹ 1,00,000.00
Add: IGST @ 15%	15,000.00
	1,15,000.00

Raw Material 'B'

Transaction Value	3,00,000.00
Add: CGST @ 10%	30,000.00
Add: SGST @ 10%	30,000.00
	3,60,000.00

Services

Add: CGST @ 7.5%	3,00,000.00
Add: SGST @ 7.5%	22,500.00
	22,500.00
	3,45,000.00

Cost of finished product

Raw Material A	1,00,000.00
Raw Material B	3,00,000.00
Services	3,00,000.00
Processing	4,00,000.00
Cost	11,00,000.00
Add: Profit	5,00,000.00
Transaction value	16,00,000.00
Add: CGST @ 10%	1,60,000.00
Add: SGST @ 10%	1,60,000.00
	19,20,000.00

Computation of Net Tax

Particulars	CGST ₹
Output Tax	1,60,000
Less : ITC Raw Material A - IGST	(15,000)
Less: ITC Raw Material B – CGST	(30,000)
Less: ITC Services – CGST	(22,500)
Tax Payable	92,500

Computation of Net Tax

Particulars	SGST ₹
Output Tax	1,60,000
Less: ITC Raw Material B – SGST	(30,000)
Less: ITC Services – SGST	(22,500)
Tax Payable	1,07,500

Illustration 13: ABC Ltd. is registered under GST Act and has submitted information as given below.

- Purchased raw material 'A' ₹2,00,000 + CGST @ 10% + SGST @ 10%

- Purchased raw material 'B' ₹3,10,000 + IGST @ 20%

- Services of a production engineer were taken and paid ₹2,00,000 + CGST @ 10% + SGST @ 10%
 - Processing charges 4,00,000
 - Profit 20% of cost.
 - Sold entire product in UP under interstate sale and output IGST @ 20%
- Show the tax treatment and compute ITC / Output tax/ Net tax

Solution:

₹

Raw Material 'A'

	2,00,000
Add: CGST @ 10%	20,000
Add: SGST @ 10%	20,000
	2,40,000

Input Tax Credit

CGST	20,000
SGST	20,000
Cost of Raw Material	2,00,000

Raw Material 'B'

	3,10,000
Add: IGST @ 20%	62,000
	3,72,000

Input Tax Credit

IGST	62,000
Cost of Raw Material	3,10,000

Services

	2,00,000
Add: CGST @ 10%	20,000
Add: SGST @ 10%	20,000
	2,40,000

Input Tax Credit

CGST	20,000
SGST	20,000
Cost of Service	2,00,000

Cost of Finished Product

Raw Material 'A'	2,00,000
Raw Material 'B'	3,10,000
Services	2,00,000
Processing Cost	4,00,000
	11,10,000
Profit (11,10,000 x 20%)	2,22,000
	13,32,000
Add: IGST @ 20%	2,66,400
	15,98,400

Computation of Net Tax Payable

Particulars	IGST
Output Tax	2,66,400
Less: ITC Raw Material B – IGST	(62,000)
Less: ITC Raw Material A - CGST	(20,000)
Less: ITC Services - CGST	(20,000)
Less: ITC Raw Material A – SGST	(20,000)
Less: ITC Services - SGST	(20,000)
Net Tax Payable	1,24,400

Illustration 14: Mr. X is registered in GST and he is a manufacturer and he has purchased raw material R1 for ₹2,50,000 and has paid CGST @ 10% plus SGST @ 10%.

He purchased raw material R2 for ₹3,20,000 and paid IGST @ 20% and raw material was purchased from other state.

He has purchased raw material R3 for ₹5,50,000 and has paid CGST @ 10% plus SGST @ 10%. Processing charges ₹4,00,000 plus profit ₹70,000.

The manufacturer has taken input services in connection with manufacturing of the product and has paid ₹5,00,000 plus CGST @ 10% plus SGST @ 10%.

Final product was sold and charged CGST @ 10% plus SGST @ 10%.

Show the working for GST and also show the working for payment of tax at the time of sale of final product.

Solution:

₹

Raw material – R1

Transaction value	2,50,000
Add: CGST @ 10%	25,000
Add: SGST @ 10%	25,000
Total	3,00,000
Input Tax Credit	
CGST	25,000
SGST	25,000
	2,50,000

Raw material – R2

Transaction value	3,20,000
Add: IGST @ 20%	64,000
Total	3,84,000
Input Tax Credit	
IGST	64,000
	3,20,000

Raw material – R3

Transaction value	5,50,000
Add: CGST @ 10%	55,000
Add: SGST @ 10%	55,000
Total	6,60,000
Input Tax Credit	
CGST	55,000
SGST	55,000
	5,50,000

Service

	5,00,000
Add: CGST @ 10%	50,000
Add: SGST @ 10%	50,000
Total	6,00,000
Input Tax Credit	
CGST	50,000
SGST	50,000

Cost of Final Product

Raw material - R1	2,50,000.00
-------------------	-------------

Raw material - R2	3,20,000.00
Raw material - R3	5,50,000.00
Processing charges	4,00,000.00
Payment for services	5,00,000.00
Profit	70,000.00
Transaction value	20,90,000.00
Add: CGST @ 10%	2,09,000.00
Add: SGST @ 10%	2,09,000.00
Total	25,08,000.00

Computation of Net Tax

	CGST ₹
Output tax	2,09,000.00
Less:	
ITC Raw material – R2 – IGST	(64,000.00)
ITC Raw material – R1 – CGST	(25,000.00)
ITC Raw material – R3 – CGST	(55,000.00)
ITC Services – CGST	(50,000.00)
Net tax payable	15,000.00

Computation of Net Tax

	SGST ₹
Output tax	2,09,000.00
Less:	
ITC Raw material – R1 – SGST	(25,000.00)
ITC Raw material – R3 – SGST	(55,000.00)
ITC Services – SGST	(50,000.00)
Net tax payable	79,000.00

Illustration 15: ABC Limited is a manufacturing concern and the company has submitted the particulars as given below:-

Purchased raw material, R1: ₹2,00,000 (+) CGST @10% (+) SGST @10%

Purchased raw material, R2: ₹3,00,000 (+) IGST @ 20%

The company purchased plant and machinery for ₹10 Lakhs and paid CGST @10% plus SGST @ 10%.

Life of the plant and machinery is 5 years and depreciation is allowed @ 20% on SLM.

The company has taken certain services in connection with manufacturing of goods and has paid ₹3,00,000 plus CGST @10% plus SGST @ 10%. Other processing expenditure incurred by the company is ₹5,00,000 and profit is ₹8,00,000. Final product was sold by the company and output CGST @10% plus SGST @ 10%. Company is registered under GST ACT. Compute Net Tax Payable.

Solution:

₹

Raw material –R1

Purchase price	2,00,000.00
Add: CGST @ 10%	20,000.00
Add: SGST @ 10%	20,000.00
	2,40,000.00

Raw material –R2

Purchase price	3,00,000.00
Add: IGST @ 20%	60,000.00
	3,60,000.00

Capital goods

Purchase price	10,00,000.00
Add: CGST @10%	1,00,000.00
Add: SGST @10%	1,00,000.00
	12,00,000.00

Services

	3,00,000.00
Add: CGST @10%	30,000.00
Add: SGST @10%	30,000.00
	3,60,000.00

Cost of final product

Raw material –R1	2,00,000.00
Raw material –R2	3,00,000.00
Depreciation on Capital goods (10,00,000 @ 20%)	2,00,000.00
Services	3,00,000.00
Other processing charges	5,00,000.00
Profit	8,00,000.00
Transaction Value	23,00,000.00
Add: CGST @10%	2,30,000.00
Add: SGST @10%	2,30,000.00
	27,60,000.00

Computation of Net Tax Payable

	CGST ₹
Output Tax	2,30,000
Less:	
ITC Raw Material 2 - IGST	(60,000)
ITC Raw material – R1 – CGST	(20,000)
ITC Plant and machinery – CGST	(1,00,000)
ITC Tax on Input Services – CGST	(30,000)
Net tax payable	20,000

Computation of Net Tax Payable

	SGST ₹
Output Tax	2,30,000
Less:	
ITC Raw material – R1 – SGST	(20,000)
ITC Plant and machinery – SGST	(1,00,000)
ITC Services – SGST	(30,000)
Net tax payable	80,000

Assessee has the option to adjust ITC of IGST either from output CGST or from output SGST

Illustration 16: ABC Ltd. is registered under GST Act and has submitted information as given below:

Purchased raw material for ₹4,00,000 plus CGST @10% and SGST @10% and company purchased plant and machinery for ₹10,00,000 plus CGST @10% and SGST @10%. Life of plant and machinery is 5 years and depreciation is allowed @ 20% on SLM basis. Processing charges ₹2,00,000 and profit ₹5,00,000. All the goods were sold and charged CGST @10% and SGST @10%.

Show the tax treatment and Compute Net Tax Payable.

Solution:

₹

Raw Material

Cost of Raw Material	4,00,000
Add: CGST @10%	40,000
Add: SGST @10%	40,000
	4,80,000

Input Tax Credit	
CGST	40,000
SGST	40,000
Cost of Raw Material	4,00,000

Plant and Machinery

Plant and Machinery	10,00,000
Add: CGST @10%	1,00,000
Add: SGST @10%	1,00,000
Total	12,00,000
Input Tax Credit	
CGST	1,00,000
SGST	1,00,000

Cost of finished product

Raw Material	4,00,000
Depreciation on capital goods (20% of 10,00,000)	2,00,000
Processing	2,00,000
Profit	5,00,000
Transaction value	13,00,000
Add: CGST @ 10%	1,30,000
Add: SGST @ 10%	1,30,000
	15,60,000

Computation of Net Tax Payable

	CGST ₹
Output Tax	1,30,000.00
Less:	
ITC Raw Material – CGST	(40,000.00)
ITC Plant & Machinery – CGST	(90,000.00)
Net Tax Payable	Nil

	SGST ₹
Output Tax	1,30,000.00
Less:	
ITC Raw Material – SGST	(40,000.00)
ITC Plant & Machinery – SGST	(90,000.00)
Net Tax Payable	Nil

Excess tax credit - CGST ₹ 10,000

Excess tax credit - SGST ₹ 10,000

Excess tax credit shall be carried forward or refund can be claimed as per section 54.

As per section 54, Refund shall be allowed if credit has been accumulated on account of rate of tax on inputs is higher than the rate on output supplies. Refund shall be granted within 60 days from the date of application otherwise interest shall be allowed u/s 56 @ 6% per annum for the period after 60 days.

Illustration 17: ABC Ltd. is registered under GST Act and has submitted particulars as given below:-

- Purchased Raw Material 'A' ₹1,00,000 + CGST @10% and SGST @10%
- Purchased Raw Material 'B' ₹2,00,000 + IGST @ 20%.
- Purchased plant and machinery ₹20,00,000 + CGST @10% and SGST @10%.
- Life of plant and machinery is 5 years. Depreciation is allowed on SLM basis.
- Service taken ₹3,00,000 + CGST @10% and SGST @10%.
- Processing charges 4,00,000
- Profit 5,00,000

All the goods were sold CGST @10% and SGST @10%

Show tax treatment and compute net tax payable.

Solution:

Raw Material 'A'

Cost of Raw Material 'A'	1,00,000
Add: CGST @10%	10,000
Add: SGST @10%	10,000
	1,20,000

Input Tax Credit

CGST	10,000
SGST	10,000
Cost of Raw Material	1,00,000

Raw Material 'B'

Cost of Raw Material 'B'	2,00,000
Add: IGST @ 20%	40,000
	2,40,000

Input Tax Credit

IGST	40,000
Cost of Raw Material	2,00,000

Plant and Machinery

Plant and Machinery	20,00,000
Add: CGST @10%	2,00,000
Add: SGST @10%	2,00,000
	24,00,000

Input Tax Credit

CGST	2,00,000
SGST	2,00,000
Cost of Assets	20,00,000

Services

Services	3,00,000
Add: CGST @10%	30,000
Add: SGST @10%	30,000
	3,60,000

Input Tax Credit

CGST	30,000
SGST	30,000
Cost of service	3,00,000

Cost of finished product

Raw Material	A	1,00,000
Raw Material	B	2,00,000
Depreciation on capital goods (20% of 20,00,000)		4,00,000
Services		3,00,000
Processing		4,00,000
Profit		5,00,000
Transaction value		19,00,000
Add: CGST @10%		1,90,000
Add: SGST @10%		1,90,000

Computation of Net Tax Payable

	CGST ₹
Output Tax	1,90,000
Less:	
ITC Raw Material 'B' – IGST	(40,000)
ITC Raw Material 'A' – CGST	(10,000)
ITC Plant & Machinery – CGST	(1,40,000)
Net Tax Payable	Nil

	SGST ₹
Output Tax	1,90,000
Less:	
ITC Raw Material 'A' – SGST	(10,000)
ITC Plant & Machinery - SGST	(1,80,000)
Net Tax Payable	Nil

Excess tax credit - CGST ₹ 90,000

Excess tax credit - SGST ₹ 50,000

Excess tax credit shall be carried forward or refund can be claimed as per section 54.

Illustration 18: ABC Limited is a manufacturing concern and the company has submitted the particulars as given below:-

Purchased raw material, R1: ₹2,00,000 plus CGST @10% and SGST @10%

Purchased raw material, R2: ₹3,00,000 plus IGST @ 20%

The company purchased plant and machinery for ₹10 Lakhs and paid IGST @10%.

Life of the plant and machinery is 5 years and depreciation is allowed @ 20% on SLM.

The company has taken certain services in connection with manufacturing of goods and has paid ₹3,00,000 plus CGST @ 9% and SGST @ 9%

Other processing expenditure incurred by the company is ₹5,00,000 and profit is ₹3,00,000.

Final product was sold by the company and output CGST @10% and SGST @10% .

Company is registered under GST and Compute Output tax / Net tax .

Solution:**Raw material –R1**

Purchase price	2,00,000.00
Add: CGST @10%	20,000.00
Add: SGST @10%	20,000.00
	2,40,000.00

Input Tax Credit

CGST	20,000.00
SGST	20,000.00
Cost of Raw Material	2,00,000.00

Raw material –R2

Purchase price	3,00,000.00
Add: IGST @ 20%	60,000.00
	3,60,000.00

Input Tax Credit

IGST	60,000.00
Cost of Raw Material	3,00,000.00

Plant & Machinery

Purchase price	10,00,000.00
----------------	--------------

Add: IGST @ 10%	1,00,000.00
	11,00,000.00
Input Tax Credit	
IGST	1,00,000.00
Cost of Asset	10,00,000.00
Services	3,00,000.00
Add: CGST @ 9%	27,000.00
Add: SGST @ 9%	27,000.00
	3,54,000.00
Input Tax Credit	
CGST	27,000.00
SGST	27,000.00
Cost of service	3,00,000.00
Cost of final product	
Raw material –R1	2,00,000.00
Raw material –R2	3,00,000.00
Depreciation on Capital goods (10,00,000 @ 20%)	2,00,000.00
Services	3,00,000.00
Other processing charges	5,00,000.00
Profit	3,00,000.00
Transaction Value	18,00,000.00
Add: CGST @ 10%	1,80,000.00
Add: SGST @ 10%	1,80,000.00
	21,60,000.00

Computation of Net Tax Payable

	CGST ₹
Output Tax	1,80,000.00
Less:	
ITC Raw material – R2 –IGST	(60,000.00)
ITC Plant and machinery – IGST	(73,000.00)
ITC Raw material – R1 – CGST	(20,000.00)
ITC – Services – CGST	(27,000.00)
Net tax payable	Nil

	SGST ₹
Output Tax	1,80,000.00
Less:	
ITC Plant and machinery – IGST	(27,000.00)
ITC Raw material – R1 –SGST	(20,000.00)
ITC Services – SGST	(27,000.00)
Net tax payable	1,06,000.00

Assessee has the option to adjust ITC of IGST either from output CGST or from output SGST

Illustration 19:

Mr. X is a dealer registered under GST. He has submitted the information given below:

1. Purchased goods A for ₹10,00,000 + IGST @ 20% and sold these goods for ₹12,00,000 + CGST @ 10% + SGST @ 10%.
2. Purchased goods B for ₹8,00,000 + CGST @ 10% + SGST @ 10% and sold these goods for ₹6,00,000 + IGST @ 20%.
3. Purchased goods C for ₹8,00,000 + CGST @ 10% + SGST @ 10% and sold these goods for ₹9,00,000 + CGST @10% + SGST @10%.

Compute Net Tax payable by Mr. X.

Solution:

	₹
<u>Goods A</u>	
Cost	10,00,000
Add: IGST @20%	2,00,000
 Input Tax Credit	
IGST	2,00,000
 Sale	12,00,000
Add: CGST @10%	1,20,000
Add: SGST @10%	1,20,000
Total	14,40,000
 <u>Goods B</u>	
Cost	8,00,000
Add: CGST @10%	80,000
Add: SGST @10%	80,000
Total	9,60,000
 Input Tax Credit	
CGST	80,000
SGST	80,000
 Sale	6,00,000
Add: IGST @20%	1,20,000
Total	7,20,000
 <u>Goods C</u>	
Cost	8,00,000
Add: CGST @10%	80,000
Add: SGST @10%	80,000
Total	9,60,000
 Input Tax Credit	
CGST	80,000
SGST	80,000
Sale	9,00,000
Add: CGST @10%	90,000
Add: SGST @10%	90,000
Total	10,80,000

Computation of Net Tax Payable

	IGST ₹
Output Tax	1,20,000
Less:	
ITC Goods A – IGST	(1,20,000)
 Net Tax Payable	 Nil

Excess credit of IGST of ₹80,000 can be adjusted either from CGST/SGST. We are adjusting ₹50,000 from CGST and remaining ₹30,000 from SGST. (Even reverse is possible.)

	CGST ₹
Output Tax (1,20,000+90,000)	2,10,000
Less:	

ITC Goods A – IGST	(50,000)
ITC Goods B – CGST	(80,000)
ITC Goods C – CGST	(80,000)
Net Tax Payable	Nil

	SGST ₹
Output Tax (1,20,000+90,000)	2,10,000
Less:	
ITC Goods A – IGST	(30,000)
ITC Goods B – SGST	(80,000)
ITC Goods C – SGST	(80,000)
Net Tax Payable	20,000

Illustration 20:

Mr. X is a dealer registered under GST. He has submitted the information given below:

1. Purchased goods A for ₹10,00,000 + IGST @ 20% and sold these goods for ₹8,00,000 + CGST @ 10% + SGST @ 10%.
2. Purchased goods B for ₹8,00,000 + CGST @ 10% + SGST @ 10% and sold these goods for ₹18,00,000 + IGST @ 20%.
3. Purchased goods C for ₹8,00,000 + CGST @ 10% + SGST @ 10% and sold these goods for ₹6,00,000 + CGST @ 10% + SGST @ 10%.

Compute Net Tax payable by Mr. X.

Solution:

Goods A

Cost	10,00,000
Add: IGST @20%	2,00,000
Input Tax Credit	
IGST	2,00,000
Sale	8,00,000
Add: CGST @10%	80,000
Add: SGST @10%	80,000
Total	9,60,000

Goods B

Cost	8,00,000
Add: CGST @10%	80,000
Add: SGST @10%	80,000
Total	9,60,000
Input Tax Credit	
CGST	80,000
SGST	80,000

Sale	18,00,000
Add: IGST @20%	3,60,000
Total	21,60,000

Goods C

Cost	8,00,000
Add: CGST @10%	80,000

Add: SGST @10%	80,000
Total	9,60,000
Input Tax Credit	
CGST	80,000
SGST	80,000
Sale	
Add: CGST @10%	60,000
Add: SGST @10%	60,000
Total	7,20,000

Computation of Net Tax Payable

	IGST ₹
Output Tax	3,60,000
Less:	
ITC Goods A – IGST	(2,00,000)
ITC Goods C – CGST	(20,000)
ITC Goods C – SGST	(20,000)
Net Tax Payable	1,20,000

	CGST ₹
Output Tax	1,40,000
Less:	
ITC Goods B – CGST	(80,000)
ITC Goods C – CGST	(60,000)
Net Tax Payable	Nil

Excess credit of CGST of ₹20,000 can be adjusted from IGST.

	SGST ₹
Output Tax	1,40,000
Less:	
ITC Goods B – SGST	(80,000)
ITC Goods C – SGST	(60,000)
Net Tax Payable	Nil

Excess credit of SGST of ₹20,000 can be adjusted from IGST.

Illustration 21:

Mr. X is a dealer registered under GST. He has purchased goods A for ₹10,00,000 + CGST@ 10% + SGST @10% and sold 50% of these goods for ₹6,00,000 + IGST @20%. Compute Net Tax payable by Mr. X.

Solution:

₹

Goods A

Cost	10,00,000
Add: CGST @10%	1,00,000
Add: SGST @10%	1,00,000

Input Tax Credit

CGST	1,00,000
SGST	1,00,000

Sale	6,00,000
Add: IGST @20%	1,20,000

Total 7,20,000

Computation of Net Tax Payable

	IGST ₹
Output Tax	1,20,000
Less:	
ITC Goods A – IGST	Nil
ITC Goods C – CGST	(1,00,000)
ITC Goods C – SGST	(20,000)
Net Tax Payable	Nil

Excess credit of SGST ₹80,000 shall be carried forward.

Illustration 22: Mr. X, a supplier of goods, pays GST under regular scheme. Mr. X is not eligible for any threshold exemption. He has made the following outward taxable supplies in a tax period:

Particulars	(₹)
Intra-State supply of goods	8,00,000
Inter-State supply of goods	3,00,000
He has also furnished the following information in respect of purchases made by him in that tax period:	
Particulars	(₹)
Intra-State Purchase of goods	3,00,000
Inter-State Purchase of goods	50,000

Mr. X has following ITCs with him at the beginning of the tax period:

Particulars	(₹)
CGST	30,000
SGST	30,000
IGST	70,000

Note:

- (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. X during the tax period. Make suitable assumptions as required.

Solution:

Computation of GST payable by Mr. X on outward supplies

S.No.	Particulars	(₹)	GST (₹)
(i)	Intra-State supply of goods		
	CGST @ 9% on ₹8,00,000	72,000	
	SGST @ 9% on ₹8,00,000	72,000	1,44,000
(ii)	Inter-State supply of goods IGST @ 18% on ₹3,00,000		54,000
	Total GST payable		1,98,000

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	30,000	30,000	70,000
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 ₹50,000	Nil	Nil	9,000
Total ITC	57,000	57,000	79,000

Computation of Tax payable from cash ledger

Particulars	IGST (₹)
IGST payable	54,000
Less: ITC of IGST	(54,000)

Net IGST payable

Nil

Balance credit of IGST can be adjusted either from CGST/SGST. In the given case, we have adjusted 15,000 from CGST and balance from SGST

Particulars	CGST (₹)
CGST payable	72,000
Less: ITC of IGST	(15,000)
Less: ITC of CGST	(57,000)
Net CGST payable	Nil

Particulars	SGST (₹)
SGST payable	72,000
Less: ITC of IGST	(10,000)
Less: ITC of SGST	(57,000)
Net SGST payable	5,000

MULTIPLE CHOICE QUESTIONS

1. GST is

- (a) Direct Tax (b) Indirect Tax (c) both (a) & (b) (d) None of the above

2. GST is

- (a) Progressive in nature (b) Regressive in nature (c) both (a) & (b) (d) None of the above

3. GST shall be rounded off in the multiple of

- (a) ₹100 (b) ₹10 (c) ₹1 (d) ₹1000

4. In case of Inter-State Supply of service/Goods

- (a) only IGST shall be charged (b) only CGST shall be charged
(c) only SGST shall be charged (d) Both CGST and SGST shall be charged.

5. In case of Intra-State Supply of service/Goods

- (a) only IGST shall be charged (b) only CGST shall be charged
(c) only SGST shall be charged (d) Both CGST and SGST shall be charged.

6. Mr. X is a dealer registered in GST and has purchased goods for ₹7,60,000 and paid CGST @ 9% & SGST @ 9% and sold the goods at a profit of 40% on cost and charged output CGST @ 9% and Output SGST @ 9%. Tax Payable shall be

- (a) CGST – ₹27,360 & SGST - ₹27,360
(b) CGST – ₹27,360 & SGST - Nil
(c) CGST – Nil & SGST - ₹27,360
(d) CGST – Nil & SGST - Nil
(e) CGST – ₹95,760 & SGST - ₹95,760

7. Mr. X is not registered in GST and has purchased goods for ₹7,60,000 + CGST @ 9% and SGST @ 9% and sold the goods at a profit of 40% on cost. Tax Payable shall be

- (a) CGST – ₹27,360 & SGST - ₹27,360
(b) CGST – ₹27,360 & SGST - Nil
(c) CGST – Nil & SGST - ₹27,360
(d) CGST – Nil & SGST - Nil
(e) CGST – ₹95,760 & SGST - ₹95,760

8. Mr. X is a dealer registered in GST and has purchased goods from other State ₹10,00,000 and paid IGST @ 12% and sold the goods at a profit of ₹1,00,000 and charged output CGST @ 6% and Output SGST @ 6%. Tax Payable shall be

- (a) CGST – ₹66,000 & SGST - ₹66,000
(b) CGST – ₹12,000 & SGST - ₹12,000
(c) CGST – Nil & SGST - ₹12,000
(d) CGST – Nil & SGST - Nil
(e) IGST – ₹1,20,000

9. Mr. X is a dealer registered in GST and has purchased goods from other State ₹5,00,000 and paid IGST @ 10% and sold the goods at a profit of ₹2,00,000 and charged output CGST @ 5% and Output SGST @ 5%. Tax Payable shall be

- (a) CGST – ₹35,000 & SGST - ₹35,000
(b) CGST – ₹20,000 & SGST - ₹20,000
(c) CGST – Nil & SGST - ₹20,000
(d) CGST – Nil & SGST - Nil
(e) IGST – ₹50,000

10. Mr. X is a dealer registered in GST and has purchased goods of ₹5,00,000 and paid CGST @ 5% and SGST @ 5% and sold the goods at a profit of ₹2,00,000 and charged output CGST @ 5% and Output SGST @ 5%. Tax Payable shall be

- (a) CGST – ₹35,000 & SGST - ₹35,000
(b) CGST – ₹10,000 & SGST - ₹10,000
(c) CGST – Nil & SGST - ₹20,000
(d) CGST – Nil & SGST - Nil
(e) CGST – ₹20,000 & SGST - Nil

11. Which of the following statement is correct

- (a) ITC of CGST can be adjusted from output SGST
- (b) ITC of SGST can be adjusted from output CGST
- (c) ITC of IGST can be adjusted from output CGST
- (d) ITC of CGST can be adjusted from output IGST
- (e) (c) & (d)
- (f) (a) & (d)
- (g) none of these

12. Which of the following statement is correct

- (a) In case of purchase of capital goods, ITC is not allowed
- (b) In case of purchase of capital goods, ITC is allowed
- (c) In case of purchase of capital goods, ITC is allowed but depreciation on GST portion is not allowed
- (d) In case of purchase of capital goods, ITC is allowed and also depreciation on GST portion is allowed
- (e) (a) & (b)

13. Which of the following statement is correct

- (a) In case of purchase of goods from other states, IGST is payable but ITC not allowed
- (b) In case of purchase of goods from other states, IGST is payable and also ITC is allowed
- (c) In case of purchase of goods from other states, CGST is payable and also ITC is allowed
- (d) In case of purchase of goods from other states, CGST is payable and ITC is not allowed
- (e) none of these

14. Which of the following statement is correct

- (a) GST is payable on supply of goods but not on supply of services
- (b) GST is payable on supply of services but not on supply of goods
- (c) GST is not payable on supply of goods or services
- (d) GST is payable on supply of both goods as well as services
- (e) none of these

15. Which of the following statement is not correct

- (a) GST is a single stage tax
- (b) GST is a multi stage tax
- (c) GST has cascading effect
- (d) (a) & (b)
- (e) (b) & (c)
- (f) (a) & (c)

Answer:

1. (b); 2. (b); 3. (c); 4 (a); 5. (d); 6. (a); 7. (d); 8. (c) ; 9. (c) ; 10. (b); 11. (e); 12. (c); 13. (b); 14. (d); 15. (f)

Hint Answer MCQ 6:**Purchase of Goods**

Purchase Value	₹ 7,60,000
Add: CGST@ 9%	68,400
Add: SGST@ 9%	68,400
Input Tax Credit	
CGST	68,400
SGST	68,400

Sale of Goods

Cost of goods	7,60,000
Add: Profit (7,60,000 x 40%)	3,04,000
Transaction Value	10,64,000
Add: CGST @ 9%	95,760

Add: SGST @ 9%	95,760
Total Sale Value	12,55,520

Computation of Net Tax Payable

	CGST ₹
Output Tax	95,760
Less:	
ITC – CGST	(68,400)
Net Tax Payable	27,360

	SGST ₹
Output Tax	95,760
Less:	
ITC – SGST	(68,400)
Net Tax Payable	27,360

Hint Answer to MCQ 7

Purchase of Goods

	₹
Purchase Value	7,60,000
Add: CGST@ 9%	68,400
Add: SGST@ 9%	68,400

Input Tax Credit	
CGST	Nil
SGST	Nil

Sale of Goods

Cost of goods	8,96,800
Add: Profit (8,96,800 x 40%)	3,58,720
Total Sale Value	12,55,520

Since Dealer is not Register in GST, he will not be entitle to get GST Credit and would form part of Cost
Further, no GST would be charged during sale

Hint Answer to MCQ 8

Purchase of Goods

	₹
Purchase Value	10,00,000
Add: IGST @ 12%	1,20,000

Input Tax Credit	
IGST	1,20,000

Sale of Goods

Cost of goods	10,00,000
Add: Profit	1,00,000
Transaction Value	11,00,000
Add: CGST @ 6%	66,000
Add: SGST @ 6%	66,000
Total Sale Value	13,05,920

Computation of Net Tax Payable

	CGST ₹
Output Tax	66,000
Less:	
ITC – IGST	(66,000)

Net Tax Payable	Nil
	SGST ₹
Output Tax	66,000
Less:	
ITC – IGST	(54,000)
Net Tax Payable	12000

Hint Answer to MCQ 9

Purchase of Goods

	₹
Purchase Value	5,00,000
Add: IGST @ 10%	50,000
Input Tax Credit	
IGST	50,000

Sale of Goods

Cost of goods	5,00,000
Add: Profit	2,00,000
Transaction Value	7,00,000
Add: CGST @ 5%	35,000
Add: SGST @ 5%	35,000
Total Sale Value	7,70,000

	CGST ₹
Output Tax	35,000
Less:	
ITC – IGST	(35,000)
Net Tax Payable	Nil

	SGST ₹
Output Tax	35,000
Less:	
ITC – IGST	(15,000)
Net Tax Payable	20,000

Hint Answer MCQ 10:

Purchase of Goods

	₹
Purchase Value	5,00,000
Add: CGST@ 5%	25,000
Add: SGST@ 5%	25,000
Input Tax Credit	
CGST	25,000
SGST	25,000

Sale of Goods

Cost of goods	5,00,000
Add: Profit	2,00,000
Transaction Value	7,00,000
Add: CGST @ 5%	35,000
Add: SGST @ 5%	35,000
Total Sale Value	7,70,000

	CGST ₹
Output Tax	35,000

Less:	
ITC – CGST	(25,000)
Net Tax Payable	10,000

	SGST ₹
Output Tax	35,000
Less:	
ITC – SGST	(25,000)
Net Tax Payable	10,000

EXAMINATION QUESTION

NOV 2018

Question 10 (a)**(4 Marks)**

From the following information, compute the Net GST payable for the month of March 2023:

	Output GST	Amount in (₹) Opening ITC as per credit ledger
CGST	2,000	Nil
SGST	15,000	1,000
IGST	24,000	37,000

Solution: Computation of Net GST payable for the month of March 2023

Output tax	₹IGST 24,000
Less: ITC-IGST	(24,000)
Net Tax Liability	Nil

Output tax	₹ CGST 2,000
Less: ITC-IGST	(2,000)
Net Tax Liability	Nil

Output tax	₹SGST 15,000
Less: ITC-IGST	(11,000)
Less: ITC-SGST	(1,000)
Net Tax Liability	3,000

NOV 2018

Question 11(a)**(4 Marks)**

Insight Ltd. is operating in West Bengal. The Tax liability for the month of August, 2022 is as follows:

SL. No.	Tax Liability	West Bengal (₹)
(1)	Output CGST Payable	24,000
(2)	Output SGST Payable	9,000
(3)	Output IGST Payable	3,000
(4)	Input CGST	7,000
(5)	Input SGST	14,000
(6)	Input IGST	12,000

Calculate Tax payable and carry forward for the month of August, 2022.

Solution:**Computation of Net Tax**

Output tax	IGST ₹ 3,000
------------	-----------------

Less: ITC - IGST	(3,000)
Net Tax Payable	Nil
	CGST ₹
Output tax	24,000
Less: ITC - IGST	(9,000)
Less: ITC - CGST	(7,000)
Net Tax Payable	8,000
	SGST ₹
Output tax	9,000
Less: ITC - SGST	(9,000)
Net Tax Payable	Nil
SGST to be carried forward	5,000
IGST to be carried forward	Nil
CGST to be carried forward	Nil

MAY 2018**Question 8 (a)****(6 Marks)**

Mr. Ajay, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 2024:

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 2024:

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 2024.

Solution: Computation of net GST payable by Mr. Ajay for the month of August 2024

	₹
Purchase price	5,00,000
Add: CGST @ 9%	45,000
Add: SGST @ 9%	45,000
Total	5,90,000

Input tax credit of CGST & SGST is allowed.

Output Tax**Inter-state taxable supply of goods**

Sale Value	10,00,000
Add: IGST @ 18%	1,80,000
Total	11,80,000

Intra-state taxable supply of goods

Sale Value	2,00,000
Add: CGST @ 9%	18,000

Add: SGST @ 9%	18,000
Total	2,36,000

Computation of Net Tax

	IGST ₹
Output tax	1,80,000
Less: ITC b/f – IGST	(25,000)
Less: ITC – CGST	(47,000)
Less: ITC – SGST	(57,000)
Net Tax Payable	51,000

	CGST ₹
Output tax	18,000
Less: ITC Goods – CGST	(18,000)
Net Tax Payable	Nil

	SGST ₹
Output tax	18,000
Less: ITC Goods – SGST	(18,000)
Net Tax Payable	Nil

MAY 2018

Question 7 (a)

(6 Marks)

Mr. Nimit, a supplier of goods, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies in the month of August, 2024:-

Intra state supplies of goods ₹6,00,000

Inter state supplies of goods ₹2,00,000

He has also furnished following information in respect of purchases made by him from registered dealers during August, 2024:-

Intra state purchase of goods ₹4,00,000

Inter state purchase of goods ₹50,000

Balance of ITC available at the beginning of the August 2024:-

CGST ₹15,000

SGST ₹35,000

IGST ₹20,000

Note:

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

Compute the net GST payable by Mr. Nimit for the month of August, 2024.

Solution : Computation of net GST payable by Mr. Nimit for the month of August 2024

	₹
Purchase price	4,00,000
Add: CGST @ 9%	36,000
Add: SGST @ 9%	36,000
Total	4,72,000

Input tax credit of CGST & SGST is allowed.

Purchase price	50,000
Add: IGST @ 18%	9,000

Total	59,000
Input tax credit of IGST is allowed.	

Output Tax**Inter-state taxable supply of goods**

Sale Value	2,00,000
Add: IGST @ 18%	36,000
Total	2,36,000

Intra-state taxable supply of goods

Sale Value	6,00,000
Add: CGST @ 9%	54,000
Add: SGST @ 9%	54,000
Total	7,08,000

Computation of Net Tax

	IGST ₹
Output tax	36,000
Less: ITC b/f – IGST	(20,000)
Less: ITC – IGST	(9,000)
Less: ITC – SGST	(7,000)
Net Tax Payable	Nil

	CGST ₹
Output tax	54,000
Less: ITC Goods – CGST	(36,000)
Less: ITC b/f – CGST	(15,000)
Net Tax Payable	3,000

	SGST ₹
Output tax	54,000
Less: ITC Goods – SGST	(36,000)
Less: ITC b/f – SGST	(18,000)
Net Tax Payable	Nil

Excess credit of SGST shall be carried forward $(36,000+35,000-54,000-7000) = 10,000$. Credit of SGST shall not be allowed to be adjusted from CGST.

TIME OF SUPPLY

(SECTION 12 & 13, CGST ACT)

Question 1: Explain Time of Supply of goods under direct charge/normal charge/forward charge.

Answer: Time of supply of goods Section 12 (1) & 12 (2).

Time of supply means the particular date when a registered person shall have the liability to pay GST but GST has to be paid in the subsequent month on the date applicable to such registered person.

The time of supply of goods shall be the earlier of the following dates, namely:—

(a) the date of issue of invoice by the supplier or the last date on which he is required, to issue the invoice with respect to the supply.

e.g. If invoice is issued on 28th July 2024 and goods are delivered on 31st July 2024 and payment is received on 10th August 2024, TOS is 28th July 2024 but if invoice is issued on 01st August 2024, TOS is 31st July 2024.

Illustration 1: ABC Ltd has submitted information as given below:

Delivered goods on 31/07/2024 to Mr. A ₹ 7,00,000 + CGST @ 9% + SGST @ 9% and issued invoice on 03/08/2024 and received payment on 01/09/2024.

Delivered goods to Mr. B on 10/09/2024 and issued invoice on 31/08/2024 ₹ 6,00,000 + CGST @ 9% + SGST @ 9% and received payment on 01/09/2024.

Delivered goods to Mr. C on 10/08/2024 and issued invoice on 01/09/2024 ₹7,00,000 + CGST @ 9% + SGST @ 9% and payment has not been received so far.

Delivered goods to Mr. D on 30/09/2024 and issued invoice on 31/08/2024 ₹12,00,000 + CGST @ 14% + SGST @ 14% and received payment on 16/08/2024.

Determine TOS and tax liability for each month and last date of payment of GST and if each payment was delayed by 10 days compute Interest also.

Solution:

As per section 12, Liability to pay GST shall arise at the time of supply of goods which will be the date of issue of invoice or delivery of goods whichever is earlier.

As per the above,

1. For Goods to Mr. A TOS shall be 31/07/2024
2. For Goods to Mr. B TOS shall be 31/08/2024
3. For Goods to Mr. C TOS shall be 10/08/2024
4. For Goods to Mr. D TOS shall be 31/08/2024

Tax Liability for the Month of July

Goods to Mr. A	₹ 7,00,000.00
Add: CGST @ 9%	63,000.00
Add: SGST @ 9%	63,000.00
	8,26,000.00

Tax shall be payable upto 20th August 2024

Tax Payable – CGST	63,000.00
Tax Payable	63,000.00

Interest @ 18% (₹63,000 x 18% x 10 /365)	310.68
Rounded off u/s 170	311.00

Tax Payable – SGST	63,000.00
---------------------------	-----------

Tax Payable	63,000.00
Interest @ 18% ($\text{₹}63,000 \times 18\% \times 10 / 365$)	310.68
Rounded off u/s 170	311.00

Tax Liability for the Month of August

	₹
Goods to Mr. B	6,00,000.00
Goods to Mr. C	7,00,000.00
Total	13,00,000.00
Add: CGST @ 9%	1,17,000.00
Add: SGST @ 9%	1,17,000.00
	15,34,000.00

Goods to Mr. D	12,00,000.00
Add: CGST @ 14%	1,68,000.00
Add: SGST @ 14%	1,68,000.00
	15,36,000.00

Tax shall be payable upto 20th September 2024

Tax Payable – CGST	2,85,000.00
Tax Payable	2,85,000.00

Interest @ 18% ($\text{₹}2,85,000 \times 18\% \times 10 / 365$)	1,405.48
Rounded off u/s 170	1,405.00

Tax Payable – SGST	2,85,000.00
Tax Payable	2,85,000.00

Interest @ 18% ($\text{₹}2,85,000 \times 18\% \times 10 / 365$)	1,405.48
Rounded off u/s 170	1,405.00

Illustration 2: 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:

- 17.09.2024 Purchase order with advance of ₹50,000 is received for goods worth ₹12 lakh and entry duly made in the seller's books of account
 - 20.10.2024 The machine is assembled, tested at site, and accepted by buyer
 - 23.10.2024 Invoice raised
 - 04.11.2024 Balance payment of ₹11,50,000 received
- Determine the time of supply in the above scenario.

Answer: As per section 12, Liability to pay GST shall arise at the time of supply of goods which will be the date of issue of invoice or delivery of goods whichever is earlier.

In the given case, time of supply of goods is 20.10.2024 which is the date on which the goods were made available to the recipient because invoice issued after the date of delivery of goods.

Question 2: Explain TOS in case of additional consideration.**Answer: TOS in case of Additional consideration Section 12 (6).**

The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value, e.g. Mr. X sold certain goods on credit and because of delay beyond the permitted time, interest of ₹ 10,000 was charged, such additional consideration shall also be considered to be value of supply and TOS shall be the time when such payment is received.

Question 3: Explain TOS in case of supply of voucher of goods.**Answer: Supply of Voucher of Goods Section 12 (4).**

In case of supply of vouchers by a supplier, the time of supply shall be—

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

As per section 2 (118), "voucher" means an instrument where there is an obligation to accept it as consideration for a supply of goods. Further the identities of their potential suppliers including the terms and conditions of use of such instrument may be indicated either on the voucher or some other documents.

Example 1: ABC Limited sells food coupons to a company, which gives these to its employees as part of the agreed perquisites. The coupons can be redeemed for purchase of any item of food /other goods in the outlets. As the supply against which the coupon will be redeemed is not known on the date of the sale of the coupon, the time of supply of the coupon will be the date on which the employee redeems it against food /other goods of his choice.

Example 2: With each purchase of a large pizza during the Christmas week from DOMINOS Pizza, one can buy a voucher for ₹20 which will be redeemable till 5 Jan for a small pizza. As the supply against which the voucher will be redeemed is known on the date of the sale, the time of supply is the date of issue of the voucher.

Question 4: Explain Time of Supply of services under direct charge/normal charge/forward charge.**Answer: Time of supply of services Section 13 (1) & (2).**

The liability to pay tax on services shall arise at the time of supply. Time of supply of services shall be the date of invoice or the date of receiving payment whichever is earlier but if invoice is not issued within 30 days of supply of service, TOS shall be the date of supply of service or the date of payment whichever is earlier, e.g. If services are rendered on 23rd July, 2024 and invoice issued 10th August, 2024 and payment received 20th September, 2024, TOS shall be 10th August 2024 but if invoice is issued on 27th August 2024, TOS shall be 23rd July, 2024.

Illustration 3: Mr. X is a supplier of services. Determine TOS in the following cases.

Case	Date of completion of service	Date of invoice	Date on which payment received	Time of Supply
I	September 5, 2024	September 28, 2024	October 10, 2024	September 28, 2024
II	September 5, 2024	October 03, 2024	September 20, 2024	September 20, 2024
III	September 5, 2024	October 8, 2024	September 25, 2024	September 5, 2024
IV	September 5, 2024	October 8, 2024	Amount received partly on September 3, 2024 and remaining on September 20, 2024	September 3, 2024 and September 5, 2024 for respective amounts

Illustration 4: Mr. X is a supplier of services. Determine TOS in the following cases.

S. No.	Date of completion of service	Date of Invoice	Date on which payment is Received	Time of Supply
1.	16.07.2024	11.08.2024	26.08.2024	11.08.2024
2.	16.07.2024	11.08.2024	01.08.2024	01.08.2024
3.	16.07.2024	11.08.2024	Part payment on 01.08.2024 and remaining on 26.08.2024	01.08.2024 for the part payment and 11.08.2024 for the remaining amount
4.	16.07.2024	11.08.2024	Part payment on 12.07.2024 and remaining on 15.07.2024	12.07.2024 for the part payment and 15.07.2024 for the remaining amount

Illustration 5: Mr. X is a supplier of services. Determine TOS in the following cases.

Determine the Time of Supply.

Date of completion	Date of Invoice	Date of Payment
01.08.2024	20.08.2024	18.08.2024
01.07.2024	20.08.2024	18.08.2024
01.07.2024	20.07.2024	01.05.2024
03.08.2024	31.08.2024	01.09.2024

Solution:

Date of completion	Date of Invoice	Date of Payment	TOS
01.08.2024	20.08.2024	18.08.2024	18.08.2024
01.07.2024	20.08.2024	18.08.2024	01.07.2024
01.07.2024	20.07.2024	01.05.2024	01.05.2024
03.08.2024	31.08.2024	01.09.2024	31.08.2024

Illustration 6: Mr. X is a supplier of services registered in GST and has submitted the information as given below:

1. Rendered services on 01.05.2024 and issued bill on 10.06.2024 for ₹ 6 lakhs and payment was received on 10.12.2024
2. Rendered services on 07.06.2024 and issued bill on 30.06.2024 for ₹ 15 lakhs and payment was received on 07.03.2025.
3. Rendered services on 12.07.2024 and issued bill on 31.08.2024 for ₹ 30 lakhs and payment was received on 07.01.2025.
4. Rendered services on 22.11.2024 and issued bill on 28.12.2024 for ₹ 60 lakhs and payment was received on 18.11.2024.

All the above amounts are exclusive of GST and Rate of CGST is 9% and SGST is 9%.

Determine TOS in each case and also compute the GST Payable for each month and also last date upto which GST should be paid.

Solution:

1. First bill issued after 30 days of rendering of service hence TOS is 01/05/2024 and GST should be paid upto 20th June 2024.
2. Second bill issued within 30 days of rendering of service hence TOS is 30/06/2024 and GST should be paid upto 20th July 2024.
3. Third bill issued after 30 days of rendering of service hence TOS is 12/07/2024 and GST should be paid upto 20th August 2024.
4. Fourth bill issued after 30 days of rendering of service but payment has been received prior to rendering of service hence TOS is 18/11/2024 and GST should be paid upto 20th December 2024.

Tax Liability for the Month of May

First Bill (TOS 01/05/2024)	₹ 6,00,000.00
Add: CGST @ 9%	54,000.00
Add: SGST @ 9%	54,000.00
	7,08,000.00

GST should be paid upto 20th June 2024

Tax Liability for the Month of June

Second Bill (TOS 30/06/2024)	₹ 15,00,000.00
Add: CGST @ 9%	1,35,000.00
Add: SGST @ 9%	1,35,000.00
	17,70,000.00

GST should be paid upto 20th July 2024.

Tax Liability for the Month of July

Third Bill (TOS 12/07/2024)	₹ 30,00,000.00
Add: CGST @ 9%	2,70,000.00
Add: SGST @ 9%	2,70,000.00
	35,40,000.00

GST should be paid upto 20th August 2024

Tax Liability for the Month of November

Fourth Bill (TOS 18/11/2024)	₹ 60,00,000.00
Add: CGST @ 9%	5,40,000.00
Add: SGST @ 9%	5,40,000.00
	70,80,000.00

GST should be paid upto 20th December 2024

Illustration 7: Determine the time of supply from the following particulars:

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

Answer: As per section 31 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, 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 6th 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 15th September which is the date of provision of service.

Question 5: Explain Payments in excess of amount of invoice.

Answer: Payments in excess of amount of invoice

Wherever the supplier of service receives a payment up to ₹1,000 in excess of the amount indicated in the invoice, the time of supply to the extent of such excess amount, at the option of the provider of taxable service, shall be determined on the basis of invoice or completion of service, as the case may be, rather than payment.

Example: A telephone company receives ₹5000 against an invoice of ₹4800. The excess amount of ₹200 can be adjusted against the next invoice. The company has the option to take the date of the next invoice as the time of supply of service in relation to the amount of ₹200 received in excess against the earlier invoice

Question 6: Explain meaning of receiving of payment.

Answer: Meaning of receiving payment

Date of receiving payment shall be date on which the payment is entered in the books of accounts or date on which payment is credited to the bank account of the person liable to pay tax, whichever is earlier. e.g. If payment is entered in the books on 10.07.2024 and it is credited in the bank account on 16.07.2024, date of receiving payment shall be 10.07.2024 but if it was entered in the books of accounts on 20.07.2024, date of receiving payment shall be 16.07.2024.

Question 7: Explain TOS in case of additional consideration.

Answer: TOS in case of Additional consideration Section 13 (6).

The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such

addition in value, e.g. Mr. X has given certain services on credit and because of delay beyond the permitted time, interest of ₹ 10,000 was charged, such additional consideration shall also be considered to be value of supply and TOS shall be the time when such payment is received.

Question 8: Explain TOS in case of supply of voucher of services.

Answer: Supply of Voucher Section 13 (4).

In case of supply of vouchers by a supplier, the time of supply shall be—

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

As per section 2 (118), "voucher" means an instrument where there is an obligation to accept it as consideration for a supply of services. Further the identities of their potential suppliers including the terms and conditions of use of such instrument may be indicated either on the voucher or some other documents.

Example: Best Hospitality Services enters into agreement with Drive Marketing Ltd by which Drive Marketing Ltd. markets Best Hospitality Services' hotel rooms and sells coupons / vouchers redeemable for a discount against stay in the hotel. As the supply against which the voucher will be redeemed is identifiable, the time of supply of the voucher will be its date of issue.

Illustration 8: Mr. X has started rendering taxable services w.e.f. 01-07-2024 and has submitted information as given below:

Rendered Services on 10-07-2024 and issued bill ₹18,00,000 and received payment on 01-09-2024. He has taken registration on 18-07-2024 u/s 25(3) on voluntary basis. At the time of registration he has inputs on which input tax paid in CGST ₹10,000 SGST ₹10,000 and also had capital goods on which input tax paid is IGST ₹ 30,000.

He rendered service on 27-08-2024 and issued bill on 03-09-2024 ₹11,00,000 + CGST @ 9% +SGST @ 9% and received payment on 10-10-2024.

He rendered services on 01-01-2025 and issued invoice on 01-03-2025 ₹ 20,00,000 + CGST @ 10% +SGST @ 10% but payment was recovered in advance on 01-12-2024.

Compute his GST Liability for each month and the last date upto which GST should be paid.

Solution:

In the present case the supplier has taken voluntary registration therefore as per section 18(1)(b)/ Rule 40 the supplier will allowed to take tax credit of inputs and not of capital goods.

In the first case of supply of services rendered he will not be allowed to issue tax invoice because at the time of supply he is not a registered dealer and he cannot collect tax.

In the second case of services rendered, the TOS shall be 03-09-2024 when he issued invoice within 30 days of rendering of service, So he will show this supply in GSTR-1 for the month of September and tax shall be paid upto 20th October 2024.

Tax Liability	₹
Transaction Value	11,00,000
CGST @ 9%	99,000
SGST @ 9%	99,000
Total	12,98,000
Net Tax Payable	
CGST Payable	99,000
Less: ITC on CGST	(10,000)
Net Tax Payable	89,000
Net Tax Payable	
SGST Payable	99,000
Less: ITC on SGST	(10,000)
Net Tax Payable	89,000

In the third case of services rendered, The TOS shall be 01-12-2024 because he issued invoice after 30 days of rendering of service and payment received before rendering of service, So he will show this supply in GSTR-1 for the month of December and tax shall be paid upto 20th January 2025.

Tax Liability	₹
Transaction Value	20,00,000
CGST @ 10%	2,00,000
SGST @ 10%	2,00,000
Total	24,00,000
CGST Payable	2,00,000
SGST Payable	2,00,000

Illustration 9: Mr. X is a dealer registered in GST in Delhi and he has submitted information as given below:

- Purchased goods A on 10/07/2024 ₹4,00,000 plus CGST @ 10% and SGST @ 10% and goods were sold on 31/08/2024 ₹ 6,00,000 + CGST @ 10% and SGST @ 10% but invoice was issued on 01/09/2024 and payment was received on 01/10/2024.
- Purchased goods B on 10/09/2024 ₹5,00,000 plus CGST @ 10% and SGST @ 10% and goods were exported on 12/12/2024 and profit taken is 30% on cost.
- Purchased goods C on 10/09/2024 ₹7,00,000 plus CGST @ 10% and SGST @ 10% and goods were sold to our own branch in some other State on 31/12/2024 for ₹7,00,000 + IGST @ 20%. No Invoice has been issued and no payment has been received.

Determine TOS in each case and ITC and Net tax Payable for each month and ITC to be carried forward.

Solution:

Net Tax Payable for the Month of August

ITC	₹
Goods A	
Transaction Value	4,00,000.00
Add: CGST @ 10%	40,000.00
Add: SGST @ 10%	40,000.00
	4,80,000.00
Tax Liability	
First Bill (TOS 31/08/2024)	6,00,000.00
Add: CGST @ 10%	60,000.00
Add: SGST @ 10%	60,000.00
	7,20,000.00
Net Tax Payable	
Output	
CGST	60,000.00
Less: ITC CGST	(40,000.00)
Tax Payable	20,000.00
Output	
SGST	60,000.00
Less: ITC SGST	(40,000.00)
Tax Payable	20,000.00

Net Tax Payable for the Month of September

ITC	₹
Goods B	
Transaction Value	5,00,000.00
Add: CGST @ 10%	50,000.00

Add: SGST @ 10%	50,000.00
	6,00,000.00

Goods C

Transaction Value	7,00,000.00
Add: CGST @ 10%	70,000.00
Add: SGST @ 10%	70,000.00
	8,40,000.00

Net Tax Payable for the Month of December**Output Tax**

Goods B	Nil
---------	-----

Goods C (TOS 31-12-2024)

Transaction Value	7,00,000
IGST@ 20%	1,40,000
Less: ITC CGST Goods B	(50,000)
Less: ITC CGST Goods C	(70,000)
Less: ITC SGST Goods B	(20,000)
Net Tax Payable	Nil

ITC to be carried forward

SGST	1,00,000
------	----------

PRACTICE PROBLEMS

Q1. Raju Pvt Ltd. receives the order and advance payment on 5th January for carrying out an architectural design job. It delivers the designs on 23rd April. By oversight, no invoice is issued at that time, and it is issued much later, after the expiry of prescribed period for issue of invoice. When is the time of supply of service?

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

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

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

Q2. Investigation shows that 150 cartons of ceramic capacitors were dispatched on 2nd August but no invoice was made and the cartons were not entered in the accounts. There was no evidence of receipt of payment.

What is the time of supply of the 150 cartons?

Answer: Time of supply of goods is the earlier of the following two dates in terms of section 12:

- Date of issue of invoice
- Date of delivery of goods

In this case since the invoice has not been issued, the time of supply will be the delivery of goods.

The invoice for supply of goods must be issued on or before the dispatch of goods i.e., on 2nd August, time of supply of the goods will be 2nd August.

Q3. An order is placed on Ram & Co. on 18th August for supply of a consignment of customised shoes. Ram & Co. gets the consignment ready and informs the customer and issues the invoice on 2nd December. The customer collects the consignment from the premises of Ram & Co. on 7th December and hands over the payment on the same date, which is entered in the accounts on the next day, 8th December. What is the time of supply of the shoes?

Answer: Time of supply of goods is the earlier of the following two dates in terms of section 12:

- Date of issue of invoice
- Date of delivery of goods

In this case,

Date of invoice: 2nd December

Date of delivery of goods 7th December

Therefore, the date of invoice will be the time of supply i.e. 2nd December.

Q4. Sodexo 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.

Q5. Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4th and 5th September but could not raise invoice till 19th November because of some dispute about the condition of the devices on return. The payment was made in December.

What is the method to fix the time of supply of the service?

Answer: 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].

In this case, the service is provided on 5th September but not invoiced within the prescribed time limit. Therefore, the date of provision of service, i.e., 5th September, will be the time of supply.

Q6. Explain the significance of time of supply under GST law.

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

Q7. 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) 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.

Q8. Mr. X supplied goods for ₹ 50,000 to its customer Miss Diyana on 1st January on the condition that payment for the same will be made within a week. However, Miss Diyana made payment for the said goods on 2nd February and thus, paid interest amounting to ₹ 2,000.

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

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

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

MULTIPLE CHOICE QUESTIONS

1. Date on which the supplier receives the payment as per section 12 of CGST Act is

- (a) Date entered in books of accounts
- (b) Date of credit in bank account
- (c) Date entered in books of accounts or date of credit in bank account, whichever is earlier
- (d) Date on which receipt voucher is issued by supplier

2. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?

- (a) Date of issue of voucher
- (b) Date of redemption of voucher
- (c) Date of entry in books of accounts
- (d) Earlier of (a) or (b) or (c)

3. What is the time of supply of vouchers when the supply with respect to the voucher is not identifiable?

- (a) Date of issue of voucher
- (b) Date of redemption of voucher
- (c) Date of entry in books of accounts
- (d) Earlier of (a) or (b) or (c)

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

- (a) Date of issue of invoice
- (b) Date on which the supplier receives payment
- (c) Date of provision of service
- (d) Earlier of (a) & (b)

5. What is the time of supply of service if the invoice is not issued within 30 days from the date of provision of service?

- (a) Date of issue of invoice
- (b) Date on which the supplier receives payment
- (c) Date of provision of service
- (d) Earlier of (b) & (c)

6. Mr. X supplied goods on 10.08.2024 and issued invoice on 13.08.2024 and received payment on 01.08.2024, in this case time of supply shall be

- (a) 10.08.2024
- (b) 13.08.2024
- (c) 01.08.2024
- (d) none of these

7. Mr. X supplied goods on 10.08.2024 and issued invoice on 08.08.2024 and received payment on 01.08.2024, in this case time of supply shall be

- (a) 10.08.2024
- (b) 08.08.2024
- (c) 01.08.2024
- (d) none of these

8. Mr. X supplied goods on 10.08.2024 and issued invoice on 08.08.2024 but payment was received after 6 months and Mr. X has received interest of ₹ 10,000 on 10.03.2025, in this case TOS for the interest received shall be

- (a) 10.08.2024
- (b) 08.08.2024
- (c) 10.03.2025
- (d) none of these

9. Mr. X has rendered services on 10.09.2024 issued invoice 28.12.2024 received payment on 03.10.2024, in this case TOS shall be

- (a) 10.09.2024
- (b) 28.12.2024
- (c) 03.10.2024
- (d) none of these

10. Mr. X has rendered services on 10.09.2024 issued invoice 07.10.2024 received payment on 03.10.2024, in this case TOS shall be

- (a) 10.09.2024
- (b) 07.10.2024
- (c) 03.10.2024
- (d) none of these

11. Mr. X has rendered services on 10.09.2024 issued invoice 07.10.2024 received payment on 13.10.2024, in this case TOS shall be

- (a) 10.09.2024
- (b) 07.10.2024
- (c) 13.10.2024
- (d) none of these

12. Mr. X has rendered services on 10.09.2024 issued invoice 07.10.2024 received payment by cheque on 06.10.2024 and entered in the books of accounts on the same date and amount was credited in the bank account on 11.10.2024, in this case TOS shall be

- (a) 10.09.2024
- (b) 07.10.2024
- (c) 06.10.2024
- (d) 11.10.2024

(e) none of these

13. Mr. X rendered services on 01.09.2024 and issued invoice on 20.09.2024 for ₹3,67,300 but he received payment of ₹ 3,67,500, in this case TOS for ₹ 200 which has been received in excess shall be

(a) 20.09.2024

(b) 01.09.2024

(c) It will be decided on the basis of services rendered and invoice issued for such amount

(d) GST is not payable on excess amount

(e) none of these

14. Mr. X has taken advance of ₹ 30,000 on 01.01.2025 for rendering services and services were rendered on 10.01.2025 and issued invoice on 12.01.2025 and balance amount of ₹ 70,000 was received on 31.01.2025, in this case TOS shall be

(a) For ₹ 30,000, 01.01.2025 and for ₹ 70,000, 31.01.2025

(b) For ₹ 30,000, 10.01.2025 and for ₹ 70,000, 12.01.2025

(c) For ₹ 30,000, 01.01.2025 and for ₹ 70,000, 12.01.2025

(d) For ₹ 30,000, 31.01.2025 and for ₹ 70,000, 12.01.2025

(e) none of these

15. Mr. X has taken advance of ₹ 30,000 on 01.01.2025 for rendering services and services were rendered on 10.01.2025 and issued invoice on 09.01.2025 and balance amount of ₹ 70,000 was received on 31.01.2025, in this case TOS shall be

(a) For ₹ 30,000, 01.01.2025 and for ₹ 70,000, 31.01.2025

(b) For ₹ 30,000, 10.01.2025 and for ₹ 70,000, 09.01.2025

(c) For ₹ 30,000, 01.01.2025 and for ₹ 70,000, 09.01.2025

(d) For ₹ 30,000, 31.01.2025 and for ₹ 70,000, 09.01.2025

(e) none of these

16. 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:

10.09.2024 Purchase order with advance of ₹ 50,000 is received for goods worth ₹ 12 lakh and entry duly made in the seller's books of account

20.09.2024 The machine is assembled, tested at site, and accepted by buyer

30.09.2024 Invoice raised

10.10.2024 Balance payment of ₹ 11,50,000 received

Time of supply shall be

(a) 10.09.2024

(b) 20.09.2024

(c) 30.09.2024

(d) 10.10.2024

17. Determine the Time of Supply.

	Date of completion	Date of Invoice	Date of Payment
(i)	01.08.2024	20.08.2024	18.08.2024
(ii)	01.07.2024	20.08.2024	18.08.2024
(iii)	01.07.2024	20.07.2024	01.05.2024
(iv)	03.08.2024	31.08.2024	01.09.2024

Time of supply shall be

(a) (i) 18.08.2024, (ii) 01.07.2024, (iii) 01.05.2024, (iv) 03.08.2024

(b) (i) 18.08.2024, (ii) 01.07.2024, (iii) 20.07.2024, (iv) 31.08.2024

(c) (i) 20.08.2024, (ii) 01.07.2024, (iii) 01.05.2024, (iv) 31.08.2024

(d) (i) 18.08.2024, (ii) 01.07.2024, (iii) 01.05.2024, (iv) 31.08.2024

Answer:

1.(c); 2.(a); 3.(b); 4.(d); 5.(d); 6. (a); 7. (b); 8. (c); 9. (a); 10. (c); 11. (b); 12. (c); 13. (c); 14. (c); 15. (c); 16. (b); 17. (d)

EXAMINATION QUESTION

NOV 2018

Question 8 (b)

(5 Marks)

M/s XYZ & Co., a firm of Chartered Accountants, issued invoice to Mr. A on 7th September, 2024. Determine the Time of Supply in the following independent cases:

- (1) The provision of service was completed on 1st August, 2024.
- (2) The provisions of service was completed on 14th August, 2024.
- (3) Mr. A made the payment on 3rd August, 2024 where provisions of service was remaining to be completed.
- (4) Mr. A made the payment on 15th September, 2024 where provision of service was remaining to be completed.

Answer:

As per section 13 (1) & (2), The liability to pay tax on services shall arise at the time of supply. Time of supply of services shall be the date of invoice or the date of receiving payment whichever is earlier but if invoice is not issued within 30 days of supply of service, TOS shall be the date of supply of service or the date of payment whichever is earlier.

As per the above provision Time of supply shall be:

- (1) Invoice is issued after 30 days, Date of completion shall be the time of supply i.e. 01st August.
- (2) Invoice is issued within 30 days, Date of invoice shall be the time of supply i.e. 7th September.
- (3) Payment received before the date of invoice hence time of supply shall be the date of receiving payment i.e. 3rd August.
- (4) Payment received after the date of invoice hence time of supply shall be the date of invoice i.e. 7th September.

IPC NOV 2017 (MODIFIED)

Question 4

(2 Marks)

You are required to determine the Time of supply for the following service:

ABC & Co., a firm of Chartered Accountants, renders service to M/s. ST & Sons in the month of December, 2024, which gets completed on 31st December, 2024. It is billed on 5th January, 2025, while the payment for the same is received on 2nd January, 2025.

Answer:

As per section 13, Time of supply of services shall be the date of invoice or payment whichever is earlier but if the invoice is not issued within 30 days of supply of service, TOS shall be the date of supply of service or payment whichever is earlier. In the given case, Invoice is issued within 30 days but payment is received before the date of invoice hence TOS shall be the date of receiving payment i.e. 2nd January 2025.

VALUE OF SUPPLY

(SECTION 15, CGST ACT)

Question 1: Explain Value of Supply under GST.

Answer: Value of taxable supply Section 15

As per section 15(1), The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

As per section 15 (2), The value of supply shall include—

(a) any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than GST, if charged separately by the supplier; e.g. Mr. X imported certain goods and has paid basic custom duty and IGST, in this case IGST shall be charged on the total of value of goods plus custom duty i.e. IGST shall be charged even on the amount of custom duty.

Example: Mr. X imported certain goods of the value of ₹ 1,00,000 and paid basic custom duty 10% and IGST 20%, in this case tax treatment shall be as given below:

Value of goods	1,00,000
Add: Basic Custom Duty 10%	10,000
Transaction Value	1,10,000
IGST 20%	22,000

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

Example: Samriddhi Advertisers conceptualised 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	₹
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] (rounded off)	12,712
Value of taxable supply	5,32,712

Note: The interest for delay in payment of consideration will be includible in the value of supply but the time of supply of such interest will be the date when such interest is received in terms of section 13(6). Such interest has been assumed to be inclusive of GST and thus, the value has been computed by making back Calculations $15,000 / 118 \times 100 = 12,712$. It is also possible to assume the interest to be exclusive of GST. In that case, the value of supply will work out to be ₹ $5,00,000 + 20,000 + 15,000 = 5,35,000$.

(c) incidental expenses, including commission, packing or weightment charges, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services.

Example: AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten or specified chemical residues. AKJ Foods Pvt. Ltd. does the testing and charges a testing fee for the same from the customer. AKJ Foods Pvt. Ltd. argues that such testing fees

should not form part of the consideration for the sale as it is a separate activity. Is his argument correct in the light of section 15?

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

(d) interest or late fee or penalty for delayed payment of any consideration for any supply; and

Example: ABC limited sold certain goods for ₹ 10,00,000 plus GST 2,00,000 on credit and payment was received by the company after 6 months and the company has received interest ₹ 15,000, in this case ₹ 15,000 shall be considered to be additional consideration and GST is payable.

(e) Any subsidy except subsidies given by the Government.

Example: A philanthropic association makes a substantial donation each year to a reputed private management institution to subsidise the education of low income group students who have gained admission there. The fee for these individuals is reduced thereby, coming to ₹3 lakh a year compared to ₹5 lakh a year for other students.

What would be the taxable value of the service of coaching and instruction provided by the institution?

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

Question 2: Explain Treatment of Discount while computing Transaction Value.

Answer: Discount while computing Transaction Value Section 15(3)

If any supplier has given any discount at the time of supply, it will be allowed to be deducted. Further discount so allowed should be shown in the invoice.

If discount is given after the supply it will also be allowed but there should be a specific agreement and such agreement should be made before or at the time of supply.

Adjustment for such discount should be made through credit note. The supplier can reduce his GST liability on the basis of credit note and the recipient should reduce tax credit already taken by him.

Example: ABC Ltd. sold goods of ₹100 lakhs to XYZ Ltd. on 01-07-2024 and allowed discount 10% GST rate 20%. The supplier has agreement that discount will be 20% if the buyer purchases goods of additional ₹100 lakhs upto 30-09-2024. In this case tax treatment shall be as given below:

Value of supply	100 lakh
Less: Discount @ 10%	(10 lakh)
Balance	90 lakh
GST @ 20%	18 lakh

If the buyer has purchased goods of additional ₹100 lakh on 30-09-2024, the supplier shall issue a credit note of ₹10 lakh + GST ₹2 lakh and shall report it in GSTR-1 for the month of September 2024 and shall reduce his tax liability by ₹2 lakh. At the same time, buyer shall increase his tax liability by ₹2 lakh for the month of September 2024.

Example: Crunch Bakery Products Ltd sells biscuits and cakes through its dealers, to whom it charges the list price minus standard discount and pays GST accordingly. When goods remain unsold with the dealers, it offers additional discounts on the stock as an incentive to push the sales.

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

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

(4) Where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed (such rules are not covered in syllabus Rule No. 27 to 35).

(5) The value of such supplies as may be notified by the Government on the recommendations of the Council shall be determined in such manner as may be prescribed.

TCS under Income-Tax Act, 1961 not includible in the taxable value for the purpose of GST:

The CBIC vide Circular No. 76/50/2018 GST dated 31.12.2018 (amended vide corrigendum dated 7.03.2019) has clarified that for the purpose of determination of value of supply under GST, tax collected at source (TCS) under the provisions of the Income Tax Act, 1961, shall not be included in the value because it is not a tax in connection with the goods sold. (Rather it is Income Tax)

Clarification Regarding Applicability Of GST On Additional / Penal Interest

Generally, following two transaction options involving EMI are prevalent in the trade:-

Case - 1: X sells a mobile phone to Y. The cost of mobile phone is ₹40,000/-. However, X gives Y an option to pay in installments, ₹11,000/- every month before 10th day of the following month, over next four months (₹11,000/- *4 = ₹44,000/-). Further, as per the contract, if there is any delay in payment by Y beyond the scheduled date, Y would be liable to pay additional/penal interest amounting to ₹ 500/- per month for the delay.

In some instances, X is charging Y ₹ 40,000/- for the mobile and is separately issuing another invoice for providing the services of extending loans to Y, the consideration for which is the interest of 2.5% per month and an additional/penal interest amounting to ₹500/- per month for each delay in payment.

Solution:

As per the provisions of section 15(2)(d) of the CGST Act, the amount of penal interest is to be included in the value of supply. The transaction between X and Y is for supply of taxable goods i.e. mobile phone. Accordingly, the interest/ penal interest would be taxable as it would be included in the value of the mobile, irrespective of the manner of invoicing.

Case - 2: X sells a mobile phone to Y. The cost of mobile phone is ₹ 40,000/-. Y has the option to avail a loan at interest of 2.5% per month for purchasing the mobile from M/s ABC Ltd. The terms of the loan from M/s ABC Ltd. allows Y a period of four months to repay the loan and an additional/penal interest @ 1.25% per month for any delay in payment.

Solution:

The interest / additional/ penal interest is charged for a transaction between Y and M/s ABC Ltd., and the same is getting covered under exemption notification No. 12/2017 dated 28.06.2017. Accordingly, in this case the interest/ 'penal interest' charged thereon on a transaction between Y and M/s ABC Ltd. would not be subject to GST. The value of supply of mobile by X to Y would be ₹ 40,000/- for the purpose of levy of GST.]

Illustration 1: Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colourful Pvt. Ltd.

Particulars	₹
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 ₹2000 as a subsidy from a 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. and also amount of GST payable if Rate of CGST @ 10% and SGST @ 10%.

Answer:

Computation of value of taxable supply

Particulars	₹
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
[Includible in the value as per section 15]	

Packing charges [Includible in the value as per section 15]	1,000
Subsidy received from a non-Government body	2,000
[Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15]	
Total	58,000
Less: Discount @ 2% on ₹50,000 [Since discount is known at the time of supply, it is deductible from the value in terms of section 15]	(1,000)
Value of taxable supply	57,000
CGST @ 10%	5,700
SGST @ 10%	5,700

Illustration 2: Mezda Banners, an advertising firm, gives an interest-free credit period of 30 days for payment by the customer. Its customer ABC paid for the supply 32 days after the supply of service. Mezda Banners waived the interest payable for delay of two days. The Department wants to add interest for two days as per contract. Should notional interest be added to the taxable value?

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

CLARIFICATIONS

Buy one get one free offer

Sometimes, companies announce offers like ‘*Buy One, Get One free*’ For example, „buy one soap and get one soap free” or „Get one tooth brush free along with the purchase of tooth paste”. It may appear at first glance that in case of offers like „Buy One, Get One Free”, one item is being „supplied free of cost” without any consideration. In fact, it is not an individual supply of free goods but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as *supplying two goods for the price of one*.

Illustration 3: Red Pepper Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March.

S. No.	Particulars	Amount (₹)
(i)	List price of taxable goods supplied inter-state (exclusive of taxes)	15,00,000
(ii)	Subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	2,10,000
(iii)	Subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	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)	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 the total value of taxable supplies made by Red Pepper Ltd. during the month of March. Rate of IGST 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 supply, 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
Total value of taxable supplies	15,90,085

Illustration 4: M/s. Flow Pro, a registered supplier, sold a machine 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 [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.]	5,000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,000
(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

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

Determine the value of taxable supply made by M/s Flow Pro to BP Ltd.

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 value [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)]	<u>(500)</u>
Value of taxable supply	31,500

PRACTICE PROBLEMS

Q1. Wholesale price for 1 MT of cement sold by X Ltd. in the ordinary course of business : ₹ 7,000. Price of 1 MT of cement sold by X Ltd. to unrelated customer Y: ₹ 6,700.

Value of supply made by X Ltd. to Y is ₹ 6,700 which is the price actually paid or payable and not the wholesale price.

Q2. Grand Biz contracts with ABC Co. to conduct a dealers' meet. In furtherance of this, Grand Biz contracts with vendors to deliver goods / services, like water, soft drinks, audio system, projector, catering, flowers etc. at the venue on the stipulated dates at the stipulated prices. Grand Biz is liable to make these payments as contracted.

The soft drinks supplier wants payment upon delivery; ABC Co. agrees to pay the bill raised by the soft drinks vendor on Grand Biz, on receiving the crates of soft drinks. This amount is not billed by Grand Biz to ABC Co. However, it would be added to the value of supply provided by Grand Biz to ABC Co. for payment of GST.

Q3. Commission: This may be paid to an agent and recovered from the buyer of the goods / services; this is part of the value of the supply.

Q4. Packing, if charged by the supplier to the recipient, is similarly part of the value of the supply.

Q5. Inspection or certification charges is another element that will be added to the value, if incurred before/at the time of supply and billed to the recipient of supply.

Q6. Installation and testing charges at the recipient's site will also be added, being an amount charged for something done by the supplier in respect of the supply, at the time of making the supply.

Q7. Weighment charges, loading charges, designing charges etc. incurred before/at the time of supply will be added to the value, if billed to the recipient of supply.

Q8. A supply priced at ₹ 2,000 is made, with a credit period of 1 month for payment. Thereafter, interest @ 12% p.a. is chargeable. The payment is received after the lapse of two months from the date of supply. The amount of interest @ 12% p.a. (i.e. 1% per month) on ₹ 2,000 for one month after the free credit period of one month, is ₹ 20. Such interest will be added to the value and thus, the value of supply will work out to be ₹ 2,020, assuming the interest to be exclusive of GST.

Q9. The selling price of a notebook is ₹ 50. For notebooks sold to students in Government schools, a company uses its CSR funds to pay the seller ₹ 30, so that the students pay only ₹ 20 per notebook. The value of the notebook will be ₹ 50, as this is a nongovernment subsidy. If the same subsidy is paid by the Central Government or State Government, the value of the notebook would be ₹ 20.

Q10. Royal Biscuit Co. gives a discount of 30% on the list price to its distributors. Thus, for a carton of Spice bisk, in the invoice the list price is mentioned as ₹ 200, on which a discount of 30% is given to arrive at the final price of ₹ 140. The value is ₹ 140, as the discount is allowed at the time of supply and shown in the invoice.

Post supply discounts

Q11. The agreement of Raju Electrical Appliances with its dealers is that purchase of rice cookers over 1000 pieces in the Diwali month will entitle them to discount of 5% per cooker. Therefore, the quantum of discount can be determined only at the end of Diwali month. However, since the agreement relating to discount was in existence at the time of supply, and the discount can be worked out for each invoice, such post supply discount will be allowed as a deduction from the value of supply of rice cookers. Raju Electrical Appliances can issue credit note for 5% of the value of goods along with GST and claim adjustment of

excess tax paid. The dealer must reverse the proportionate input tax credit on the relevant stock to bring it in line with the reduced tax.

Q12. Pink and Blue Pvt. Ltd. (PBPL) sold goods to Orange Pvt. Ltd. (OPL) on 15th January at ₹ 50,000 (exclusive of taxes and discounts) and charged ₹ 9,000 as IGST @ 18%. The terms of supply stipulated that discount @ 2% will be given to OPL if it makes the payment within one month of the supply. OPL avails the input tax credit of ₹ 9,000 in the month of January and makes the payment for the goods on 10th February. PBPL issues credit note for ₹ 1180 [₹ 1,000 for value of discount and ₹ 180 for proportionate IGST leviable thereon] to OPL on 11th February. After receiving credit note, OPL reverses the input tax credit of ₹ 180 attributable to the discount given by the PBPL. PBPL can reduce its GST liability of the month of February by ₹ 180. OPL would have paid ₹ 57,820 (₹ 50,000 + ₹ 9,000 - ₹ 1,000 - ₹ 180) to PBPL on 10th February.

Q13. In the above example, if the terms of supply did not provide for discount @ 2% for payment within one month but PBPL offers such discount to OPL at the time of payment after negotiation, the discount will not be allowed as a deduction from the value. PBPL will issue a commercial credit note for only the value of discount, i.e. for ₹ 1,000. OPL will not reverse any input tax credit and PBPL will also not be able to reduce its GST liability for the month of February. In this case, OPL would pay ₹ 58,000 (₹ 50,000 + ₹ 9,000 - ₹ 1,000) to PBPL on 10th February.

Q14. A company announces turnover discounts after reviewing dealer performance during the year. The discounts are based on performance slabs and are given as cash-back. As these discounts were not known at the time of supply of the goods, they will not be deducted from value of those goods. Hence, the company will not be able to adjust excess tax paid from its tax liability.

Q15. 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:

(i) The discount is in terms of an agreement that existed at 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.

Q16. 'Consideration under GST law includes both monetary and non-monetary considerations.'

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

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

The term money has also been defined under the CGST Act and it not only includes cash (Indian as well as foreign currency) but also cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveler's cheque, money order, postal/electronic remittance or any such similar instrument recognized by RBI. Non-monetary consideration essentially means consideration in kind.

Q17. Sharp Minds Institute provides coaching for engineering entrance examinations. Monthly fee charged by the Institute from a student is ₹ 10,000. The Institute is known for its commitment to provide education to underprivileged children. It trains 10 students every year for entrance examinations free of cost.

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

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

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.

Q18. Furniture Wala is a chain of retail showrooms selling both modern and classic furniture. In order to build strong customer association, the showroom provides free delivery of the furniture at the premises of the customers if the distance between the showroom and the customer's premises is upto 20 kms. Where the distance is more than 20 kms, the showroom charges a concessional freight of ₹ 10 for every additional km.

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

Determine the value of taxable supply made by Furniture Wala. Will your answer change if residence of Ms. Leena is 50 km away from 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 (principle supply being the supply of furniture) and value thereof will be ₹ 2,00,300.

MULTIPLE CHOICE QUESTIONS

1. Value of supply under section 15(1) is :

- (a) Wholesale price (b) Market value (c) Maximum retail price (d) Transaction value

2. The value of supply should include:

- (a) Any non-GST taxes, duties, cesses, fees charged separately by supplier
 (b) Interest, late fee or penalty for delayed payment of any consideration for any supply
 (c) Subsidies directly linked to the price except subsidies provided by the Central and State Governments
 (d) All of the above

3. Which of the following shall not be included in value of supply?

- (a) GST (b) Interest (c) Late fee (d) Commission

4. When can the transaction value be rejected for computation of value of supply?

- (a) When the buyer and seller are related and price is not the sole consideration
 (b) When the buyer and seller are related or price is the sole consideration
 (c) It can never be rejected
 (d) When the goods are sold at very low margins

5. Which of the following statement(s) is/are correct?

- (a) Section 15 of CGST Act prescribes different provisions for valuation of goods and services
 (b) CGST Act and IGST Act have different provisions for valuation of supply
 (c) Section 15 of CGST Act prescribes same set of provisions for valuation of goods and services
 (d) (a) and (b)

6. Discount given after the supply is deducted from the value of supply, if –

- (a) such discount is given as per the agreement entered into at/or before the supply
 (b) such discount is linked to the relevant invoices
 (c) proportionate input tax credit is reversed by the recipient of supply
 (d) all of the above

7. ABC Ltd. has imported certain goods for ₹ 2,00,000 and paid custom duty ₹ 20,000, in this case IGST shall be charges on

- (a) 2,00,000 (b) 20,000 (c) 2,20,000 (d) none of these

8. ABC Ltd. sold certain goods for ₹ 2,00,000 and charged ₹ 5,000 for packing and ₹ 3,000 for transportation and ₹ 10,000 for installation, in this case value of supply shall be

- (a) 2,00,000 (b) 2,05,000 (c) 2,03,000 (d) 2,08,000
 (e) 2,10,000 (f) none of these

9. ABC Ltd. sold certain goods for ₹ 2,00,000 and charged ₹ 3,000 for packing and ₹ 5,000 for weight, in this case value of supply shall be

- (a) 2,00,000 (b) 2,03,000 (c) 2,05,000 (d) 2,08,000 (e) none of these

10. ABC Ltd. sold certain goods for ₹ 2,00,000 and charged ₹ 3,000 for packing and ₹ 5,000 for weight and the buyer has also paid ₹ 1,00,000 to XYZ Ltd. on behalf of ABC Ltd., in this case value of supply shall be

- (a) 2,08,000 (b) 3,08,000 (c) 2,05,000 (d) 3,00,000 (e) none of these

11. ABC Ltd. sold certain goods for ₹ 2,00,000 and charged ₹ 3,000 for packing and ₹ 5,000 for weight and the buyer has also paid ₹ 1,00,000 to XYZ Ltd. on behalf of ABC Ltd. ABC Ltd. has given 10% discount on ₹ 2,00,000 at the time of sale, in this case value of supply shall be

- (a) 3,00,000 (b) 3,86,000 (c) 2,89,000 (d) 2,86,000
 (e) 2,91,000 (f) 2,88,000 (g) none of these

12. ABC Ltd. sold certain goods for ₹ 3,00,000 and received subsidy from the Govt. ₹ 1,00,000 hence charged from customer ₹ 2,00,000, in this case value of supply shall be

- (a) 3,00,000 (b) 2,00,000 (c) 4,00,000 (d) 5,00,000
 (e) none of these

13. ABC Ltd. sold certain goods for ₹ 3,00,000 and received subsidy from a private organisation ₹1,00,000 hence charged from customer ₹ 2,00,000, in this case value of supply shall be

- (a) 3,00,000 (b) 2,00,000 (c) 4,00,000 (d) 5,00,000 (e) none of these

14. While computing transaction value, discount allowed shall be deducted provided such discount was given

- (a) at or before the time of supply
 (b) after making the supply
 (c) after making supply but it has been established in term of agreement entered into at or before the time of supply
 (d) option (a) or (c)
 (e) none of these

15. As per section 15 value of supply means

- (a) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are related and the price is the sole consideration for the supply.
 (b) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is not the sole consideration for the supply.
 (c) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.
 (d) The value of a supply of goods or services or both shall be the market value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

Answer:

1.(d); 2. (d); 3. (a); 4. (a); 5. (c); 6. (d); 7. (c); 8.(f); 9. (d); 10. (b); 11. (f); 12. (b); 13. (a); 14. (d); 15. (c)

Hint to Question 7:

Basic Price of Goods:	2,00,000
Add: Custom Duty:	20,000
Taxable Value	2,20,000

Hint to Question 8:

Basic Price of Goods:	2,00,000
Add: Packing	3,000
Add: Transportation	5,000
Add: Installation	10,000
Taxable Value	2,28,000

Hint to Question 9:

Basic Price of Goods	2,00,000
Add: Packing	3,000
Add: Weighment	5,000
Taxable Value	2,08,000

Hint to Question 10:

Basic Price of Goods	2,00,000
Add: Packing	3,000
Add: Weighment	5,000
Add: Payment to other on Suppler Behalf	1,00,000
Taxable Value	3,08,000

Hint to Question 11:

Basic Price of Goods	2,00,000
Add: Packing	3,000
Add: Weighment	5,000
Add: Payment to other on Suppler Behalf	1,00,000
Less: Discount (200000X10%)	(20,000)
Taxable Value	2,88,000

Hint to Question 12:

Basic Price of Goods	3,00,000
Less: Subsidy	(1,00,000)
Taxable Value	2,00,000

Hint to Question 13:

Basic Price of Goods	3,00,000
Taxable Value	3,00,000

EXAMINATION QUESTION

MAY 2023

Question 5**(8 Marks)**

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 2025 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
- | | |
|--|----------|
| 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.
- | | |
|---|----------|
| 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, 2023, 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 the same is applicable.
- (v) In respect of few of the invoices relating to F.Y. 2024-2025, 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.

Additional Information:

- (a) All the figures mentioned above are exclusive of taxes.
 (b) 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, 2025.

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

Answer:

Computation of minimum CGST, SGST and IGST payable in cash by Jino Enterprises for the month of October, 2023

Output Tax

(i)(a) Intra-State supply of air-conditioners	4,00,000
CGST @ 6%	24,000
SGST @ 6%	24,000
(i)(b) Value of freight charges	1,00,000

CGST @ 6%	6,000
SGST @ 6%	6,000
(ii)(a) Value of services	3,00,000
CGST @ 9%	27,000
SGST @ 9%	27,000
(ii)(b) Value of parts / spares component in invoices	50,000
CGST @ 6%	3,000
SGST @ 6%	3,000
(iii) Inter-State supply of 10 combos of air- conditioners and stabilizers (20,000 x 10)	2,00,000
IGST @ 18%	36,000

ITC

(iv) Purchase of business class air tickets for travel from Assam	40,000
CGST @ 2.5%	1,000
SGST @ 2.5%	1,000

[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.]

(v) Invoices relating to FY 2024-25	CGST	20,000
	SGST	20,000
	IGST	80,000

[ITC in respect of any invoice can be taken upto 30th November following the end of FY to which such invoice relates or furnishing of the relevant annual return, whichever is earlier.]

Computation of Net GST Liability

IGST	36,000
Less: ITC of IGST	(36,000)
Net Tax	Nil

CGST (24,000 + 6,000 + 27,000 + 3,000)	60,000
Less: ITC of IGST	(39,000)
Less: ITC of CGST	(21,000)
Net Tax	Nil

SGST (24,000 + 6,000 + 27,000 + 3,000)	60,000
Less: ITC of IGST	(5,000)
Less: ITC of SGST	(21,000)
Net Tax	34,000

MAY 2022**Question 6. (a)****(6 Marks)**

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

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discount)	50,000
Tax levied by the Municipal Authority on the sale of such goods	6,000
Packing charges (not included in the list price above)	2,500
Subsidy received from a NGO, Directly linked to price (included in the list price above)	3,000

Paid to one of vendors by ABC Pvt. Ltd. in relation to the service provided by vendor to XYZ Pvt. Ltd. (not included in the list price above)	2,000
--	-------

XYZ Pvt. Ltd. offers 2% turnover discount on the list price after reviewing the performance of ABC Pvt. Ltd. The discount was not known at the time of supply.

ABC Pvt. Ltd. delayed the payment and paid ₹5,000 (Including GST of 18%) as interest to XYZ Pvt. Ltd.

Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law.

Solution:

Computation of value of taxable supply made by XYZ 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 [Taxes other than GST, if charged separately, are includible in the value of supply.]	6,000
Packing charges [Being incidental expenses, same are includible in the value of supply.]	2,500
Subsidy received from NGO [Since subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply.]	Nil
Payment made by ABC Pvt. Ltd. in relation to service provided by vendor to XYZ Pvt Ltd (Note 1). [Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.]	2,000
Turnover discount [Since discount is not known at the time of supply, it is not deductible from the value of supply.]	-
Interest for delayed payment (rounded off) [Includible in the value of supply]	4,237 [5,000 × 100/118]
Value of taxable supply	64,737

Note:

- It has been most logically assumed that service provided by the vendor to XYZ Pvt. Ltd. is in relation to supply of goods by XYZ Pvt. Ltd. to ABC Pvt. Ltd.

JAN 2021

Question 5

(8 Marks)

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

	Particulars	Amount in (₹)
(1)	List price of machine supplied [exclusive of items given below from (2) to (4)]	80,000
(2)	Tax levied by Local Authority on sale of such machine	6,000
(3)	Discount of 2% on the list price of machine was provided (recorded in the invoice of machine)	
(4)	Packing expenses for safe transportation charged separately in the invoice	4,000

Star Ltd. received ₹ 5,000 as subsidy from a NGO on sale of each such machine, The Price of ₹80,000 of the machine is after considering such subsidy.

During the month of February, 2025, 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, 2025 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, 2025.

Answer

Computation of value of taxable supply

Particulars	Amount (₹)
List price of the machine	80,000
Add: Tax levied by Local Authority on the sale of machine [Tax other than GST, if charged separately, are includible in the value in terms of section 15 of the CGST Act, 2017.]	6,000
Add: Packing expenses for safe transportation [Includible in the value as per section 15 of the CGST Act, 2017.]	4,000
Add: Subsidy received from a NGO on sale of each machine [Subsidy received from a non-Government body and which is directly linked to the price, the same is included in the value in terms of section 15 of the CGST Act, 2017.]	5,000
Total	95,000
Less: Discount @ 2% on ₹ 80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15 of the CGST Act, 2017.]	(1,600)
Value of taxable supply	93,400

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

Particulars	CGST (₹)	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)	
Minimum net GST payable in cash	Nil	1,230	

Working Note:**Computation of total ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC	18,000	4,000	26,000
Add: Inputs purchased during the month	10,800	10,800	
	[₹ 1,20,000 × 9%]	[₹ 1,20,000 × 9%]	
Total ITC available	28,800	14,800	26,000

NOV 2020**Question 6 (a).****(6 Marks)**

Following are the particulars, relating to one of the machine sold by M/s SQM Ltd. to M/s. ACD Ltd. in the month of February 2025 at List price of ₹9,50,000 (Exclusive of taxes and discount) Further, following additional amounts have been charged from M/s ACD Ltd:

S. No	Particulars	Amount
(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) M/s 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, M/S SQM Ltd. waived the interest payable.

(ii) M/s SQM Ltd. received ₹50,000 as subsidy, from one non-government organisation (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) M/s ACD Ltd. deducted discount of ₹15,000 at the time of final payment, which was not as per agreement.

(iv) M/s SQM Ltd. collected ₹9,500 as TCS (Tax collected at Source) under the provisions of the Income Tax Act, 1961.

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

Note: Correct legal provision should form part of your answer.

Solution:

Computation of value of taxable supply

Particulars	₹
List price of the goods (exclusive of taxes and discounts)	9,50,000
Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15]	45,000
Freight charges [Includible in the value as per section 15]	65,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body but same is not linked to the price of machine and also not considered in list price]	Nil
Total	10,60,000
Less: Discount [Since discount is not known at the time of supply,	Nil

it is not deductible from the value in terms of section 15]

Value of taxable supply

10,60,000

Note:

1. GST shall not be levied on TCS.
2. Interest free credit has been waived by the supplier hence not included in the value of taxable supply.

NOV 2018

Question 9 (a)

(5 Marks)

Mr. X a registered supplier in Kochi (Kerala State) has provided the following detail in respect of her supplies made within Intra-State for the month of March 2025:

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

Compute the value of taxable supply and the gross GST liability of Mr. X for the month of March 2022 assuming rate of CGST to be 9% and SGST to be 9%. All the amounts given above are exclusive GST.

Solution: Computation of Value of taxable supply

Particulars	Amount in (₹)
(i) List price of goods supplied intra-state	3,30,000
(ii) Swachh Bharat cess levied on sale of goods (other tax paid shall be included as per section 15)	12,500
(iii) Packing expense charged separately in the invoice (includible as per section 15)	10,800
(iv) Discount of 1% on the list price of the goods was provided (recorded in the invoice of goods) (since discount is known at the time of supply, it is deductible from the value in terms of section 15)	(3,300)
(v) Subsidy received from State Government for encouraging women entrepreneurs. (Subsidy received from Govt. shall not be includible in the value as per section 15)	Nil
Value of Supply	3,50,000
CGST @ 9%	31,500
SGST @ 9%	31,500

Alternative solution: In the above solution it is assumed that subsidy received from State Government is already adjusted in list price hence no treatment has been done. Alternatively, it is assumed that subsidy is not excluded from list price then subsidy amount shall be deducted hence computation will be

Solution: Computation of Value of taxable supply

Particulars	Amount in (₹)
(i) List price of goods supplied intra-state	3,30,000
(ii) Swachh Bharat cess levied on sale of goods (other tax paid shall be included as per section 15)	12,500
(iii) Packing expense charged separately in the invoice (includible as per section 15)	10,800
(iv) Discount of 1% on the list price of the goods was provided (recorded in the invoice of goods) (since discount is known at the time of supply, it is deductible from the value in terms of section 15)	(3,300)
(v) Subsidy received from State Government for encouraging women entrepreneurs. (Subsidy received from Govt. shall not be includible in the value as per section 15)	(5,000)
Value of Supply	3,45,000
CGST @ 9%	31,050
SGST @ 9%	31,050

MAY 2018**Question 9 (a)****(5 Marks)**

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 2024:

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

Calculate the Value of taxable supply made by M/s Candy Blue Ltd. for the month of October 2024.

Solution:**Computation of value of taxable supply**

Particulars	₹
List price of the goods	12,40,000
Tax levied by Municipal Authority [Includible in the value as per section 15]	24,000
Packing charges [Includible in the value as per section 15]	12,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15]	30,000
Late fee paid by the recipient of supply for delayed Payment of invoice [Includible in the value as per section 15]	5,000
Total	13,11,000

Note: Subsidy received from Government is not includible in value of supply as per section 15.

MAY 2018**Question 9 (b)****(5 Marks)**

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

Answer: Refer answer in the book

MAY 2018**Question 7 (b)****(4 Marks)**

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

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

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

Solution:**Computation of value of taxable supply**

Particulars	₹
List price of the goods	1,00,000
Tax levied by Municipal Authority [Includible in the value as per section 15]	2,000
Inspection charges [Includible in the value as per section 15]	15,000
Subsidy received from a non-Government body (already not considered)	Nil
Late fee for delayed Payment but waived by the seller.	Nil
Weighment charges [Includible in the value as per section 15] [Includible in the value as per section 15]	2,000
Total	1,19,000

RETURNS

SECTION 37,38,39,40,44,45,46,47

RULE 59,60, 61, 61A, 62,68,80,81

Question 1: Explain Furnishing of statement of outward supplies under section 37 / Rule 59 (GSTR-1)

Answer: Furnishing of statement of outward supplies under section 37 / Rule 59

1. Every registered person shall be required to file a statement of outward supply in **GSTR-1 on monthly basis upto 11th of the month succeeding the relevant month**
2. If turnover in the preceding year is **upto 5 crores, such person has the option to file such statement on quarterly basis upto 13th on the month succeeding the relevant quarter.** If turnover has crossed 5 Crores, such person shall be required to file the return on monthly basis from the first month of next quarter. (NN 83/2020 CT 10/11/2020)
3. If statement is filed on quarterly basis, in that case, the details of outward supply for first and second month of a quarter may be furnished using invoice furnishing facility till 13th of subsequent month but only upto ₹50 lakh for each month. It will include debit note and credit note also.
4. A registered person shall **not be allowed to furnish GSTR-1, if he has not furnished GSTR-1 or GSTR-3B for the earlier tax period.**
5. A taxpayer cannot file 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 whose registration has been cancelled shall be allowed to file GSTR-1 before completion of tax period.

The return shall contain the following particulars:

1. GSTIN
2. Legal name / Trade name.
3. Aggregate Turnover in the preceding financial year
4. Taxable outward supplies (invoice wise) made to registered persons.
5. Taxable outward Inter-State supplies (invoice wise) to unregistered persons where the invoice value is more than ₹2.5 lakh.
6. Zero rated supplies
7. Consolidated details of Taxable Supplies to unregistered persons except table 5 (Rate wise and State wise)
8. Nil rated, exempted and non GST outward supplies
9. Amendments to table 4,5,6 including debit note, credit note etc.
10. Amendments to table no. 7
- 11(I). Advances received/advance adjusted in the current tax period.
- 11 (II). Amendments of 11(I).
12. HSN-wise summary of outward supplies
13. Serial number of Documents issued during the tax period.

GSTR-1 can be filed maximum upto 3 years for a particular tax period from the due date of filing GSTR-1 for the said tax period.

If any person has received a notice under Rule 88C or Rule 88D, such person shall not be allowed to furnish GSTR-1 / IFF for a subsequent tax period unless he has either deposited the amount or has furnished a reply. If any person has not complied with Rule 10A, he will not be allowed to furnish GSTR-1 / IFF

Question 2: Whether Nil GSTR-1 is to be filed

Answer: Filing of GSTR-1 is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period, a Nil GSTR-1 is required to be filed.

A Nil GSTR-1 can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-1 submitted through SMS is verified by registered mobile number-based OTP facility.

Question 3: How are the details of outward supply furnished in prior periods amended? [Section 37(3)]

Answer:

(a) Amendment/ Correction

Tables 9, 10 and 11(II) of GSTR-1 provide for amendments in details of taxable outward supplies furnished in earlier periods.

Table 9 is used to report correction of table 4, 5 and 6 of GSTR-1.

Table 10 is used to report correction of table 7 of GSTR-1.

Table 11(II) is used to report correction of table 11(I) of GSTR-1.

The maximum time limit within which such amendments are permissible is earlier of the following dates:

- **30th November** following the end of the financial year to which such details pertain or
- Date of filing of the relevant annual return

Example: An entity has discovered an error in GSTR 1 of November 2024, in this case it can be rectified till 30th November 2025 but if annual return has been filed on 10th August 2025, error can not be rectified after 10th August 2025.

Question 4: Explain classification of Goods/Services under GST.

Answer: The exercise of placing the various goods/services under the various groups or sub- groups is known as 'Classification' of a product/services and such classification is given in GST Tariff and it is called Harmonised system of Nomenclature. All the goods are divided into **98 categories** which are called chapters. Each product given in the GST Tariff has a specific **8 digit code** number **first 2 digit refer to Chapter next 2 heading next 2 sub-heading and last 2 are specific for the product** e.g. Code No. for Tobacco is 2401 20 50 and for mobile phone is 8517 12 10 and for Chocolate is 1806 90 10 (**Nomenclature means** a system of naming things)

All services are covered in chapter 99 and each service has a code of 6 digit which is called services accounting code.

HSN or HS (Harmonized Commodity Description and Coding System) is a standardized system of nomenclature of different goods developed by World Customs Organization, which is accepted globally. HSN uses 6-digits uniform codes to classify different goods. India uses eight-digits codes for more specific and precise classification.

Position from 01.04.2021

As per notification no. 12/2017, w.e.f 01.04.2021, if annual turnover in preceding year is upto 5 crore, the supplier shall be required to mention four digits of HSN in case of B2B supply but it will be optional for B2C supply. If turnover is more than 5 crores, supplier shall be required to mention six digit of HSN.

Example: The turnovers of Yellow Lemon Pvt. Ltd., Red Pepper Pvt. Ltd. And Blue Berry Pvt. Ltd. in the previous financial year are ₹ 1.5 crore, ₹ 4.8 crore and ₹ 6 crore respectively. While Yellow Lemon Pvt. Ltd. And Red Pepper Pvt. Ltd. will be required to upload 4 digits of HSN code of the goods sold to registered persons, uploading of 4 digits HSN code will be optional for the two companies when the goods are sold to unregistered persons. Blue Berry Pvt. Ltd. will have to upload 6 digits of HSN code of goods sold by it. This will be the position from 01.04.2021.

Question 5: Explain Furnishing of returns u/s Section 39 / Rule 61 GSTR 3B

Answer:

1. Every registered person, shall submit a return in GSTR 3B every month or part thereof upto 20th of subsequent month
2. If turnover is not exceeding 5 crore, return can be filed on quarterly basis and such return should be submitted upto 22nd of subsequent month or 24th of subsequent month depending upon the place where he is registered (NN 84/2020 CT 10/11/2020)

(Registered persons whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep shall submit return upto **22nd of the month** succeeding the quarter.)

(Registered persons whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi shall submit return upto **24th of the month** succeeding the quarter.)

3. Every registered person who is required to furnish a return shall furnish a return for every tax period whether or not any supplies have been made during such tax period.
4. If any registered person after furnishing a return in GSTR 3B discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in such form and manner as may be prescribed, subject to payment of interest under this Act:
5. No such rectification of any omission or incorrect particulars shall be allowed **after 30th November of the subsequent financial year**, or the actual date of furnishing of relevant annual return, whichever is earlier.
6. A registered person shall not be allowed to furnish GSTR-3B if he has not furnish GSTR-3B or GSTR-1 for the earlier tax period.
7. A registered person shall be allowed to file GSTR-3B for a maximum period of 3 year from the due date of furnishing the said GSTR-3B.

Question 6: Explain QRMP Scheme.

Answer:

QRMP Scheme

If any registered person has turnover upto 5 crores, he shall have the option to file GSTR – 3B on quarterly basis but tax has to be paid every month in the manner given below:

1. Fixed Sum Method

- (i) thirty five per cent. of the tax liability paid by debiting the electronic cash ledger in the return for the preceding quarter where the return is furnished quarterly; or
- (ii) the tax liability paid by debiting the electronic cash ledger in the return for the last month of the immediately preceding quarter where the return is furnished monthly:

Provided that no such amount may be required to be deposited-

- (a) for the first month of the quarter, where the balance in the electronic cash ledger or electronic credit ledger is adequate for the tax liability for the said month.
- (b) for the second month of the quarter, where the balance in the electronic cash ledger or electronic credit ledger is adequate for the cumulative tax liability for the first and the second month of the quarter.

Provided further that registered person shall not be eligible for the fixed sum method unless he has furnished the return for a complete tax period preceding such month.

“A complete tax period” means a tax period in which the person is registered from the first day of the tax period till the last day of the tax period.

2. Self Assessment Method

Such registered person has the option to pay tax on estimated basis as per his own assessment but in that case interest shall be charged on any short fall.

Example 1: A registered person, who has opted for QRMP Scheme, has paid a total amount of ₹100/- in cash as tax liability in the previous quarter of October to December. He opts to pay tax under fixed sum method. He therefore pays ₹35/- each on 25th February and 25th March for discharging tax liability for the first 2 months of quarter viz. January and February.

In his return for the quarter, it is found that liability based on the outward and inward supplies, for January was ₹40/- and for February it was ₹42/-. However, no interest would be payable for the lesser amount of tax

i.e. ₹5 and ₹7 respectively. But if he has paid tax on estimated basis, in that case interest shall be charged on ₹ 5 and ₹7.

Tax has to be paid for the first month and the second month of the quarter upto 25th of subsequent month.

Question 7: Explain Manner of opting for furnishing quarterly return.

Answer: Rule 61A

Option for submitting quarterly return

Option can be exercised from the 1st day of the second month of the preceding quarter till the last day of the first month of the quarter for which the option is being exercised: e.g. Mr. X is filing return on monthly basis in April 2024 but now he decides to file return on quarterly basis, in this case he can exercise the option from 1st May 2024 upto 31st July 2024 for filing return on quarterly basis for the quarter starting from July to Aug 2024.

Option for submitting monthly return

Option can be changed from the first month of the quarter, succeeding the quarter during which change of option has been exercised or succeeding the quarter in which his aggregate turnover exceeds 5 crore rupees.

A registered person shall not be eligible to opt for furnishing quarterly return in case the last return due on the date of exercising such option has not been furnished. E.g. Mr. X is filing return of monthly basis but he opts to file quarterly return from the quarter October to December and option is exercised on 24th October 2024 but till that date he has not filed his GSTR-3B for the month of September 2024, in this case he will not be allowed to opt for filing of quarterly return.

Examination MAY – 2023 (3 Marks)

Question 7(b)

(i) Mr. Sumit is a registered dealer in the state of Punjab. In the month of May he decides to apply for QRMP scheme. As he wants to switch to QRMP scheme he had not filed his returns for the months of May and June.

Please guide to Mr. Sumit regarding the following:

- (A) Conditions and restrictions of QRMP scheme.
(B) Manner of exercising option of QRMP scheme.

Answer:

(i) (A) Conditions and restrictions of QRMP scheme

Mr. Sumit has to fulfil the following conditions and restrictions for opting for QRMP scheme:

- His aggregate annual turnover (PAN based) is up to ₹ 5 crore in the preceding financial year.
- He has furnished the return for the preceding month, as due on the date of exercising such option.
- He is not required to exercise the option every quarter.

(B) Manner of exercising option of QRMP scheme

Registered person – Mr. Sumit - intending to opt for QRMP scheme for any quarter should indicate his preference for furnishing of return on a quarterly basis from 1st day of the 2nd month of the preceding quarter till the last day of the 1st month of the quarter for which the option is being exercised.

Question 8: 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.

Answer: As per Section 39(9), if any registered person after furnishing a return GSTR 3B discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in such form and manner as may be prescribed, subject to payment of interest under this Act (earlier in GSTR 3, there were tables for rectification of the error in the earlier return just like GSTR 1 but now there is no such table in GSTR 3B hence rules will be framed for rectification of error)

Rectification of any omission or incorrect particulars shall be allowed upto 30th day of November following the end of the financial year, or the actual date of furnishing of relevant annual return, whichever is earlier.

Question 9: Explain Statement and return by composition dealer.**Answer: Section 39/Rule 62**

Every registered person paying tax under section 10 shall-

- (i) furnish a statement, every quarter or, as the case may be, part thereof, containing the details of payment of self-assessed tax in **FORM GST CMP-08**, till the 18th day of the month succeeding such quarter; and
- (ii) furnish a return for every financial year or, as the case may be, part thereof in **FORM GSTR-4**, till the 30th day of April following the end of such financial year,

Every such registered person shall discharge his liability towards tax or interest by debiting the electronic cash ledger.

A registered person opting to withdraw from the composition scheme at his own motion or where option is withdrawn at the instance of the proper officer shall, where required, furnish a statement in **FORM GST CMP-08** for the period for which he has paid tax under the composition scheme till the 18th day of the month succeeding the quarter in which the date of withdrawal falls and furnish a return in **FORM GSTR-4** for the said period till the 30th day of April following the end of the financial year during which such withdrawal falls.

Particulars of GSTR-4 (Annually) shall be as given below:

1. GSTIN
2. Legal name / Trade name.
3. Aggregate Turnover during the preceding financial year.
4. Inward supplies including supplies on which tax is to be paid reverse charge.
5. Tax on outward supplies made.
6. TDS Credit received
7. Tax Payable and paid
8. Interest, Late fee payable and paid
9. Refund claimed from electronic cash ledger

Question 10: Explain Form and manner of ascertaining details of inward supplies.**Answer: As per Section 38/ Rule 60.****Communication of details of inward supplies and input tax credit Section 38**

1. An auto generated statement in GSTR-2B shall be available on the GST portal every month and the recipient shall be allowed to take ITC on the basis of such statement. It may be available a day after the due date of furnishing of GSTR-1 or furnishing of invoice using IFF, whichever is later i.e. 11th or 13th, whichever is later i.e. 13th of subsequent month or quarter. It will contain details of inward suppliers received during the preceding month and also supplies of earlier month if the same has not been reported in the relevant month.
2. It will also contain details of the input tax for which ITC can not be availed.

Question 11: Explain Filing of First Return.**Answer: Filing of First Return Section 40**

In case prescribed turnover i.e. threshold limit has exceeded, the supplier shall be required to apply for registration within 30 days from the date on which turnover has exceeded the threshold limit and in that case registration shall be applicable from the date on which he becomes liable to registration e.g. Mr. X is dealer in Delhi and turnover of goods has exceeded ₹40 lakh on 10-07-2024, in this case he must apply for registration within 30 days. If he applied for registration on 23-07-2024 and registration was granted on 20-08-2024, in this case registration shall be effective from 10-07-2024. He will submit first return from 10-07-2024 upto 22-07-2024.

Question 12: Explain filing of Annual return**Answer: Filing of Annual return. Section 44/Rule 80**

Every registered person shall furnish an annual return for every financial year electronically in form no. GSTR-9 upto 31st December of the subsequent year, e.g. for financial year 24-25, Return to be submitted upto 31st December 2025.

Particulars of GSTR-9 shall be as given below:

Table No. 1. GSTIN

Table No. 2. Name of Taxable Person

Table No. 3. Date of Statutory Audit.

Table No. 4. Auditors

Table No. 5. Details of Expenditure.

Table No. 6. Details of Income.

Table No. 7. Return reconciliation Statement.

Table No. 8. Other Amounts.

Table No. 9. Profit as per the Profit and Loss Statement

A registered person shall be allowed to file annual return for a maximum period of 3 years from the due date of filing of such annual return.

Persons required to file Annual Return

Sl. No	Persons	Form
01.	Every Registered Person	GSTR-9
02.	Every electronic commerce operator required to collect tax at source under section 52	GSTR-9B
03.	(i) NRTP (ii) Persons providing OIDAR services (iii) Input Service Distributor, (iv) A person paying tax under section 51, (v) A casual taxable person,	Exempt from filing Annual Return

Every person whose turnover has exceeded ₹5 crore shall be required to submit GSTR-9C which will be 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.

Question 13: Explain filing of Final Return**Answer: Filing of Final return Section 45 / Rule 81.**

Every registered person whose registration has been cancelled shall furnish a final return in form no. GSTR-10 within three months of the date of cancellation or date of order of cancellation, whichever is later, eg. if cancellation order has been issued on 20th October 2024 but registration has been cancelled w.e.f.1st October 2024, 3 months shall be determined from 20th October 2024.

Particulars of GSTR-10 shall be as given below:

1. GSTIN
2. Legal Name
3. Business Name
4. Address
5. Application Reference Number (ARN) of surrender application.
6. Effective Date of Surrender/Cancellation.
7. Whether cancellation order has been passed.
8. If yes , Unique ID of cancellation order.
9. Date of Cancellation order
10. Particulars of closing Stock held on date of surrender / cancellation.
11. Amount of Tax Payable on closing stock.

Question 14: Explain Notice to Return defaulters**Answer: Notice to Return Defaulters Section 46 / Rule 68**

Where a registered person fails to furnish a return under section 39 or section 44 or section 45, a notice shall be issued requiring him to furnish such return within fifteen days in GSTR-3A.

Question 15: Explain Penalty for late filing of Return.**Answer: Levy of late fee Section 47**

If any person has not filed any return, notice shall be given u/s 46/ Rule 68 in form no. GSTR-3A.

Penalty for delay in filing GSTR-1 shall be as given below (Notification No.20/2021 dated: 01-06-2021):

- (i) If output supply is nil, penalty shall be ₹10 per day but maximum ₹250.
- (ii) In other cases, penalty shall be charged @ ₹25 per day for every day but maximum ₹1,000 provided aggregate turnover in the preceding financial year is upto ₹1.5 crores. If turnover is more than 1.5 crores but upto 5 crores, maximum penalty shall be ₹2,500. In all other cases maximum penalty shall be ₹5,000.

Penalty for delay in filing GSTR-3B shall be as given below (Notification No.19/2021 dated: 01-06-2021):

- (i) If tax payable in GSTR-3B is nil, penalty shall be ₹10 per day but maximum ₹250.
- (ii) In other cases, penalty shall be charged @ ₹25 per day for every day but maximum ₹1,000 provided aggregate turnover in the preceding financial year is upto ₹1.5 crores. If turnover is more than 1.5 crores but upto 5 crores, maximum penalty shall be ₹2,500. In all other cases maximum penalty shall be ₹5,000.

Penalty for delay in filing GSTR-4 shall be as given below (Notification No.21/2021 dated: 01-06-2021):

- (i) If tax payable in GSTR-4 is nil, penalty shall be ₹10 per day but maximum ₹250
- (ii) In all other cases, penalty shall be ₹25 per day but maximum ₹1,000
- The above Late Fee is under CGST Act, and an equal amount shall be payable under SGST/UTGST Act i.e. in fact the late fee shall be double of the amount as mentioned above.

Penalty for delay in filing Annual Return Section 44

Any registered person who fails to furnish the annual return u/s 44 by the due date shall be liable to pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum of an amount calculated at a quarter per cent of his turnover.

Example 1:

- (i) Delay is 20 days and turnover is ₹ 60,00,000, penalty shall be ₹ 2,000 or ₹ 15,000 i.e. ₹ 2,000
- (ii) Delay is 20 days and turnover is ₹ 10,00,000, penalty shall be ₹ 2,000 or ₹ 2,500 i.e. ₹ 2,000
- (iii) Delay is 40 days and turnover is ₹ 10,00,000, penalty shall be ₹ 4,000 or ₹ 2,500 i.e. ₹ 2,500
- (iv) Delay is 100 days and turnover is ₹ 50,00,000, penalty shall be ₹ 10,000 or ₹ 12,500 i.e. ₹ 10,000

Further equal amount shall be payable under SGST/UTGST Act.

Penalty for delay in filing Final Return Section 45

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.

Question 16: Difference in GST liability reported in GSTR-1 and GSTR-3B Rule 88C.**Answer: Difference in GST liability reported in GSTR-1 and GSTR-3B Rule 88C**

If output tax liability reported in GSTR-1 / IFF is exceeding the amount shown in GSTR-3B, the person shall be given a notice in DRC-01B, directing such person to explain the difference and to pay the balance amount alongwith interest under section 50. The registered person shall explain the reason or pay the

amount within the period of 7 days, otherwise amount shall be recovered with penalty as per GST provisions. Also such person shall not be allowed to file GSTR-1.

Examination – NOV-2023 (5 Marks)

Question 8 (b)

Mr. Sameer a registered person under GST, is unable to file GSTR-1, reason being showed 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.

Solution:

Refer answer to Question No. 16.

Question 17: Explain tax credit availed in excess of GSTR-2B Rule 88D.

Answer: Tax credit availed in excess of GSTR-2B Rule 88D

If any person has availed ITC in excess of the amount shown in GSTR-2B. Such person shall be given intimation in DRC-01C and shall be required to pay the excess amount along with interest under section 50 within 7 days. Also he should explain the reasons for availing excess credit. If no explanation is given and also excess amount is not paid, in that case amount shall be recovered along with penalty as per GST provisions. Also such person shall not be allowed to file GSTR-1.

Question 18: Explain Purpose of Filing of Returns

Answer: In any tax law, “filing of returns” constitutes the most important compliance procedure which enables the Government/ tax administrator to estimate the tax collection for a particular period and determine the correctness of the tax compliance of the taxpayers.

The returns serve the following purposes:

- a) Mode for transfer of information to tax administration;
- b) Compliance verification program of tax administration;
- c) Finalization of the tax liabilities of the taxpayer within stipulated period of limitation;
- d) Providing necessary inputs for taking policy decision;
- e) Management of audit and anti-evasion programs of tax administration

The taxpayer is generally required to furnish the return in a specific statutory format. These formats are, therefore, designed to take care of all the provisions of the law that have a bearing on computation of tax liability of a taxpayer.

Question 19: Explain filing of return by the non resident taxable person

Answer: Every non resident taxable person shall be required to file monthly return in GSTR 5 within **13 days** after expiry of relevant month. But it should be filed within 7 days after the last day of period of registration specified u/s 27. (NRTP is not required to file GSTR 1 or GSTR 3B or Annual return)

Section 39(5)/Rule 63

Question 20: Explain filing of return by the person required to deduct tax at source u/s 51.

Answer:

Such person shall file monthly return in **GSTR 7** within **10 days** from the end of relevant month. (they are not required to file GSTR 1 or GSTR 3B or Annual return)

Section 39(3)/Rule 66

Question 21: Explain filing of return by the Electronic Commerce operator required to collect tax u/s 52.

Answer:

Every electronic commerce operator required to collect tax at source u/s 52 shall furnish a monthly statement in **GSTR 8** within **10 days** of the succeeding month (They are not required to file GSTR 1 or GSTR 3B but Annual return has to be filed in form no. GSTR 9B)

Question 22: Explain filing of return by persons providing online information and database access or retrieval services (not covered in syllabus)

Answer: Form and manner of submission of return by persons providing online information and database access or retrieval services

Every registered person providing online information and database access or retrieval services from a place outside India to an unregistered person in India shall file return in **FORM GSTR-5A** on or before the **20 days** of the month succeeding the calendar month or part thereof. Section 39 / Rule 64 (such person are not required to file GSTR 1 or GSTR 3B or Annual return)

OIDAR – 2(17) of IGST Act

2(17) "online information and database access or retrieval services" means services whose delivery is mediated by information technology over the internet or an electronic network and such services are asunder,—

- (i) advertising on the internet;
- (ii) providing cloud services;
- (iii) provision of e-books, movie, music, software and other intangibles through telecommunication networks or internet;
- (iv) providing data or information, retrievable or otherwise, to any person in electronic form through a computer network;
- (v) online supplies of digital content (movies, television shows, music and the like);
- (vi) digital data storage; and
- (vii) online gaming, excluding the online money gaming

Question 23: Explain filing of return by the input service distributor (Not covered in syllabus)

Answer: Every input service distributor shall submit a monthly return in form no. **GSTR 6** within **13 days** after the end of relevant month (they are not required to file GSTR 1 or GSTR 3B or Annual return)

Section 39(4) / Rule 65

ISD Section 2(61) CGST Act

2(61) "Input Service Distributor" means an office of the supplier of goods/ services which receives tax invoices towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit on the said services to a supplier (branches) having the same Permanent Account Number.

PRACTICE PROBLEMS

Question 1: Mr. X, a regular taxpayer, did not make any taxable supply during the month of July. Is he required to file a GSTR-3B?

Answer: A regular taxpayer is required to furnish a return u/s 39 for every month even if no supplies have been effected during such period. In other words, filing of Nil GSTR-3B is also mandatory. Therefore, Mr. X is required to file GSTR-3B even if he did not make any taxable supply during the month of July.

Question 2: 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 November.

Is he liable to file GSTR-4 upto the month of November? Discuss.

Answer: Where a taxpayer opts to withdraw from the composition scheme, he has to file GSTR-4 for the period prior to his opting for payment of tax under regular scheme. Therefore, in the given case, Mr. Kalpesh is liable to file GSTR-4 upto the month of October since he was paying tax under composition scheme during the month of October.

Question 3: Mrs. Zarina, a registered dealer in Rajasthan, did not file GSTR-3B for the month of June but she wants to file GSTR-3B for the month of July.

Is it possible? Answer with reference to section 39 of the CGST Act.

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 4: X has not made any outward supply during the month of September. However, X has procured certain input services during the month. X is of the opinion that he can file Nil GSTR-3B for the month of September through SMS.

Whether the understanding of X is correct? Explain.

Answer: Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case X has received certain input services, he cannot file Nil GSTR- 3B through SMS as the said input services will need to be disclosed in the Table for Eligible ITC in GSTR-3B.

Question 5: Quicktax, a GST return filing service provider, has asked its clients to provide the scanned copies of the tax invoices issued to B2B customers for uploading on the GST portal and filing the return.

Whether the process followed by Quicktax is correct?

Answer: No, the process followed by Quicktax is not correct.

The registered persons supplying goods or services to B2B customers are required to upload the invoice wise details of supplies made during the tax period. However, there is no requirement to upload the scanned copies of the invoices issued to the customers on the GST portal at the time of filing returns. Only information required as per GST returns is to be captured in the return filing utility and the same is to be uploaded on the GST portal and not the scanned copies of the actual invoices.

Question 6: X Ltd. is winding up its business in Rajasthan. The Tax Consultant of X Ltd. Has suggested that X Ltd. will have to file either the annual return or the final return at the time of voluntary cancellation of registration in the state of Rajasthan. Do you agree with the stand taken by Tax Consultant of X Ltd.?

Offer your comments.

Answer: No, the stand taken by Tax Consultant of X Ltd. is not correct.

Annual return is required to be filed by every registered person paying tax as a normal taxpayer. Final return is filed by the registered persons who have applied for cancellation of registration within three months of the date of cancellation or the date of cancellation order.

In the given case, X Ltd., a registered person, is winding up its business and has thus, applied for cancellation of registration. Therefore, it is required to file both annual return and final return.

MULTIPLE CHOICE QUESTIONS

1. Who is required to furnish details of outward supplies in Form GSTR-1?

- (a) Person paying tax under composition scheme
- (b) Non-resident taxable person
- (c) Both (a) & (b)
- (d) None of the above

2. What does N stand for in HSN?

- (a) Network
- (b) Nationalization
- (c) Nomenclature
- (d) Nomination

3. Which form is furnished for submission of details of outward supplies u/s 37?

- (a) GSTR-1
- (b) GSTR-2
- (c) GSTR-3
- (d) GSTR-5

4. Composition tax payer is required to file annual return in Form no. _____.

- (a) GSTR-2
- (b) GSTR-3
- (c) GSTR-4
- (d) GSTR-5

5. Which of the following are not required to file the Annual Return?

- (a) Input Service Distributor
- (b) Casual Taxable Person
- (c) Non-resident Taxpayer
- (d) All of the above

6. The maximum amount of late fee payable by any registered person on failure to furnish return under section 39 by the due date is ₹ ____.

- (a) 1,000
- (b) 5,000
- (c) 10,000
- (d) 25,000

7. The due date of filing Final Return is _____.?

- (a) 20th of the next month
- (b) 18th of the month succeeding the quarter
- (c) Within three months of the date of cancellation or date of order of cancellation, whichever is later
- (d) 31st December of next financial year

8. What is the due date for submission of monthly GSTR-3B for the persons who are required to file the return on monthly basis?

- (a) on or before 10th day of the immediately succeeding month
- (b) on or before 15th day of the immediately succeeding month
- (c) on or before 17th day of the immediately succeeding month
- (d) on or before 20th day of the immediately succeeding month

9. What is the due date for submission of Quarterly CMP-08?

- (a) on or before 10th day of the immediately succeeding quarter
- (b) on or before 15th day of the immediately succeeding quarter
- (c) on or before 18th day of the immediately succeeding quarter
- (d) on or before 20th day of the immediately succeeding quarter

10. Which of the following person are not required to file the GSTR-1?

- (a) Input Service Distributor
- (b) Person paying tax under composition scheme
- (c) Non-resident Taxpayer

(d) All of the above

11. Contents of GSTR-1 are

(a) GSTIN

(b) Legal Name and Trade Name

(c) Aggregate turnover in previous year

(d) All of the above

(e) None of the above

12. If turnover of person in preceding year is upto ₹5 crore then GSTR-1 shall be filed

(a) Monthly

(b) Quarterly

(c) Half-yearly

(d) Yearly

13. If turnover of person in preceding year is more than ₹5 crore then GSTR-1 shall be filed

(a) Monthly

(b) Quarterly

(c) Half-yearly

(d) Yearly

14. Annual return is required to file in Form no. _____.

(a) GSTR-4

(b) GSTR-1

(c) GSTR-6

(d) GSTR-9

Answer:

1. (d); 2. (c); 3. (a); 4. (c); 5. (d); 6. (b); 7. (c); 8. (d); 9. (c); 10. (d); 11. (d); 12. (b); 13. (a); 14. (d)

EXAMINATION QUESTION

JULY 2021

Question.8.(a)

(5 Marks)

Explain who is required to furnish final return, time limit for filling 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:

- (iii) ₹ 100 for every day during which such failure continues
- or

- (iv) ₹ 5,000

whichever is lower.

An equal amount of late fee is payable under the respective SGST/UTGST Act as well.

NOV 2020

Question 7 (c).

(3 Marks)

“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 above statement is wrong with reference to Rule 59 of the CGST Rules 2017

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 two and a half 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 two and a half lakh rupees made to unregistered persons for each rate of tax;

As per above assessee have to furnish both the details i.e. invoice wise and consolidated details in the GSTR-1.

NOV 2019

Question.8. (b)

(5 Marks)

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.

Answer: Refer answer given in the book

NOV 2019**Question.8. (c) (i)****(2 Marks)**

Explain the consequence, 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.

Answer: As per Rule 61 Every registered person required to furnish return, shall, subject to the provisions of section 49, discharge his liability towards tax, interest, penalty, fees or any other amount payable under the Act or the provisions of this Chapter by debiting the electronic cash ledger or electronic credit ledger and include the details in the return in FORM GSTR-3B, i.e. all payments must be done before filing GSTR 3B. **Further as per section 2(117)** "valid return" means a return furnished under sub-section (1) of section 39 on which self-assessed tax has been paid in full; i.e. the return shall be considered to be invalid if tax has not been paid.

NOV 2019**Question.9. (b)****(5 Marks)**

Discuss about the late fee levied for delay in filing:

- (i) Final Return
- (ii) Annual Return

Answer: Refer answer given in the book

MAY 2019**Question 9 (b)****(1+2+1 Marks)**

Please answer with reference to Section 37 of the CGST Act, 2017 and rule-59 of CGST Rules, 2017:

Mr. Kolly is registered supplier in the State of Gujarat. He is filing GSTR 1 every month. During the month of February, 2025 he was out of India and so did not do any transaction during the month. He believes that as there is no transaction there is no need to file GSTR 1 for the month of February, 2025. Is he correct?

Answer:

Not Correct: GSTR-1 needs to be filed even if there is no business transaction (Nil Return) in the tax period hence intention of Mr. Kolly is not correct and he is liable to file GSTR-1.

NOV 2018**Question 11 (c)****(2 Marks)**

A taxpayer can file GSTR-1 under CGST Act, 2017, only after the end of the current tax period. State exceptions to this.

Answer: A taxpayer can file GSTR-1 only after the end of the current tax period however, following are the exceptions to this rule:

- (i) Casual taxpayers, after the closure of business.
- (ii) Cancellation of GSTIN of a normal taxpayer.

A taxpayer who has applied for cancellation of registration will be allowed to file GSTR-1 after confirming receipt of the application.

NOV 2018**Question 12****(5 Marks)**

(a) What kinds of invoice details of outward supplies are required to be furnished in GSTR-1 for outward supplies?

Answer: Refer answer given in the book

MAY 2018**Question 12****(5 Marks)**

(c) Who is required to furnish Final Return under CGST Act, 2017 and what is the time limit for the same? Discuss.

Answer: Refer answer given in the book

MAY 2018**Question 12 (c)****Marks 5**

Explain the provision relating to filing of Annual Return under section 44 of CGST Act, 2017 and Rules there under.

Answer: Refer answer given in the book

IPC NOV 2017 (MODIFIED)**Question 6****(Marks 3)**

Bring out the salient points in respect of fee leviable on late filing of GST returns and also determine the late fee payable by PQR Ltd., where the filing of GST return has been delayed by 45 days.

Answer: Refer answer given in the book

PAYMENT OF GST

SECTION 49, 49A, 49B, 50

RULE 85, 86, 86A, 86B, 87, 88A, 88B

Question 1: Explain rules for utilization of Input Tax Credit Section 49(5).

Answer:

Utilisation of Input Tax Credit Section 49(5)

ITC shall be adjusted against output tax in the manner given below:

- (i) First of all ITC of IGST shall be adjusted against output IGST and after that against output CGST or output SGST/UTGST as per the option of the assessee.
- (ii) After ITC of IGST is exhausted, only after that ITC of CGST or SGST/ UTGST shall be used.
- (iii) Adjust ITC of CGST against output CGST and surplus if any against output IGST (it can never be adjusted against output SGST)
- (iv) Adjust ITC of SGST against output SGST and surplus if any against output IGST (it can never be adjusted against output CGST)
- (v) If there is output IGST and also ITC of CGST and SGST/UTGST, ITC of CGST shall be used first and only after that ITC of SGST/UTGST shall be used.

Question 2: Explain the order of adjustment of tax dues and other dues Section 49(8).

Answer:

As per section 49(8), every taxable person shall discharge his tax and other dues in the following order-

- (a) self-assessed tax, and other dues related to returns of previous tax periods;
- (b) self-assessed tax, and other dues related to the return of the current tax period;
- (c) any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74;

(i) "tax dues" means the tax payable and does not include interest, fee and penalty; and

(ii) "other dues" means interest, penalty, fee or any other amount payable.

Examination May – 2023 (5 Marks)

Question 7(a)

Mr. Manik provides the following information regarding his tax & other liabilities under GST Act as per Electronic Liability Register:

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 provisions of order of discharge of GST liability U/s 49(8) of 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

Question 3: Explain transfer of tax or other dues from one account to the other Section 49(10).

Answer:

As per section 49(10), a registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under this Act, to the electronic cash ledger for,-

- (a) integrated tax, central tax, State tax, Union territory tax or cess; or
- (b) integrated tax or central tax of a deemed distinct person under section 25(4) / 25(5).

Provided that no such transfer under clause (b) shall be allowed if the said registered person has any unpaid liability in his electronic liability register.

In order to transfer the amount, the registered person shall be required to fill Form GST PMT-09.

Question 4: Explain Payment of Interest on delayed payment of tax

Answer: Interest on delayed payment of tax Section 50/ Rule 88B

(1),(2) If any person has delayed payment of GST, interest shall be charged @ 18% p.a. from the day subsequent to the last day but upto the date of payment. Further if return is furnished after the due date, interest shall be paid on the amount paid through cash ledger e.g. Mr. X has paid GST for the month of July 2024 on 30-08-2024 and output tax ₹10 lakh, ITC ₹6 lakh and amount paid in cash ₹4 lakh, in this case interest shall be $4,00,000 \times 18\% \times 10/365 = 1,972.60 = 1,973$. If return is furnished in time, interest shall be payable on the amount of tax whether paid in cash or through credit ledger.

(3) If person has availed ITC wrongly, interest shall be charged only on the amount which has been utilised by him and interest shall be for the period the amount has been utilised by him e.g. for the month of July 2024 Mr. X has output tax liability ₹20 lakh and tax credit ₹22 lakh (out of which wrongly availed is ₹10 lakh). He has discharged his GST liability on 20-08-2024, in this case wrongly utilised ITC shall be ₹8 lakh (because correctly availed ITC ₹12 lakh). If he has paid this amount after 30 days, interest shall be charged @ 18% p.a. for 30 days on wrongly utilised amount i.e. ₹8 lakh.

Examination May-2024 (5 Marks)

GSTR 3B for the month of January 2024 has been filed by M/S Avisha Limited a registered person within the due date prescribed by the CGST Act 2017 which is on February 20th, 2024. It came to the notice of the Co. that tax due for the month of January 2024 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 2024 on March 20th, 2024 in the following manner:

Particulars	Cash Ledger	Credit Ledger
Shortfall	₹ 12,000	₹ 4,000

Assume that electronic cash ledger and credit ledger carry sufficient balance for the above short fall.

- (i) You are required to calculate the amount of interest payable if any under Section 50 of CGST Act 2017 and Rule 88B of CGST Rules 2017.
- (ii) Give the effect if GSTR 3B for the month of January 2024 had been filed belatedly on March 20, 2024 and all other conditions remaining same.

Calculation should be rounded off to nearest rupee. As 2024 is leap year, give effect of same.

Solution:

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 [21.02.2024 - 20.03.2024 (both inclusive)] as under:

$$= ₹ 16,000 \times 18\% \times 29/366 = ₹ 228 \text{ (rounded off)}$$

(ii) If Avisha Limited has filed Form GSTR-3B for the month after the due date, i.e. on 20.03.2024, interest is payable on the net tax liability paid through Electronic Cash Ledger only, for a delay of 29 days, as under:

$$= ₹ 12,000 \times 18\% \times 29/366 = ₹ 171 \text{ (rounded off)}$$

Question 5: Explain Electronic Liability Ledger

Answer: Electronic Liability Ledger Rule 85

For every registered person electronic liability register shall be maintained on the common portal and liability to pay GST shall be debited to this ledger on the basis of GSTR-1 filed by him. Such liability can be paid either through electronic credit ledger or through electronic cash ledger.

The amount payable on reverse charge basis, or the amount payable under section 10, any amount payable towards interest, penalty, fee or any other amount under the Act shall be paid by debiting the electronic cash ledger.

Example: ABC limited has balance of ₹ 10,00,000 in credit ledger and company has to pay interest/penalty ₹50,000, in this case it cannot be adjusted from credit ledger rather it has to be paid in cash.

Example: ABC Limited has taken services from XYZ limited ₹ 10,00,000 + GST ₹ 1,00,000 but tax is payable under reverse charge and ABC limited has balance in credit ledger ₹10,00,000 in this case, ABC limited has to pay ₹1,00,000 in cash (and it cannot be adjusted from balance in credit ledger because it is input tax) and ABC limited shall be allowed ITC of ₹1,00,000 and balance in credit ledger shall be ₹11,00,000. ITC can be adjusted in payment of Output tax not Input Tax.

Question 6: Explain Electronic credit ledger.

Answer: Electronic Credit Ledger Rule 86.

Electronic credit ledger shall be maintained for every registered person on the common portal. Input tax credit available to him on the basis of GSTR-2B shall be credited to this ledger. The registered person can utilise such credit as per provisions of section 49(5) but it can not be used for payment of other dues or for payment of any tax under reverse charge. The balance available in this ledger can be carried forward for unlimited period but its refund is not allowed except in two cases:

- (i) Zero rated supply
- (ii) Inverted Rate structure i.e. Tax on inputs is higher than the tax on outputs

Question 7: 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?

Answer: Conditions of use of amount available in electronic credit ledger Rule 86A

The Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, having reasons to believe that credit of input tax available in the electronic credit ledger has been fraudulently availed or is ineligible can impose restrictions on utilization of ITC in the following cases—

- (i) The person availing ITC do not possess tax invoice / debit note or other similar document.
- (ii) The person availing ITC has availed ITC without receipt of goods or services.
- (iii) The supplier has not paid tax to the Govt.
- (iv) Tax invoice has been issued by a person who is non-existent or is not conducting business from the registered place to business.
- (v) The registered person who has availed ITC is non-existent or is not conducting business from the registered place.

The Commissioner or the Officer authorized by him may withdraw the orders passed by him in case he finds it to be bonafide.

If no decision is taken within 1 year, the restriction shall cease to have effect.

Examination MAY-2023 (5 Marks)**Question 8(b)**

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

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

Question 8: Restrictions on use of amount available in electronic credit ledger.

Answer: Rule 86B A registered supplier can use maximum upto 99% of output tax from ITC but this condition is applicable only for those suppliers whose monthly taxable turnover (other than exempt supply and zero-rated supply) is exceeding ₹50 lakh e.g. Mr. X has output tax liability for the month of July 100 lakh and ITC ₹100 lakh, in this case output tax of ₹99 lakhs can be adjusted from ITC and balance ₹1 lakh has to be paid through cash ledger i.e. atleast 1% of output tax has to be paid through cash ledger.

The rule shall not be applicable in the following cases:

- (i) Where the said person/proprietor/karta/managing director, partners, whole-time directors etc., have paid more than ₹ 1 lakh as income tax in each of the last 2 financial years.
- (ii) If such 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.
- (iii) If output tax paid through the cash ledger is in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current FY, this rule will not apply e.g. output tax liability from April 2024 upto July 2024 is ₹400 lakhs and payment in cash upto June 2024 is ₹20 lakh. In the month of July output tax is ₹100 lakhs and ITC is ₹100 lakh, in this case entire output tax can be adjusted from ITC because atleast 1% of ₹400 lakhs i.e. ₹4 lakh has been paid through cash ledger.
- (iv) This rule shall not apply in case of Government Department, Public Sector Undertaking, Local authority or Statutory body.

Question 9: Explain Electronic cash ledger.**Answer: Electronic Cash Ledger Rule 87.**

- (1) The electronic cash ledger shall be maintained in FORM GST PMT-05.
- (2) Any person, shall generate a challan in FORM GST PMT-06 on the common portal and enter the details of the amount to be deposited by him towards tax, interest, penalty, fees or any other amount. The challan in FORM GST PMT-06 generated at the common portal shall be valid for a period of fifteen days:
- (3) The deposit shall be made through any of the following modes, namely:—
 - (i) Internet Banking through authorised banks;

- (ia) Unified Payment Interface (UPI) from any bank
- (ib) Immediate Payment Services (IMPS) from any bank
- (ii) Credit card or Debit card through the authorised bank;
- (iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- (iv) 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:

The term relevant for the challan

(a) **CPIN Stands for Common Portal Identification Number** It is a 14 digit number given to each challan and it remains valid for 15 days.

(b) **CIN or Challan Identification Number** it is a 17-digit number (14-digit CPIN plus 3-digit Bank code) generated by the bank receiving the payment and is a confirmation that payment has been received and deposited in the concerned Govt. account. CIN is communicated by bank to taxpayer as well as to GSTN. On receiving the intimation, GST portal shall credit the amount to the electronic cash ledger and shall make available a receipt to this effect. Any discrepancy can be reported to the GST portal in GST PMT-07.

(c) **Bank Reference Number** is the transaction number given by the bank for a payment against a Challan

(d) **E-FPB Stands for Electronic Focal Point Branch** These are branches of authorized banks which are authorized to collect payment of GST.

Discrepancy in Liability/credit/cash ledger

The registered person should report any discrepancy through the common portal in GST PMT-04.

Question 10: Are principles of unjust enrichment applicable for payment made under GST?

Answer: Yes, as per Section 49 of the CGST Act, 2017 every person who has paid the tax on goods or services or both under this Act shall, unless the contrary is proved by him, be deemed to have passed on the full incidence of such tax to the recipient of such goods or services or both. In fact a supplier shall charge GST from the recipient and if GST charged is in excess, its incidence is on the recipient hence refund shall be granted to the recipient because otherwise it will be unjust enrichment.

Form GST PMT –06
[See rule 87(2)]
Challan for deposit of goods and services tax

CPIN	<<Auto Generated after submission of information>>	Date <<Current date>>	Challan Expiry Date --
------	--	-----------------------	------------------------

GSTIN	<<Filled in/Auto populated>>	Email address	<<Auto Populated>>
Name (Legal)	<<Auto Populated>>	Mobile No.	<<Auto Populated>>
Address	<<Auto Populated>>		

Government		Major Head	Minor Head					(All Amount in Rs.)
			Tax	Interest	Penalty	Fee	Others	Total
Government of India		Central Tax (----)						
		Integrated Tax (----)						
		CESS (----)						
		Sub-Total						
State (Name)		State Tax (-- --)						
UT (Name)		UT Tax (----)						
Total Challan Amount								
Total Amount in words								

Mode of Payment (relevant part will become active when the particular mode is selected)

E-Payment
 (This will include all modes of e-payment such as CC/DC and net banking. Tax Payer will choose one of this)

<input type="checkbox"/> Over the Counter (OTC)		
Bank (Where cash or instrument is proposed to be deposited)		
Details of Instrument		
<input type="checkbox"/> Cash	<input type="checkbox"/> Cheque	<input type="checkbox"/> Demand Draft

<input type="checkbox"/> NEFT/RTGS	
Remitting bank	
Beneficiary name	GST
Beneficiary Account Number (CPIN)	<CPIN>
Name of beneficiary bank	Reserve Bank of India
Beneficiary Bank's Indian Financial System Code (IFSC)	IFSC of RBI
Amount	

Note: Charges to be separately paid by the person making payment.

Particulars of depositor	
Name	
Designation/ Status (Manager, partner etc.)	
Signature	
Date	
Paid Challan Information	
GSTIN	
Taxpayer Name	
Name of Bank	
Amount	
Bank Reference No. (BRN)/UTR	
CIN	
Payment Date	
Bank Ack. No. (For Cheque / DD deposited at Bank's counter)	

Note - UTR stands for Unique Transaction Number for NEFT / RTGS payment

FORM GST PMT -09

[See rule 87(13)]

Transfer of amount from one account head to another in electronic cash ledger

1.	GSTIN	
2.	(a) Legal name	<Auto>
	(b) Trade name, if any	<Auto>
3.	ARN	
4.	Date of ARN	

5. Details of the amount to be transferred from one account head to another

(Amount in Rs.)

Amount to be transferred from			Amount to be transferred to		
Major head	Minor head	Amount available	Major Head	Minor head	Amount transferred
1	2	3	4	5	6
<Central tax, State/ UT tax, Integrated tax, Cess>	Tax		<Central tax, State / UT tax Integrated tax, Cess>	Tax	
	Interest			Interest	
	Penalty			Penalty	
	Fee			Fee	
	Others			Others	
	Total			Total	

6. Verification

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.

Place

Signature

Name of Authorised Signatory

Date

Designation /Status

Instructions -

1. Major head refers to - Integrated tax, Central tax, State/UT tax and Cess.
2. Minor head refers to – tax, interest, penalty, fee and others.
3. The form may be filled up if amount from one major / minor head is intended to be transferred to another major/minor head. Minor head for transfer of amount may be same or different.
4. The amount from one minor head can also be transferred to another minor head under the same major head.
5. Amount can be transferred from the head only if balance under that head is available at the time of transfer.

PRACTICE PROBLEM

Q1. Can one use input tax credit for payment of interest, penalty, and payment under reverse charge?

Answer: No, as per Section 49 of the CGST Act, 2017 the amount available in the electronic credit ledger may be used for making any payment towards 'output tax'. As per Section 2 (82) "output tax" in relation to a taxable person, means the tax chargeable under this Act 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, input tax credit cannot be used for payment of interest, penalty, and payment under reverse charge.

Q2. State the name of output tax under GST, where any of the input tax credit under GST can be adjusted?

Answer: IGST. IGST, CGST, SGST, UTGST i.e. all input tax credit can be adjusted against output tax liability known as IGST.

Q3. ABC limited filed the return for GST under section 39 for the month of November on 20th, December showing self assessed tax of ₹2,50,000 which was not paid. Explain what are the implications for ABC limited as per relevant provisions?

Answer: As per section 2(117) of CGST Act, "valid return" means a return furnished under section 39 on which self-assessed tax has been paid in full. Hence, in such a case, the return is not considered as a valid return and also input tax credit will not be allowed to the recipient of supplies.

Q4. Examine the authority vested under CGST Act, 2017 for preventing a registered person from utilising the input tax credit availed in a fraudulent manner?

Answer: Every registered person, shall avail the input tax credit through a return filed under Section 39 of CGST Act, 2017. Input Tax credit availed shall be credited to electronic credit ledger under section 41 of the CGST Act, 2017 on a provisional basis. As per provisions contained in Rule 86A, In case the Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, has reasons to believe that ITC available in the electronic credit ledger has been fraudulently availed or is ineligible, he may prohibit use of ITC for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.

Q5. Mr. A has deposited a sum of ₹ 30,000 under minor head of "Interest" column for the major head "IGST". At the time of filing GSTR-3B for a particular tax period, he noticed that there is no sufficient amount under the minor head 'Tax' towards payment of ₹ 30,000. When approached with the Jurisdictional Tax officer, Mr. A was guided to deposit the tax amount under proper head of account and claim a refund for the remittance of amount deposited under head "interest". Examine the relevant provisions of CGST Act, 2017 towards payment of tax and compliance with the law.

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/UTGST 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 PMT09, such amount can be transferred suo motu on the common portal from "interest" to "tax" head and tax liability be paid

Q6. M/s PPC Ltd., has availed Input Tax credit for ₹ 54,000/- IGST during February 2025 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. GSTR1 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 M/s PPC Ltd., on the common portal

Answer: M/s PPC Ltd., have accounted and paid ₹ 45,000/- as IGST to the supplier concerned. However, availment 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 M/s PPC Ltd., shall be updated with a value of ₹ 54,000/- as per self- assessed return to be filed for February 2025, though the input tax credit shown by the supplier is only for ₹ 45,000/-.

Q7. 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, 2025 within the specified due date . Reason for such delay is attributable to delay in closure of Books for March 2025, which have been finalised during May 2025. 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 for the late fees. Give your guidance in this regard

Answer: Section 49(3) of the CGST Act, 2017 provides that the amount available in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the provisions of this Act or the rules made there under in prescribed manner.

Further, section 49(4) provides that the amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the Integrated Goods and Services Tax 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.

Q8. How many types of electronic ledger/register are there?

Answer:

- (a) Electronic cash ledger
- (b) Electronic credit ledger
- (c) Electronic liability register

Q9. 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;
- (j) Warehousing of Digital Challan.

MULTIPLE CHOICE QUESTIONS

1. Which of these electronic ledgers are maintained online?

- (a) Electronic liability register (b) Electronic credit ledger
(c) Electronic cash ledger (d) All of the above

**2. Deposits towards tax, penalty, interest, fee or any other amount are credited into the-----
-- of a taxable person.**

- (a) Electronic liability register (b) Electronic credit ledger
(c) Electronic cash ledger (d) All of the above

3. Input tax credit as self-assessed in the return of the registered person shall be credited to which of the following ledger?

- (a) Electronic liability register (b) Electronic credit ledger
(c) Electronic cash ledger (d) All of the above

4. Which of the following items are debited to electronic credit ledger?

- (a) Output tax (b) Interest
(c) Penalty (d) All of the above

5. Balance in electronic credit ledger under SGST can be used against which liability?

- (a) SGST Liability only (b) SGST and IGST liability
(c) SGST, IGST and CGST liability (d) None of the above

6. Which input tax credit cannot be claimed against which output tax liability?

- (a) IGST, SGST (b) CGST, IGST
(c) SGST, IGST (d) CGST, SGST

7. Interest is payable on:-

- (a) Belated payment of tax (b) Undue/excess claim of input tax credit
(c) Undue/ excess reduction in output tax liability (d) All of the above

8. Which of the following liability cannot be adjusted against input tax credit of CGST?

- (a) IGST (b) SGST/UTGST
(c) All of the above (d) None of the above

9. Which of the following shall be discharged first, while discharging liability of a taxable person?

- (a) All dues related to previous tax period (b) All dues related to current tax period
(c) Demand raised under section 73 and 74 (d) No such condition is mandatory

10. Interest is calculated:-

- (a) From the day following the day on which tax becomes due to be paid
(b) From the last day such tax was due to be paid
(c) No period is specified
(d) None of the above

11. Which of the following statement is true:

Which date is considered as date of deposit of the tax dues

- (a) Date of presentation of cheque or
(b) Date of payment or
(c) Date of credit of amount in the account of Government

12. Balance in electronic credit ledger can be utilized against which liability?

- (a) Output tax payable (b) Interest
(c) Penalty (d) All of them

13. What is the due date for payment of tax in case of persons required to file GSTR 3B on monthly basis?

- (a) Last day of the month to which payment relates (b) Within 10 days of the subsequent month
(c) Within 20 days of the subsequent month (d) Within 15 days of the subsequent month

14. CPIN Stands for

- (a) Common portal identification number (b) Common portal identity number
(c) Challan portal identification number (d) Challan passbook identification number

15. CIN Stands for

- (a) Common identification number (b) Common identity number
 (c) Challan identification number (d) Challan identity number

16. Validity of challan generated online is

- (a) 1 day (b) 10 days (c) 15 days (d) 30 days

17. CPIN is a _____ digit unique number

- (a) 10 (b) 14 (c) 17 (d) 30

18. CIN is a _____ digit unique number

- (a) 10 (b) 14 (c) 17 (d) 30

19. Interest is payable @ _____ % in case of person liable to pay tax fails to pay tax.

- (a) 12 (b) 18 (c) 24 (d) 30

20. Interest is payable @ _____ % in case of taxable person who makes an undue or excess claim of input tax credit.

- (a) 12 (b) 18 (c) 24 (d) 30

21. E-FPB Stands for

- (a) Electronic Focal Point Branch (b) Electronic Focus Point Branch
 (c) Electrical Focal Point Branch (d) Electronic Fund Point Branch

Answer:

1. (d); 2. (c); 3. (b); 4. (a); 5. (b); 6. (d); 7. (d); 8. (b); 9. (a); 10. (a); 11. (c); 12. (a); 13. (c); 14. (a); 15. (c); 16. (c); 17. (b); 18. (c); 19. (b); 20. (b); 21. (a)

EXAMINATION QUESTION

NOV 2020

Question 8 (a).

(5 Marks)

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?

Answer: Refer answer given in the chapter

NOV 2020

Question 8 (b).

5 Marks

Explain the order of discharge of tax and other dues as per provisions of Section 49 (8) of the CGST Act, 2017.

Answer: Every taxable person shall discharge his tax and other dues under this Act in the following order, namely:—

- (a) self-assessed tax, and other dues related to returns of previous tax periods;
- (b) self-assessed tax, and other dues related to the return of the current tax period;
- (c) any other amount payable under this Act including the demand determined under section 73 or section 74.

NOV 2019

Question.8. (c) (ii)

(3 Marks)

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: Refer answer given in the book

NOV 2019

Question.9. (b)

(4 Marks)

Mr. Alok, a registered supplier of taxable goods, files GSTR 3B for the month of January 2025 on 15th April, 2025. The prescribed due date to file the said GSTR 3B was 20th February, 2025. The amount of net GST payable on supplies made by him for the said month worked out to ₹ 36,500 which was paid on the same date of filing the return.

Briefly explain the related provision and compute the amount of interest payable under the CGST Act, 2017 by Mr. Alok.

Answer: Interest on delayed payment of tax Section 50.

Every person who is liable to pay tax fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest @ 18% per annum for the period of delay.

In the given case, it is a case of delay in payment of GST hence 18% per annum shall be chargeable.

For January 2025 return filing due date is 20th February, 2025

Tax paid on 15th April 2023

Period of default - 20th February to 15th April 2025 = Feb-8, March-31, April-15 = 54 days

Interest = ₹36,500 x 54/365 x 18% = ₹972

MAY 2019**Question 7 (b)****(2 Marks)**

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 utilize the amount available for payment of interest.

Answer:

As per Section 49 (10)/Rule 87 (13) 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, to the electronic cash ledger for any other major head or minor head by submitting form PMT-09.

As per the above provision M/s Daksha Enterprises can transfer fund from minor head tax to Interest by filing PMT-09 and after transfer of such fund Daksha Enterprises can utilize the amount for payment of Interest.

MAY 2019**Question 10 (b)****(5 Marks)**

What are the E-ledgers? State the entries to be debited to electronic liability register under the CGST Act, 2017 and the CGST Rules, 2017.

Answer: Refer answer given in the book**NOV 2018****Question 11 (a)****(3 Marks)**

(ii) Electronic cash ledger balance of ₹5,000 under the major head of IGST can be utilized for discharging the liability of major head of CGST.

Answer:

True: As per Section 49 (10)/Rule 87 (13) 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, to the electronic cash ledger for any major or minor head by submitting form PMT-09.

As per the above provision, a registered person can transfer fund from major head (IGST) to other Major head (CGST) by submitting PMT-09 and after transfer of such fund a registered person can utilize the amount for payment of CGST.

Question 12 (c) (ii)**(3 Marks)**

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

Answer: Payment of tax, interest, penalty and other amounts. Section 49.

The amount available in the electronic credit ledger can be used only for making payment of tax i.e. IGST, CGST or SGST/UTGST but it cannot be used for making payment of other dues like interest or penalty or fine etc. but amount in the cash ledger can be used for tax or even for other dues like interest/penalty etc.

Example: ABC limited has balance of ₹ 10,00,000 in credit ledger and company has to pay interest/penalty ₹50,000, in this case it cannot be adjusted from credit ledger rather it has to be paid in cash.

If tax is payable under reverse charge or it is a payment under composition scheme, it can also be paid only from cash ledger and not from credit ledger.

Example: ABC Limited has taken services from XYZ limited ₹ 10,00,000 + GST ₹ 1,00,000 but tax is payable under reverse charge and ABC limited has balance in credit ledger ₹10,00,000 in this case, ABC limited has to pay ₹1,00,000 in cash (and it cannot be adjusted from balance in credit ledger because it is input tax) and ABC limited shall be allowed ITC of ₹1,00,000 and balance in credit ledger shall be ₹11,00,000. ITC can be adjusted in payment of Output tax not Input Tax.

MAY 2018**Question 12****(5 Marks)**

(a) Discuss the following in terms of provisions of CGST Act, 2017:

When interest shall be payable by a registered person and what is the maximum rate of interest chargeable for the same?

Answer: Refer answer given in the book

MAY 2018**Question 10 (b)****(5 Marks)**

Answer the following with reference to GST Laws:

(i) What is CIN?

Answer: Refer answer given in the book

MAY 2018**Question 10 (b)****(5 Marks)**

(ii) When interest is payable?

Answer: Refer answer given in the book

MAY 2018**Question 10 (b)****(5 Marks)**

(iii) How do the new payment system benefit the taxpayer & the Commercial Tax Department?

Answer: These are the benefits of the new system for the taxpayer and the Commercial Tax Department.

1. No more queues and waiting for making payments as payments can be made online 24 x 7.
2. Instant online receipts for payments made online.
3. Tax consultants can make payment on behalf of the clients.
4. Single challan form to be created online, replacing the three or four copy challan.
5. Revenue will come earlier into the Government Treasury as compared to the old system.
6. Greater Transparency.
7. Online Payments made after 8 pm will credited to the taxpayers account on the same day.

COMPOSITION SCHEME

SECTION 10

RULE 3 to 7

Question: Explain in brief composition scheme.

Answer: GST requires too much accounting and complicated procedure for availing ITC and making payment of output tax which may be very difficult for the small tax payers hence composition scheme has been devised which is a simplified scheme and is an optional scheme and particulars are given under **section 10/Rule 3 to 7**. There will be two types of composition schemes and are as given below:

Composition scheme where mainly supply is of goods Section 10(1) and 10(2)

As per Section 10, A registered dealer whose aggregate turnover in the preceding year is upto ₹150,00,000 may opt for composition scheme and in that case he will not be allowed to charge any output tax and also no ITC is allowed rather he himself has to pay tax.

The limit of ₹ 150,00,000 shall be ta

ken as ₹ 75,00,000 in case of following states

1. Manipur
2. Mizoram
3. Nagaland
4. Tripura
5. Arunachal Pradesh
6. Meghalaya
7. Sikkim
8. Uttarakhand

The rate shall be as given **under Rule 7** and is as given below:

(i) In case of manufacturer, it will be **0.5% CGST + 0.5% SGST** of Turnover (Taxable + Exempt)

(ii) In case of other suppliers, **0.5% CGST + 0.5% SGST** but it will be computed on **taxable supplies** (Goods and services) instead of total supplies. (now other supplier have been exempted to pay tax on exempt supplies)

(iii) If person is engaged in restaurant services rates shall be **2.5% CGST & 2.5% SGST** of Turnover in the State/Turnover in the Union Territory.

However person opting under composition scheme may supply services other than restaurant services of value not exceeding 10% of turnover in the state or union territory in the preceding financial year or ₹5,00,000 whichever is higher. In other words services upto a value of ₹ 5 lakh can be supplied in any case.

If any such person has provided **exempt services** of charging of interest on loan or advance, it will not be included in the turnover computed above.

Example 1: Mr. X has turnover of selling goods ₹100 lakhs and turnover of restaurant services ₹11 lakh and interest charged on loan given ₹6 lakhs. He has provided computer typing and courier services of 5 lakhs, in this case his tax liability shall be as given below eligibility can be computed in the manner given below:

GST payable by him shall be

100 lakhs x 0.5% CGST + 0.5% SGST	1,00,000
11 lakhs x 2.5% CGST + 2.5% SGST	55,000
5 lakhs x 0.5% CGST + 0.5% SGST	5,000

Turnover excluding exempt services of charging interest on loan or advance ₹116 lakhs

In the subsequent year Mr. X is allowed to supply services of the value of ₹ 11.6 lakh i.e. 10% of 116 lakh or ₹ 5 lakh, whichever is higher

Example 2: Mr. X has turnover of selling goods ₹45 lakhs and turnover of restaurant services ₹4 lakh and exempt services of giving loan or advance ₹6 lakhs, in this case he can provide services other than restaurant services in the subsequent year

Total Turnover ₹49 lakhs

10% of ₹49 lakhs = ₹4.90 lakh or 5 lakh, higher is ₹5 lakhs

Composition scheme where mainly supply is of services Section 10 (2A)

A registered person, not eligible to opt to pay tax under section 10 (1) & 10(2), whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees, may opt to pay, tax calculated **at 6% (i.e. 3%+3%) of the taxable turnover in State or turnover in Union territory.**

Common Conditions

1. He is not making any **inter-state supply**.
 2. He is not engaged in making supply of services through **electronic commerce operator** who is required to collect tax at source under section 52. He is allowed to make supply of goods through electronic commerce operator but only within state i.e. Intra state supply.
 3. He is not engaged in making any supply which are not leviable to tax under this Act i.e. non taxable supply.
 4. He is not a manufacturer of such goods which are notified for this purpose i.e. Ice cream and other edible ice, fly ash bricks, fly ash aggregates, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles or pan masala, aerated water, Tobacco and manufactured tobacco substitutes (Notification No.14/2019 (CT)).
 5. Such person should be neither casual taxable person nor non - resident taxable person.
 6. Where more than one registered person are having same permanent account, in that case all such registered person have to opt /reject composition scheme i.e. individual choice is not available, eg. ABC limited has three branches in three different states, all the three branches should be either under composition scheme or in the normal scheme i.e. same scheme will be applicable for all registration with same PAN.
 7. The person covered in composition scheme shall get shifted to the normal scheme if the limit of **₹1,50,00,000/₹ 75,00,000/₹ 50,00,000 exceeds at any time in a financial year and he will give an intimation in CMP-04 within 7 days of exceeding the limit.**
 8. A person applying for registration may give option for composition scheme in **part B of REG-01**.
 9. Such supplier shall mention the words **“composition taxable person not eligible to collect tax on supplies”** at the top of the bill of supply. (not allowed to issue tax invoice) and also mention **“composition taxable person”** on every notice or signboard displayed at the prominent place at his principal place of business and at every additional place or places of business.
 10. Any person who is in the composition scheme may opt out of the scheme at any time and shall file an application in **CMP-04** and he will get shifted to normal scheme with immediate effect. He shall be required to submit ITC-01 for availing ITC **within 30 days** from the date of withdrawal.
 11. Option to pay tax under section 10 shall be effective from the beginning of the next financial year but such person shall also furnish statement in **ITC-03 for reversal of tax credit within a period of 60 days** from the date of commencement of composition scheme.
- In case of new registration it will be applicable from the effective date of registration.

12. **As per rule 62**, such person has to file quarterly statement in **CMP-08** instead of monthly return and also taxes is to be paid on **quarterly** basis within 18 days from the end of the quarter. Further composition dealer shall file an **annual return** upto 30th April following the end of the financial year in form **GSTR-4**.

13. such person can purchase either from same state or from some other state or from some other country but cannot sell to other state or to other country.

14. such person has to pay tax **out of his own** even with regard to supplies which are exempt from GST but in case of traders tax shall be payable only with regard to taxable supplies.

15. If person opting for composition scheme is taking supply of goods or services where reverse charge is applicable, in that case, composition dealer has to pay tax under reverse charge.

16. For the purposes of computing **aggregate turnover** of a person for determining his eligibility to pay tax under this section, the expression "aggregate turnover" shall include the value of supplies made by such person from the 1st day of April of a financial year upto the date when he becomes liable for registration under this Act, but shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Example: Mr. X started trading in goods w.e.f. 01/04/2024 in Delhi and turnover of ₹ 40 lakh was achieved upto 30/06/2024. Turnover from 01/07/2024 to 31/01/2025 was ₹ 110 lakh. He earned interest on the loan given by him ₹ 5 lakh from 01/09/2024 to 31/12/2024, in this case he has to shift to normal scheme w.e.f. 01/02/2025 and turnover shall be 40 lakh + 110 lakh i.e. 150 lakh but it will not include interest of ₹ 5 lakh. His turnover in the state shall be considered to be 110 lakh for the purpose of charging tax under composition scheme.

17. For the purposes of determining the tax payable by a person under this section, the expression **"turnover in State or turnover in Union territory"** shall not include the value of following supplies, namely:—

- (i) supplies from the first day of April of a financial year upto the date when such person becomes liable for registration under this Act; and
- (ii) exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Example: Mr. X started trading in goods w.e.f. 01/04/2024 in Delhi and turnover of ₹ 30 lakh was achieved upto 30/06/2024 and he earned interest of ₹ 10 lakh upto 30/06/2024. Turnover from 01/07/2024 to 31/01/2025 was ₹ 110 lakh. His turnover from 01/02/2025 to 15/02/2025 was ₹ 10 lakh. In this case registration is required on 30/06/2024 because interest will also be considered for the purpose of limit of registration but he will be shifted to normal scheme after 15/02/2025 because interest shall not be taken into consideration for the purpose of aggregate turnover for composition scheme. His turnover in the state shall be considered to be 120 lakh for the purpose of charging tax under composition scheme.

Definition

As per section 2(6), "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

As per section 2(47) "exempt supply" means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply.

As per section 2(78) "non-taxable supply" means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act.

As per section 2(108) "taxable supply" means a supply of goods or services or both which is leviable to tax under this Act;

As per 2 (112)"turnover in State" or "turnover in Union territory" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes central tax, State tax, Union territory tax, integrated tax and cess.

Examination MAY – 2023 (3 Marks)

Question 8(a)

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

Answer:

The registered persons who are 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 i.e. non taxable supply.
- (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, pan masala, 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 who has exceeded the prescribed limit for services i.e. 10% of the turnover in a State/U.T. in the preceding financial year or ₹ 5 lakh, whichever is higher.

Special procedure to be followed by ECOs in respect of supplies of goods through them by composition taxpayers

ECOs would be required to declare the supplies made by such composition dealers through them through GSTR-8 statement. ECOs would also ensure that no inter-State supply is made in respect of composition dealers by making necessary checks on their system/platform.

The ECO shall collect tax at source under section 52 in respect of supply of goods made through it by the composition supplier (NN 36/2023).

Illustration 1:

Mr. X started trading in goods in Delhi w.e.f 01.04.2024 and has submitted particulars as given below:

- Sold goods upto 30.06.2024 and charged ₹40,00,000.
- His turnover crossed ₹40 lakhs on 01-07-2024 and he has taken registration and opted for composition scheme and turnover from 01-07-2024 to 31-01-2025 was ₹1,10,00,000. His turnover from 01-02-2025 to 31-03-2025 was ₹25,00,000. He has given loan and has earned interest of ₹3,00,000 from 01/10/2024 to 31/12/2024.
- GST rates on the goods is CGST @ 6% and SGST 6%.

Discuss tax treatment and compute his tax liability for the financial year 2024-25.

Solution:

In this case no GST is payable upto 30th June 2024 because he is unregistered. After 31st Jan, 2025 he has to shift to the normal scheme because turnover has exceeded ₹150 lakhs (₹40,00,000 shall also be added to determine aggregate turnover but no tax payable on ₹40 lakhs.) After 31st Jan 2025 he has to pay normal tax (however ITC shall be allowed)

Under Composition scheme

	110,00,000
CGST @ .5%	55,000
SGST @ .5%	55,000

Under Normal Scheme

He has to pay normal tax on turnover of ₹25,00,000

	25,00,000
CGST @ 6%	1,50,000
SGST @ 6%	1,50,000

Illustration 2: Mr. X purchased goods for ₹ 25,00,000 and paid CGST @10% / SGST @10%. He is a registered dealer and is covered in normal scheme and sold the product at a profit of ₹ 2,00,000 and charged CGST @10% and SGST@10%. He has incurred ₹ 40,000 in connection with maintenance of books of accounts. Show Tax treatment.

Solution:

Purchase	25,00,000
Add: CGST@10%	2,50,000
Add: SGST@10%	2,50,000
Total	30,00,000

Input tax allowed

CGST	2,50,000
SGST	2,50,000

Cost	25,00,000
Add: profit	2,00,000
Transaction Value	27,00,000
Add: CGST@10%	2,70,000
Add: SGST@10%	2,70,000
Total	32,40,000

Computation of Net Tax**Output Tax**

CGST	2,70,000
Less: ITC CGST	(2,50,000)
Net Tax Payable	20,000

SGST	2,70,000
Less: ITC SGST	(2,50,000)
Net Tax Payable	20,000

Computation of Net Profit (2,00,000 – 40,000) 1,60,000

(b) Presume he is covered in composition scheme and in that case expenses incurred on maintenance of books shall not be incurred.

Solution:

Purchase	25,00,000
Add: CGST@10%	2,50,000
Add: SGST@10%	2,50,000

Total	30,00,000
Input tax credit is not allowed.	
Cost	30,00,000
Add: profit	2,00,000
Sale Value	32,00,000

He will not be allowed to charge any output tax rather he himself has to pay composition tax in the manner given below:

CGST@ 0.5% of ₹ 32,00,000	16,000
SGST@ 0.5% of ₹ 32,00,000	16,000

Computation of Net Profit (2,00,000 -16,000-16,000) 1,68,000

If he has opted for composition scheme, his profit shall be higher and he will be saved from complicated accounting and other procedure.

Illustration 3:

Mr. X started rendering services in Delhi w.e.f 01.04.2024 and has submitted particulars as given below:

- Rendered output services on 30.06.2024 and charged ₹ 20,00,000 and has taken input services on 30.06.2022 ₹3,00,000 + CGST @ 9% + SGST @ 9%.
- He rendered services of ₹ 15,00,000 on 30.09.2024 and purchased inputs on 30.09.2024 ₹ 7,00,000 + CGST @ 6% + SGST @ 6%.
- He rendered services ₹ 15,00,000 on 31.12.2024 and purchased capital goods on 01.10.2024 ₹10,00,000 + CGST @ 10% + SGST @ 10%.
- He opted for composition scheme under section 10(2A) from 01.07.2024.
- He is shifted to normal scheme w.e.f 01.01.2025 and by that time he has consumed 50% of inputs.
- He rendered services and issued invoice
 - 10.01.2025 ₹ 4,00,000 + CGST @ 9% + SGST @ 9%
 - 10.02.2025 ₹ 5,00,000 + CGST @ 9% + SGST @ 9%
 - 10.03.2025 ₹ 6,00,000 + CGST @ 9% + SGST @ 9%
- He purchased inputs ₹ 8,00,000 + CGST @ 5% + SGST @ 5% on 01.01.2025.

Discuss Tax Treatment and compute net tax payable/refundable and also mention the due date on which payment is to be made.

Solution:

No output tax and no ITC from 01.04.2024 to 30.06.2024 because the service provider is unregistered.

For the quarter July to September and October to December 2024, he is in composition scheme, hence no output and no ITC but tax should be paid out of his own at 3% + 3%.

₹

July to September

	15,00,000
CGST @ 3%	45,000
SGST @ 3%	45,000

Payment should be made upto 18.10.2024

October to December

	15,00,000
CGST @ 3%	45,000
SGST @ 3%	45,000

Payment should be made upto 18.01.2024

January 2025

The service provider is in normal scheme from 01.01.2025. ITC of inputs/capital goods in stock is allowed.

Input Tax Credit

Inputs	3,50,000
CGST @ 6%	21,000
SGST @ 6%	21,000

Capital goods

Used for one quarter 01.10.2024 to 31.12.2024

Capital goods	10,00,000
CGST @ 10%	1,00,000
ITC allowed (1,00,000 – 1,00,000 x 5%)	95,000
SGST @ 10%	1,00,000
ITC allowed (1,00,000 – 1,00,000 x 5%)	95,000

ITC inputs

	8,00,000
CGST @ 5%	40,000
SGST @ 5%	40,000

Total Input tax credit

CGST (21,000 + 95,000 + 40,000)	1,56,000
SGST (21,000 + 95,000 + 40,000)	1,56,000

Output Tax

	4,00,000
Output CGST @ 9%	36,000
Output SGST @ 9%	36,000

Net Tax

CGST	36,000
Less: ITC	(36,000)
	Nil

ITC CGST Carried forward 1,20,000

SGST	36,000
Less: ITC	(36,000)
	Nil

ITC SGST Carried forward 1,20,000

Payment should be made upto 20.02.2025

February 2025

Output Tax

	5,00,000
Output CGST @ 9%	45,000
Output SGST @ 9%	45,000

Net Tax

CGST	45,000
------	--------

Less: ITC	(45,000)
	Nil
ITC CGST Carried forward	75,000
SGST	45,000
Less: ITC	(45,000)
	Nil
ITC SGST Carried forward	75,000

Payment should be made upto 20.03.2025

March 2025

Output Tax

	6,00,000
Output CGST @ 9%	54,000
Output SGST @ 9%	54,000

Net Tax

CGST	54,000
Less: ITC	(54,000)
	Nil
ITC CGST Carried forward	21,000
SGST	54,000
Less: ITC	(54,000)
	Nil
ITC SGST Carried forward	21,000

Payment should be made upto 20.04.2025

(b) Presume he has not opted for composition scheme w.e.f 01.07.2024 rather he was in the normal scheme and charged output CGST @ 9% and SGST @ 9%.

Solution:

No output tax and no ITC from 01.04.2024 to 30.06.2024 because the service provider is unregistered.

₹

July

Nil

August

Nil

September

	15,00,000
Output CGST @ 9%	1,35,000
Output SGST @ 9%	1,35,000
Inputs	7,00,000
CGST @ 6%	42,000
SGST @ 6%	42,000
<u>Net Tax</u>	
CGST	1,35,000
Less: ITC	(42,000)
Tax Payable	93,000

SGST	1,35,000
Less: ITC	(42,000)
Tax Payable	93,000

Payment should be made upto 20.10.2024

October

ITC – Capital goods

Capital goods	10,00,000
CGST @ 10%	1,00,000
SGST @ 10%	1,00,000

ITC CGST Carried forward	1,00,000
ITC SGST Carried forward	1,00,000

November

ITC CGST Carried forward	1,00,000
ITC SGST Carried forward	1,00,000

December

	15,00,000
Output CGST @ 9%	1,35,000
Output SGST @ 9%	1,35,000

Net Tax

CGST	1,35,000
Less: ITC b/f	(1,00,000)
Tax Payable	35,000

SGST	1,35,000
Less: ITC b/f	(1,00,000)
Tax Payable	35,000

Payment should be made upto 20.01.2025

January 2025

	4,00,000
Output CGST @ 9%	36,000
Output SGST @ 9%	36,000

ITC inputs

	8,00,000
CGST @ 5%	40,000
SGST @ 5%	40,000

Net Tax

CGST	36,000
Less: ITC	(36,000)

	Nil
ITC CGST Carried forward	4,000

SGST	36,000
Less: ITC	(36,000)
	Nil

ITC SGST Carried forward 4,000

February 2025

5,00,000
Output CGST @ 9% 45,000
Output SGST @ 9% 45,000

Net Tax

Output CGST 45,000
Less: ITC b/f (4,000)
Tax Payable 41,000

Output SGST 45,000
Less: ITC (4,000)
Tax Payable 41,000

Payment should be made upto 20.03.2025

March 2025

6,00,000
Output CGST @ 9% 54,000
Output SGST @ 9% 54,000

Net Tax

Output CGST 54,000
Less: ITC Nil
Tax Payable 54,000

Output SGST 54,000
Less: ITC Nil
Tax Payable 54,000

Payment should be made upto 20.04.2025

(c) Presume he has taken registration right from the beginning i.e. w.e.f 01.04.2024 and charged output CGST @ 9% and SGST @ 9%.

Solution:

₹

April

Nil

May

Nil

June

20,00,000
Output CGST @ 9% 1,80,000
Output SGST @ 9% 1,80,000

Input Service 3,00,000
CGST @ 9% 27,000
SGST @ 9% 27,000

Net Tax

CGST 1,80,000

Less: ITC	(27,000)
Tax Payable	1,53,000
SGST	1,80,000
Less: ITC	(27,000)
Tax Payable	1,53,000

Payment should be made upto 20.07.2024

July

Nil

August

Nil

September

	15,00,000
Output CGST @ 9%	1,35,000
Output SGST @ 9%	1,35,000
Inputs	7,00,000
CGST @ 6%	42,000
SGST @ 6%	42,000

Net Tax

CGST	1,35,000
Less: ITC	(42,000)
Tax Payable	93,000

SGST	1,35,000
Less: ITC	(42,000)
Tax Payable	93,000

Payment should be made upto 20.10.2024

October

ITC – Capital goods

Capital goods	10,00,000
CGST @ 10%	1,00,000
SGST @ 10%	1,00,000

ITC CGST Carried forward	1,00,000
ITC SGST Carried forward	1,00,000

November

ITC CGST Carried forward	1,00,000
ITC SGST Carried forward	1,00,000

December

	15,00,000
Output CGST @ 9%	1,35,000
Output SGST @ 9%	1,35,000

Net Tax

CGST	1,35,000
Less: ITC b/f	(1,00,000)

Tax Payable	35,000
SGST	1,35,000
Less: ITC b/f	(1,00,000)
Tax Payable	35,000

Payment should be made upto 20.01.2025

January 2025

	4,00,000
Output CGST @ 9%	36,000
Output SGST @ 9%	36,000

ITC inputs

	8,00,000
CGST @ 5%	40,000
SGST @ 5%	40,000

Net Tax

CGST	36,000
Less: ITC	(36,000)
	Nil

ITC CGST Carried forward 4,000

SGST	36,000
Less: ITC	(36,000)
	Nil

ITC SGST Carried forward 4,000

February 2025

	5,00,000
Output CGST @ 9%	45,000
Output SGST @ 9%	45,000

Net Tax

Output CGST	45,000
Less: ITC b/f	(4,000)
Tax Payable	41,000

Output SGST	45,000
Less: ITC	(4,000)
Tax Payable	41,000

Payment should be made upto 20.03.2025

March 2025

	6,00,000
Output CGST @ 9%	54,000
Output SGST @ 9%	54,000

Net Tax

Output CGST	54,000
Less: ITC	Nil
Tax Payable	54,000

Output SGST	54,000
Less: ITC	Nil
Tax Payable	54,000

Payment should be made upto 20.04.2025

Illustration 4: Mr. X is a registered person in GST in Delhi and he is in Composition scheme.

He Purchased goods A ₹20,00,000 + CGST @ 10% + SGST @ 10% on 01/08/2024 and also plant machinery ₹30,00,000 + CGST @ 12% + SGST @ 12%.

He shifted to the normal scheme on 10/02/2025 and upto 10/02/2025, he has sold half of goods (not P & M).

He purchased goods B ₹18,00,000 on 01/03/2025 + CGST@ 10 % + SGST @ 10% and sold goods ₹30,00,000 + CGST @ 10% + SGST @ 10%.

Compute ITC /Output tax and Net Tax.

Solution:

At the time of shifting to the normal scheme he shall be allowed to take ITC of the goods lying in the stock hence tax credit allowed shall be as given below:

	₹
Goods A in stock	10,00,000
Add: CGST @10%	1,00,000
Add: SGST @10%	1,00,000
Total	12,00,000
ITC allowed	
CGST	1,00,000
SGST	1,00,000
Plant & Machinery	30,00,000
Add: CGST @12%	3,60,000
Add: SGST @12%	3,60,000
Total	37,20,000

ITC Allowed shall be as given below:

CGST	3,60,000
-------------	----------

Asset already used 01/08/2024 to 10/02/2025 = 6 month and 10 days = 3 Quarters

Less: Tax Credit not allowed (3,60,000 x (3 x 5%))	(54,000)
--	----------

Amount of Tax Credit allowed	3,06,000
------------------------------	----------

SGST	3,60,000
-------------	----------

Asset already used 01/08/2024 to 10/02/2025 = 6 month and 10 days = 3 Quarters

Less: Tax Credit not allowed (3,60,000 x (3 x 5%))	(54,000)
--	----------

Amount of Tax Credit allowed	3,06,000
------------------------------	----------

Purchased goods B	18,00,000
-------------------	-----------

Add: CGST @10%	1,80,000
----------------	----------

Add: SGST @10%	1,80,000
----------------	----------

Total	21,60,000
-------	-----------

Less: ITC allowed	
-------------------	--

CGST	1,80,000
------	----------

SGST	1,80,000
------	----------

Output Tax

Transaction Value	30,00,000
Add: CGST @10%	3,00,000
Add: SGST @10%	3,00,000
Total	36,00,000

Computation of Net Tax Payable

	CGST
Output Tax	3,00,000
Less: ITC Goods A	(1,00,000)
Less: ITC Plant & Machinery	(3,06,000)
Less: ITC Goods B	(1,80,000)
Excess credit to be carried forward	(2,86,000)
	SGST
Output Tax	3,00,000
Less: ITC Goods A	(1,00,000)
Less: ITC Plant & Machinery	(3,06,000)
Less: ITC Goods B	(1,80,000)
Excess credit to be carried forward	(2,86,000)

Illustration 5: Mr. X is a registered in GST in Delhi and is in Normal scheme.

Purchased goods ₹30,00,000 + CGST @ 10% + SGST @ 10% on 01/10/2023.

Purchased Plant & Machinery ₹32,00,000 + CGST @ 12% + SGST @ 12% on 22/09/2023.

Sold half of the goods for ₹22,00,000 + CGST @ 10% + SGST @ 10% upto 01/04/2024.

He shifted to the composition scheme on 01/04/2024 and remaining goods were sold by him for ₹24,00,000 (no GST has been charged)

Purchased some more goods on 01/05/2024 ₹10,00,000 + CGST@ 10 % + SGST @ 10% and sold goods up to 31/05/2024 ₹14,00,000.

Compute ITC to be reversed at the time of shifting to composition scheme and also tax payable when he was in Normal scheme/Composition Scheme.

Solution:

	₹
Purchase goods	30,00,000
Add: CGST @10%	3,00,000
Add: SGST @10%	3,00,000
Total	36,00,000
ITC	
CGST	3,00,000
SGST	3,00,000

Plant and Machinery

Transaction Value	32,00,000
Add: CGST @12%	3,84,000
Add: SGST @12%	3,84,000
Total	39,68,000
ITC	

CGST	3,84,000
SGST	3,84,000

Output Tax

Transaction Value	22,00,000
Add: CGST @10%	2,20,000
Add: SGST @10%	2,20,000
Total	26,40,000

Net tax Payable

	CGST
Output tax	2,20,000
Less: ITC on Goods	(2,20,000)
Net Tax	Nil
Excess Credit to be carried forward (3,00,000 + 3,84,000 - 2,20,000)	4,64,000

	SGST
Output tax	2,20,000
Less: ITC on Goods	(2,20,000)
Net Tax	Nil
Excess Credit to be carried forward (3,00,000 + 3,84,000-2,20,000)	4,64,000

Computation of ITC to be reversed when opting for composition scheme**ITC of Goods (50%)**

CGST (3,00,000 x 50%)	1,50,000
SGST (3,00,000 x 50%)	1,50,000

ITC on Plant and Machinery shifted on 01/04/2024

Asset used (22/09/2023 to 31/03/2024) = 6 month and 9 days

Remaining life = 60 months – 6 month and 9 days = 53 months and 21 days ignoring no. of days

53 months

CGST (3,84,000/60 x 53)	3,39,200
SGST (3,84,000/60 x 53)	3,39,200

Total ITC to be reversed

CGST (1,50,000 + 3,39,200)	4,89,200
Less: ITC	(4,64,000)
Net Payable	25,200
SGST (1,50,000 + 3,39,200)	4,89,200
Less: ITC	(4,64,000)
Net Payable	25,200

Output tax under composition scheme

Turnover	38,00,000
----------	-----------

CGST @ 0.5%	19,000
SGST @ 0.5%	19,000

Illustration 6: Mr. X is a registered in GST in Delhi and is in Composition scheme.

Purchased goods A ₹30,00,000 + CGST @ 10% + SGST @ 10% on 01/04/2024.

Purchased Plant & Machinery ₹18,00,000 + CGST @ 10% + SGST @ 10% on 01/06/2024.

Sold half of the goods A for ₹22,00,000 on 01/10/2024.

He shifted to the normal scheme on 01/01/2025 and remaining goods were sold by him on 01/03/2025 for ₹22,00,000 + CGST @ 10% + SGST @ 10%

Compute ITC/Output tax/ Net tax and also composition tax

Solution:

	₹
Purchase goods A	30,00,000
Add: CGST @10%	3,00,000
Add: SGST @10%	3,00,000
Total	36,00,000
ITC allowed	
CGST	1,50,000
SGST	1,50,000
<u>Plant and Machinery</u>	
Transaction Value	18,00,000
Add: CGST @10%	1,80,000
Add: SGST @10%	1,80,000
Total	21,60,000
<u>ITC allowed after shifting to normal scheme</u>	
CGST	1,80,000
Less: Tax credit not allowed for already used from 01/06/2024 to 01/01/2025 (1,80,000 x 3 x 5%)	(27,000)
ITC allowed	1,53,000
SGST	1,80,000
Less: Tax credit not allowed for already used from 01/06/2024 to 01/01/2025 (1,80,000 x 3 x 5%)	(27,000)
ITC allowed	1,53,000
<u>Output Tax</u>	
Transaction Value	22,00,000
Add: CGST @10%	2,20,000
Add: SGST @10%	2,20,000
Total	26,40,000
<u>Net tax Payable</u>	
	CGST
Output tax	2,20,000
Less: ITC on Goods A	(1,50,000)
Less: ITC Plant & Machinery	(70,000)
Net Tax	Nil
Excess Credit to be carried forward (1,50,000 + 1,53,000 - 2,20,000)	83,000
	SGST
Output tax	2,20,000

Less: ITC on Goods A	(1,50,000)
Less: ITC Plant & Machinery	(70,000)
Net Tax	Nil
Excess Credit to be carried forward (1,50,000 + 1,53,000 - 2,20,000)	83,000
<u>Output tax under composition scheme</u>	
Turnover	22,00,000
CGST @ 0.5%	11,000
SGST @ 0.5%	11,000

Illustration 7:

Mr. X started rendering services in Delhi w.e.f 01.04.2024 and has submitted particulars as given below:

- Rendered output services on 30.06.2024 and charged ₹ 20,00,000 and purchased input on 15.06.2024 ₹ 3,00,000 + CGST @ 9% + SGST @ 9% and purchased capital goods on 01.06.2024 ₹ 1,00,000 + CGST @ 10% + SGST @ 10%.
- He rendered services of ₹ 20,00,000 on 30.09.2024 and purchased inputs on 30.09.2024 ₹10,00,000 + CGST @ 9% + SGST @ 9% and purchased capital goods on 01.09.2024 ₹ 2,00,000 + CGST @ 10% + SGST @ 10%. He has taken input service during September 2024 of ₹ 1,00,000 + CGST @ 9% + SGST @ 9%.
- He rendered services of ₹ 10,00,000 on 31.12.2024 and purchased inputs on 15.12.2024 ₹1,00,000 + CGST @ 9% + SGST @ 9% and purchased capital goods on 01.09.2024 ₹ 10,00,000 + CGST @ 10% + SGST @ 10%. He has taken input service during December 2024 of ₹ 1,00,000 + CGST @ 9% + SGST @ 9%.
- He opted for composition scheme under section 10(2A) from 01.07.2024.
- He is shifted to normal scheme w.e.f 01.01.2025 and by that time he has consumed 50% of all inputs purchased by Mr. X.
- He rendered services and issued invoice
 - 10.01.2025 ₹ 8,00,000 + CGST @ 9% + SGST @ 9%
 - 10.02.2025 ₹ 10,00,000 + CGST @ 9% + SGST @ 9%
 - 10.03.2025 ₹ 12,00,000 + CGST @ 9% + SGST @ 9%
- He purchased inputs ₹ 16,00,000 + CGST @ 5% + SGST @ 5% on 01.01.2025.

Discuss Tax Treatment and compute net tax payable/refundable and also mention the due date on which payment is to be made.

No output tax and no ITC from 01.04.2024 to 30.06.2024 because the service provider is unregistered.

For the quarter July to September and October to December 2024, he is in composition scheme, hence no output and no ITC but tax should be paid out of his own at 3% + 3%.

₹

July to September

	20,00,000
CGST @ 3%	60,000
SGST @ 3%	60,000

Payment should be made upto 18.10.2024

October to December

	10,00,000
CGST @ 3%	30,000

SGST @ 3% 30,000

Payment should be made upto 18.01.2025

January 2025

The service provider is in normal scheme from 01.01.2025. ITC of inputs/capital goods in stock is allowed.

Input Tax Credit

Inputs (50% of 14,00,000)	7,00,000
CGST @ 9%	63,000
SGST @ 9%	63,000

Capital goods

No Tax credit shall be allowed for capital asset purchased prior to registration in GST. Asset purchased after the date of registration but before opting out to composition scheme shall be allowed on proportionate basis.

1. Used from 01.09.2024 to 31.12.2024

Asset already used for 4 Months = 2 Quarters

Capital goods	2,00,000
CGST @ 10%	20,000
ITC allowed (20,000 – 20,000 x 10% (i.e. 5% x 2))	18,000

SGST @ 10%	20,000
ITC allowed (20,000 – 20,000 x 10% (i.e. 5% x 2))	18,000

2. Used from 01.10.2024 to 31.12.2024

Asset already used for 3 Months = 1 Quarter

Capital goods	10,00,000
CGST @ 10%	1,00,000
ITC allowed (1,00,000 – 1,00,000 x 5% (i.e. 5% x 1))	95,000

SGST @ 10%	1,00,000
ITC allowed (1,00,000 – 1,00,000 x 5% (i.e. 5% x 1))	95,000

ITC inputs

	16,00,000
CGST @ 5%	80,000
SGST @ 5%	80,000

Total Input tax credit

CGST (63,000 + 95,000 + 18,000+80,000)	2,56,000
SGST (63,000 + 95,000 + 18,000+80,000)	2,56,000

Output Tax

	8,00,000
Output CGST @ 9%	72,000
Output SGST @ 9%	72,000

Net Tax

CGST	72,000
Less: ITC	(72,000)
	Nil
ITC CGST Carried forward	1,84,000

SGST	72,000
Less: ITC	(72,000)
	Nil
ITC SGST Carried forward	1,84,000

Payment should be made upto 20.02.2025

February 2025

Output Tax

	10,00,000
Output CGST @ 9%	90,000
Output SGST @ 9%	90,000

Net Tax

CGST	90,000
Less: ITC b/f	(90,000)
	Nil
ITC CGST Carried forward	94,000

SGST	90,000
Less: ITC b/f	(90,000)
	Nil
ITC SGST Carried forward	94,000

Payment should be made upto 20.03.2025

March 2025

Output Tax

	12,00,000
Output CGST @ 9%	1,08,000
Output SGST @ 9%	1,08,000

Net Tax

CGST	1,08,000
Less: ITC b/f	(94,000)
Tax Payable	14,000

SGST	1,08,000
Less: ITC b/f	(94,000)
Tax Payable	14,000

Payment should be made upto 20.04.2025

(b) Presume he has not opted for composition scheme w.e.f 01.07.2024 rather he was in the normal scheme and charged output CGST @ 9% and SGST @ 9%. Presume inputs consumed upto 30th June 2024 is 50%

Solution:

No output tax and no ITC from 01.04.2024 to 30.06.2024 because the service provider is unregistered. But ITC allowed on Inputs in stock but no ITC allowed on capital Goods.

July**Input Tax Credit**

Input (50% of 3,00,000)	1,50,000
CGST @ 9%	13,500
SGST @ 9%	13,500
ITC Carried forward CGST	13,500
ITC Carried forward CGST	13,500

August

ITC Carried forward CGST	13,500
ITC Carried forward CGST	13,500

September

	20,00,000
Output CGST @ 9%	1,80,000
Output SGST @ 9%	1,80,000

Input Tax Credit

Inputs	10,00,000
CGST @ 9%	90,000
SGST @ 9%	90,000
<u>ITC – Capital goods</u>	
Capital goods	2,00,000
CGST @ 10%	20,000
SGST @ 10%	20,000
<u>ITC – Input Service</u>	
Input Service	1,00,000
CGST @ 9%	9,000
SGST @ 9%	9,000

Net Tax

CGST	1,80,000
Less: ITC – Inputs	(90,000)
Less: ITC – Capital Goods	(20,000)
Less: ITC- Input Service	(9,000)
Less: ITC- b/f	(13,500)
Tax Payable	47,500

SGST	1,80,000
Less: ITC – Inputs	(90,000)
Less: ITC – Capital Goods	(20,000)
Less: ITC- Input Service	(9,000)
Less: ITC- b/f	(13,500)
Tax Payable	47,500

Payment should be made upto 20.10.2024

October**ITC – Capital goods**

Capital goods	10,00,000
CGST @ 10%	1,00,000
SGST @ 10%	1,00,000

ITC CGST Carried forward	1,00,000
ITC SGST Carried forward	1,00,000
<u>November</u>	
ITC CGST Carried forward	1,00,000
ITC SGST Carried forward	1,00,000
<u>December</u>	
	10,00,000
Output CGST @ 9%	90,000
Output SGST @ 9%	90,000
<u>ITC – Inputs</u>	
Inputs	1,00,000
CGST @ 9%	9,000
SGST @ 9%	9,000
<u>ITC – Input service</u>	
Input service	1,00,000
CGST @ 9%	9,000
SGST @ 9%	9,000
<u>Net Tax</u>	
CGST	90,000
Less: ITC inputs	(9,000)
Less: ITC input service	(9,000)
Less: ITC – b/f	(72,000)
Tax Payable	Nil
ITC CGST Carried forward	28,000
SGST	90,000
Less: ITC inputs	(9,000)
Less: ITC input service	(9,000)
Less: ITC – b/f	(72,000)
Tax Payable	Nil
ITC SGST Carried forward	28,000
<u>January 2025</u>	
	8,00,000
Output CGST @ 9%	72,000
Output SGST @ 9%	72,000
<u>ITC inputs</u>	
	16,00,000
CGST @ 5%	80,000
SGST @ 5%	80,000
<u>Net Tax</u>	
CGST	72,000
Less: ITC	(72,000)

	Nil
ITC CGST Carried forward (28,000 + 80,000 – 72,000)	36,000
SGST	72,000
Less: ITC	(72,000)
	Nil
ITC SGST Carried forward (28,000 + 80,000 – 72,000)	36,000

February 2025

	10,00,000
Output CGST @ 9%	90,000
Output SGST @ 9%	90,000

Net Tax

Output CGST	90,000
Less: ITC b/f	(36,000)
Tax Payable	54,000

Output SGST	90,000
Less: ITC b/f	(36,000)
Tax Payable	54,000

Payment should be made upto 20.03.2025

March 2025

	12,00,000
Output CGST @ 9%	1,08,000
Output SGST @ 9%	1,08,000

Net Tax

Output CGST	1,08,000
Less: ITC	Nil
Tax Payable	1,08,000

Output CGST	1,08,000
Less: ITC	Nil
Tax Payable	1,08,000

Payment should be made upto 20.04.2025

(c) Presume he has taken registration right from the beginning i.e. w.e.f 01.04.2024 and charged output CGST @ 9% and SGST @ 9%.

Solution:

₹

April

Nil

May

Nil

June

	20,00,000
Output CGST @ 9%	1,80,000
Output SGST @ 9%	1,80,000

Input	3,00,000
CGST @ 9%	27,000
SGST @ 9%	27,000
Capital Goods	1,00,000
CGST @ 10%	10,000
SGST @ 10%	10,000
<u>Net Tax</u>	
CGST	1,80,000
Less: ITC-Input	(27,000)
Less: ITC-capital goods	(10,000)
Tax Payable	1,43,000
SGST	1,80,000
Less: ITC-Input	(27,000)
Less: ITC-capital goods	(10,000)
Tax Payable	1,43,000

Payment should be made upto 20.07.2024

July

Nil

August

Nil

September

	20,00,000
Output CGST @ 9%	1,80,000
Output SGST @ 9%	1,80,000

Input Tax Credit

Inputs	10,00,000
CGST @ 9%	90,000
SGST @ 9%	90,000

ITC – Capital goods

Capital goods	2,00,000
CGST @ 10%	20,000
SGST @ 10%	20,000

ITC – Input Service

Input Service	1,00,000
CGST @ 9%	9,000
SGST @ 9%	9,000

Net Tax

CGST	1,80,000
Less: ITC – Inputs	(90,000)
Less: ITC – Capital Goods	(20,000)
Less: ITC- Input Service	(9,000)
Tax Payable	61,000

SGST	1,80,000
Less: ITC – Inputs	(90,000)
Less: ITC – Capital Goods	(20,000)
Less: ITC- Input Service	(9,000)
Tax Payable	61,000

Payment should be made upto 20.10.2024

October

ITC – Capital goods

Capital goods	10,00,000
CGST @ 10%	1,00,000
SGST @ 10%	1,00,000

ITC CGST Carried forward	1,00,000
ITC SGST Carried forward	1,00,000

November

ITC CGST Carried forward	1,00,000
ITC SGST Carried forward	1,00,000

December

	10,00,000
Output CGST @ 9%	90,000
Output SGST @ 9%	90,000

ITC – Inputs

Inputs	1,00,000
CGST @ 9%	9,000
SGST @ 9%	9,000

ITC – Input service

Input service	1,00,000
CGST @ 9%	9,000
SGST @ 9%	9,000

Net Tax

CGST	90,000
Less: ITC inputs	(9,000)
Less: ITC input service	(9,000)
Less: ITC – b/f	(72,000)
Tax Payable	Nil

ITC CGST Carried forward	28,000
--------------------------	--------

SGST	90,000
Less: ITC inputs	(9,000)
Less: ITC input service	(9,000)
Less: ITC – b/f	(72,000)
Tax Payable	Nil

ITC SGST Carried forward	28,000
--------------------------	--------

January 2025

	8,00,000
Output CGST @ 9%	72,000
Output SGST @ 9%	72,000

ITC inputs

	16,00,000
CGST @ 5%	80,000
SGST @ 5%	80,000

Net Tax

CGST	72,000
Less: ITC	(72,000)
	Nil
ITC CGST Carried forward (28,000 + 80,000 – 72,000)	36,000

SGST	72,000
Less: ITC	(72,000)
	Nil
ITC SGST Carried forward (28,000 + 80,000 – 72,000)	36,000

February 2025

	10,00,000
Output CGST @ 9%	90,000
Output SGST @ 9%	90,000

Net Tax

Output CGST	90,000
Less: ITC b/f	(36,000)
Tax Payable	54,000

Output SGST	90,000
Less: ITC b/f	(36,000)
Tax Payable	54,000
Payment should be made upto 20.03.2025	

March 2025

	12,00,000
Output CGST @ 9%	1,08,000
Output SGST @ 9%	1,08,000

Net Tax

Output CGST	1,08,000
Less: ITC	Nil
Tax Payable	1,08,000

Output CGST	1,08,000
Less: ITC	Nil
Tax Payable	1,08,000
Payment should be made upto 20.04.2025	

PRACTICE PROBLEMS

Q1. Determine whether the supplier in the following cases are eligible for composition levy provided their turnover in preceding year does not exceed ₹150 lakh:

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

Answer: Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

Q2. Mohan Enterprises has two registered business in Delhi. Its aggregate turnover for the preceding year for both the business was ₹70 lakh. It wishes to pay tax under composition levy for one of the business in the current year while under normal levy for other business. You are required to advice Mohan Enterprises whether he can do so?

Answer: 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, Mohan Enterprises either have to opt for composition levy for both the business or under normal levy for both the business.

Q3. Taxpayer 'Tolaram' is a manufacturer who has opted for composition levy for goods, having one unit – A1 in UP and another unit – A2 in MP. Total turnover of two units in last FY was ₹ 115 lakh (₹ 85 lakh + ₹30 lakh). Turnover of units A1 and A2 in the first quarter of current financial year is ₹ 5 lakh and ₹ 10 lakh respectively. Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Tolaram'.

Answer:

Unit	Location	Turnover in Previous FY	Turnover in 1st quarter of this FY	Total tax (@1%)
A1	U.P.	₹ 85 lakh	₹ 5 lakh	₹ 5,000
A2	M.P.	₹ 30 lakh	₹ 10 lakh	₹ 10,000
Total		₹ 115 lakh	₹ 15 lakh	₹ 15,000

Q4. Taxpayer 'Bholaram' is a trader, who has opted for composition levy for goods, of both taxable and exempted goods. It has one retail showroom – A1 in Punjab and another retail showroom – A2 in Rajasthan, both selling taxable as well as exempted goods. Total turnover (including taxable and exempted goods) of the two showrooms in last FY was ₹ 115 lakh (₹ 85 lakh + ₹ 30 lakh). Turnover of showrooms A1 and A2 in the first quarter of current financial year is ₹ 35 lakh [A1 – ₹ 15 lakh (₹ 5 lakh from sale of taxable goods and ₹ 10 lakh from sale of exempted goods) and A2 – ₹ 20 lakh (₹ 10 lakh from sale of taxable goods and ₹10 lakh from sale of exempted goods)].

Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Bholaram'.

Answer:

Retail Showroom	Location	Turnover in Previous FY	Taxable Turnover in 1st quarter of this FY	Total tax (@1%)
A1	Punjab	₹ 85 lakh	₹ 5 lakh	₹ 5,000
A2	Rajasthan	₹ 30 lakh	₹ 10 lakh	₹ 10,000
Total		₹ 115 lakh	₹ 15 lakh	₹ 15,000

Note: A supplier, other than manufacturer and restaurant service provider, eligible for composition levy under section 10(1) & 10(2) has to pay tax @ 1% (CGST+ SGST) of the turnover of only taxable supplies of goods and services in the State.

Q5. Taxpayer 'Padmavati' is a salon stylist, who has opted for composition levy for services, having one branch–B1 in Vasant Kunj, Delhi and another branch – B2 in Gurgaon, Haryana. Total turnover of two branches in last FY was ₹ 45 lakh (₹ 25 lakh + ₹ 20 lakh). Turnover of branches B1 and B2 in the first quarter of current financial year is ₹ 5 lakh and ₹ 10 lakh respectively. Compute the amount payable under composition levy under section 10(2A) of the CGST Act, 2017 by 'Padmavati'.

Answer:

Branch	Location	Turnover in Previous FY	Turnover in 1st quarter of this FY	Total tax (@6%)
B1	Delhi	₹ 25 lakh	₹ 5 lakh	₹ 30,000
B2	Haryana	₹ 20 lakh	₹ 10 lakh	₹ 60,000
Total		₹ 45 lakh	₹ 15 lakh	₹ 90,000

Q6. A photographer 'Champak' has commenced providing photography services in Delhi from April this year. His turnover for various quarters till December is as follows:

April-June	₹ 20 lakh
July-Sept	₹ 30 lakh
Oct-Dec	₹ 20 lakh

In the given case, since Champak has started the supply of services in the current financial year, his aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, he can supply services only for ₹ 5 lakh hence he is eligible for composition scheme for services. He becomes eligible for the registration when his aggregate turnover exceeds ₹ 20 lakh.

While registering under GST, he opts for composition scheme for services.

For determining his turnover of the State for payment of tax under composition scheme for services, turnover of April-June quarter [₹ 20 lakh] shall be excluded as the value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act are to be excluded for this purpose.

On next ₹ 30 lakh [turnover of July-Sept quarter], he shall pay tax @ 6% [3% CGST and 3% SGST], i.e. CGST ₹ 90,000 and SGST ₹ 90,000.

By the end of July-Sept quarter, his aggregate turnover reaches ₹ 50 lakh.

Consequently, his option to avail composition scheme for services shall lapse by the end of July-Sept quarter and thereafter, he is required to pay tax at the normal rate of 18%. Thus, the tax payable for Oct-Dec quarter is ₹ 20 lakh × 18%, i.e. ₹ 3,60,000.

Note: while computing aggregate turnover for determining Champak'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 such person becomes liable for registration under this Act (i.e. turnover of April-June quarter), are included.

Q7. Ramsewak is engaged in supply of goods. His turnover in preceding FY is ₹ 60 lakh. Since his aggregate turnover in the preceding FY does not exceed ₹ 1.5 crore, he is eligible for composition scheme for goods in current FY. Further, in current FY, he can supply services [other than restaurant services] upto a value of not exceeding:

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

(b) ₹ 5 lakh,

whichever is higher.

Thus, he can supply services upto a value of ₹ 6 lakh in current FY. If the value of services supplied exceeds ₹ 6 lakh, he becomes ineligible for the composition scheme for goods and has to opt out of the same.

Q8. A person availing composition scheme during a financial year crosses the turnover of ₹ 1.5 crore on 9th of December. The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds ₹ 1.5 crore, i.e. on 9th December, in this case.

Q9. Sultan & Sons, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification, in the State of Maharashtra. Its aggregate turnover in the preceding financial year is ₹ 130 lakh. The firm wishes to opt for composition scheme under subsections (1) & (2) of section 10 of the CGST Act. However, its accountant is of the view that a person engaged in making supply of exempt goods is not eligible for the said scheme. Discuss.

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

which are not leviable to tax under this Act and must not be engaged in making any inter-State outward supplies of goods, 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.

Q10. A person availing composition scheme, under sub-sections (1) & (2) of section 10 of the CGST Act, in Haryana during a financial year crosses the turnover of ₹ 1.5 crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March? Please advise.

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

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.

Q11. Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, provided their turnover in preceding year does not exceed ₹ 1.5 crore:

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

Answer:

(i) A supplier engaged in the manufacture of goods as notified 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 and aerated waters 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 is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

Q12. Subramanian Enterprises has two registered places of business in Delhi. Its aggregate turnover for the preceding year for both the places of business was ₹ 120 lakh. It wishes to pay tax under composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, for one of the places of business in the current year while under normal levy for other. You are required to advise Subramanian Enterprises whether he can do so?

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.

Q13. Mr. Ajay has a registered repair centre where electronic goods are repaired/serviced. His repair centre is located in State of Rajasthan and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is ₹ 45 lakh.

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme under section 10(1) & 10(2) of the CGST Act, 2017 in the current financial year? Or whether he is eligible to avail benefit of composition scheme under section 10(2A)? Considering the option

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

Q14. M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Their aggregate turnover in the preceding financial year by way of supply of appliances was ₹120 Lakh.

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

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

(i) Whether the firm can opt for the composition scheme, under section 10(1) and 10(2) of the CGST Act, 2017, for the current financial year, as the turnover may include supply of both goods and services?

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

Answer:

(i) The registered persons, whose aggregate turnover in the preceding financial year did 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.

MULTIPLE CHOICE QUESTIONS

- 1. What is the threshold limit of turnover in the preceding financial year to be eligible for composition levy for supply of goods in Delhi?**
 - (a) ₹50 lakh
 - (b) ₹75 lakh
 - (c) ₹100 lakh
 - (d) ₹150 lakh
- 2. Mr. X, a registered supplier of Meghalaya wants to opt for composition levy. The turnover limit for supply of goods under composition levy is-**
 - (a) ₹50 lakh
 - (b) ₹75 lakh
 - (c) ₹100 lakh
 - (d) ₹150 lakh
- 3. Mr. X, a registered supplier of Delhi opted for composition levy. He purchased goods A and paid GST of ₹50 lakh on such purchase. ITC allowed shall be**
 - (a) ₹50 lakh
 - (b) ₹25 lakh
 - (c) No tax credit is allowed
 - (d) none of the above
- 4. Can a registered person opting for composition scheme collect tax on his outward supplies?**
 - (a) Yes
 - (b) No
 - (c) Yes, if the amount of tax is prominently indicated in the invoice issued by him
 - (d) Yes, only on such goods as may be notified by the Central Government
- 5. Mr. X, a trader in Delhi has opted for composition scheme of taxation under GST. Determine the rate of total GST payable by him under composition scheme:**
 - (a) 0.5% CGST & 0.5% SGST
 - (b) 2.5% CGST & 2.5% SGST
 - (c) 5% IGST
 - (d) 5% SGST
- 6. Mr. X providing restaurant service in Delhi has opted for composition scheme of taxation under GST. Determine the rate of total GST payable by him under composition scheme:**
 - (a) 0.5% CGST & 0.5% SGST
 - (b) 2.5% CGST & 2.5% SGST
 - (c) 5% IGST
 - (d) 5% SGST
- 7. Which of the following person can opt for composition scheme**
 - (a) person engaged in inter state supply.
 - (b) A manufacturer manufacturing pan masala
 - (c) A manufacturer manufacturing ice cream
 - (d) None of the above
- 8. A person opting for composition scheme can file annual return in**
 - (a) GSTR-1
 - (b) GSTR-2
 - (c) GSTR-3
 - (d) GSTR-4
- 9. A person opting for composition scheme can pay taxes within**
 - (a) 18 days from the end of the quarter
 - (b) 20 days from the end of the quarter
 - (c) 30 days from the end of the quarter

(d) 60 days from the end of the quarter

10. If a person is shifting from composition scheme to normal scheme and can give intimation in

- (a) CMP-01
- (b) CMP-02
- (c) CMP-03
- (d) CMP-04

11. If a person is opting for composition scheme in one State then it shall be applicable in _____ States for multiple registration.

- (a) all the States
- (b) Optional for other States
- (c) not apply for other States
- (d) None of the above

12. If a trader is opting for composition scheme then tax shall be payable on

- (a) Turnover in a State
- (b) Turnover of taxable supplies in a State
- (c) Turnover of exempt supplies in a State
- (d) None of the above

13. ABC Industries, a manufacturer in Mumbai, is engaged in supply of goods in Mumbai as well as Chennai (i.e. inter-State supply of goods). Here, ABC Industries _____ enter into the composition scheme.

- (a) can
- (b) cannot
- (c) may
- (d) None of the above

14. A dealer 'X' has two offices in Delhi. In order to determine whether 'X' is eligible to avail benefit of the composition scheme, turnover of _____ would be taken into account.

- (a) any one of the offices
- (b) both the offices
- (c) higher of both the offices
- (d) lower of both the offices

15. A registered service provider is allowed to opt composition scheme under section 10 (2A)

- (a) whose aggregate turnover in the preceding financial year was sixty lakh rupees or below
- (b) whose aggregate turnover in the preceding financial year was fifty lakh rupees or below
- (c) whose aggregate turnover in the preceding financial year was forty lakh rupees or below
- (d) none of these

16. Composition scheme under section 10(2A) is not allowed

- (a) to a service provider
- (b) to a service provider who is supplying goods also
- (c) to a supplier of goods
- (d) none of these

17. Manufacturer of following goods are not allowed for composition scheme.

- (a) Pan masala
- (b) Ice cream
- (c) Tobacco product
- (d) Electrical goods
- (e) (a), (b) & (c)
- (f) (b), (c) & (d)

Answer:

1. (d); 2. (b); 3. (c) ; 4. (b); 5. (a); 6. (b); 7. (d); 8. (d); 9. (a); 10. (d); 11. (a); 12. (b); 13. (b); 14. (b) ; 15.(b); 16. (c); 17. (e)

EXAMINATION QUESTION

NOV 2019

Question.6. (a)**(6 Marks)**

Mr. Zafar of Assam, provides the following information for the preceding financial year 2023-24. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not, for the F.Y. 2023-24.

Particulars	Amount (₹ in lakhs)
Value of taxable outward supplies (out of this ₹10 lakhs was in course of inter-state transactions).	50.00
Value of exempt supplies (which include ₹ 30 lakhs was received as a 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.	

Solution:

As per section 2(6), "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

As per the above definition aggregate turnover shall be:

Particulars	Amount (₹ in lakhs)
Value of taxable outward supplies	50.00
Value of exempt supplies (70-30)	40.00
Value of inward supplies on which he is liable to pay tax under reverse charge	Nil
Value of exports	5.00
Aggregate turnover	95.00

Since Assessee is staying in Assam hence limit of ₹1.5 crore shall be applicable and his aggregate turnover is below ₹1.5 crore hence he is eligible for composition scheme but in the given case assessee is supplying inter-state hence he is not eligible for composition scheme.

Question.8. (a)**(5 Marks)**

Explain in brief the conditions to be fulfilled by a registered person under GST law for availing the option to pay concessional tax @ 3% (effective rate 6%) under GST, with effect from 1st April, 2024.

Answer: Refer answer given in the book

NOV 2019

Question.9. (a)**(5 Marks)**

M/s United Electronics, a registered dealer, is supplying all types of Electronic Appliances in the state of Karnataka. Their aggregate Turnover in the Financial Year 2023-24 by way of supply of appliances was ₹120 Lakhs.

The firm also expects to provide repair and maintenance service of such Appliances from the financial year 2024-25.

With reference to the latest amendments made in CGST Act, 2017, examine:

- (i) Whether the firm can opt for the composition scheme for the financial year 2024-25, as the turnover may include supply of both goods and services?
 (ii) If yes, up to what amount, the supply of service can be provided?

Answer:

As per section 10(1) & (2), a registered dealer whose aggregate turnover in the preceding year is upto ₹1.5 crore may opt for composition scheme provided he is not engaged in providing taxable supply of services except restaurant services. However person opting for composition scheme may supply services other than restaurant services of value not exceeding 10% of turnover in the state in the preceding year or ₹5,00,000 whichever is higher may opt for composition scheme.

(i) Yes, Firm can opt for the composition scheme for the financial year 2024-25 as the turnover is not exceeding ₹1.5 crores even if the firm is supplying services along with goods.

(ii) Supply of services can be provided up to higher of the followings:

(a) 10% of ₹1.2 crore = ₹12,00,000

(b) ₹5,00,000

Higher = ₹12,00,000

MAY 2019**Question 8 (a)****(5 Marks)**

Enumerate the persons who are not eligible to opt for Composition Scheme under section 10 of the CGST Act, 2017.

Answer: Refer answer given in the book

MAY 2019**Question 9 (a)****(1+2+2 Marks)**

Examine in relation to composition levy scheme under the CGST Act, 2017 and the rules made thereunder in the following individual cases:

(1) Ketu is a manufacturer of Ice-cream and pan masala in State of Maharashtra. His turnover for the year does not exceed ₹1.5 Crore. He wants to register for composition levy scheme. Is he eligible for it?

(2) Jadhu of Gujarat opts for composition scheme during a financial year 2024-25. But on 10-02-2025 his turnover crosses ₹ 1.5 Crore, can he continue under composition levy scheme.

(3) X Ltd. has 2 branches K & L in Delhi, having same PAN. Branch K opts for normal scheme. X Ltd. want to continue composition levy in case of its branch L. Can X Ltd. continue Composition levy only for Branch L?

Answer:

(1) **As per section 10**, if a manufacturer is manufacturing Pan Masala and Ice-cream then he is not eligible for composition scheme. In the given case, Ketu is manufacturer of Ice-cream and pan masala hence he is not eligible for composition scheme

(2) **As per rule 6**, if a person crosses the threshold limit then he will be shifted to normal scheme with immediate effect. Hence Jadhu cannot continue under composition scheme.

(3) If any person has opted for composition scheme for any place of business in any state or union territory, shall be automatically covered in composition scheme for all other places of business in any other State / UT i.e. same scheme will be applicable for all registration with same PAN. Hence X Ltd. cannot opt for composition scheme for its one branch.

NOV 2018**Question 10 (b) (i)****(2 Marks)**

Mr. X is running a consulting firm and also a readymade garment showroom in Kolkata registered in same PAN. Turnover of the showroom is ₹70 lakhs and receipt of consultancy firm is ₹15 lakhs in the preceding financial year. You are required to answer the following:

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

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

Answer: As per section 10, In the given case, total turnover is ₹70 lakhs + ₹15 lakhs = ₹85 lakhs and 10% is ₹8.5 lakhs, hence he is not eligible for composition scheme

No it is not possible for firm to opt for composition scheme only for showroom if firm is providing services also.

MAY 2018

Question 10 (c)

(3 Marks)

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.

(i) Determine whether Sai Trading Company will be eligible for composition levy, as on 31-10-2024.

Answer: A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹1.5 crore is eligible to opt for composition scheme and in the given case turnover is less than ₹1.5 crore so M/s Sai Trading Company is eligible for composition scheme.

(ii) 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: No answer will remain same as limit for Jammu & Kashmir is also ₹1.5 crore.

MAY 2018

Question 12 (a)

(5 Marks)

M/s. Ginny and John Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was ₹80 lakh and Receipts of the interior decorators service was ₹22 Lakh in the preceding financial year. With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?

Will your answer change, if the turnover of the showroom was ₹70 lakh and Receipts of the interior decorators service was ₹22 Lakh in the preceding financial year?

Also discuss whether it is possible for M/s. Ginny and John Company to opt for composition scheme only for Showroom?

Answer: As per section 10, a registered dealer whose aggregate turnover in the preceding year is upto ₹1.5 crore may opt for composition scheme.

However person opting under composition scheme may supply services other than restaurant services of value not exceeding 10% of turnover in the state or union territory in the preceding financial year or ₹5,00,000 whichever is higher.

In the given case, total turnover is ₹80 lakhs + ₹22 lakhs = ₹102 lakhs and 10% is ₹10.2 lakhs, hence he is not eligible for composition scheme

No Answer will remain same even if turnover of the showroom was ₹70 lakhs.

No it is not possible for firm to opt for composition scheme only for showroom if firm is providing services also.

REGISTRATION

Question 1: write a note on Registration on the basis of Threshold exemption.

Answer: As per section 22, every supplier of goods or services or services plus goods shall be liable to be registered in the State / Union Territory, if his aggregate turnover in a financial year exceeds the threshold limit which is given below:

Limit for person supplying within the State/UT.

SL.No	Name of State/UT	Limit for person supplying only services or services plus goods	Limit for person supplying only goods
01	Manipur	10,00,000	10,00,000
02	Mizoram	10,00,000	10,00,000
03	Nagaland	10,00,000	10,00,000
04	Tripura	10,00,000	10,00,000
05	Arunachal Pradesh	20,00,000	20,00,000
06	Meghalaya	20,00,000	20,00,000
07	Puducherry	20,00,000	20,00,000
08	Sikkim	20,00,000	20,00,000
09	Telangana	20,00,000	20,00,000
10	Uttarakhand	20,00,000	20,00,000
11	Other remaining States / UT	20,00,000	40,00,000

SL. No	Name of State/UT	Limit for person supplying Specified goods i.e. Ice cream and other edible ice, fly ash bricks, fly ash aggregates, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles or pan masala, Tobacco and manufactured tobacco substitutes (Notification No. 10/2019 (CT))
01	Manipur	10,00,000
02	Mizoram	10,00,000
03	Nagaland	10,00,000
04	Tripura	10,00,000
05	Other remaining States / UT	20,00,000

Examples:

Supplier	Engaged	Aggregate turnover (in lakhs)	Applicable threshold limit for Registration (in lakhs)	Whether liable to obtain registration?
Mr. P of Assam	exclusively in supply of shoes	22	40	No
	exclusively in supply of pan masala	22	20	Yes
	exclusively in supply of taxable services	22	20	Yes
	in supply of both taxable goods and services	22	20	Yes
Mr. S of Telangana	exclusively in supply of toys	22	20	Yes
	exclusively in supply of	22	20	Yes

	ice cream			
	exclusively in supply of taxable services	22	20	Yes
	in supply of both taxable goods and services	22	20	Yes
Mr. A of Manipur	exclusively in supply of paper	12	10	Yes
	exclusively in supply of tobacco	12	10	Yes
	exclusively in supply of taxable services	12	10	Yes
	in supply of both taxable goods and services	12	10	Yes

As per section 2(6), "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

If any person is giving loan or deposit and is earning interest i.e. he is rendering service of lending money, for the purpose of registration, it will be considered to be supply of goods and not supply of services and limit for turnover shall be determined accordingly.

As per section 2(47) "exempt supply" means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply;

As per section 2(78) "non-taxable supply" means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act;

Example: Mr. X is supplying goods in Delhi has turnover of ₹32,00,000 and also he has earned interest of ₹2,00,000 on the loan or deposit given by him, in this case it will be considered that he is dealing only in goods and threshold exemption limit of ₹40,00,000 shall be applicable and turnover in this case shall be ₹34,00,000 i.e. ₹2,00,000 shall be added to the turnover. If Turnover of goods is ₹39,00,000 and interest is ₹2,00,000, turnover is ₹41,00,000 and registration is required.

Question 2: Explain Persons not liable for registration.

Answer: Persons not liable for registration. Section 23

(1) The following persons shall not be liable to registration, namely:—

- (a) any person engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax under this Act or under the Integrated Goods and Services Tax Act;
- (b) an agriculturist, to the extent of supply of produce out of cultivation of land.

As per section 2 (7), "agriculturist" means an individual or a Hindu Undivided Family who undertakes cultivation of land—

- (a) by own labour, or
- (b) by the labour of family, or
- (c) by servants on wages payable in cash or kind or by hired labour under personal supervision or the personal supervision of any member of the family;

As per notification no. CT-5/17, if any supplier is supplying goods or services on which GST is to be paid by the recipient under reverse charge, in that case supplier shall not be required to take registration. E.g. reverse charge is applicable on the services provided by an advocate hence even if turnover has exceeded the threshold exemption limit, no registration is required.

Question 3: Explain Registration required irrespective of Turnover.

Answer: As per section 24, The following persons must take registration irrespective of their turnover.

- (i) Persons making any inter-State taxable supply of goods (In case of Inter - State supply of services normal limit of ₹10,00,000/₹20,00,000 shall be applicable.) In case of Inter State supply of goods, registration is required irrespective of turnover but in case of Inter State supply of handicrafts goods, limit of ₹10,00,000/₹20,00,000/₹40,00,000 shall be applicable. **Handicraft goods:** means the goods made by the craftsmen predominantly by hand even though some machinery may also be used in the process.
- (ii) Casual taxable persons making taxable supply. E.g. Mr. X is a dealer in the state of U.P. and his turnover is ₹ 18,00,000 and he will be selling goods in a trade fair in Delhi, in this case registration is required in the state of Delhi as casual taxable person. If he is selling handicraft goods, registration shall be required only if aggregate turnover of ₹ 40,00,000 has crossed.
- (iii) Non-resident taxable persons making taxable supply.
- (iv) Persons who are required to pay tax under reverse charge.
- (v) Persons who are required to pay tax under section 9 (5), e.g. UBER, OLA CABS etc.
- (vi) Every electronic commerce operator, e.g. Amazon, Flipkart etc.
- (vii) Persons supplying goods through electronic commerce operator shall also be required to take registration but in case of handicrafts goods normal limit shall be applicable.
If any person is selling other goods in that case also, normal exemption limit shall be applicable provided the goods are sold only within the state.
Further in case of services normal exemption limit shall be applicable.
Also normal exemption limit shall be applicable in case of person supplying services through ECO covered u/s 9(5).
- (viii) Input service distributor
- (ix) Every person supplying online money gaming from a place outside India to any person in India.
- (x) Any person supplying OIDAR services from outside India to a person in India provided the person receiving the services is not registered.

2(80A) “online gaming” means offering of a game on the internet or an electronic network and includes online money gaming.

2(80B) “online money gaming” means online gaming in which players pay or deposit money or money's worth, including virtual digital assets, in the expectation of winning money or money's worth, including virtual digital assets, in any event including game, scheme, competition or any other activity or process, whether or not its outcome or performance is based on skill, chance or both and whether the same is permissible or otherwise under any other law for the time being in force.

Example: Prithiviraj of Assam is exclusively engaged in intra-State supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh. In view of the discussion in the above paras, the applicable threshold limit for registration for Prithiviraj in the given case is ₹ 40 lakh. Thus, he is not liable to get registered under GST.

If in above example, all other things remaining the same, Prithiviraj is exclusively engaged in supply of pan masala instead of shoes, he will not be eligible for higher threshold limit of ₹ 40 lakh and the applicable threshold limit for registration in that given case will be ₹ 20 lakh. Thus, Prithiviraj will be liable to get registered under GST.

If instead of pan masala, Prithiviraj is exclusively engaged in supply of taxable services, the applicable threshold limit for registration will still be ₹ 20 lakh. Thus, Prithiviraj will be liable to get registered under GST.

Further, if Prithiviraj is engaged in supply of both taxable goods and services, the applicable threshold limit for registration will be ₹ 20 lakh only. Thus, Prithiviraj will be liable to get registered under GST.

Example: Ashoka of Manipur is exclusively engaged in intra-State supply of paper. Its aggregate turnover in the current financial year is ₹ 12 lakh. Since Ashoka is making taxable supplies from Manipur which is a Special Category State, the applicable threshold limit for registration for Ashoka in the given case is ₹ 10 lakh. Thus, he is liable to get registered under GST.

If in above example, all other things remaining the same, Ashoka is exclusively engaged in supply of taxable services instead of paper, the applicable threshold limit for registration will still be ₹ 10 lakh. Thus, Ashoka will be liable to get registered under GST.

Further, if Ashoka is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in that given case will be ₹ 10 lakh only. Thus, Ashoka will be liable to get registered under GST.

Example: Raghav of Assam is exclusively engaged in intra-State supply of readymade garments. Its turnover in the current FY from Assam showroom is ₹ 28 lakh. It has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY. Since Raghav is engaged in supplying garments from a Special Category State as per section 22, the applicable threshold limit for him gets reduced to ₹ 10 lakh. Further, Raghav is liable to get registered under GST in both Assam and Tripura on his aggregate turnover crossing the threshold limit of ₹ 10 lakh.

Example: Uday Enterprises is engaged in supply of taxable goods in Maharashtra. It also supplies alcoholic liquor for human consumption from Nagaland. Its turnover in the current financial year is ₹ 34 lakh in Maharashtra and ₹ 8 lakh in Nagaland.

Since Uday Enterprises is exclusively engaged in making taxable supplies of goods from Maharashtra, the applicable threshold limit for obtaining registration is ₹ 40 lakh. However, the threshold limit will not be reduced to ₹ 10 lakh in this case, as supply of alcoholic liquor for human consumption from Nagaland (one of the Special Category States) are non-taxable supplies³.

In the given case, since the aggregate turnover of Uday Enterprises exceeds the applicable threshold limit of ₹ 40 lakh, it is liable to obtain registration. It will obtain registration in Maharashtra, but is not required to obtain registration in Nagaland as he is not making any taxable supplies from said State.

Question 4: Explain procedure for registration.

Answer: Procedure for Registration Section 25/Rule 8/Rule 9

Every person who is liable to be registered shall apply for registration in Form REG-01 at the GST portal and shall mention the State and Union territory for which registration is to be taken. If a person has place of business in different states, separate registration is required for each state or union territory but if a person has more than one place of business in a state, he will have the option to take one registration for all the places or to take separate registration for each of such place. Further a person has to apply within 30 days from the date on which he becomes liable for registration.

An applicant must have PAN to apply for registration

If any person is not liable for registration still he is allowed to take voluntary registration under section 25(3).

As per section 25(4)/25(5), if any person has more than one registration, they will be considered to be Distinct persons (different persons) for each other i.e. they will charge GST from each other.

In order to take registration, a person must undergo Aadhar authentication but the following persons as per section 25(6D) are exempt from requirement of aadhar authentication.

- ✓ A person who is not a citizen of India
- ✓ Department or establishment of State Government or Central Government
- ✓ Local authority
- ✓ Statutory body

- ✓ Public Sector Undertaking
- ✓ A person applying for Unique Identity Number

[Notification No.03/2021 CT dated 23.02.2021]

Procedure for registration Rule 8 /Rule 9

Every person applying for registration shall submit information in part A of REG-01 on the common portal and it will contain details like legal name, Permanent Account Number and the state / union territory. An OTP shall be send on the mobile number/ email id linked with Permanent account no. and in this manner Permanent Account Number / Mobile number / email id shall be verified. After verification of the PAN and email id and phone number, a temporary reference number (TRN) shall be generated and sent on email / mobile no. of the applicant.

Using TRN, the applicant shall submit part B of REG-01. There will be two categories of registration.

Category -1: Applicant opting for Aadhaar authentication

Where an applicant, opts for authentication of Aadhaar number, he shall, undergo authentication of Aadhaar number and the date of submission of the application in such cases shall be the date of authentication of the Aadhaar number, or fifteen days from the submission of the application in Part B of FORM GST REG-01 whichever is earlier:

If such applicant is identified on the common portal on the basis of data analysis and risk parameters, such person shall be required to under go biometric-based aadhaar authentication and photograph of the applicant or other specified person and also original copy of the documents shall be verified at the specified Facilitation Centre (at present setup only in Gujrat) and the date of application shall be the date of completion of such process.

In this case registration shall be granted in Form No. REG-06 within 7 days or if there is any discrepancy, it will be reported to the applicant within 7 days and applicant shall be required to rectify within 7 days otherwise application shall be rejected. If he has rectified the discrepancy, certificate shall be given within 7 days. If the department has not issued certificate in 7 days, the registration shall be deemed to have been approved.

Category-2: Others

It will be applicable in the following cases:

- (i) A person who has failed to undergo authentication of Aadhaar number or has not opted for authentication of Aadhaar number; or
- (ii) a person, who has undergone authentication of Aadhaar number is identified on the common portal, based on data analysis and risk parameters, for carrying out physical verification of places of business; or
- (iii) the proper officer, with the approval of an officer authorised by the Commissioner not below the rank of Assistant Commissioner, deems it fit to carry out physical verification of places of business,

In the above cases registration shall be granted within 30 days of submission of application or if there is any discrepancy, it will be reported within 30 days and the applicant shall be required to rectify within 7 days otherwise application shall be rejected. If he has rectified the discrepancy, certificate shall be given within 7 days. If the department has not issued certificate in 7 days, the registration shall be deemed to have been approved.

Issue of Registration certificate Rule 10

Certificate of registration shall be granted in **form no. REG-06** and if supplier has more than one branch in a State or Union Territory, he will get one registration certificate and all the places of the supplier shall be mentioned in the certificate. The supplier shall be allotted goods and service tax identification number and it will consist of

- (a) two characters for the State code.
- (b) ten characters for the Permanent Account Number or the Tax Deduction and Collection Account Number.

- (c) two characters for the entity code and
- (d) one checksum character.

Effective Date of Registration

If applicant has submitted application within a period of 30 days, he will be considered to be registered from the date on which he becomes liable to registration and if application is given after 30 days, effective date of registration shall be the date of granting registration.

Example:

1. In case of Mr. X supplying goods limit of ₹ 40,00,000 exceeded on 10th August 2024 and he applied for registration on 20th August 2024 and registration was granted on 30th August 2024, In this case effective date shall be 10th August 2024 but if he has applied on 15th September 2024 and registration was granted on 25th September 2024, Registration shall be effective from 25th September 2024.
2. Turnover of Mr. X supplying goods on 10th August 2024 is ₹ 35,00,000 and he applied for voluntary registration and registration was granted on 25th August 2024, In this case registration is effective from 25th August 2024 but if his Turnover has exceeded ₹40,00,000 on 20th August 2024, In this case applicant should inform the department for change of category (REG-04) and registration granted shall be applicable from 20th August 2024.

Question 5: Explain Issue of Revised Invoice at the time of registration

Answer: Issue of Revised Invoice at the time of registration Section 31(3)(a)

A registered person is allowed to issue revised invoice for the invoice already issued from the effective date of registration till the date of issuance of registration certificate. Further revised invoice should be issued within one month from the date of issuing of registration certificate.

The registered person may issue a consolidated revised tax invoice in respect of all taxable supplies made to a recipient who is not registered.

Example: Mr. A, a registered supplier has made supplies to unregistered recipient as given below: supply 1 ₹60,000, supply 2 ₹40,000, supply 3 ₹70,000, supply 4 ₹1,00,000, in this case consolidated revised tax invoice can be issued for all the supplies.

In the case of inter-State supplies, where the value of a supply does not exceed two lakh and fifty thousand rupees, a consolidated revised invoice may be issued separately in respect of all the recipients located in a State, who are not registered.

Example: Mr. A, a registered supplier has made supplies to unregistered recipient as given below: supply 1 ₹60,000, supply 2 ₹40,000, supply 3 ₹70,000, supply 4 ₹1,00,000, in this case consolidated revised tax invoice can be issued for all the supplies.

In the case of inter-State supplies, where the value of a supply does not exceed two lakh and fifty thousand rupees, a consolidated revised invoice may be issued separately in respect of all the recipients located in a State, who are not registered.

Illustration 1

Luv & Kush Pvt. Ltd. of Meghalaya engaged in the supply of gifts items and repair services, provides you the following details:-

S.No.	Particulars	Date
1.	Commencement of the business of supplying goods and services	01st August
2.	Turnover exceeds ₹ 10,00,000 on	15th August
3.	Turnover exceeds ₹ 20,00,000 on	05th September
4.	Application for registration made on	28th September

5. Registration certificate granted on

06th 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 the prescribed limit 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.) in terms of section 22. In case of Meghalaya 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. 5th September.

Thus, Luv & Kush Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (5th September) and the date of issuance of registration certificate (6th October), within 1 month from 6th October.

Further, Luv & Kush Pvt. Ltd may issue a consolidated revised tax invoice in respect of all taxable supplies made to unregistered dealers during such period. However, in case of inter-State supplies made to unregistered dealers, a consolidated revised tax invoice cannot be issued in respect of all the recipients located in a State, if the value of a supply exceeds ₹ 2,50,000.

Question 6: Write a note on separate registration for multiple places of business within a state or union territory.

Answer: Separate registration for multiple places of business within a State or a Union territory Section 25(2)

A registered person having two or more places of business in a State or a Union territory shall have the option to take one registration or separate registration for each branch. If separate registration is taken they will be called deemed distinct persons and in case of supply to each other they will issue invoice and charge GST and also ITC shall be allowed. All the branches should be either in the normal scheme or in the composition scheme.

If earlier there was one registration but now separate registration has been taken, in such cases input tax credit can be transferred to the branch but in the ratio of value of asset held by them at the time of registration.

Question 7: Explain Suo motu registration.

Answer:

Suo motu registration Section 25(8)

If GST officer is find that a person is liable to registration but he has not taken registration, in that case GST officer can register him suo motu and such person shall stand register from the date of order issued by the GST Officer and such person shall be liable to file application for registration within 90 days from the date of granting suo motu registration.

Such person can file an appeal with the Appellate Authority and if Appellate Authority has also confirmed such Suo motu registration, in that case he should apply for registration within 30 days of passing the order by the Appellate Authority and registration shall be effective from the date of granting suo motu registration.

Question 8: write a note on amendment in Registration Certificate.**Answer:****Amendment of registration Section 28**

A registered person may apply for amendment of registration in REG-14 within 15 days of occurring of such change and GST Officer shall grant amendment within 15 days of receiving the intimation or the GST Officer shall raise objection within 7 days of the intimation. The applicant should remove objection within 7 days of receiving the intimation and GST Officer shall grant amendment within 7 days of receiving the intimation.

Amendment is allowed with regard to the following:

- (i) legal name of business;
- (ii) address of the principal place of business or any additional place(s) of business; or
- (iii) addition, deletion or retirement of partners or directors, Karta, Managing Committee, Board of Trustees, Chief Executive Officer or equivalent, responsible for the day to day affairs of the business,-

If the proper officer fails to take any action,—

- (a) within a period of fifteen working days from the date of submission of the application, or
 - (b) within a period of seven working days from the date of the receipt of the reply to the notice to show cause,
- the certificate of registration shall stand amended to the extent applied for and the amended certificate shall be made available to the registered person on the common portal.

Question 9: Explain cancellation of registration Section 29.**Answer:**

Cancellation shall be of two types:

1. **At the request of the applicant**
2. **Suo motto**

1. **At the request of the applicant:** Registration can be cancelled at the request of the applicant and for this purpose application should be given in Form REG-16 within 30 days of the occurrence of the event leading to cancellation and GST Officer shall pass orders within 30 days from the date of application.
2. **Suo motto:** Department can issue a notice in REG-17 for cancellation of registration certificate and a period of 7 days shall be allowed to the applicant to reply such notice. If the GST Officer is not satisfied, certificate shall be cancelled.

Certificate can be cancelled in the following cases:

1. Business/Profession has been closed
2. The registered person has expired
3. The person is not required to be registered under section 22 or section 24
4. He has not filed return under section 39(1) for a period exceeding 6 months if return was to be filed on monthly basis and for period exceeding 2 quarters if return was to be filed on quarterly basis
5. In case of a composition dealer, if he has not filed annual return in GSTR-4 for a period exceeding 3 months.
6. If he has taken voluntary registration but he has not commenced business within 6 months from the date of registration
7. He issued invoice without supply of goods or services
8. He has violated the provisions of section 171
9. He avails ITC in violation of section 16
10. If the amounts reported in GSTR-1 and GSTR-2B are different from the amounts reported in GSTR-3B
11. Violates the provision of rule 86B.

12. Violates the provision of rule 10A. As per rule 10A, after registration has been granted, registered person shall furnish details of his bank accounts within 30 days from the date of registration or the date of filing return in GSTR-1 or using invoice furnishing facility whichever is earlier. E.g. if registration is granted on 01.05.2025, bank details should be submitted upto 30.05.2025 but if registration has been granted on 20.05.2025, details should be submitted upto 11.06.2025.

Suspension of registration

Before cancellation, certificate of registration shall be suspended during the proceedings of cancellation. In case of cancellation at the request of the applicant, **certificate shall be suspended from the date of submission of application or from the date from which cancellation is requested whichever is later.** E.g. Mr. X has applied for cancellation on 15.10.2024 that his registration should be cancelled from 01.11.2024, in this case certificate shall be suspended from 01.11.2024.

If the department decides to cancel the certificate, **they will suspend the registration from a particular date to be decided by them** and for this purpose notice shall be given in REG-17 and a time period of 7 days shall be allowed to submit reply.

A registered person, whose registration has been suspended **shall not make any taxable supply during the period of suspension and shall not be required to furnish any return under section 39** i.e. the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the period of suspension. Further such person shall not be granted any refund during the period of suspension.

The proper officer shall have the powers to revoke the suspension and in that case **suspension shall be revoked from the date from which it has come into operation** and the person shall be required to issue revised invoice for such period and also provision of section 40 shall be applicable. (First return Section 40, every registered person who has made outward supplies in the period between the date on which he became liable to registration till the date on which registration has been granted shall declare the same in the first return furnished by him after grant of registration.)

If registration was suspended for not filing the return, suspension shall be deemed to be revoked on submission of all the pending returns along with payment of tax, interest or late fee etc.

Question 10: write a note on revocation of cancellation of Registration Section 30.

Answer:

Any registered person, whose registration is cancelled may apply for revocation of cancellation **within 90 days** from the date of service of the cancellation order:

However such period may, on sufficient cause being shown be extended by the Commissioner or an officer authorized by him not below the rank of the Joint Commissioner or Additional Commissioner, for a further period of 180 days.

However, no application for revocation shall be filed, if the registration has been cancelled for the failure of the registered person to furnish returns, unless such returns are furnished and any amount due as tax, interest, penalty and late fee etc. has been paid.

The proper officer shall take decision within 30 days from the date of receipt of the application. If application is to be rejected, a notice shall be given and time of 7 days shall be allowed to submit reply.

As per Rule 10B, the registered person while applying for revocation of cancellation shall be required to under go Aadhaar Authentication.

Provided that 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) her/his 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 under the Motor Vehicles Act, 1988 (59 of 1988):

Question 11: Explain tax liability with regard to the goods lying in stock at the time of cancellation of registration certificate.

Answer:

As per Schedule II, if any person ceases to be a taxable person, any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him.

As per section 29(5), every registered person whose registration is cancelled shall pay an amount, 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 on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.

However, in case of capital goods, the amount payable shall be computed for the remaining life of the capital goods (Rule 44) or the tax on the transaction value of such capital goods, whichever is higher.

Examples

1. A dealer 'X' engaged in supplying of goods has two offices – one in Delhi and another in Haryana. In order to determine whether 'X' is liable for registration, turnover of both the offices would be taken into account and only if the same exceeds ₹40 lakh, X is liable for registration.

2. R Oils, Punjab, is engaged in supplying machine oil as well as petrol. Supply of petrol is not leviable to GST, but supply of machine oil is taxable. In order to determine whether R Oils is liable for registration, turnover of both the supplies – non-taxable as well as taxable - would be taken into account and if the same exceeds ₹40 lakh, R Oils is liable for registration.

3. M Enterprises has appointed M/s ABC & Associates as its agent. All the supplies of goods made by M/s ABC & Associates as agent of M Enterprises will also be included in the aggregate turnover of M/s ABC & Associates.

4. ABC Services Ltd. is engaged in taxable supply of services in Madhya Pradesh. The turnover of ABC Services Ltd. exceeded ₹20 lakh on 1st November. It is liable apply for registration by 1st December in the State of Madhya Pradesh.

5. Mr. X, a Chartered Accountant, has a registered head office in Delhi. He has also obtained registration in the State of West Bengal in respect of his newly opened branch office. Mr. X shall be treated as distinct persons in respect of registrations in West Bengal and Delhi.

6. XYZ Services Ltd. is engaged in taxable supply of services in Madhya Pradesh. The turnover of XYZ Services Ltd. exceeded ₹20 lakh on 1st November. It is liable to apply for registration by 1st December [30 days] in the State of Madhya Pradesh. It applies for registration on 28th November and is granted registration certificate on 5th December. The effective date of registration of XYZ Services Ltd. is 1st November.

In above example, if XYZ Services Ltd. applies for registration on 3rd December and is granted registration certificate on 10th December. The effective date of registration of XYZ Services Ltd. is 10th December.

Question 12: Explain GST provisions in case of casual taxable person.

Answer: Casual Taxable person

As per section 2 (20), "**casual taxable person**" means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

Every casual taxable person shall also be required to take registration irrespective of the turnover and procedure shall be same. For this purpose he will apply in **REG-01**.

He should apply for registration **atleast 5 days** prior to commencement of business. Registration shall be granted only after the applicant has paid estimated amount of GST in advance.

As per section 27, Certificate shall be valid for the specified period but **maximum 90 days** however proper officer may extend it further but for **maximum 90 days** i.e. total period can be **maximum 180 days**. Such person shall make advance deposit of GST as estimated by him.

Every casual taxable person shall be required to submit return similarly as required to be filed by normal registered person. (GSTR-1/GSTR-3B) however such person is allowed to file GSTR-1 before the end of the current tax period in case of closure of their business.

The amount of advance tax deposited by casual taxable person shall not be refunded unless he furnished GSTR 3B.

Question. Rohan Toys is a registered supplier of goods in Delhi. It intends to attend a 7 days' Business Fair organised in Mumbai (next month) where it does not have a fixed place of business. Examine which of the following statements are true for Rohan Toys:

- (a) Rohan Toys is not required to obtain registration in Mumbai for attending a 7 days' Business Fair.
- (b) Rohan Toys has to obtain registration as a casual taxable person for attending the Business Fair.
- (c) Rohan Toys has to obtain a Unique Identification Number for attending the Business Fair.
- (d) None of the above

Answer: (b)

Question 13: Explain GST provisions in case of Non-Resident taxable person.

Answer: Non – Resident Taxable Person

As per section 2 (77), "**non-resident taxable person**" means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India.

NRTP shall also be required to take registration irrespective of the turnover and he has to apply in **REG-09**.

He should apply for registration **atleast 5 days** prior to commencement of business. Registration shall be granted only after the applicant has paid estimated amount of GST in advance.

A non-resident taxable person shall submit an application, alongwith a self-attested copy of his valid passport. In the 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 Permanent Account Number, if available.

As per section 27, Certificate shall be valid for the specified period but **maximum 90 days** however proper officer may extend it further but for **maximum 90 days** i.e. total period can be **maximum 180 days**.

As per Rule 63, Return shall be furnished in form **GSTR-5** within 13 days after the end of the month.

In case of cancellation of registration, return should be filed within 7 days after the last day of validity of registration. (NRTP is not required to file GSTR-1 or GSTR-3B or annual return)

Question . Which of the following persons are compulsorily required to obtain registration?

- (a) Persons making any inter-State taxable supply
- (b) Non-resident taxable persons making taxable supply
- (c) Casual taxable persons making taxable supply
- (d) All of the above

Answer: (d)

Question 14: Explain the manner in which GST is payable by an electronic commerce operator covered u/s 9(5).

Answer:

Some of the electronic commerce operator are covered under section 9(5) (others are covered u/s 52 e.g. Amazon, flipkart etc.) as per notification no.17/17 CTR, the following ECOs are covered in section 9(5). Such ECOs shall be required to collect GST and pay to the Govt. and if they are operating from outside India, they will be required to appoint an agent in India to pay tax on their behalf. Such ECOs are

(i) services by way of transportation of passengers by a radio-taxi, motorcab, maxicab, motor cycle, omnibus or any other motor vehicle. In such cases the ECO like Ola/Uber shall be liable to pay GST (and not the actual owner of motor vehicle. **(As per notification no. 16/2023 CTR, the tax on services by way of transportation of passengers by an omnibus provided by a company through ECO is not payable by ECO. It will be payable by the company itself.)**

(ii) accommodation in hotels, inns, guest houses etc. for residential or lodging purposes. In case supplier of services is registered, GST shall be paid by registered person otherwise tax shall be paid by ECO.

(iii) services by way of house-keeping, such as plumbing, carpentering etc. In case supplier of services is registered, GST shall be paid by registered person otherwise tax shall be paid by ECO.

(iv) restaurant services, in this case GST will be paid by ECO like Zamato or Swiggy etc. but if the restaurant is located in a hotel where room rent is more than 7,500 per day, GST shall be paid by the restaurant owner.

Example: Mr. X has taken services of UBER cabs and has paid ₹10,000 plus GST ₹1,000 in this case UBER cabs shall be responsible to pay GST of ₹ 1,000 to the Government. Further the real owner of the cab shall charge amount from UBER cabs and if such amount is ₹ 8,000, it will be paid by UBER cabs to the real owner but if real owner is also registered under GST, he will charge ₹ 8,000 plus GST 800 and UBER cabs shall take ITC of ₹ 800 and pay ₹ 200 to the Government.

Q. A radio taxi driver has provided his services through Electronic Commerce Operator – Kuber Cabs. The tax on such supplies shall be paid by the _____.

- (a) Electronic Commerce Operator – Kuber Cabs
- (b) Radio taxi driver
- (c) Customer receiving the services from radio taxi driver
- (d) None of the above

Answer: (a)

Q. A hotel owner provided accommodation in Haryana, through an electronic commerce operator – Cool Trips. The hotel owner is not liable to get registered as per the provisions of section 22 of the CGST Act.

Who is the person liable to pay GST in this case? Would your answer be different if the Electronic Commerce Operator Cool Trips does not have a physical presence in India?

Answer: Services by way of providing accommodation in hotels through electronic commerce operator is a specified service for said purpose. Thus, person liable to pay GST in this case is the Electronic Commerce Operator Cool Trips. All the provisions of the GST law shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services.

Yes, answer would be different if the ECO does not have physical presence in India in that case person representing such ECO in India shall be liable to pay GST.

Q. Can any person other than the supplier or recipient be liable to pay tax under GST?

Answer: Yes, the Government can specify categories of services the tax on which shall be paid by the Electronic Commerce Operator, if such services are supplied through it and all the provisions of the GST law shall apply to such electronic commerce operator as if he is the person liable to pay tax in relation to supply of such services.

Question 15: Explain Registration in case of Special Economic Zone.**Answer: Registration in case of Special Economic Zone****Special Economic Zone**

The term SEZ is defined in SEZ Act, 2005, Section 2(z), SEZ Means a specific area with well - defined physical boundaries and which has been declared to be SEZ and a Development commissioner is appointed by the Government.

A person having a unit(s) in a Special Economic Zone or being a Special Economic Zone developer shall make a separate application for registration as a distinct from his other units located outside the Special Economic Zone.

Example: ABC limited has 2 Units in UP. One in SEZ and one Outside SEZ, In this case Company should take 2 Registration. If Company has 2 units in SEZ and one outside SEZ, Still 2 registration are required i.e. one for all Units of SEZ and One for Unit Outside SEZ.

Question 16: Explain special provisions with regard to Notified International Agencies.**Answer:**

As per section 25 (9), Certain agencies shall be required to obtain Unique Identity Number and are as given below:

1. Any agency of the United Nations Organisation.
2. Consulate or Embassy of foreign countries.
3. Any other person or class of persons, as may be notified by the Commissioner.

Such agencies should apply in **REG-13** for obtaining an UIN.

Persons supplying goods/services to such agencies shall collect GST and the number so given shall be mentioned in the Invoice but such agencies can claim refund subsequently. As per notification no. 16/2017 CT (R) 28-06-2017, such agencies are allowed to claim refund of the taxes paid by them.

They will be required to claim refund before expiry of 2 years from the last day of the quarter in which supply was received.

Such agencies shall be required to furnish details in **GSTR-11 on quarterly** basis to claim refund but maximum within time allowed under section 54 i.e. within 2 years.

Question: Explain procedure for supply of goods by an unregistered person through ECO.**Answer:**

Such person shall be required to take an enrolment number on the common portal and shall report his PAN on the common portal and only supply within the state shall be allowed. If such person has taken registration subsequently, his enrolment number shall be cancelled. Such person shall not make supply through ECO in more than one state. The ECOs would ensure that no inter-State supply would be made and the supply made by such unregistered person (PAN-wise) would be declared in their monthly GSTR 8.

Where multiple ECOs are involved in a single supply of goods through ECO platform, "ECO" shall mean the ECO who finally releases the payment to the said person for the said supply made by the said person through him.

Registration Form for different persons

Sl.No	Persons Covered	Form
01.	Registration as Input Service Distributor (Not covered in syllabus)	REG-01
02.	Casual Taxable Person and Other Persons	REG-01
03.	Registration as Non-Resident Taxable Person	REG-09
04.	Registration of persons Deducting tax at Source u/s 51	REG-07
05.	Registration of persons Collecting tax at Source u/s 52 (ECO)	REG-07
06.	Registration as OIDAR (Not covered in syllabus)	REG-10
07.	Application for Grant of Unique Identity Number (UIN)	REG-13

PRACTICE PROBLEMS

Q 1. Determine the effective date of registration in following cases:

(a) The aggregate turnover of Dhampur Industries of Delhi engaged in taxable supply of goods has exceeded ₹40 lakh on 1st September. It submits the application for registration on 20th September. Registration certificate is granted to it on 25th September.

Answer: Every supplier of goods becomes liable to registration if his turnover exceeds ₹40 lakh in a financial year. 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 1st September.

(b) Mehta Teleservices is an internet service provider in Lucknow. Its aggregate turnover exceeds ₹20 lakh on 25th October. It submits the application for registration on 27th November. Registration certificate is granted to it on 5th December.

Answer: Since in the given case, the turnover of Mehta Teleservices exceeds ₹20 lakh on 25th October, it becomes liable to registration on said date. Further, since the application for registration has been submitted after 30 days from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration. Therefore, the effective date of registration is 5th December.

Q2. State which of the following suppliers are liable to be registered:

(a) Agent supplying goods on behalf of some other taxable person and its aggregate turnover does not exceed ₹40 lakh during the financial year.

(b) An agriculturist who is only engaged in supply of produce out of cultivation of land.

Answer:

(a) Section 22 stipulates that every supplier of goods becomes liable to registration if his turnover exceeds ₹40 lakh in a State/UT in a financial year. However, as per section 24, a person supplying goods/services or both on behalf of other taxable persons whether as an agent or not is liable to be compulsorily registered even if its aggregate turnover does not exceed ₹40 lakh during the financial year.

(b) As per section 23, an agriculturist who is only engaged in supply of produce out of cultivation of land is not required to obtain registration.

Q3. 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.

Q4. 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.

Q5. If a person is operating in different States, with the same PAN number, can he operate with a single registration?

Answer: No. Every person who is liable to take a registration will have to get registered separately for each of the States where he has a business operation (and is liable to pay GST)

Q6. 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 section 25 (3), a person, though not liable to be registered under sections 22 or 24 may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered taxable person, shall apply to such person.

Q7. Can the Department, through the proper officer, suo-moto proceed to register of a person?

Answer: Yes. In terms of section 25, where a person who is liable to be registered under GST law fails to obtain registration, the proper officer may, without prejudice to any action which may be taken under CGST Act, or under any other law for the time being in force, proceed to register such person in the manner as is prescribed in the CGST Rules, 2017.

Q8. Whether the registration granted to any person is permanent?

Answer: Yes, the registration certificate once granted is permanent unless surrendered, cancelled, suspended or revoked.

Q9. What happens when the registration is obtained by means of willful misstatement, fraud or suppression of facts?

Answer: In such cases, the registration may be cancelled with retrospective effect by the proper officer.

Q10. Is there an option to take centralized registration for services under GST Law?

Answer: No, the taxpayer has to take separate registration in every State from where he makes taxable supplies.

Q11. 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 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)]

Q12. At the time of registration, will the assessee have to declare all his places of business?

Answer: Yes. The principal place of business and place of business have been separately defined under section 2(89) & 2(85) of the CGST Act respectively.

The taxpayer will have to declare the principal place of business as well as the details of additional places of business in the registration form.

2(85) "place of business" includes—

- (a) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or
- (b) a place where a taxable person maintains his books of account; or
- (c) a place where a taxable person is engaged in business through an agent, by whatever name called;

2(89) "principal place of business" means the place of business specified as the principal place of business in the certificate of registration;

Q13. What will be the time limit for the decision on the on-line registration application in case the person undergoes Aadhaar Authentication?

Answer: If the information and the uploaded documents are found in order, the proper officer has to respond to the application within 7 common working days. If he communicates any deficiency or discrepancy in the application within such time, then the applicant will have to remove the discrepancy /deficiency within 7 days of such communication. Thereafter, for either approving the application or rejecting it, the proper officer has 7 days' time from the date when the taxable person communicates removal of deficiencies. In

case no response is given by the proper officer within the said time line, the portal shall automatically generate the registration.

Q14. What will be the time of response by the applicant if any query is raised in the online application?

Answer: If during the process of verification, one of the tax authorities raises some query or notices some error, the same shall be communicated to the applicant and to the other tax authority through the GST Common Portal within 7 common working days, if the applicant undergoes Aadhaar Authentication otherwise within 30 days. The applicant will reply to the query/rectify the error/ answer the query within a period of 7 days from the date of receipt of deficiency intimation.

On receipt of additional document or clarification, the relevant tax authority will respond within 7 common working days from the date of receipt of clarification.

Q15. Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled?

Answer: Yes, as per section 29(5) of the CGST Act, every registered taxable person whose registration is cancelled shall pay an amount, by way of debit in the electronic cash ledger or electronic credit ledger, equivalent to the credit of input tax in respect of inputs held in stock / semi-finished / finished goods or capital goods on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.

Q16. At the time of registration, will the assessee have to declare all his places of business?

Answer: Yes. The principal place of business and place of business have been separately defined under section 2(89) & 2(85) of the CGST Act respectively. The taxpayer will have to declare the principal place of business as well as the details of additional places of business in the registration form.

Q17. In order to be eligible for grant of registration, a person must have a Permanent Account Number issued under the Income- tax Act, 1961. State one exception to it.

Answer: A Permanent Account Number is mandatory to be eligible for grant of registration. One exception to this is a non-resident taxable person. A nonresident taxable person may be granted registration on the basis of other prescribed documents instead of PAN. He has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory who is an Indian Resident having valid PAN and application will be submitted in a different prescribed form [Section 25(6) & (7)].

Q18. 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.

Sl.No.	Particulars	Amount (₹)*
(i)	Supply of machine oil in Delhi	15,00,000
(ii)	Supply of high speed diesel in Delhi	10,00,000
(iii)	Supply of machine oil made in Punjab by Pure Oils from its branch located in Punjab	10,00,000

*excluding GST

Determine whether Pure Oils is liable for registration.

Answer: As per section 22, 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.

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 is computed on all India basis.

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 nontaxable supply. Thus, supply of high speed diesel in Delhi, being a nontaxable 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.No.	Particulars	Amount (in ₹)
(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	<u>10,00,000</u>
	Aggregate Turnover	35,00,000

Pure Oils is making exclusive supply of goods and hence the threshold limit for registration would be ₹40,00,000. Since the aggregate turnover does not exceed ₹ 40,00,000, Pure Oils is not liable to be registered.

(b) Presume Pure Oils supplies the high speed diesel in Delhi in the capacity of an agent of Mixed Oils Ltd.?

Answer:

In case Pure Oils makes the supply in capacity of an agent of Mixed Oils Ltd.:

Section 24 provides that an agent who is engaged in making taxable supplying of goods on behalf of other taxable persons, shall be liable to obtain registration irrespective of the threshold turnover limit. However, in the present case, if Pure Oils supply high speed diesel on behalf of Mixed Oil Ltd. in Delhi as its agent, it shall still not be liable to obtain registration in Delhi since section 24 comes into play only when agent is making taxable supply of goods on behalf of principal whereas in the given case, Pure Oils is supplying non-taxable goods on behalf of Mixed Oils Ltd.

Q19. 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, 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.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:-

- (i) Raghav is eligible for higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade

garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹ 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.

(ii) The applicable threshold limit for registration for Pulkit in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.

(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.

Q20. What are the advantage of taking registration in GST?

Answer: Registration will confer following advantages to the business:

- Legally recognized as supplier of goods or services.
- Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
- Legally authorized to collect tax from his purchasers and pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.
- Become eligible to avail various other benefits and privileges rendered under the GST laws.

Q21. 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.

Q22. If a person is making taxable supplies from different States, with the same PAN number, can he operate with a single registration?

Answer: No. Every person who is liable to take a registration will have to get registered separately for each of the States where he has a business operation (and making taxable supplies) provided his aggregate turnover exceeds applicable threshold limit.

Q23. Can a person having multiple places of business in a State obtain separate registrations for each place of business?

Answer: Yes. In terms 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.

Q24. 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 this Act, as are applicable to a registered taxable person, shall apply to such person.

Q25. Can the Department, through the proper officer, suo-moto proceed to register a person under GST?

Answer: Yes. In terms of section 25, where a person who is liable to be registered under GST law fails to obtain registration, the proper officer may, without prejudice to any action which may be taken under CGST Act, or under any other law for the time being in force, proceed to register such person in the manner as is prescribed in the CGST Rules.

Q26. Whether the registration granted to any person is permanent?

Answer: Yes, the registration certificate once granted is permanent unless surrendered, cancelled, suspended or revoked.

Q27. Is it necessary for the UN bodies to get registration under GST?

Answer: In terms of section 25(9) of the CGST Act, all notified UN bodies, Consulate or Embassy of foreign countries and any other class of persons so notified would be required to obtain a unique identification number (UIN) from the GST portal.

The structure of the said ID would be uniform across the States in conformity with GSTIN structure and the same will be common for the Centre and the States. This UIN will be needed for claiming refund of taxes paid on notified supplies of goods and services received by them, and for any other purpose as may be notified.

Q28. What is the responsibility of the taxable person making supplies to UN bodies?

Answer: The taxable supplier making supplies to UN bodies is expected to mention the UIN on the invoices and treat such supplies as supplies to another registered person (B2B).

Q29. 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, 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.

Q30. What happens when the registration is obtained by means of willful misstatement, fraud or suppression of facts?

Answer: In such cases, the registration may be cancelled with retrospective effect by the proper officer.

Q31. Is there an option to take centralized registration for services under GST Law?

Answer: No, the tax payer has to take separate registration in every State from where he makes taxable supply of services.

Q32. 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 such transfer or succession and he will have to obtain a fresh registration with effect from the date of such transfer or succession.

MULTIPLE CHOICE QUESTIONS

- 1. Which of the following is not included in aggregate turnover?**
 - (a) Exempt supplies of goods or services or both
 - (b) Export of goods or services or both
 - (c) Inter-State supply of goods or services or both
 - (d) Value of inward supplies on which tax is paid under reverse charge
- 2. Within how many days an application for revocation of cancellation of registration can be made?**
 - (a) Within 7 days from the date of service of the cancellation order.
 - (b) Within 15 days from the date of issue of the cancellation order.
 - (c) Within 45 days from the date of issue of the cancellation order.
 - (d) Within 30 days from the date of service of the cancellation order.
- 3. Mr. A has started supply of goods in Delhi. He is required to obtain registration if his aggregate turnover exceeds _____ during a financial year.**
 - (a) ₹10 lakh
 - (b) ₹20 lakh
 - (c) ₹30 lakh
 - (d) ₹40 lakh
- 4. Aggregate turnover includes:**
 - (a) Taxable supplies
 - (b) Exempt supplies
 - (c) Exports
 - (d) All of the above
- 5. Which of the statements is correct?**
 - (a) Person making any inter-State taxable supply of goods is required to obtain registration compulsorily.
 - (b) A person to whom a UIN has been granted cannot apply for cancellation of registration.
 - (c) The cancellation of registration under either SGST Act/UTGST Act shall be deemed to be a cancellation of registration under CGST Act
 - (d) All of the above
- 6. Which of the following persons are not liable for registration?**
 - (a) Any person engaged exclusively in supplying services wholly exempt from tax
 - (b) Persons making any inter-State taxable supply of goods
 - (c) Both (a) and (b)
 - (d) None of the above
- 7. The persons making inter-State supplies from Madhya Pradesh is compulsorily required to get registered under GST, _____**
 - (a) if his all India based aggregate turnover exceeds ₹20 lakh in a financial year
 - (b) if his all India based aggregate turnover exceeds ₹10 lakh in a financial year
 - (c) irrespective of the amount of aggregate turnover in a financial year
 - (d) if his all India based aggregate turnover exceeds ₹40 lakh in a financial year
- 8. Which of the following statement is true for Mr. X, a casual taxable person?**
 - (a) Mr. X is not required to take registration under GST.
 - (b) Mr. X is required to get registration under GST, if the aggregate turnover in a financial year exceeds ₹20 lakh.
 - (c) Mr. X can opt for voluntary registration under GST.
 - (d) Mr. X has to compulsorily get registered under GST irrespective of the threshold limit.
- 9. The registration certificate granted to Non resident taxable person is valid for _____ days from the effective date of registration.**
 - (a) 30
 - (b) 60
 - (c) 90

(d) 120

10. How the aggregate turnover is calculated for computing threshold limit of registration?

(i) Aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, export of goods/services and interstate supplies of a person having same PAN computed on all India basis.

(ii) Aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, export of goods/services and interstate supplies of a person computed for each state separately.

(iii) Aggregate value of all taxable intrastate supplies, export of goods/services and exempt supplies of a person having same PAN computed for each state separately.

(iv) Aggregate value of all taxable supplies(excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, export of goods/services and interstate supplies of a person having same PAN computed on all India basis and excluding taxes if any charged under CGST Act, SGST Act and IGST Act.

(a) (i)

(b) (ii)

(c) (iii)

(d) (iv)

11. Within how many days a person should apply for registration?

(a) Within 60 days from the date he becomes liable for registration.

(b) Within 30 days from the date he becomes liable for registration.

(c) No Time Limit

(d) Within 90 days from the date he becomes liable for registration.

12. A person having ____ business verticals (branches) in a State ____ obtain a separate registration for each business vertical (branch).

(a) Single, shall

(b) Multiple, shall

(c) Multiple, may

(d) Single, May

13. What is the validity of the registration certificate?

(a) One year

(b) No validity

(c) Valid till it is cancelled.

(d) Five years.

14. Mr. A has started supply of services in Mizoram. He is required to obtain registration if his aggregate turnover exceeds _____ during a financial year.

(a) ₹10 lakh

(b) ₹20 lakh

(c) ₹30 lakh

(d) ₹50 lakh

15. Mr. A has started supply of goods within J&K. He is required to obtain registration if his aggregate turnover exceeds _____ during a financial year.

(a) ₹10 lakh

(b) ₹40 lakh

(c) ₹30 lakh

(d) ₹50 lakh

16. The Aggregate turnover of ABC Industries of Delhi engaged in taxable supply of goods has exceeded ₹40 lakh on 1st September. It submits the application on 20th September. Registration certificate is granted to it on 25th September, effective date of registration shall be-

(a) 20th September

(b) 30th September

(c) 01st September

(d) 25th September

17. Which of the form is used for registration by normal category person?

- (a) Form GSTR -1 (b) Form GST REG-06
(c) Form GST REG-01 (d) Form GST RFD -01

18. Which of the form is used for registration by Non-Resident Taxable person?

- (a) Form GSTR -1 (b) Form GST REG-09
(c) Form GST REG-01 (d) Form GST RFD -01

19. Where the application for grant of registration has been approved, a certificate of registration in _____ shall be made available to the applicant

- (a) FORM GST REG-06 (b) FORM GST REG-01
(c) FORM GST REG-04 (d) FORM GST REG-10

20. Every registered taxable person shall display his certificate of registration in a prominent location at his principal and at every other place of business also GSTIN shall be displayed on the name board at the entry of such places.

- (a) No, certificate of registration to be displayed only at a registered place of business and GSTIN need not be displayed on the name board.
(b) Yes, above statement is correct.
(c) No, GSTIN to be displayed only on the invoices.
(d) Above statement is correct subject to certificate of registration to be displayed only at registered place of business.

21. Every registered person shall apply online for amendment in form no. _____ within _____ working days of any change.

- (a) REG-03, 30 days
(b) REG-14, 15 days
(c) REG-14, 30 days
(d) REG-03, 15 days

22. Every registered person shall submit an application for cancellation in form no. _____ within _____ days.

- (a) REG-16, 30 days
(b) REG-14, 15 days
(c) REG-14, 30 days
(d) REG-16, 15 days

23. Non- resident taxable person is required to take registration in GST

- (a) if his aggregate turnover exceeds ₹10 lakh
(b) if his aggregate turnover exceeds ₹20 lakh
(c) if his aggregate turnover exceeds ₹30 lakh
(d) Irrespective of turnover

24. If proper officer fails to take action within _____ working days from the date of submission of application (where the person undergoes Aadhar Authentication) or within 7 working days from the date of receipt of clarification, registration shall be deemed to have been approved.

- (a) 5 days (b) 10 days (c) 7 days (d) 15 days

25. Where a change in constitution of any business results in change of the PAN, old certificate shall be _____.

- (a) amended. (b) cancelled. (c) changed (d) none of the above.

Answer:

1. (d); 2. (d); 3. (d); 4. (d); 5. (d); 6. (a); 7. (c); 8. (d); 9. (c); 10. (d); 11. (b); 12. (c); 13. (c); 14. (a); 15. (b); 16. (c); 17. (c); 18. (b); 19. (a); 20. (b); 21. (b); 22. (a); 23. (d); 24. (c); 25. (b)

EXAMINATION QUESTION

JULY– 2021

Question 7 (a).

(5 Marks)

P Ltd, a registered person provided following information for the month of October, 2024:

Particulars	Amount (₹)
Intrastate outward supply	8,00,000
Interstate 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 of Reverse Charge for GTA services.

Explain the meaning of aggregate turnover u/s 2(6) of CGST Act and compute the aggregate turnover of P Ltd. for the month of October, 2022. 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, 2024

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
Aggregate turnover	<u>32,40,000</u>

Question.8. (b)

(5 Marks)

Examine the following cases and explain with reasons whether the supplier of goods is liable to get registered in GST:

- (i) Krishna of Himachal Pradesh is exclusively engaged in intrastate taxable supply of readymade suits. His turnover in the current financial year from Himachal Pradesh showroom is ₹ 25 lakh. He has two more showrooms one in Manipur & another in Sikkim with a turnover of ₹ 15 lakh and ₹ 18 lakh respectively in the current financial year.
- (ii) Ankit of Telangana is exclusively engaged in intra-state taxable supply of footwears. His aggregate turnover in the current financial year is ₹ 25 lakh.
- (iii) Aakash of Uttar Pradesh is exclusively engaged in intra – state supply of pan masala. His aggregate turnover in the current financial year is ₹ 30 lakh.

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.

(i) The applicable threshold limit for registration gets reduced to ₹ 10 lakh in case a person is engaged in making taxable supply from a Special Category State.

Since Krishna is making taxable supply from Manipur – a 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 exceeds the said threshold limit.

(ii) Since Ankit is exclusively engaged in intra-State supply of goods in Telangana, which is not a specified State for enhanced threshold limit, the applicable threshold limit for registration is ₹ 20 lakh.

Thus, Ankit is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.

(iii) Though the enhanced threshold limit for registration of ₹ 40 lakh is available to Uttar Pradesh, the same will not be applicable if the person is engaged in supply of pan masala.

In view of the same, the applicable threshold limit for Aakash is ₹ 20 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.

JAN 2021**Question 8(b)****(5 Marks)**

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.

JAN 2021**OR****Question 8(b)****(5 Marks)**

Explain the circumstances under which proper officer can cancel the registration on his own of a registered person under CGST Act, 2017.

Answer: Refer answer given in the book

NOV 2020**Question 7 (a).****(4 Marks)**

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 23-24 was ₹50 lakh. The company expects the sales to grow by 10% in the current year 2024-25.

However, effective from 01.01.2025 exemption available on 'Z' was withdrawn by the Central Government and GST @ 5% was imposed thereon. The turnover of the company for the nine months ended on 31.12.2024 was ₹42 lakh.

BBD Pvt. Ltd. is of opinion that it does not require to get registered under GST for current financial year 2024-25.

Examine the above scenario and advise BBD Pvt. Ltd. whether it needs to get registered under GST or not?

Answer:

As per section 22, every supplier of goods shall be liable to be registered in the State of Gujarat, if his aggregate turnover in a financial year exceeds 40,00,000.

As per section 23, any person engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax under this Act or under the Integrated Goods and Services Tax Act shall not be liable to registration.

As per section 2(6), "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

In the given case, the goods become taxable w.e.f. 01.01.2025 and the aggregate turnover exceeds 40,00,000 hence BBD Private limited is liable to be registered and opinion of BBD private limited is wrong.

NOV 2019**Question.7. (a)****(5 Marks)**

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:

As per section 22, every supplier of goods shall be liable to be registered in the State / Union Territory, if his aggregate turnover in a financial year exceeds the specified limit which is given below:

Limit for person supplying within the State/UT.

SL.No	Name of State/UT	Limit for person supplying only goods
01	Mizoram	10,00,000
02	Meghalaya	20,00,000
03	Jammu	40,00,000

SL. No	Name of State/UT	Limit for person supplying Specified goods i.e. ice cream and other edible ice, pan masala, Tobacco etc.
01	Jammu	20,00,000

- (i) As per the above limits Mr. Ahmad of Jammu is engaged in the supply of tobacco based pan masala with an aggregate turnover exceeding ₹20,00,000, hence he liable to registration.
- (ii) As per the above limits Mr. Lepcha of Mizoram is engaged in the supply of paper with an aggregate turnover exceeding ₹10,00,000, hence he liable to registration.
- Yes answer will change if Mr. Lepcha is located in Meghalaya limit of 20,00,000 shall be applicable and aggregate turnover is less than 20,00,000 hence he is not liable for registration.

NOV 2019

Question.8. (b)

(4 Marks)

Examine, with reason, whether registration is required under CGST Act, 2017 in the following independent cases:

- (i) Aadhav Computers of Gujarat is providing Computer Maintenance Service. Aggregate Turnover of Aadhav Computers is ₹ 15 Lakhs which comprises both inter-state and intra-state supply.
- (ii) Soft wings of west Bengal, exclusively trading in garments. Supplies its taxable goods to various states in India. Aggregate Turnover of Wild Wings is ₹ 35 Lakhs.

Answer:

(i) As per section 22, every supplier of services shall be liable to be registered if his aggregate turnover in a financial year exceeds ₹20,00,000 and limit is applicable if person is providing inter state services. In the given case aggregate turnover is less than specified limit hence Aadhav Computers is not liable for registration though Aadhav computers providing inter state supply.

(ii) As per section 24, if any person making inter state supply of goods then registration is compulsory irrespective of turnover. In the given case, Soft wings of west bengal is supplying inter-state hence registration is compulsory irrespective of turnover.

MAY 2019

Question 7 (c)

(4 Marks)

State with brief reason, whether following supplies of taxable goods are required to register under the GST Law:

- (i) Mr. Raghav is engaged in wholesale cum retail trading of medicines in the State of Assam. His aggregate turnover during the financial year is ₹9,00,000 which consists of ₹8,00,000 as Intra-State supply and ₹1,00,000 as Inter-State supply.
- (ii) Mr. S.N. Gupta of Rajasthan is engaged in trading of taxable goods on his own account and also acting as an agent of Mr. Rishi of Delhi. His turnover in the financial year 2024-25 is of ₹ 32 lakhs on his own account and ₹ 9 lakhs on behalf of principal. Both turnovers are Intra-State supply.

Answer:

(i) As per section 24, if any person making inter-state supply of goods then registration is compulsory irrespective of turnover. In the given case, Mr. Raghav is supplying inter-state hence registration is compulsory irrespective of turnover.

(ii) As per section 22, every supplier of goods shall be liable to be registered if his aggregate turnover in a financial year exceeds ₹40,00,000.

Aggregate turnover shall include all supplies made by the taxable person whether on his own or on behalf of his principals.

In the given case, aggregate turnover of Mr. S.N. Gupta is exceeding ₹40,00,000 (i.e. 32,00,000+9,00,000) hence GST registration is compulsory.

MAY 2019**Question 8 (c)****(5 Marks)**

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) As per section 2 (20), "casual taxable person" means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

(ii) As per rule 5, a casual taxable person cannot opt for composition scheme.

(iii) As per section 24, Every casual taxable person shall also be required to take registration irrespective of the turnover and procedure shall be same. He should apply for registration **atleast 5 days** prior to commencement of business. Registration shall be granted only after the applicant has paid estimated amount of GST in advance.

(iv) As per section 27, Certificate shall be valid for the specified period but **maximum 90 days.**

(v) Yes it can be extended. Proper officer may extend it further but for **maximum 90 days** i.e. total period can be **maximum 180 days.** Such person shall make advance deposit of GST as estimated by him.

MAY 2019**Question 8 (a)****(2+2+1 Marks)**

Examine the liability of compulsory registration under section 24 of the CGST Act, 2017, in each independent cases mentioned below:

(1) Meenu is a supplier in Maharashtra, is engaged in supply of potatoes within Maharashtra and also outside Maharashtra, whose turnover exceeds threshold limit under GST Law.

Answer:

As per section 23, If a person is supplying exclusively exempted goods then registration under GST is not required. In the given case Meenu is supplying potatoes which is exempted under GST hence GST registration is not required.

(2) Jinu Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Total turnover of machine oil is ₹30 lakh and of petrol is ₹15 lakh.

Answer:

Jinu Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Supply of petrol is not leviable to GST, but supply of machine oil is taxable. In order to determine whether Jinu Oils is liable for registration, turnover of both the supplies – non-taxable as well as taxable - would be taken into account and if the same exceeds ₹40 lakh, Jinu Oils is liable for registration.

In the given case, aggregate turnover is exceeding ₹40 lakh hence Jinu Oils is liable for registration.

(3) Tilu is working as an agent, he is supplying goods as an agent of Tiku (who is registered taxable person) and its aggregate turnover does not exceed ₹40 lakh during the financial year.

Answer:

As per section 24, if a person is supplying goods on behalf of another registered person then the person shall be liable to be registered under GST irrespective of turnover. In the given case Tilu is supplying goods as agent of Tiku (who is registered taxable person) hence Tilu is liable to registered under GST.

NOV 2018

Question 11(a)

(3 Marks)

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:

False: As per section 29/Rule 20 to 22, registration can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within 6 months from the date of registration, in the given case period mentioned is 3 months instead of 6 months hence statement is false.

NOV 2018

Question 12

(5 Marks)

(a) State the persons who are not liable for registration as per provisions of Section 23 of Central Goods and Service Tax Act, 2017.

Answer: Refer answer given in the book

NOV 2018

(b) 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) As per section 24, NRTP shall also be required to take registration irrespective of the turnover and he has to apply in **REG-09**.

As per section 25, He should apply for registration **atleast 5 days** prior to commencement of business. Registration shall be granted only after the applicant has paid estimated amount of GST in advance

(ii) No, PAN is not mandatory for his registration

(iii) As per section 27, Certificate shall be valid for the specified period but **maximum 90 days**

(iv) As per section 27, proper officer may extend it further but for **maximum 90 days** i.e. total period can be **maximum 180 days**.

NOV 2018

Question 10 (a)(i)

(2 Marks)

There is a dairy farm selling milk and milk products in Delhi. The turnover of his dairy farm is as below:

Milk (Exempted): ₹39,90,000

Butter (Taxable): ₹50,000

What is the registration liability under GST for the above mentioned person assuming he has same PAN ?

Answer:

As per section 22, every supplier of goods shall be liable to be registered in the State / Union Territory if his aggregate turnover in a financial year exceeds ₹40,00,000.

As per section 23, If any person supplying only exempt supply then he is not liable for registration.

As per section 2(6), "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

In the given case, as per the definition of aggregate turnover it includes value of all taxable supplies as well as exempt supplies and in the given case aggregate turnover exceeds ₹40,00,000 so dairy firm is liable for registration and as per section 25, dairy firm has to apply within 30 days from the date on which he becomes liable for registration.

Question 11(c)

(2 Marks)

The Aggregate Turnover of Vikas Enterprise of Mumbai (Maharashtra) engaged in taxable supply of services has exceeded ₹20 Lakhs on 25th January, 2025. It submits the application for Registration on 15th February, 2023. Registration certificate is granted on 20th February, 2025. Determine the effective date of Registration under CGST Act, 2017.

Answer:

As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds ₹20 lakh, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Vikas Enterprise applied for registration before the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 25.01.2025.

NOV 2018

Question 10 (a)(ii)

(2 Marks)

Amit, a taxable person, is operating in Tamil Nādu, Punjab and West Bengal, with the same PAN. Can he operate with a single registration in West Bengal?

Answer:

As per section 25, if any person operating in different States and aggregate turnover exceeds specified limit then he has to apply for different registration in each State but if a person has different branches in same state then only one registration is required.

In the given case he has been operating in different States hence separate registration is required and he cannot operate with a single registration.

Question 10 (c)

(2 Marks)

Can a person get himself voluntarily registered though he may not be liable to pay GST?

Answer: Yes, as per section 25(3) Any person can take voluntary registration though he may not be liable to pay GST.

MAY 2018**Question 12****(5 Marks)**

(b) List the inclusions and exclusions for computing the "Aggregate Turnover" under CGST Act, 2017.

Answer: Refer answer given in the book

MAY 2018**Question 11 (a)****(4 Marks)**

Determine the effective date of registration in the following instances:

(i) The aggregate turnover of Madhu Ltd., engaged in taxable supply of services in the state of Punjab, exceeded ₹20 Lakhs on 25th August, 2024. It applies for registration on 19th September, 2024 and is granted registration certificate on 29th September, 2024.

Answer: As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds ₹20 lakh, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Madhu Ltd. applied for registration before the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 25.08.2024.

(ii) What will be your answer, if in the above scenario, Madhu Ltd. submits the application for registration on 27th September, 2024 and is granted registration on 5th October, 2024?

Answer: Yes Answer will be different if Madhu Ltd. applies for registration after the expiry of 30 days, effective date of registration shall be the date of grant of registration i.e. 5th October, 2024.

MAY 2018**Question 11 (a)****(4 Marks)**

Determine the effective date of registration under CGST Act, 2017 in respect of the following cases with explanation:

(i) The aggregate turnover of Varun Industries of Mumbai engaged in taxable supply of goods has exceeded ₹40 lakhs on 1st August, 2024. It submits the application for registration on 20th August, 2024. Registration certificate granted on 25th August, 2024.

Answer: As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods, if his aggregate turnover in a financial year exceeds ₹40 lakh, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Varun Industries applies for registration before the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 01.08.2024.

(ii) Sweta InfoTech Services are the provider of internet services in Pune. The aggregate turnover of them exceeds ₹20 lakhs on 25th September, 2024. It submits the application for registration on 27th October, 2024. Registration certificate is granted on the 5 November, 2024.

Answer: As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds ₹20 lakh, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Sweta InfoTech services applies for registration after the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 05.11.2024.

MAY 2018**Question 11 (c)****(2 Marks)**

State with reason whether following statement is true or false:

"When there is change in constitution of business results in change in PAN, the business entity can apply for amendment of registration in prescribed manner within 15 days."

Answer: False: As per section 28, when there is change in constitution of business which results in change in PAN, certificate can be cancelled and the new business entity can apply for fresh registration

IPC NOV 2017**Question 7****(5 Marks)**

Sophomore of USA intends to start business as an ECO u/s 9(5) in India. He wants to understand his obligations under GST law as an ECO. He requires your advice of how he has to go about in discharging the tax liability as an ECO, while he continues to reside in USA.

Answer: As per section 9(5), any electronic commerce operator who is providing services under his own brand name and is also collecting payment on behalf of the supplier, in such cases such person shall be liable to pay GST.

ECO u/s 9(5) means a person, who owns and manages a web based software application, and by means of the application and a communication device, enables a potential customer to connect with persons providing service of a particular kind under the brand name or trade name of the aggregator", e.g. UBER cabs/ OLA cabs etc. Similarly it will include services relating to providing accommodation in hotels, inns, and guest house etc. as notified by the Government, where payment is collected by such ECO. Such ECO shall also be required to take registration u/s 9(5).

Example: Mr. X has taken services of UBER cabs and has paid ₹10,000 plus GST ₹1,000 in this case UBER cabs shall be responsible to pay GST of ₹ 1,000 to the Government. Further the real owner of the cab shall charge amount from UBER cabs and if such amount is ₹ 8,000, it will be paid by UBER cabs to the real owner but if real owner is also registered under GST, he will charge ₹ 8,000 plus GST 800 and UBER cabs shall take ITC of ₹ 800 and pay ₹ 200 to the Government.

MEANING OF SUPPLY
SECTION 7 & SECTION 8, CGST ACT
SCHEDULE I, II & III

Question 1: Explain Supply under GST.

Answer: Scope of supply Section 7.

"Supply" includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business.

Example :

- (i) ABC limited has sold certain goods for a consideration of ₹ 10,00,000, in this case it will be considered to be supply and company shall charge GST from the buyer and pay it to the Government.
- (ii) A Chartered Accountant has supplied services to a client for a consideration of ₹ 10,00,000, in this case it will be considered to be supply and CA will charge GST from the client and pay it to the Government.
- (iii) A dealer of laptop has taken one LCD from a dealer of LCD as a barter, in this case GST shall be payable on the transaction value as per section 15 i.e. value applicable in general and if such value is ₹50,000, each of the dealer shall pay GST.
- (iv) If a dealer of Maruti car has given one motor for ₹ 8,00,000 and has also taken used motor car of the customer, in this GST is payable on the transaction value and if such value is ₹ 10,00,000, GST is payable on ₹ 10,00,000 but no GST by the customer because it is not in the course of business.

Question 2: Explain Deemed supply under schedule I

Answer: Schedule I: Deemed supply i.e. supply without consideration

In order to constitute supply there must be consideration but infact even the supply without consideration is taxable but only in situation given in schedule I and is as given below:

1. Goods without consideration

If any person **has taken ITC** with regard to assets/stock in trade of business and subsequently such assets have been disposed off by him without consideration, it will be considered to be supply and GST shall be payable

Example

- (i) A dealer of air-conditioners purchased AC and has taken ITC but after that permanently transfers an air conditioner from his stock in trade, for personal use at his residence. The transaction will constitute a supply as it is a permanent transfer/ disposal of business assets. The only condition is that input tax credit should have been availed on such assets.
- (ii) A Chartered Accountant has purchased one laptop for use in his office for ₹ 50,000 and paid Input tax ₹10,000 and tax credit of ₹10,000 was taken but after 3 years it was given by him to one of his friend without consideration, in this case it will be considered to be supply and output GST shall be payable on the transaction value. If transaction value is ₹20,000 and rate of GST is 15%, output GST shall be ₹3,000.
- (iii) Mr. X purchased one motor car for the purpose of his business on which no ITC was allowed u/s 17(5) and subsequently it was gifted by him to one of his friends, in this case it will not be considered to be supply because no ITC was taken on it but if it is sold for a consideration, it will be considered to be a supply and GST shall be payable.(as per section 7)
- (iv) ABC limited purchased 10 laptops and has taken ITC but after 2 years it was given free of cost to some students, it will be considered to be supply.

2. Services without consideration

If services have been supplied without consideration, it will not be considered to be supply.

Example

- (i) A Chartered Accountant has rendered services to one of its client without consideration, in this case it is not a supply.

3. Goods/services without consideration to Relative / Related person or Deemed Distinct person

Further if goods or services have been supplied to the Relative / Related person or to the deemed distinct person, it will be considered to be supply even if no ITC has been taken.

Example

(i) Mr. X has rendered free services to one of the related persons, in this case it will be considered to be supply but if free services were given to a person who is neither a related a person nor a Distinct person, in that case it will not be considered to be supply.

(ii) Mr. Y has sold certain goods on which no ITC has been taken, to one of the related persons, in this case it will be considered to be supply but if goods were given to a person who is neither a related a person nor a Distinct person, in that case it will not be considered to be supply.

(iii) ABC limited has transferred certain goods on which no ITC was taken, to its own branch in some other State without consideration, it will be considered to be supply.

(iv) Raghbir Fabrics transfers 1000 shirts from his factory (whether ITC taken or not) located in Lucknow to his retail showroom in Delhi so that the same can be sold from there. The factory and retail showroom of Raghbir Fabrics are registered in the States where they are located. Although no consideration is charged, supply of goods from factory to retail showroom constitutes supply.

If goods or services have been given by employer to the employee, they will be considered to be related person and GST shall be payable even if there is no consideration but if value of such goods or services is upto ₹50,000 during a particular financial year, it will not be considered to be supply, however as per section 17(5), any ITC taken with regard to such goods has to be reversed.

Example

(i) ABC limited has gifted certain items valued ₹ 45,000 to its employee Mr. X, it will not be considered to be supply.

(ii) ABC limited has gifted certain items valued ₹ 2,00,000 to its employee Mr. X, it will be considered to be supply. (whether ₹1,50,000 or ₹2,00,000 is not clear.) but if it is because of contractual agreement, it will not be considered to be supply. E.g. ABC Ltd. has employed Mr. X and as per agreement salary of ₹1,00,000 p.m. shall be given to Mr. X. Also goods of value of ₹ 2,00,000 shall be given free of cost on Diwali in this case no GST is payable on supply of goods valued ₹ 2,00,000.

4. Supply of goods by principal to agent or agent to principal

(i) Any supply of goods **by a principal to his agent** where the agent undertakes to supply such goods on behalf of the principal shall be considered to be supply.

(ii) Similarly any supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal shall be considered to be supply.

Example 1: If Mr. X has authorized Mr. Y to sell certain goods and Mr. Y has sold the goods to Mr. Z in his own name, in this case Mr. Y is agent of Mr. X and if goods were supplied by Mr. X to Mr. Y free of cost, it will be considered to be supply but if Mr. Y has sold the goods in name of Mr. X, he will not be considered to be agent.

Example 2: M/s Tintin, a banking company, appoints Mandaar (auctioneer) to auction certain goods. The auctioneer arranges for the auction and identifies the potential bidders.

The highest bid is accepted and the goods are sold to the highest bidder by M/s Tintin. The invoice for the supply of the goods is issued by M/s Tintin to the successful bidder.

In this scenario, the auctioneer is merely providing the auctioneering services with no role played in the supply of the goods. Even in this scenario, Mandaar is not an agent of M/s Tintin for the supply of goods.

Example 3: Gautam, an artist, appoints Gambhir (auctioneer) to auction his painting. Gambhir arranges for the auction and identifies the potential bidders. The highest bid is accepted and the painting is sold to the highest bidder.

The invoice for the supply of the painting is issued by Gambhir on the behalf of Gautam but in his own name and the painting is delivered to the successful bidder.

In this scenario, Gambhir is not merely providing auctioneering services, but is also supplying the painting on behalf of Gautam to the bidder, and has the authority to transfer the title of the painting on behalf of Gautam. This scenario is covered under Schedule I.

Example 4: A C&F agent or commission agent takes possession of the goods from the principal and issues the invoice in his own name. In such cases, the C&F commission agent is an agent of the principal for the

supply of goods in terms of Schedule I. The disclosure or non-disclosure of the name of the principal is immaterial in such situations.

Example 5: Anmol appoints Bholu to procure certain goods from the market. Bholu identifies various suppliers who can provide the goods as desired by Anmol and asks the supplier (Golu) to send the goods and to issue the invoice directly to Anmol.

In this scenario, Bholu has in no way involved himself in the supply or receipt of the goods. Hence, in accordance with the provisions of this Act, Bholu is not an agent of Anmol for supply of goods.

Example 6: Ravi sells agricultural produce by utilizing the services of Kavi who is a commission agent as per the Agricultural Produce Marketing Committee Act (APMC Act) of the State. Kavi identifies the buyers and sells the agricultural produce on behalf of Ravi for which he charges a commission from Ravi.

As per the APMC Act, the commission agent is a person who buys or sells the agricultural produce on behalf of his principal, or facilitates buying and selling of agricultural produce on behalf of his principal and receives, by way of remuneration, a commission or percentage upon the amount involved in such transaction.

In cases where the invoice is issued by Kavi to the buyer, the former is an agent covered under Schedule I. However, in cases where the invoice is issued directly by Ravi to the buyer, the commission agent (Kavi) doesn't fall under the category of agent under schedule I.

Question 3: Explain taxability if GST in case of Import of Services

Answer: As per section 7,

- Import of services without consideration for business purpose shall not be considered to be supply but if services are taken from a related person or from any of his establishment outside India in the course or furtherance of business, it will be taxable even if it is without consideration.
- As per 9/2017 IT(R), Services imported by an individual for personal purpose shall be exempt from GST whether with or without consideration.
- No exemption shall be allowed in case of OIDAR services i.e. online information and data base access and retrieval services to any person, if there is consideration (i.e. it is exempt if it is free supply.)
If person receiving OIDAR service is not registered, GST shall be collected by OIDAR from such person and tax shall be paid by OIDAR and if such person is registered, GST shall be paid by him under reverse charge.

Example

(i) Mr. X imported services from outside India for a consideration for business purpose, it is taxable and Mr. X will pay tax under reverse charge.

(ii) Mr. X imported services from outside India for a consideration for personal purpose, it is supply as per section 7(1)(b) but it is exempt as per notification no. 9/2017.

(iii) Mr. X imported services from outside India without consideration for business purpose, it is exempt as per schedule I.

(iv) Mr. X imported services from outside India without consideration and it is OIDAR service, it is exempt in the hands of Mr. X and also in the hands of supplier as per schedule I.

(v) Mr. X imported services from outside India for a consideration and it is OIDAR service, it is exempt in the hands of Mr. X if he is unregistered and tax shall be paid by provider of OIDAR service but if Mr. X is registered, he will be required to pay tax under reverse charge.

(vi) ABC limited has taken services from outside India for business without consideration, it is exempt but if services are taken from a related person or from its establishment outside India, it will be taxable and GST is to be paid by ABC limited under reverse charge.

(vii) Sumedha, a proprietor registered in Delhi, has sought architect services from his brother without consideration, located in US, with respect to his newly constructed house in Delhi. In this case it will not be considered to be supply as per schedule I but if there is a consideration it will be supply as per section 7(1)(b) however it will be exempt as per notification no. 9/2017.

(viii) ABC Associates received legal consultancy services from its head office located in Malaysia. The head office has rendered such services free of cost to its branch office. Since ABC Associates and the branch

office are related persons, services received by ABC Associates will qualify as supply even though the head office has not charged anything from it.

Conclusion:

1. Import of services without consideration is always exempt except when imported by a person from a related person in the course of business.
2. Import of service for consideration is always taxable except when taken by Individual for personal purpose other than OIDAR services.

Question 4: Write a note on Composite and Mixed supplies.

Answer: Tax liability on composite and mixed supplies. Section 8.

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely:—

- (a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and
- (b) a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

As per section 2(30), "composite supply" means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

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:

Example

1. Charger supplied alongwith mobile phone is a composite supply.
2. A gift pack comprising of chocolates and sweets is a mixed supply.
3. Suvarna Manufacturers entered into a contract with XYZ Ltd. for supply of readymade shirts packed in designer boxes at XYZ Ltd.'s outlet. Further, Suvarna Manufacturers would also get them insured during transit. In this case, supply of goods, packing materials, transport & insurance is a composite supply wherein supply of goods is principal supply.
4. When a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance services are ancillary.
5. A travel ticket from Mumbai to Delhi may include service of food being served on board, free insurance, and the use of airport lounge. In this case, the transport of passenger, constitutes the pre-dominant element of the composite supply, and is treated as the principal supply and all other supplies are ancillary.
6. A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.
7. A shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold independently and are not naturally bundled. So, such supplies are mixed supplies.

Question 5: Determine whether the following supplies amount to composite supplies.

- (a) A hotel provides 4 days-3 nights package wherein the facility of breakfast and dinner is provided alongwith the room accommodation.
- (b) A toothpaste company has offered the scheme of free toothbrush alongwith the toothpaste.

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

In view of the same,

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

(b) since supply of toothbrush alongwith the toothpaste are not naturally bundled, said supplies do not qualify as 'composite supply'.

Meaning of Business 2(17)

"business" includes—

- (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;
- (b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a);
- (c) any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;
- (d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
- (e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;

Example : A Resident Welfare Association provides the service of depositing the electricity bills of the residents in lieu of some nominal charges. Provision of service by a club or association or society to its members is treated as business as this is included in the definition of 'business'.

- (f) admission, for a consideration, of persons to any premises;

Example : Services by way of admission to circus, cinema halls, amusement parks including theme parks, water parks, etc. are considered as business as these are services by way of admission of persons to any premises for a consideration.

- (g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;

- (h) activities of a race club including by way of totalisator or a license to book maker or activities of a licensed book maker in such club; and

Example : Royal Turf Race Club is engaged in facilitating the wagering (betting) transactions on horses placed through totalisator. For providing the service of facilitating wagering transactions, Royal Turf Race Club gets commission which is deducted and retained by the club from the total bet value. Said services amount to supply as the activities of a race club are included in business.

- (i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities;

Government may act in two different capacities

1. Sovereign authority: Activities like dispensing justice, maintaining armed forces, conducting audit by CAG, Elections to Parliament etc. shall be considered to be activities as Sovereign Authority and it is not covered in business and no GST is payable.
2. Public authority: All other activities except above are activities as public authority and is business and is subject to GST.(some of these activities have been specifically exempted.

Totalisator is a computerised device that pools the wagers/bets (after deduction of charges and statutory taxes) of various persons placing the bet and also divides the total wager amount to be distributed to the winning persons.

Meaning of Consideration 2(31)

"consideration" in relation to the supply of goods / services includes—

- (a) any payment made whether in money or otherwise in respect of the supply of goods / services, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

Example

(i) Mr. X purchased goods from Mr. Y and payment was made to Mr. Y by Mr. Z on behalf of Mr. X, it will be considered to be consideration.

(ii) ABC limited is selling a product for ₹1,000 but Govt. has given subsidy of ₹200, In this case consideration shall be ₹800 and GST shall be payable on ₹800 but if subsidy is given by any other person instead of Govt., consideration shall be ₹1,000.

(b) the monetary value of any act or forbearance in respect of the supply of goods / services whether by the recipient or by any other person.

Provided that a deposit given in respect of the supply of goods / services shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply.

Example:

Mr. X has taken a property on rent ₹ 20,000 p.m. and has given security deposit of ₹ 60,000, In this case GST shall be payable on ₹ 20,000. Mr. X has not paid rent for 2 months and the owner has adjusted ₹ 40,000 out of security towards rent, In this case GST shall be payable on ₹ 40,000.

Meaning of Goods Section 2(52)

"Goods" means every kind of movable property other than **money and securities** but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply. (As per schedule 3 actionable claim shall not be considered to be supply except specified actionable claims.)

Meaning of Services Section 2(102)

"services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

"services" includes facilitating or arranging transactions in securities.

Meaning of Money 2(75)

"money" means the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any other instrument recognised by the Reserve Bank of India 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.

Question 6: Explain activities to be considered as supply of goods or services under schedule II.

Answer: Activities or transactions to be treated as supply of goods or supply of services: Schedule II

- (i) any transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed, is a supply of goods.
- (ii) Any treatment or process which is applied to another person's goods is a supply of services.

The following composite supplies shall be treated as a supply of services, namely:—

- (a) works contract as defined in clause (119) of section 2; and
- (b) Supply of food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption).

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

- (a) Damodar Charitable Trust, a trust who gets the eye treatment of needy people done free of cost, donates clothes and toys to children living in slum area.
- (b) Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.

Answer:

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

(b) Schedule I of CGST Act, inter alia, stipulates that supply of goods or services or both between related persons or between distinct persons, is supply even without consideration provided it is made in the course or furtherance of business. Further, where a person who has obtained or is required to obtain registration in a State in respect of an establishment, has an establishment in another State, then such establishments shall be treated as establishments of distinct persons. In view of the same, factory and depot of Sulekha Manufacturers are establishments of two distinct persons. Therefore, supply of goods from Delhi factory of Sulekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under section 7 of the CGST Act.

CLARIFICATION

1. CBIC has clarified Taxability of ‘tenancy rights’/pagadi under GST as under:

Pagadi system, i.e. transfer of tenancy rights against tenancy premium, is prevalent in some States. The activity of transfer of tenancy right against consideration [i.e. tenancy premium] is covered under supply of service liable to GST. It is a form of lease or renting of property.

Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable. Further, services provided by outgoing tenant by way of surrendering the tenancy rights against consideration in the form of tenancy premium is liable to GST [Circular No.44/18/2018 CGST dated 02.05.2018].

2. Inter-State movement of various modes of conveyance

Transfer of goods between deemed distinct persons is considered to be supply and GST has to be charged by the supplier. If any truck, Tempo etc. is carrying the goods, supply shall be only of the goods and not of the vehicle itself.

3. Donation

Individual donors provide financial help or any other support in the form of donation or gift to institutions such as religious institutions, charitable organisations, schools, hospitals, orphanages, old age homes etc. The recipient institutions place a name plate or similar such acknowledgement in their premises to express the gratitude. When the name of the donor is displayed in recipient institution premises, in such a manner, which can be said to be an expression of gratitude and public recognition of donor’s act of philanthropy and is not publicity of the business or the profession of the donor, in that case there is no supply and GST not payable. There is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service). E.g. (i) “Good wishes from Mr. Rajesh” printed underneath a digital blackboard donated by Mr. Rajesh to a charitable Yoga institution, in this case there is no supply. (ii) “Donated by Smt. Malati Devi in the memory of her father” written on the door or floor of a room or any part of a temple complex which was constructed from such donation, there is no supply.

In each of these examples, it may be noticed that there is no reference or mention of any business activity of the donor which otherwise would have got advertised. [Circular No. 116/35/2019 GST dated 11.10.2019]

4. Services of Del Crede Agent (DCA)

If a DCA has issued invoice in his name, he will be considered to be agent as per schedule I but if he has issued invoice in the name of Principal (Consignor), he will not be considered to be agent. If DCA has given a loan to the recipient, interest shall be added to the value of supply only when the invoice was issued in the name of DCA. It will not be added to the value of supply if invoice was issued in the name of Principal. **(Circular No. 73/47/2018 GST dated 05.11.2018)**

NOV – 2022 Exam (6 Marks)

4(a). 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 2024:

Sl. No.	Particulars	Amount in ₹
	Outward Supply:	
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
	Inward Supply :	
iv.	Inter-State supply of goods received from Charm Limited. Since 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 they provide 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. Amount 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 2024 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No. (i) to (v).

Solution:

Computation of gross GST liability of Mr. Handsome for the month of March 2024

Goods sold by DCA	2,80,000
Add: Interest being additional consideration	20,000
Value of supply	3,00,000
CGST @ 9%	27,000
SGST @ 9%	27,000
Commission charged for DCA services	30,000
IGST @ 18%	5,400

ITC

(i) Inward supply of goods from Charm Limited free of cost	2,00,000
(Supply of goods by principal – Charm Limited to the agent – Mr. Handsome qualifies as supply even though it is made without consideration.)	
Add: IGST @ 18%	36,000
(ii) Training in marketing and distribution received from Charm Limited free of cost	Nil
(Services without consideration is not considered to be supply as per Schedule-1)	

SCHEDULE I

[See section 7]

ACTIVITIES TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
2. 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:
Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.
3. 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.
4. 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.

SCHEDULE III

[See section 7]

ACTIVITIES OR TRANSACTIONS WHICH SHALL BE TREATED NEITHER AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES

1. Services by an employee to the employer in the course of or in relation to his employment.
2. Services by any court or Tribunal established under any law for the time being in force.
3. (a) The functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;
(b) The duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or
(c) The 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.
4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
5. Sale of land and sale of building.
6. Actionable claims, other than specified actionable claims.

Some of the examples of actionable claims are: Right to recover insurance money, claim for arrears of rent, unsecured loans, unsecured debentures, bills of exchange, promissory notes, bank guarantee, Fixed Deposit Receipt, right to the benefit of a contract, etc.

As per section 2(102A), “specified actionable claim” means the actionable claim involved in or by way of—

- (i) gambling;
- (ii) betting;
- (iii) lottery;
- (iv) horse racing;
- (v) online money gaming
- (vi) casinos

Examination MAY – 2023 (3 Marks)**Question 8(a)**

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 a supply of goods nor a supply of services are as under:-

- (1) Services by an employee to the employer in the course of or in relation to his employment.
- (2) Services by any court or Tribunal established under any law for the time being in force.
- (3) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.
- (4) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity.
- (5) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
- (6) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- (7) Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building. (i.e. in case, where entire consideration for sale of building received after issuance of completion certificate or after its first occupation, whichever is earlier).
- (8) Actionable claims, other than lottery, betting and gambling.

Example 1: When a new car worth ₹ 5,00,000 is purchased in exchange of an old car alongwith the monetary consideration of ₹ 4,00,000 paid for the said purchase. There is a supply for the seller of car.

Example 2: Manikarnika sold her old gold bangles and earrings to 'Aabhushan Jewellers'. Sale of old gold jewellery by an individual to a jeweller will not constitute supply as the same cannot be said to be in the course or furtherance of business of the individual.

Example 3: Sundaram Acharya, a famous actor, paints some paintings and sells them. The consideration from such sale is to be donated to a Charitable Trust – 'Kind Human'. The sale of paintings by the actor qualifies as supply.

Example 4: Ramaiyaa, a proprietor, has received the architect services for his house from an architect located in New York at an agreed consideration of \$ 5,000. The import of services by Ramaiyaa is supply under section 7(1)(b) though it is not in course or furtherance of business, however it is exempt as per notification no. 9/2017

Example 5: Dhruv gives old laptops being used in his business to his friend free of cost. This will qualify as supply provided input tax credit has been availed by Dhruv on such laptops.

Example 6: A dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle is blocked. The transaction will not constitute a supply as the condition of availment of ITC on the business asset transferred is not fulfilled.

Example 7: Mohan, a Chartered Accountant, has a registered head office in Delhi. He has also obtained registration in the State of West Bengal in respect of his newly opened branch office. Mohan shall be treated as distinct persons in respect of registrations in West Bengal and Delhi.

Example 8: Rishabh Enterprises, a registered supplier, owns an airconditioned restaurant in Virar, Maharashtra. It has opened a liquor shop in Raipur, Uttarakhand for trading of alcoholic liquor for human consumption. Since supply of alcoholic liquor for human consumption in Uttarakhand is a non-taxable supply, Rishabh Enterprises is not required to obtain registration with respect to the same in Uttarakhand. In this case, airconditioned restaurant in Maharashtra and liquor shop [though unregistered] in Uttarakhand shall be treated as establishments of distinct persons. Supply by Maharashtra restaurant to Uttarakhand shop, in course or furtherance of business, even without consideration will qualify as supply.

Example 9: Raghubir Fabrics transfers 1000 shirts from his factory located in Lucknow to his retail showroom in Delhi so that the same can be sold from there. The factory and retail showroom of Raghubir Fabrics are registered in the States where they are located. Although no consideration is charged, supply of goods from factory to retail showroom constitutes supply.

Example 10: Jhumroo Associates received legal consultancy services from its head office located in Malaysia. The head office has rendered such services free of cost to its branch office. Since Jhumroo Associates and the head office are related persons, services received by Jhumroo Associates will qualify as supply even though the head office has not charged anything from it.

Example 11: Chakmak, a proprietor registered in Delhi, has sought architect services from his son located in US, with respect to his newly constructed house in Delhi. Although services have been received by Chakmak without consideration from his son - a related person, yet it will not qualify as supply since the same has not been received in course or furtherance of business.

Example 12: Under earlier tax regime, the restaurants used to charge both service tax and VAT on the value of food served. This so because both sale of goods and provision of service were involved and therefore taxable event under both the Statutes i.e. respective VAT law and service tax law got triggered.

Under GST, the supply by a restaurant is treated as composite supply since food and service is naturally bundled in ordinary course of business. Further, Schedule II specifically provides that such composite supply shall be treated as supply of service. Hence, the entire value of invoice shall be treated as value of service and leviable to GST accordingly.

As per schedule II, in the following cases it will be supply of goods / services

Example 1: Dhruva Capitals supplied goods on hire purchase basis to customers: shall be considered to be **supply of goods.**

Example 2: Optima Manufacturers supplies toys to retailers on 'sale or return basis': shall be considered to be **supply of goods.**

Example 3: Lease agreement for land: shall be considered to be **supply of services.**

Example 4: Damani Dying House dyes the clothes given by Shubham Textiles Ltd. on job work basis: shall be considered to be **supply of services.**

Example 5: Arun, a trader, is winding up his business. Any goods left in stock shall be deemed to be supplied by him: shall be considered to be **supply of goods.**

Example 6: Renting of a commercial complex: shall be considered to be **supply of services.**

Example 7: Permitting use of immovable property for placing vending/dispensing machines: shall be considered to be **supply of services.**

Example 8: Rathi Builders has constructed individual residential units for agreed consideration of ₹ 1.2 crore per unit. ₹ 90 lakh per unit were received before issuance of completion certificate by the competent authority and balance after completion: shall be considered to be **supply of services.**

Example 9: Temporary transfer of patent: shall be considered to be **supply of services.**

Example 10: Suvidha Solutions develops an accounting software for a business: shall be considered to be **supply of services.**

Example 11: Cable operator - Sakharam has entered into an agreement with Cable operator - Aatmaram that Sakharam will not provide cable connections in the specified areas where Aatmaram is providing the connections. Non-compete agreements constitute supply of service: shall be considered to be **supply of services.**

Example 12: Late delivery charges recovered from supplier for non-fulfilment of contract within stipulated time: shall be considered to be **supply of services.**

Example 13: Notice pay recovered from employee for leaving the job before agreed period of notice for leaving a job: shall be considered to be **supply of services.**

Example 14: Machinery given on hire: shall be considered to be **supply of services.**

Example 15: Resident Welfare Association (RWA) of Sanskriti Society supplies air-conditioners to its members at a concessional price: shall be considered to be supply of goods.

As per schedule III, the following shall neither be supply of goods nor supply of services.

Example 1: Amounts received by an employee from the employer on premature termination of contract of employment are treatable as amounts paid in relation to services provided by the employee to the employer in the course of employment.

Example 2: Services provided by casual worker to employer who gives wages on daily basis to the worker are services provided by the worker in the course of employment.

Example 3: Casual workers employed by a construction contractor for execution of a building contract for him are services in the course of employment. Similarly, casual workers employed by a security services agency for provision of security services to a client are also services in the course of employment.

Example 4: Services provided on contract basis by a person to another i.e. principal-to-principal basis are not services provided in the course of employment¹⁹.

Example 5: Any amount paid by employer to employee for not joining a competing business is paid for providing the service of forbearance to act and cannot be considered for providing services in the course of employment.

Example 6: Duties performed by President of India, Vice President of India, Prime Minister of India, Chief Justice of India, Speaker of the Lok Sabha, Chief Election Commissioner, Comptroller and Auditor General of India, Chairman of Union Public Service Commission, Attorney General of India, in that capacity.

Examples of Composite supply

Example 1: Works contract and restaurant services are classic examples of composite supplies.

Example 2: Mobile phone is always sold with battery.

Example 3: Bundle of catering on board and transport by air is a bundle offered by a majority of airlines.

Example 4: Service of stay in a hotel is often combined with provision of breakfast and dinner provided free of cost during the stay. Such service is an ancillary service to the provision of hotel accommodation and the resultant package would be treated as services naturally bundled in the ordinary course of business.

Example 5: Poshak Manufacturers entered into a contract with Cheeku Ltd. for supply of readymade shirts packed in designer boxes at Cheeku Ltd.'s outlet. Further, Poshak Manufacturers would also get them insured during transit. In this case, supply of goods, packing materials, transport & insurance is a composite supply wherein supply of goods is principal supply.

Example 6: When a consumer buys a television set and he also gets mandatory warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance services are ancillary.

Example 7: A travel ticket from Mumbai to Delhi may include service of food being served on board, free insurance, and the use of airport lounge. In this case, the transportation of passenger, constitutes the predominant element of the composite supply, and is treated as the principal supply and all other supplies are ancillary.

Example 8: Rati Computers supplies laptop (worth ₹ 52,000) alongwith laptop bag (worth ₹ 3,000) to a customer for ₹ 55,000. Being naturally bundled, supply of laptop bag along with the laptop is composite supply which is treated as the supply of the principal supply [viz. laptop]. Assuming that the rate of tax applicable on laptop is 18% and on laptop bag is 28%, in the given case, rate of principal supply, i.e. laptop @ 18% will be charged on the entire value of ₹ 55,000.

Examples of Mixed Supply

Example 1: A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

Example 2: A shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold independently and are not naturally bundled. So, such supplies are mixed supplies.

Example 3: A house is given on rent through a single rent deed - one floor of which is to be used as residence and the other for housing a printing press, at a lump sum rent amount. Such renting for two different purposes is not naturally bundled in the ordinary course of business. Said supplies are mixed supply.

Example 4: Sringaar Enterprises supplies 10,000 kits (at ₹ 50 each) amounting to ₹ 5,00,000 to Raghav General Store. Each kit consists of 1 shampoo, 1 face wash and 1 kajal pencil. It is a mixed supply and is treated as supply of that particular supply which attracts highest tax rate. Assuming that the rate of tax applicable on shampoo is 18%, on face wash is 28% and on kajal pencil is 12%, in the given case, highest tax rate [viz. face wash] @ 28% will be charged on the entire value of ₹ 5,00,000.

PRACTICE PROBLEMS

Q1. What is the taxable event under GST?

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

Q2. What is the tax treatment of composite supply and mixed supply under GST?

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

Q3. Supply of all goods and/or services is taxable under GST. Discuss the validity of the statement.

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

Q4. Whether transfer of title and/or possession is necessary for a transaction to constitute supply of goods?

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

Q5. State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of the CGST Act:

(a) Renting of immovable property

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

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

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

Answer:

(a) Supply of services

(b) Supply of goods

(c) Supply of services

(d) Supply of goods

Q6. Whether goods supplied on hire purchase basis will be treated as supply of goods or supply of services? Give reason.

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

Q7. Meghraj & Co. wishes to commence the business of supplying ready-made garments within Punjab and in the neighbouring States of Delhi and Haryana. Kindly state as to what is the taxable event under GST and leviability of CGST, SGST/UTGST and IGST on the same?

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

Q8. Damodar Private Ltd., registered in Delhi, has transferred some goods to its branch, registered in West Bengal, so that the goods can be sold from the branch. The goods have been transferred without any consideration. The company believes that the transaction undertaken by it does not qualify as supply as no consideration is involved. Ascertain whether the transfer of goods by Damodar Private Ltd. to its branch office qualifies as supply.

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

Q9. Prithvi Associates is engaged in supply of taxable goods. It enquires from its tax advisor as to whether any activity can be treated as supply even if made without consideration in accordance with the provisions of the CGST Act. Enumerate such activities, if any.

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

(i) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
 (ii) Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business.

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

(iii) Supply of goods —

(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.

Q10. Composite supply is treated as supply of that particular goods or services which attracts the highest rate of tax. Examine the validity of the statement.

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

Q11. Transfer of title and/or possession is necessary for a transaction to constitute supply of goods. Examine.

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

Q12. Examine whether the following activities would amount to supply under section 7 read with Schedule I of the CGST Act:

(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.

(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 of CGST Act, inter alia, stipulates that supply of goods or services or both between related persons or between distinct persons as specified in section 25, is supply even without consideration provided it is made in the course or furtherance of business. Further, a person who has obtained more than one

registration, whether in one State/Union territory or more than one State/Union territory shall, in respect of each such registration, be treated as distinct persons [Section 25(4) of the CGST Act].

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

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

(i) the spouse and children of the person, and

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

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 wellknown lawyer and is not wholly/mainly dependent on Raman. Further, Raman has taken legal advice from him in personal matter and not in course or furtherance of business. Consequently, services provided by Raman’s brother to him would not be treated as supply under section 7 read with Schedule I of the CGST Act.

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

Q13. Determine whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of the CGST Act:

- (a) Temporary transfer or permitting use or enjoyment of any intellectual property right.
- (b) Any treatment or process which is applied to another person’s goods.
- (c) Transfer of title in goods.

Answer:

- (a) Supply of services
- (b) Supply of services
- (c) Supply of goods

Q14. 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.

Q15. Examine whether the activity of import of service in the following independent cases would amount to supply under section 7 of the CGST Act, 2017:

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

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

Answer:

- (i) Supply, under section 7 of the CGST Act, 2017, inter alia,
 - includes import of services for a consideration

- even if it is not in the course or furtherance of business.

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

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

(i) the spouse and children of the person, and

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

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

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

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

Q16. Determine whether the following supplies amount to composite supplies:

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

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

Answer: Under composite supply, two or more taxable supplies of goods or services or both, or any combination thereof, are naturally bundled and supplied in conjunction with each other, in the ordinary course of business, one of which is a principal supply [Section 2(30) of the CGST Act]. In view of the same,

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

(b) since supply of soap alongwith the toothpaste are not naturally bundled, said supplies do not qualify as ‘composite supply’.

Q17. Dumdum Electronics has sold the following electronic items to Akbar Retail Store.

(i) Refrigerator (500 litres) taxable @ 18%

(ii) Stabilizer for refrigerator taxable @ 12%

(iii) LED television (42 inches) taxable @ 12%

(iv) Split air conditioner (2 Tons) taxable @ 28%

(v) Stabilizer for air conditioner taxable @12%

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

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

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

Q18. 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) of the CGST Act, 2017, mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

Supply of a package containing chocolates, fruit juice bottles and a packet of toy balloons is a mixed supply as each of these items can be supplied separately and is not dependent on any other. Further, as per section 8(b) of the CGST Act, 2017, the mixed supply is treated as a supply of that particular supply which attracts the highest rate of tax. Thus, in the given case, supply of packages is treated as supply of chocolates [since it attracts the highest rate of tax] and the rate of GST applicable on the package of ₹ 6,00,000 ($20,000 \times ₹ 30$) is 18%.

Q19. 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, in view of the GST Council's recommendation, it has been clarified that the inter-State movement of various modes of conveyance between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST [Circular No. 1/1/2017 IGST dated 07.07.2017].

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

Q20. PTL Pvt. Ltd. is a retail store of merchandise located in 25 States/UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched scheme of "Buy One Get One Free" for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. Determine how the taxability of the goods supplied under "Buy One Get One Free" scheme is determined.

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

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

Q21. Sarvanna & Sons wishes to start supplying liquor in the State of Tamil Nadu. Therefore, it applies for license for selling liquor to the Tamil Nadu Government for it has charged specified fee from it. Examine whether the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons qualifies as supply.

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

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

MULTIPLE CHOICE QUESTIONS

1. Which of the following is not a supply as per section 7 of the CGST Act?

- (a) Management consultancy services not in course or furtherance of business
- (b) Import of service for consideration not in course or furtherance of business
- (c) Both (a) and (b)
- (d) None of the above

2. _____ specifies the activities to be treated as supply even if made without consideration.

- (a) Schedule I of CGST Act
- (b) Schedule II of CGST Act
- (c) Schedule III of CGST Act
- (d) All of the above

3. Which of the following activity is outside the scope of supply and not taxable under GST?

- (a) Services by an employee to the employer in the course of or in relation to his employment
- (b) Services of funeral
- (c) Actionable claims, other than lottery, betting and gambling.
- (d) All of the above

4. Which of the following supplies are naturally bundled?

- (a) Rent deed executed for renting of two different floors of a building-one for residential and another for commercial purpose to same person.
- (b) Pack of watch, tie and belt
- (c) Package of canned food such as burger, chocolates, sweets, cake etc.
- (d) None of the above

5. A _____ supply comprising of two or more supplies shall be treated as the supply of that particular supply that attracts highest rate of tax.

- (a) Composite
- (b) Mixed
- (c) Both (a) and (b)
- (d) None of the above

6. Which of the following activities is a supply of services?

- (a) Transfer of right in goods/ undivided share in goods without transfer of title in goods
- (b) Transfer of title in goods
- (c) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.
- (d) All of the above

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

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

(ii) temporary transfer of intellectual property right

(iii) transportation of deceased

(iv) services by an employee to the employer in the course of employment

- (a) (i) & (iii)
- (b) (ii) & (iv)
- (c) (i) & (ii)
- (d) (iii) & (iv)

8. As per section 7(1)(a) supply includes

- (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made with or without consideration by a person in the course or furtherance of business
- (b) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person whether or not in the course or furtherance of business
- (c) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business

(d) none of these

9. As per section 7(1)(b) Supply includes

- (a) import of services with or without consideration whether or not in the course or furtherance of business
- (b) import of services for a consideration in the course or furtherance of business
- (c) import of services for a consideration whether or not in the course or furtherance of business
- (d) none of these

10. As per section 7(1)(c) supply includes

- (a) the activities specified in Schedule II, made or agreed to be made without a consideration
- (b) the activities specified in Schedule I, made or agreed to be made with a consideration
- (c) the activities specified in Schedule I, made or agreed to be made without a consideration
- (d) none of these

11. As per schedule I, activity to be treated as supply even if made without consideration shall include

- (a) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets
- (b) Permanent transfer or disposal of business assets where input tax credit has not been availed on such assets
- (c) Temporary transfer or disposal of business assets where input tax credit has been availed on such assets
- (d) none of these

12. As per schedule I, activity to be treated as supply even if made without consideration shall include

- (a) Supply of goods or services or both between related persons or between distinct persons as specified in section 25, whether or not made in the course or furtherance of business
- (b) 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
- (c) Supply of goods or services or both between unrelated persons as specified in section 25, when made in the course or furtherance of business
- (d) none of these

13. As per schedule I, activity to be treated as supply even if made without consideration shall include

Supply of goods—

- (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
- (b) by a principal to his agent where the agent undertakes to supply such goods on his own behalf or by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
- (c) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or by an agent to his principal where the agent undertakes to receive such goods on his own behalf.
- (d) none of these

14. Which of the following transactions is not covered in schedule III

- (a) Services by an employee to the employer in the course of or in relation to his employment.
- (b) Services by any court or Tribunal established under any law for the time being in force.
- (c) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- (d) Pre school education or education upto higher secondary school or equivalent
- (e) none of these

15. Which of the following transactions is not covered in schedule III

- (a) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- (b) Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.
- (c) agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing;
- (d) Actionable claims, other than lottery, betting and gambling.
- (e) none of these

Answer:

1. (a); 2. (a); 3. (d); 4. (d); 5. (b); 6. (a); 7. (d); 8. (c); 9. (c); 10. (c); 11 (a); 12. (b); 13(a); 14.(d); 15. (c)

EXAMINATION QUESTION

JULY 2021

Question 1**(8 Marks)**

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, 2024 of quantity of more than 50 units will entitle them for 10% discount.

Interstate supply made during the month of October 2024 is ₹ 50,00,000

Details of Intrastate supply:

Particulars	Amount (₹)
Supply of Microwave Oven	15,00,000
Supply of <u>Refrigerators</u> 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

Intrastate 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:

- (i) Rate of CGST, IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.
- (ii) Both inward and outward supplies are exclusive of taxes.
- (iii) 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, 2024

Answer:

Computation of net GST payable in cash by X Electronics for October 2024

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)	
Net GST liability payable in cash			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:

(i) 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.

(ii) It has been presumed that there is one supply transaction for 100 ACs and thus, the discount has been given in the invoice itself. Alternatively, even if there have been multiple supply transactions for the ACs during the month and the discount has been given vide credit note, it has been presumed that the credit note has been issued in October 2024 and all other conditions prescribed in section 15(3)(b) of the CGST Act, 2017 have been complied with. Thus, the effect of the discount has been adjusted in the month of October 2024 itself.

(iii) It has been assumed that depreciation has not been claimed on tax component.

JULY 2021**Question 6(b)****(4 Marks)**

Explain the composite supply and mixed supply. If a trader launches a package sales for marriage contained double bed, refrigerator, washing machine, wooden wardrobe at a single rate. He is issuing of invoice showing value of each goods separately, whether this is case of mixed supply of 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 and also the invoice for the supply shows separate values for each item i.e., the package is not supplied for a single price.

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

Note: The question specifies that the various items are supplied at a ‘single rate’. The “single rate” expression is construed as single rate of tax in the above answer. Further, the “single rate” may also be construed as single price as given in the below mentioned answer.

Items such as double bed, refrigerator, washing machine and wooden wardrobe are not naturally bundled. Therefore, supply of such items as a package will not constitute composite supply. Further, a single price has been charged for the package.

Consequently, supply of such items as a package will be treated as mixed supply.

NOV 2020

Question 8 (c).

(5 Marks)

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

Answer: As per section 7 (1) (b), Import of services for a consideration for business purpose or for personal purpose shall be considered to be supply, however as per notification no. 9/2017 IT(R), Services imported by an individual for personal purpose shall be exempt from GST but no such exemption shall be allowed in case of OIDAR services i.e. online information and data base access and retrieval services. If individual is not registered, GST shall be collected by OIDAR and tax shall be paid by OIDAR and if individual is registered, GST shall be paid by individual under reverse charge. Further as per schedule I Import of services without consideration by a person from a related person or from any of his establishment outside India in the course or furtherance of business shall be taxable i.e. no GST in any other case without consideration.

NOV 2019

Question.5.

(8 Marks)

M/s Grey, a registered taxable person under scheme provides following information in respect of supplies made by it during the month of April 2024:

	(All amount in rupees)
(i) Inter- state supply of goods	1,00,000
(ii) Intra- state supply of 500 packets of detergent @ ₹ 400 each alongwith 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 1-4-2024 are as Follows:

(₹)

CGST	5,000
SGST	5,000
IGST	40,000

Following additional information is provided:

- (a) Rate of GST in respect of all inward and outward supplies except item (ii) above is 18% i.e. CGST and SGST @ 9% and IGST @ 18%.
- (b) All figures mentioned above are exclusive of taxes.
- (c) All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.

Compute the maximum net GST payable in cash by M/s. Grey for the month of April 2024.

Solution: Computation of Net GST Payable in cash for the month of Apr 2024

₹

Output Tax

(i) Inter state supply of goods	1,00,000
Add: IGST @ 18%	18,000
 (ii) Intra State Sale of Taxable goods	
Detergent (500 x 500)	2,50,000
Add: CGST @ 14%	35,000
Add: SGST @ 14%	35,000
 (iii) Intra State Sale of educational journal	
	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500

Input Tax

Input inter state purchase	50,000
Add: IGST @ 18%	9,000
 Repairing of bus	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500

Computation of Net Tax Liability

CGST

Output Tax (35,000+4,500)	39,500
Less: ITC -IGST	(30,000)
Less: ITC -CGST	(9,500)
Net Tax Liability	Nil

SGST

Output Tax (35,000+4,500)	39,500
Less: ITC -IGST	(1,000)
Less: ITC -SGST	(9,500)
Net Tax Liability	29,000

IGST

Output Tax	18,000
------------	--------

Less: ITC -IGST
Net Tax Liability

(18,000)
Nil

Note:

In case of mixed supply highest rate of tax shall be considered.

MAY 2019

Question 7 (a)

(5 Marks)

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

No.	Particulars	Amount(₹)
(i)	Price of Machinery (exclusive of taxes and discounts)	5,50,000
(ii)	One part is directly fitted in machinery at place of G Ltd. (Amount paid by G Ltd. Directly to supplier, as per contract this amount should be paid by Koli Ltd. and not included in price)	20,000
(iii)	Installation and testing charges for machinery, not included in price.	25,000
(iv)	Discount 2% on machinery price (Recorded in the invoice)	
(v)	Koli Ltd. Provides additional 1% discount at year end, based on additional purchase of other machinery.	

Solution:

Computation of taxable value of supply of machinery

Particulars	Amount (₹)
(i) Price of Machinery (exclusive of taxes and discounts)	5,50,000
(ii) One part is directly fitted in machinery at place of G Ltd.	20,000
(iii) Installation and testing charges for machinery	25,000
(iv) Less: Discount 2% on machinery price (2% of 5,50,000)	(11,000)
Taxable value of supply	5,84,000

Notes:

1. If the supplier has given any discount before or at the time of supply, it will be allowed to be deducted and additional discount allowed at year end shall not be allowed to be deducted.
2. As per section 15, any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of supply and not included in price then such amount shall be included.
3. Amount charged for anything done at the time of or before the delivery of goods or supply of services shall be included in the transaction value.

MAY 2019

Question 10 (a)

(4 Marks)

Explain the services provided by way of tolerating non-performance of a contract and its chargeability under the provisions of the CGST Act, 2017

Answer:

As per schedule II, agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act shall be treated as supply of services

As per section 2(102) "services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Services provided by way of tolerating non-performance of a contract shall be treated as supply of services because agreeing to obligation to refrain from an act, or to tolerate an act or situation shall be treated as supply of service. (section 7(1A), schedule II)

Example: A Ltd given a contract to B Ltd. to complete a work in 4 years and B Ltd. did not completed the work within 4 years, in this case it a non - performance of a contract and shall be treated as supply of services and any consideration received for non-performance shall be treated as supply of service and GST shall be chargeable.

NOV 2018**Question 9 (b)****(5 Marks)**

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

Answer: Refer answer given in the book

NOV 2018**Question 12****(5 Marks)**

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

- (i) Renting of Immovable Property
- (ii) Transfer of right in goods without transfer of title in goods.
- (iii) Works Contract Services
- (iv) Temporary transfer of permitting use or enjoyment of any intellectual property right.
- (v) Sale of personal car to dealer.

Answer:**As per Schedule -II of CGST Act:**

- (i) Renting of Immovable property shall be treated as Supply of services.
- (ii) Transfer of right in goods without transfer of title in goods shall be treated as Supply of services.
- (iii) Works contract services shall be treated as Supply of services.
- (iv) Temporary transfer of permitting use or enjoyment of any intellectual property right shall be treated as Supply of services.
- (v) As per section 7(1)(a), it cannot be considered to be a supply.

MAY 2018**Question 8 (b)****(5 Marks)**

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

Answer: Refer answer given in the book

MAY 2018**Question 12 (b)****(5 Marks)**

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

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

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

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

Answer: As per section 7, import of services for a consideration whether or not in the course or furtherance of business shall be treated as supply.

In the given case, import of service is for consideration hence it is treated as supply however it is exempt as per exemption notification.

In the second case, if import of service without consideration for personal purpose shall not be treated as supply.

In the third case, as per schedule 1 if import of service without consideration for business purpose, shall be treated as supply.

IPC NOV 2017 (MODIFIED)**Question 5****(3 Marks)**

Discuss with reference to the provisions of GST, whether the under mentioned transactions constitute consideration for service.

- (i) Fines and penalties imposed against violation of law.
- (ii) X provides services to Y. However, Y's debtor makes payment to X on the instructions of Y.
- (iii) Grant given to a researcher to carry out research of his/her choice.

Answer:

As per section 2 (31), "**consideration**" in relation to the supply of goods / services includes-

(a) any payment made whether in money or otherwise in respect of the supply of goods / services, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

(b) the monetary value of any act or forbearance in respect of the supply of goods / services whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

Provided that a deposit given in respect of the supply of goods / services shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply.

(i) Fines and penalties imposed against violation of law shall not be considered as consideration of service as there is no supply of service in case of violation of law.

(ii) As per the above definition payment made by any other person on behalf of other shall constitute consideration for service.

(iii) Grant given to a researcher to carry out research of his/her choice shall not be treated as consideration for service.

INPUT TAX CREDIT

SECTION 16, 17, 18

RULE 36, 37, 40, 44

Question 1: Explain conditions for taking Tax Credit under GST.

Answer: Condition for taking input tax credit. Section 16(1)/(2)/ Rule 36 & 37

Input tax credit shall be allowed if

1. The supplier and recipient should be **registered person** and the supply of goods/services is for business/profession
2. **Registered person** has **received** the goods / services or such goods or services have been received by his agent or any other person specified by him. If the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the **last lot or instalment**:
3. **Registered person** has received a **tax invoice/debit note/a bill of entry/ other such documents** and it should contain at least the GSTIN of the supplier and recipient, details of goods or services, total value of supply of goods or services, GST.
4. The details of the invoice or debit note has been **furnished by the supplier in GSTR-1** and the details of input tax credit has been informed to recipient in GSTR-2B and also it is not restricted in GSTR 2B. further the recipient has furnished GSTR-3B
5. If the recipient has not made the payment, still ITC shall be allowed but payment has to be made **within 180 days** from the date of issue of invoice otherwise amount of ITC has to be paid along with interest @ 18% p.a. computed in the manner given under section 50. If payment is made subsequently he can again take tax credit. Further restriction of time limit of section 16(4), shall not be applicable. (However this procedure is not applicable in case of reverse charge because the recipient himself has to pay GST to the Government)

Example: ABC limited purchased goods from XYZ limited for ₹10,00,000 plus GST ₹ 2,00,000 on 18th July 2024 and received invoice on 18th July 2024 and has taken credit on 20th August 2024 at the time of payment of GST but ABC limited has not made payment to XYZ limited within 180 days from the date of invoice i.e. 18th July 2024. In this case 180 days shall expire on 13-01-2025 (July -14, Aug - 31, Sept – 30, Oct-31, Nov- 30, Dec - 31, Jan -13) i.e. in the month of January 2025. ABC limited should report it in the month of Feb 2025 and should pay ₹ 2,00,000 on 20th March 2025 alongwith Interest on ₹ 2,00,000 @ 18% per annum for 7 months i.e. from 20th August to 20th March 2025. If payment of ₹10,00,000 + GST ₹2,00,0000 was made on 10th November 2025, tax credit can be taken again and limit of 16(4) shall not be applicable.

As per section 16(3), If the person purchasing capital goods has taken ITC, depreciation shall not be allowed on such amount. e.g. ABC limited purchased one plant for ₹ 30,00,000 and paid GST of ₹ 6,00,000 and has taken ITC, in this case depreciation shall be allowed on ₹ 30,00,000.

Time limit for availing ITC

As per section 16(4), A registered person shall not be entitled to take input tax credit

- after the 30th day of November following the end of financial year to which such invoice or such debit note pertains or
- furnishing of the relevant annual return (as per section 44/Rule 80, every person has to file annual return in form no. GSTR-9 upto 31st December of the subsequent year) whichever is earlier.

Example 1

ABC limited has received invoice dated 10th December, 2024, In this case last date for taking ITC shall be 30th November 2025 but if annual return has been filed on 31st July 2025, last date shall be 31st July 2025.

If any debit note has been issued in connection with any invoice, date of debit note shall be taken into consideration for the purpose of determining the time limit for the purpose of debit note. e.g. Invoice is issued on 10/01/2025 and debit note is issued on 20/04/2025 in this case ITC can be taken maximum upto 30/11/2025 for invoice and 30/11/2026 for debit note.

Example 2

A is a trader who places an order on B for a consignment of soda. A receives a buying order from C for the same quantity of soda. A instructs B to deliver the goods to C, and in turn he raises an invoice on C. Though the goods are not physically received at the premises of A, in this case it will be deemed to be a delivery to Mr. A and Mr. A is entitled to ITC on the consignment.

Example 3

XYZ makes an advance payment in August and orders 10 quintals of a particular chemical which is in short supply. The supplier of the chemical raises a bill for the entire amount in August and collects GST from XYZ on the advance paid. The chemical is delivered in lots over a period of three months and the supply is completed in November. XYZ can take the ITC only on receipt of last instalment of the chemical in the month of November.

Example 4

Due to a quality dispute, P Ltd withheld payment on a machine supplied by a vendor till it could be rectified. Over 180 days went by in this dispute. The credit taken by P on the invoice got added to the output tax liability of P and thus, it had to pay back the credit. Only after the vendor rectified the machine and P released the payment, P can take the credit again.

Example 5

Hercules Machinery delivered a machine to XYZ in January 2025 under Invoice no. 49 dated 28th January, 2025 for ₹ 4,15,000 plus GST, and undertook trial runs and calibration of the machine as per the requirements of XYZ. The amount chargeable for the post-delivery activities was covered in a debit note raised in April 2023 for ₹50,000 plus GST.

The time limit for XYZ for taking ITC available on ₹ 4,15,000 is 30th November, 2025 (i.e. earlier of the date of filing the annual return for 2024-25 or 30th November 2025.) and on ₹ 50,000 is 30th November, 2026 (i.e. earlier of the date of filing the annual return for 2025-26 or 30th November 2026.)

Illustration 1: XYZ Ltd., is engaged in manufacture of taxable goods. Compute the ITC available with XYZ Ltd. for the month of October, 2024 from the following particulars:-

S. No.	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 instalments. First instalment has been received in October, 2024.
(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 20.01.2024 on which GST payable was ₹50,000 has been received in October, 2024.

Note:

- (i) All the conditions necessary for availing the ITC have been fulfilled.
- (ii) ABC Co. Ltd. is not eligible for any threshold exemption.
- (iii) The annual return for the financial year 2023-24 was filed on 15th September, 2024.

Answer

Computation of ITC available with XYZ Ltd. for the month of October, 2024

S. No.	Inward supplies	GST (₹)
(i)	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should	90,000

have the invoice in its possession to claim ITC]	
(ii) Inputs 'B' [When inputs are received in instalments, ITC can be availed only on receipt of last instalment]	Nil
(iii) Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component]	Nil
(iv) Input services [ITC on an invoice cannot be availed after 30.11.2024 or the date of filing annual return whichever is earlier. Since return has been filed on 15.09.2024, ITC can not be availed after 15.09.2024]	1,75,000
Total	2,65,000

Question 2: Availment of Tax credit in certain cases.

Answer:

(i) Tax credit in case of compulsory registration

As per section 18(1)(a)/Rule 40, A person who has applied for registration under this Act **within 30 days** from the date on which he becomes liable to registration and has been granted such registration shall be entitled to take credit of input tax in respect of inputs / semi-finished / finished goods on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act.

No tax credit shall be allowed for input services and capital goods.

If any person has applied for registration after expiry of 30 days, **tax credit shall not be allowed.**

Example: Mr. X becomes liable to pay tax on 01/08/2024 and has applied for registration on 16/08/2024 obtained registration on 16/09/2024. Mr. X is eligible for ITC on inputs held in stock/ semi-finished / finished goods as on 31st July. Mr. X cannot take ITC on capital goods.

For this purpose the applicant has to submit form no. ITC-01 within 30 days from the date on which he becomes eligible to avail ITC. Further ITC-01 should be verified by Chartered Accountant/ Cost Accountant if the total amount of ITC is exceeding ₹ 2,00,000.

As per section 18 (2), Tax credit shall be allowed maximum **within one year from the date of invoice.**

(ii) Tax credit in case of Voluntary Registration

As per section 18(1)(b)/Rule 40, A person who takes **voluntary registration** shall be entitled to take credit of input tax in respect of inputs held in stock and inputs/ semi-finished / finished goods on the day immediately preceding the date of grant of registration. No tax credit shall be allowed for input services and capital goods.

Example: Mr. A applies for voluntary registration on 5th June and obtains registration on 22nd June. Mr. A is eligible for ITC on inputs held in stock/ semi-finished goods / finished goods as on 21st June. Mr. A cannot take ITC on capital goods.

For this purpose the applicant has to submit form no. ITC-01 within 30 days from the date on which he becomes eligible to avail ITC. Further ITC-01 should be verified by Chartered Accountant/ Cost Accountant if the total amount of ITC is exceeding ₹ 2,00,000.

As per section 18 (2), Tax credit shall be allowed maximum **within one year from the date of invoice.**

Example 1

Mr. Z becomes liable to pay tax on 01/08/2024 and has applied for registration on 05/09/2024 and obtained registration on 10/09/2024, in this case Mr. Z is not eligible for claiming ITC because application for registration has been given after 30 days.

Example 2

Mr. A applies for voluntary registration on 5th June and obtains registration on 22th June. Mr. A is eligible for ITC on inputs / semi-finished goods / finished goods as on 21st June. Mr. A cannot take ITC on capital goods.

Example 3

Mr. X purchased goods vide invoice dated 01/07/2024 ₹10,00,000 plus GST ₹2,00,000 and he is unregistered. His turnover has crossed the Limit of ₹ 40,00,000 in the year 2025-26 on 10/08/2025, in this case as per section 18(2) tax credit for the goods lying in the stock is not allowed because one year has elapsed from the date of invoice.

Example 4

Mr. X purchased goods vide invoice dated 01/03/2025 ₹10,00,000 plus GST ₹2,00,000 and he is unregistered. His turnover has crossed the Limit of ₹ 40,00,000 in 2025-26 on 01/01/2026 and he applied for registration on 01/01/2026 and was granted registration on 10/01/2026, in this case as per section 16(4) tax credit for the goods lying in the stock is not allowed because time limit prescribed under 16(4) has elapsed.

Illustration 2: ABC Ltd. Started Business on 01/10/2024.

Purchased raw material ₹50,00,000 + CGST @ 12% + SGST @ 12% and also purchased plant machinery ₹30,00,000 + CGST @ 12% + SGST @ 12%.

Turnover of the company crossed ₹40,00,000 on 10/01/2025 and company has taken registration on 10/01/2023 and at that time 50% of the raw material has been utilised.

Company had turnover ₹30,00,000 from 10/01/2025 to 31/01/2025 and rate of CGST @ 12% and SGST @ 12%.

Compute ITC /Output tax and Net Tax for Jan 2025

Solution:

	₹
Purchased raw material	50,00,000
Add: CGST @12%	6,00,000
Add: SGST @12%	6,00,000
Total	62,00,000
ITC allowed	
CGST (50%)	3,00,000
SGST (50%)	3,00,000
 Plant & Machinery	 30,00,000
Add: CGST @12%	3,60,000
Add: SGST @12%	3,60,000
Total	37,20,000

As per Section 18 (1) (a) / Rule 40, no tax credit shall be allowed for capital goods.

Output Tax

Transaction Value	30,00,000
Add: CGST @12%	3,60,000
Add: SGST @12%	3,60,000
Total	37,20,000

Computation of Net Tax Payable

	CGST
Output Tax	3,60,000
Less: ITC raw material	(3,00,000)
Tax Payable	60,000
	SGST
Output Tax	3,60,000
Less: ITC raw material	(3,00,000)
Tax Payable	60,000

Illustration 3:

Mr. X started his business on 01/04/2024 and he is unregistered dealer. He purchased goods A for ₹50,00,000 + IGST 20% and 60% of the goods were sold by him upto 30/06/2024 for ₹40,00,000.

He applied for registration on 10/07/2024 and was registered on 18/07/2024.

He purchased plant and machinery X on 01/05/2024 for ₹16,00,000 + CGST @ 10% + SGST @ 10%.

He purchased goods B on 01/08/2024 for ₹30,00,000 + CGST @ 10% + SGST @ 10% and goods were sold for ₹40,00,000 + IGST @ 20%.

He purchased plant Y on 01/09/2024 for ₹13,00,000 + CGST @ 10% + SGST @ 10%.

Compute ITC /Output tax /Net Tax.

Solution:**Computation of Net Tax Liability of Mr. X.**

₹

Input Tax Credit

Goods A	50,00,000
Add: IGST @ 20%	10,00,000
Total	60,00,000

No ITC is allowed in the beginning as he is an unregistered dealer.

40% credit is allowed $(10,00,000 \times 40\%) =$ 4,00,000

As per section 18(1)(a), No ITC is allowed for capital goods.

Goods B	30,00,000
Add: CGST @ 10%	3,00,000
Add: SGST @ 10%	3,00,000
Total	36,00,000

ITC	
CGST	3,00,000
SGST	3,00,000

Plant Y	13,00,000
Add: CGST @ 10%	1,30,000
Add: SGST @ 10%	1,30,000
Total	15,60,000

ITC	
CGST	1,30,000
SGST	1,30,000

Output Tax

Goods B	40,00,000
Add: IGST @ 20%	8,00,000
Total	48,00,000

Computation of Net Tax

Output Tax	8,00,000.00
Less: ITC goods A – IGST	(4,00,000.00)
Less: ITC goods B – CGST	(3,00,000.00)
Less: ITC plant Y – CGST	(1,00,000.00)
Net tax payable	Nil
ITC to be carried forward	
CGST	30,000

SGST 4,30,000

Illustration 4: ABC limited started its business on 01-07-2024 and purchased goods ₹48,00,000 + CGST 10% + SGST 10% and purchased capital goods for conducting business for ₹ 18,00,000 + CGST 10% + SGST 10%. Company sold 50% of the goods upto 31-12-2024 for ₹ 40,00,000 and applied for registration on 1-1-2025 and registration was granted on 15-01-2025. Company sold remaining 50% of the goods upto 31/03/2025 for ₹ 39,00,000 + CGST 10% + SGST 10%

Compute ITC allowed at the time of registration and net tax payable by the company.

Solution:

No tax credit shall be allowed in the beginning because unregistered supplier is not eligible for ITC.

As per section 18(1) (a), ITC shall be allowed at the time of registration but only for inputs lying in the stock and amount of ITC shall be $48,00,000 \times 50\% = 24,00,000$

(Since 50% of the goods have been sold)

CGST @ 10% 2,40,000

SGST @ 10% 2,40,000

No ITC for capital Goods.

Sale of remaining goods 39,00,000

CGST 10% 3,90,000

SGST 10% 3,90,000

	CGST	SGST
Output tax	3,90,000	3,90,000
Less ITC	(2,40,000)	(2,40,000)
Net tax	1,50,000	1,50,000

Illustration 5: ABC limited started its business on 01-07-2024 and purchased goods ₹ 48,00,000 + CGST 10% + SGST 10% and purchased capital goods for conducting business for ₹ 18,00,000 + CGST 10% + SGST 10%. Company sold 50% of the goods upto 31-12-2024 for ₹ 40,00,000 and applied for registration on 10-2-2025 and registration was granted on 15-02-2025. Company purchased one Plant and machinery on 20-02-2025 ₹ 6,00,000 + CGST @ 10% + SGST @ 10% . Remaining goods were sold upto 31-03-2025 for ₹42,00,000 + CGST 10% + SGST 10%

Compute ITC allowed at the time of registration and also net tax payable by the company.

Solution:

No tax credit shall be allowed because company has applied after expiry of 30 days. However tax credit shall be allowed for the plant and machinery purchased after registration.

Plant and machinery purchased 6,00,000

CGST 60,000

SGST 60,000

ITC

CGST 60,000

SGST 60,000

	CGST	SGST
Output tax (42,00,000 X 10%)	4,20,000	4,20,000
Less ITC	(60,000)	(60,000)
Net tax	3,60,000	3,60,000

(iii) Tax credit in case of shifting from composition scheme to normal scheme. Section 18 (1) (c) / Rule 40.

If any registered person has shifted from composition scheme to normal scheme, such person shall be entitled to take credit of input tax in respect of inputs held in stock/ semi-finished / finished goods and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax.

The credit on capital goods shall be reduced by **5% per quarter of a year or part thereof** from the date of invoice.

For this purpose the applicant has to submit form no. ITC-01 within 30 days from the date on which he becomes eligible to avail ITC. Further ITC-01 should be verified by Chartered Accountant/ Cost Accountant if the total amount of ITC is exceeding ₹ 2,00,000.

As per section 18(2), Tax credit shall be allowed maximum within one year from the date of invoice.

As per section 2 (92), "quarter" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year;

Example 1: Mr. A, a registered taxable person, was paying tax at composition scheme upto 30th June. However, w.e.f. 1st July, Mr. A becomes liable to pay tax under regular scheme. Mr. A will be eligible for ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods as on 30th June. ITC on capital goods will be reduced by 5% per quarter from the date of the invoice.

Example 2.

Mr. X has opted for composition scheme at the time of registration and purchased a plant and machinery ₹30,00,000 and paid input tax at a rate of 18% and tax credit was not allowed but after a period of 9 month and 10 days the dealer has opted for payment u/s 9 i.e. normal scheme. Compute amount of tax credit allowed to Mr. X.

(b) Presume time period is 11 month and 20 days

Solution:

(a) Total Input Tax (30,00,000 x 18%)	₹ 5,40,000
Asset already used for 9 months and 10 days = 4 Quarters	
Less: Tax credit not allowed (5,40,000 x (4 x 5%))	(1,08,000)
Amount of Tax credit allowed	4,32,000

(b) Total Input Tax (30,00,000 x 18%)	5,40,000
Asset already used for 11 months and 20 days = 4 Quarters	
Less: Tax credit not allowed (5,40,000 x (4 x 5%))	(1,08,000)
Amount of Tax credit allowed	4,32,000

(iv) Tax credit in case of exempt supply becomes taxable supply. Section 18 (1) (d) / Rule 40.

If any exempt supply becomes taxable supply, in that case, registered person shall be entitled to take credit of input tax in respect of inputs held in stock/ semi-finished / finished goods and on capital goods on the day immediately preceding the date from which it becomes taxable.

The credit on capital goods shall be reduced by **5% per quarter of a year or part thereof** from the date of invoice.

For this purpose the applicant has to submit form no. ITC-01 within 30 days from the date on which he becomes eligible to avail ITC. Further ITC-01 should be verified by Chartered Accountant/ Cost Accountant if the total amount of ITC is exceeding ₹ 2,00,000.

As per section 18(2), Tax credit shall be allowed maximum within one year from the date of invoice.

Example 1:

ABC Limited purchased one plant and machinery ₹20,00,000 and paid input tax ₹3,00,000 and it is being used for exempted goods but after 7 months and 10 days , it is used for taxable goods. In this case, its tax credit allowed shall be

Total input tax	₹ 3,00,000
Less: 5% per quarter or part thereof i.e. 3,00,000 x (5% x 3)	(₹ 45,000)
Amount of tax credit allowed	2,55,000

Example 2:

Mamta Sales trades in exempt goods and provides taxable services. It is registered under GST. On 1st October, the exemption available on its goods gets withdrawn. Analyze the scenario and determine the eligibility of Mamta Sales for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods.

Answer: If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) of the CGST Act, 2017 become applicable. In the given case, since Mamta Sales is a registered person, section 18(1)(d) will be applicable. As per section 18(1)(d), Mamta Sales 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. 30th September. Input tax credit on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

Question 3: Explain Reversal of tax credit in case of shifting from normal scheme to composition scheme or where taxable supply becomes exempt supply.

Answer: Tax credit in case of shifting from normal scheme to composition scheme or where taxable supply becomes exempt supply section 18 (4)/ Rule 44

Where any registered person who has availed of input tax credit **opts to pay tax under composition scheme** or, where **taxable supply becomes exempt supply**, he shall pay an amount, equivalent to the credit of input tax in respect of stock.

In case of capital goods, remaining tax credit has to be reversed taking the life to be 60 month and part of the month shall be ignored

After payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.

For this purpose the applicant has to submit form no. ITC-03

Example 1:

ABC Limited purchased one plant and machinery ₹20,00,000 and paid input tax ₹3,00,000 and it is being used for taxable goods but after one year and 2 months and 10 days, it is used for exempted goods. In this tax credit to be reversed shall be

Remaining life 60 month – 14 month 10 days = 45 months 20 days

Ignore 20 days i.e. 45 months

$3,00,000 / 60 \times 45 = ₹2,25,000$

Example 2:

Mr. X has opted for payment under section 9 and he purchased a plant and machinery ₹ 60,00,000 and paid input tax at a rate of 20% but he has shifted to composition scheme after 38 month and 10 days. Compute amount of tax credit to be reversed by Mr. X.

(b) Presume time period is 11 month and 20 days

(c) Presume time period is 55 month and 21 days.

Solution:

	₹
(a) Total Input Tax (60,00,000 x 20%)	12,00,000
Remaining life of the asset = (60 month – 38 month and 10 days)	
= 21 month and 20 days i.e. 21 month (part shall be ignored)	
Amount of credit to be reversed = $12,00,000/60 \times 21 =$	4,20,000
 (b) Total Input Tax (60,00,000 x 20%)	 12,00,000
Remaining life of the asset = (60 month – 11 month and 20 days)	
= 48 month and 10 days i.e. 48 month (part shall be ignored)	
Amount of credit to be reversed = $12,00,000/60 \times 48 =$	9,60,000

(c) Total Input Tax (60,00,000 x 20%)	12,00,000
Remaining life of the asset = (60 month – 55 month and 21 days) = 4 month and 9 days i.e. 4 month (part shall be ignored)	
Amount of credit to be reversed = $12,00,000/60 \times 4 =$	80,000

Question 4: Explain Reversal of tax credit in case of supply of capital goods on which tax credit has been taken.

Answer: Payment of tax in case of supply of capital goods on which tax credit has been taken Section 18 (6)/ Rule 44

In case of **supply of capital goods**, on which input tax credit has been taken, the registered person shall pay an amount on the basis of remaining life considering total life to be 60 months however part of the month shall be ignored as per rule 44 or the tax on the transaction value of such capital goods, whichever is higher.

Example

If a plant and machinery was purchased for ₹ 20,00,000 and input tax credit was ₹ 2,00,000 and supplier has sold it after using for one year and 2 months and 15 days, amount to be reversed shall be –

Remaining life shall be = 45 months 15 days i.e. 45 months

Amount to be reversed $2,00,000/60 \times 45 = 1,50,000$

If the plant is sold for ₹ 15,00,000 and rate of GST is 12%, Amount to be reversed shall be ₹1,80,000

If the plant is sold for ₹ 12,00,000 and rate of GST is 12%, Amount to be reversed shall be ₹1,50,000 and not ₹ 1,44,000.

In case of supply of goods, registered person shall report it in GSTR-1.

If registration certificate has been cancelled, capital goods lying in stock shall be considered to be a deemed supply and it will have same treatment as given above.

Illustration 6: Mr. X is registered in GST and is manufacturing taxable goods. He purchased one plant and machinery ₹ 60,00,000 plus CGST @ 10% plus SGST @ 10% and has taken ITC but after 2 years 7 months and 22 days it was sold by him for ₹ 40,00,000 when rate of CGST @ 12% and SGST @ 12%. Determine the amount to be paid and also mention section and Rules.

Solution:

Total Input Tax

CGST (60,00,000 x 10%)	6,00,000
------------------------	----------

SGST (60,00,000 x 10%)	6,00,000
------------------------	----------

Remaining life of the asset = (60 month – 31 month and 22 days)

= 28 month and 8 days i.e. 28 month (part shall be ignored)

Amount of credit to be reversed CGST = $6,00,000/60 \times 28 =$	2,80,000
--	----------

Amount of credit to be reversed SGST = $6,00,000/60 \times 28 =$	2,80,000
--	----------

If Plant and Machinery is sold for ₹ 40,00,000, Amount to be reversed

CGST (40,00,000 x 12%)	4,80,000
------------------------	----------

SGST (40,00,000 x 12%)	4,80,000
------------------------	----------

Therefore amount to be paid will be higher of the two which is CGST ₹ 4,80,000 & SGST ₹ 4,80,000 as per section 18(6)/Rule 44.

Question 5: Explain tax credits in case of Inputs/Capital Goods are used for taxable as well as exempted supply.

Answer:

Apportionment of credit Section 17 (1)/17 (2)/ 17 (3)

As per section 17(1)/ 17(2)/ 17(3), if any person is supplying goods or services which are taxable as well as exempt, in such cases tax credit shall be allowed only for taxable supply and zero rated supply. No tax credit

shall be allowed for exempt supply or non-taxable supply (supply on which GST can not be levied e.g. alcoholic liquor and petroleum product) or supply for non-business purpose or supply for personal purpose.

Question 6: Explain the goods for which tax credit is not allowed i.e. blocked credit.

Answer: Blocked Credit section 17(5)

No tax credit shall be allowed in the following cases:

1. Tax credit is not allowed in case of **motor vehicle for transportation of persons** provided approved seating capacity is not more than 13 persons (including the driver) i.e. if seating capacity is more than 13 persons, in that case tax credit shall be allowed.

Tax credit shall be allowed where such motor vehicle is for further supply of such motor vehicles (i.e. for sale purchase of such vehicle) or for transportation of passengers or for imparting training on driving such motor vehicles.

Tax credit shall also be allowed if any vehicle is given on rent or lease or for hiring for the purpose specified above.

Since two wheeler is covered in motor vehicle for transportation of persons, tax credit shall not be allowed.

If motor vehicle is for transportation of goods, tax credit shall be allowed. Similarly in case of motor vehicle for other purpose, tax credit shall be allowed e.g. JCB machine, Road Roller, Concrete Mixer Vehicle, Tractor etc.

2. No tax credit shall be allowed in case of **vessels and aircraft**, however tax credit shall be allowed in case of vessels and aircraft in the following cases

- (i) further supply of such vessels or aircraft
- (ii) transportation of passengers
- (iii) imparting training on navigating such vessels
- (iv) imparting training on flying such aircraft
- (v) for transportation of goods

Tax credit is also allowed in case of renting or hiring or leasing of such aircraft or vessels for the purpose specified above.

In other words, tax credit shall not be allowed when such aircraft etc. are used for personal purpose or business purpose other than mentioned above

Example 1 : ABC limited purchased one passenger vehicle (with seating capacity not more than 13 people) for transportation of the employees, tax credit is not allowed.

Example 2 : ABC limited purchased one two wheeler for use of the employees, tax credit is not allowed.

Example 3 : ABC limited purchased one truck for transportation of inputs/ final product, tax credit is allowed.

Example 4 : Mr. X purchased one motor car (with seating capacity more than 13 people) for going to his factory, tax credit allowed.

Example 5 : ABC limited purchased one truck and it was given on rent , tax credit is allowed.

Example 6: ABC limited purchased one bus for transportation of passenger, tax credit is allowed.

Example 7 : ABC limited a tent house purchased one truck for transportation of goods relating to service of tent house, tax credit is allowed.

Example 8 : ABC limited purchased one motor car for training of driving skills, tax credit is allowed.

Example 9: A car dealer is allowed ITC on cars purchased for resale.

Example 10: A cab service is allowed ITC on cars purchased for use as cabs.

Example 11: A driving school is allowed ITC on cars purchased for imparting training on driving.

Example 12: ITC on cars (with seating capacity upto 13 persons) purchased by a manufacturing company for official use of its employees is blocked.

Example 13: ITC on cars purchased by a car dealer for sale to customers is allowed.

Example 14: ITC on cars purchased by a company engaged in renting out cars for transportation of passengers, is allowed.

Example 15: ITC on cars purchased by a car driving school is allowed.

Example 16: ITC on buses (seating capacity for 24 persons) purchased by a company for transportation of its employees from their residence to office and back, is allowed.

Example 17: ITC on trucks purchased by a company for transportation of its finished goods is allowed.

Example 18: ITC on cars (seating capacity more than 13 persons) purchased by a manufacturing company for official use of its employees is allowed.

Example 19: ITC on aircraft purchased by a manufacturing company for official use of its CEO is blocked.

Example 20: ITC on aircraft purchased by an Aviation School providing training on non-flying aircrafts, is allowed.

Example 21: ITC on aircraft purchased by a manufacturing company for official use of its CEO is blocked.

Question. A taxable person is in the business of information technology. He buys a motor vehicle for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such motor vehicle?

Answer: No. As per section 17 (5), ITC on motor vehicles can be availed only if the taxable person is in the business of transport of passengers or is providing the services of imparting training on driving/flying/navigating motor vehicles or is in the business of supply of motor vehicles.

Question. A flying school imports an aircraft for use in its training activity, and takes ITC of the IGST paid on the import. The departmental audit raises an objection that ITC is not allowed on aircraft. Offer your comments.

Answer: Under section 17 (5) of the CGST Act, ITC is allowed on aircraft if they are used to make the taxable supply of imparting training on flying an aircraft. Therefore, the credit is correctly taken.

3. Input tax credit for services taken in connection with **general insurance, servicing, repair and maintenance** shall be allowed if it is in connection with the motor cars or vessels or aircrafts for which tax credit is allowed. Tax credit shall also be allowed to the insurance companies doing insurance of vehicle or aircrafts etc.

Example 1: ITC on general insurance taken on a car used by employees of a manufacturing company for official purposes, is blocked.

Example 2: ITC on maintenance & repair services availed by a company for a truck used for transporting its finished goods, is allowed.

Example 3: ITC on general insurance services taken on cars manufactured by a car manufacturing company is allowed.

Example 4: ITC on general insurance taken on a car used by employees of a manufacturing company for official purposes, is blocked.

Example 5: ITC on maintenance & repair services availed by a company for a truck used for transporting its finished goods, is allowed.

Example 6: ITC on general insurance services taken on cars manufactured by a car manufacturing company is allowed.

4. No tax credit shall be allowed if input tax has been paid in connection with the goods or services as mentioned below

(i) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, life insurance and health insurance.

(ii) membership of a club, health and fitness centre; and

(iii) travel benefits extended to employees on vacation such as leave or home travel concession:

However tax credit shall be allowed to the employer where it is obligatory for the employer to provide above facilities.

However tax credit shall be allowed to the person engaged in business of supplying such goods or services.

Example 1: ABC limited is engaged in providing outdoor catering services and the company has purchased inputs and input services for the purpose of providing output services, in this case tax credit is allowed.

Example 2: Mr. X is engaged in the business of beauty treatment, he will be allowed tax credit for the inputs goods / services.

Example 3: Mr. C caterer for a wedding gets the sweet dish course supplied by a specialist in desserts. He is allowed ITC of the tax paid by him to the specialist.

Example 4: A manufacturing company purchases food items for being served to its customers, free of cost. ITC on such goods is blocked.

Example 5: AB & Co., a caterer of Amritsar, has been awarded a contract for catering in a marriage to be held at Ludhiana. The firm has given the contract for supply of snacks, to be served in the marriage, to CD & Sons, a local caterer of Ludhiana. ITC on such outdoor catering services availed by AB & Co., is allowed.

Example 6: ITC on outdoor catering services availed by a garment exporter for a marketing event organised for its prospective customers, is blocked.

Example 7: Outdoor catering service is availed by a company to run a free canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory. ITC on such outdoor catering is allowed.

Example 8: The Managing Director of a company has taken membership of a club, the fees for which is paid by the company. ITC on such service is blocked.

Example 9: A company avails services of a travel agency for organizing a free vacation for its top performing employees. ITC on such services is blocked.

5. Input tax credit for works contract services (construction services) when supplied for construction of an immovable property (other than plant and machinery) shall not be allowed however tax credit shall be allowed to the person who is engaged in providing construction services i.e. a builder etc. If any person has given contract to any person for construction or he himself is doing construction, tax credit shall not be allowed for inputs or input services or capital goods. ABC Ltd. has constructed one factory building for its use, no tax credit shall be allowed even if it is for the purpose of business. For this purpose "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property

Input tax credit in connection with plant and machinery shall be allowed e.g. ITC in connection with lift or escalator etc. shall be allowed. For this purpose "plant and machinery" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes—

- (i) land, building or any other civil structures;
- (ii) telecommunication towers; and
- (iii) pipelines laid outside the factory premises.

Section 2(119) "Works Contract" means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract.

Example 1: ABC limited has given a contract to XYZ limited for construction of an office building. ABC limited cannot take input tax credit of the GST charged by XYZ limited for work contract services.

Example 2: ABC limited has given a contract to XYZ limited for construction of an office building and XYZ limited sub- contracted some portion to G limited. The work contract services provided by G limited to XYZ limited is an input service for further supply of work contract by XYZ limited to ABC limited and XYZ limited is entitled for input tax credit of the tax paid on the services provided by G limited.

Example 3: Mr. A is a builder and he is building a house for himself. He is not entitled to input tax credit on any goods or services which are purchased or acquired for construction of the house.

Example 4: Z limited is a developer of commercial and residential units. It builds a corporate office for itself. Z limited cannot take credit of input supplies which are used for construction of that office, even if the office will be used for business purpose.

Example 5: ABC company buys material and hires a contractor to construct an office building to house the plant supervisory staff. The input tax paid on such goods and services is not allowed as credit.

Example 6: ITC on works contracts services availed by a software company for construction of its office, is blocked.

Example 7: CD & Co., a works contractor of Noida, has been awarded a contract for construction of a commercial complex in Lucknow. The firm avails services of EF & Co., a local works contractor of Lucknow, for the construction of complex. ITC on such works contract services availed by CD & Co., is allowed.

Example 8: ITC on works contract services availed by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.

Example 9: ITC on works contract services availed by a manufacturing company for construction of pipelines to be laid outside its factory, is blocked.

Example 10: A consulting firm has availed services of a works contractor for repair of its office building. The company has booked such expenditure in its profit and loss account. ITC on such services is allowed.

Example 11: A telecommunication company has availed services of a works contractor for repair of its office building. The company has capitalized such expenditure. ITC on such services is blocked.

Example 12: A company buys cement, tiles etc. and avails the services of an architect for construction of its office building. ITC on such goods and services is blocked.

Example 13: MN & Constructions procures cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients. ITC on such goods and services is allowed to MN & Co.

Example 14: A company buys cement, tiles etc. and avails the services of an architect for renovation of its office building. The company has booked such expenditure in its profit and loss account. ITC on such goods and services is allowed.

Example 15: ITC on works contracts services availed by a software company for construction of its office, is blocked.

Example 16: CD & Co., a works contractor of Noida, has been awarded a contract for construction of a commercial complex in Lucknow. The firm avails services of EF & Co., a local works contractor of Lucknow, for the construction of complex. ITC on such works contract services availed by CD & Co., is allowed.

Example 17: ITC on works contract services availed by a manufacturing company for construction of pipelines to be laid outside its factory, is blocked.

Example 18: A consulting firm has availed services of a works contractor for repair of its office building. The company has booked such expenditure in its profit and loss account. ITC on such services is allowed.

Example 19: A telecommunication company has availed services of a works contractor for repair of its office building. The company has capitalized such expenditure. ITC on such services is blocked.

6. CSR Section 135 of Companies Act No tax credit shall be allowed for the goods or services in connection with activities under Corporate Social responsibility.

7. Composition scheme: Goods or services or both on which tax has been paid under section 10

A supplier registered under composition scheme cannot collect tax from its customers. Thus, such supplier issues bill of supply and not a tax invoice. A composition supplier pays a lumpsum tax at a specified rate on its quarterly turnover. Tax paid on goods and/or services under composition scheme is not available as ITC. Since a composition supplier cannot collect any tax on its supplies, from the recipient of its supplies, it is obvious that no ITC can be availed in respect of such supplies by the recipients. Nevertheless, section 17(5) specifically blocks the ITC on inward supplies received by a taxable person from a composition supplier.

8. goods or services or both received by a **non-resident taxable person** except on goods imported by him; Essentially, a non resident taxable person has no fixed place of business in India but he sporadically supplies goods or services in India. Tax paid on goods and/or services received by such non-resident taxable person, is not available as ITC. However, tax paid by him on **imported goods** is allowed as ITC.

9. goods or services or both used for **personal consumption**

Example: Mr. X owns a grocery store. He procures rice, wheat and biscuits for being sold in its store. Out of the inventory so purchased, he gives 10 kgs each of rice and wheat to his wife for household use. Being used for personal consumption, ITC on 10 kg of rice and 10 kg of wheat is blocked.

10. goods lost, stolen, destroyed, written off or disposed off by way of gift or free samples

ITC in respect of goods that are disposed off by way of gift or free samples is not available. Also, ITC is blocked on lost goods, stolen goods, destroyed goods and goods that are written off. This is because principally, ITC is available only for payment of tax on output supply. If no tax is payable on output supply, ITC on inputs/input services/capital goods relating to such output supply is not eligible. Hence, ITC on gifts and free samples is blocked as no tax is payable on its outward supply. In case of lost/destroyed/stolen written off goods also, ITC is not available as these goods cannot be said to have been used for making a taxable supply.

11. any tax paid in accordance with the provisions of **sections 74, 129 and 130.**

Question 7: Explain Availment of tax credit in case of zero rated supplies.

Answer:

As per section 16 of the IGST Act, Supply for exports or supply to a unit in SEZ or supply to a developer of SEZ shall be considered to be zero rated supply and in such cases it is exempt from output tax but still tax credit shall be allowed. Further as per section 54, refund is allowed for unutilized tax credit in case of supply of zero rated goods.

Question 12. A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ without payment of GST as these supplies are not taxable. The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments.

Answer: Under section 16 of the IGST Act, credit of input tax is allowed to be taken for inward supplies used to make zero rated supplies. Under section 17 of the CGST Act also, ITC is disallowed only to the extent it pertains to supplies used for non-business purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units are zero rated supplies in terms of section 16 of IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

Question 8: Explain Reversal of input tax credit in the case of non-payment of tax by the supplier and re-availment thereof. Section 41 / Rule 37A

Answer: Reversal of input tax credit in the case of non-payment of tax by the supplier and re-availment thereof Section 41 Rule 37A

If a registered person has availed or utilised input tax credit and the details have been furnished by the supplier in GSTR-1 / IFF but output tax has not been paid by him, in such cases the supplier must pay tax and submit GSTR-3B maximum upto 30th September following the end of the financial year otherwise the recipient shall be required to refund the amount of ITC maximum upto 30th November of the same year otherwise he will be required to pay such tax along with interest as per section 50. If supplier has paid the amount of tax subsequently, the recipient shall be allowed to take ITC in the subsequent tax period.

Examination – Nov – 2023 (5 Marks)

Question 8 (a)

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 ?

Solution: Refer Answer to Question No.10

Illustration 7: ABC Co. Ltd. is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.

S. No.	Items	GST paid (₹)
(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 for consumption of employees working in the factory	25,000

Determine the amount of ITC available with ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items.

Note:

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

(ii) ABC Co. Ltd. is not eligible for any threshold exemption.

Answer: Computation of ITC available with ABC Co. Ltd. for the month of July

S. No.	Items	ITC (₹)
(i)	Electrical transformers [Being goods used in the course or furtherance of business, ITC thereon is available]	5,20,000
(ii)	Trucks used for the transport of raw material [ITC on motor vehicles used for transportation of goods is allowed.]	1,00,000
(iii)	Raw material [Being goods used in the course or furtherance of business, ITC thereon is available]	2,00,000
(iv)	Confectionery items for consumption of employees working in the factory [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply]	Nil
Total ITC		8,20,000

Illustration 8: ABC limited has purchased the goods/ services as given below:

- Purchased one motor car for use of employees (with seating capacity more than 13) on 01-07-2024 ₹10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2024 and delivery was taken on 3rd August 2024.
- Purchased one truck for transportation of goods on 01-07-2024 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2024 and delivery was taken on 3rd August 2024.
- Purchased food items for employees and customers on 01-07-2024 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2024 and delivery was taken on 3rd August 2024.
- Purchased certain items on 01-07-2024 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2024 and delivery was taken on 3rd August 2024. Subsequently these items were gifted to employees
- Purchased house hold items for employees to be given as per contractual obligation for employment on 01-07-2024 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2024 and delivery was taken on 3rd August 2024.
- Construction of one building through a builder for office purpose on 01-07-2024 and paid ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2024.
- Incurred ₹ 5,00,000 plus GST ₹ 1,00,000 on repairs and renovation of one office building. Payment was made on 01-08-2024 and invoice is dated 31-07-2024.

Discuss whether ITC is allowed and also the month in which it will be allowed.

Solution:

- ITC of a motor car is allowed as seating capacity is exceeding 13 person.
- ITC shall be allowed in the month of August 2024.
- As per section 17(5), ITC of a food items is not allowed.
- ITC is allowed in the month of August 2024, but ITC shall be reversed subsequently as per section 17(5).
- ITC shall be allowed and when given to the employees it will not be considered to be supply as per schedule I however at that time tax credit shall be reversed.
- As per section 17(5), ITC of building is not allowed.
- As per section 17(5), ITC of renovation /repairs of building is not allowed.

PRACTICE PROBLEMS

Q 1. Can a person take ITC without payment of consideration for the supply and also amount of GST, to the supplier?

Answer: Yes, the recipient can take ITC. However, he is required to pay the consideration and also amount of GST within 180 days from the date of issue of invoice.

Q 2. What is the ITC entitlement of a newly registered person?

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

Q 3. What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

Answer: As per section 18(6)/Rule 44, in case of supply of capital goods on which ITC has been taken, the registered person shall pay an amount computed for the remaining life ignoring part of the month or the tax on the transaction value of such capital goods, whichever is higher.

Q 4. Mr. A, a registered person was paying tax under Composition Scheme up to 30th July. However, w.e.f. 31st July, Mr. A becomes liable to pay tax under regular scheme. Is he eligible for ITC?

Answer: Mr. A is eligible for ITC on inputs held in stock and inputs contained in semi finished or finished goods held in stock and capital goods as on 30th July. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

Q 5. What is input tax?

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

Q 6. What are the conditions necessary for availing ITC?

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

- (a) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
- (b) he has received the goods or services or both;
- (c) 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.

Q 7. Can a person take ITC without payment of consideration for the supply along with tax?

Answer: Yes, the recipient can take ITC. However, he is required to pay the consideration along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis.

Q 8. What is the time limit for taking ITC and reasons therefore?

Answer: “Time limit for availing ITC: Due date of filing return for the month of September of succeeding financial year or date of filing of annual return, whichever is earlier”.

Q 9. What is the ITC entitlement of a newly registered person?

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

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

Q 10. What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

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

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.

Q 11. A registered person transfers its business to another person.

Is such registered person allowed to transfer the unutilized ITC lying in its electronic credit ledger to such transferred business? Discuss.

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

The registered person should furnish the details of change in constitution on the common portal and submit a certificate from practicing Chartered Account/Cost Accountant certifying that the change in constitution has been done with a specific provision for transfer of liabilities. Upon acceptance of such details by the transferee on the common portal, the unutilized ITC gets credited to his electronic credit ledger. The transferee should record the inputs and capital goods so transferred in his books of account.

Q12. 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.

Q13. Sigma Consultants, an LLP of finance professionals, provides financial consultancy services. It made an advance payment of ₹ 1,18,000 (inclusive of IGST @ 18%) in the month of October to Azuro Computer Services for developing a software. The software would be used by the LLP to enhance the precision of the financial advice given by it to various clients. The balance payment is to be made after the successful test run of the software in the month of December. Sigma Consultants has availed ITC of IGST of ₹ 18,000 in the month of October.

Do you think Sigma Consultants can avail such ITC? Examine the scenario with reference to the relevant legal provisions.

Answer: As per section 16(2)(b), tax paid on supply of goods and/or services can be availed as ITC only if such goods and/or services are received by the registered person.

In the given case, Sigma Consultants has paid IGST of ₹ 18,000, in the month of October, on advance for IT services intended to be used in the course or furtherance of business. However, it cannot avail ITC of such tax in the month of October as the services in relation to which the advance payment has been made have not been received in that month.

Q14. A taxable person is in the business of information technology. He buys a car (maximum seating capacity–5 persons) for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such car?

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

Q15. A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ without payment of GST as these supplies are not taxable.

The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments.

Answer: ITC is disallowed only to the extent it pertains to supplies used for nonbusiness purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units are zero rated supplies in terms of section 16(1) of the IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

Q16. 'AB', a registered person, was paying tax under composition scheme up to 30th July. However, w.e.f. 31st July, 'AB' becomes liable to pay tax under regular scheme.

Is 'AB' eligible for any ITC?

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

Q17. Comfortable (P) Ltd. is registered under GST in the State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from High-Fi Infotech (P) Ltd. for ₹ 11,00,000/- (excluding GST @ 18%) on 28th October. Invoice for service rendered was issued on 5th November.

Comfortable (P) Ltd. made part payment of ₹ 4,20,000/- on 30th 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 15th April of next year. Comfortable (P) Ltd. made the balance payment on 6th July of next year.

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

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

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

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

However, proportionate ITC amounting to ₹ 1,33,932 $\Rightarrow [(\text{₹ } 12,98,000 - \text{₹ } 4,20,000)/118] \times 18$ will be added to the output tax liability of Comfortable (P) Ltd. as full payment has not been made within 180 days of issuance of the invoice, i.e. by 4th May of next year. ITC of ₹ 1,33,932 can, however, be availed again by Comfortable (P) Ltd. in the month of July next year when it makes the balance payment.

Q18. M/s. Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ ₹ 50 per kg (exclusive of GST) on M/s. Karim & Bros. of Noida, U.P. M/s. Karim & Bros. has agreed to deliver the goods at the warehouse of M/s. Diwan & Sons at New Delhi.

While the order was getting packed at the factory of M/s. Karim & Bros., M/s. Diwan & Sons got an order from Shubhkamna Sales of Hapur, U.P. for 250 kg of plastic granules @ ₹ 60 per kg (exclusive of GST). In order to save on transportation cost, M/s. Diwan & Sons asks M/s. Karim & Bros. to directly deliver the plastic granules to Shubhkamna Sales at its godown located in Hapur. Accordingly, M/s. Karim & Bros. has delivered the plastic granules at the godown of Shubhkamna Sales at Hapur.

Examine the availability of ITC with M/s. Diwan & Sons & M/s. Karim & Bros.

Note: All the parties are registered under GST and rate of GST is 18%.

Answer: One of the conditions for availing ITC is that the registered person taking the ITC must have received the goods and / or services. However, goods delivered to a third person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. So, ITC is available to the registered person, on whose order the goods are delivered to a third person even though the registered person does not receive the goods.

In the given case, goods have been delivered by M/s. Karim & Bros. (supplier) to Shubhkamna Sales (third person) on the direction of M/s. Diwan & Sons (registered person). Therefore, in view of the above provisions, ITC of ₹ 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.

Q19. 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 ITCs with it at the beginning of 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.No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹10,00,000	90,000	<u>90,000</u>	-	1,80,000
(ii)	Inter-State supply of goods for ₹8,00,000			1,44,000	1,44,000
	Total GST payable				3,24,000

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
Total ITC	84,000	87,000	1,85,000

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 and SGST liabilities in a manner to minimize cash outflow]	(38,000)	(3,000)	(1,44,000)	1,85,000
	(52,000)	(87,000)		1,39,000
	CGST	SGST		
Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	32,000	Nil	Nil	32,000

Note : The above computation is one of the many ways to set off the ITC of IGST (₹ 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. 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. However, if the entire ITC of ₹ 41,000 is set off against CGST payable, then SGST of ₹ 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable.

MULTIPLE CHOICE QUESTIONS

1. Which of the following statement is true for a composition tax payer?

- (a) A composition tax payer can avail only 50% of ITC on capital goods.
- (b) A composition tax payer can avail 100% ITC on inputs.
- (c) ITC is not available on inward supplies made by a composition tax payer.
- (d) Composition tax will be available as ITC to the recipient only if the tax is mentioned separately in the invoice raised by the composition tax payer.

2. In which of the following situations, taxpayer needs to reverse the credit already taken?

- (a) If payment is not made to the supplier within 45 days from the date of invoice
- (b) If payment is not made to the supplier within 90 days from the date of invoice
- (c) If payment is not made to the supplier within 180 days from the date of invoice
- (d) None of the above

3. What is the time limit for taking ITC?

- (a) 180 days
- (b) 1 year
- (c) 30th November of the next financial year or the date of filing annual return whichever is earlier
- (d) No limit

4. If the goods are received in lots/installment, -----

- (a) 50% ITC can be taken on receipt of 1st installment and balance 50% on receipt of last installment.
- (b) ITC can be availed upon receipt of last installment.
- (c) 100% ITC can be taken on receipt of 1st installment.
- (d) Proportionate ITC can be availed on receipt of each lot/installment.

5. A supplier takes deduction of depreciation on the GST component of the cost of capital goods as per Income- tax Act, 1961. The supplier can-

- (a) avail only 50% of the said tax component as ITC
- (b) not avail ITC on the said tax component
- (c) avail 100% ITC of the said tax component
- (d) avail only 25% of the said tax component as ITC

6. Which of the following inward supplies are not eligible for ITC in case of a company manufacturing shoes?

- (a) Food and beverages
- (b) Outdoor catering
- (c) Health services
- (d) All of the above

7. Input tax credit is not available in respect of _____.

- (a) services on which tax has been paid under composition levy
- (b) free samples
- (c) goods used for personal consumption
- (d) all of the above

8. Input tax credit is allowed to _____.

- (a) registered person
- (b) registered person except composition dealer
- (c) unregistered dealer
- (d) all of the above

9. Under section 16(2) of CGST Act how many conditions are to be fulfilled for the entitlement of credit?

- (a) All conditions specified u/s 16(2)
- (b) Any two conditions specified u/s 16(2)
- (c) Conditions not specified
- (d) any one specified u/s 16(2)

10. Whether credit on inputs should be availed based on receipt of documents or receipt of goods

- (a) Receipt of goods
- (b) Receipt of Documents
- (c) Both
- (d) Either receipt of documents or Receipt of goods

11. Input tax credit on capital goods can be availed in one installment or in multiple installments?

- (a) In thirty-six installments
- (b) In twelve installments
- (c) In one installment
- (d) In two installments

12. Input tax credit on Inputs can be availed in one installment or in multiple installments?

- (a) In thirty-six installments
- (b) In twelve installments
- (c) In one installment
- (d) In two installments

13. Tax Credit shall be allowed on the basis of

- (a) tax invoice
- (b) debit note
- (c) bill of entry
- (d) all of the above

14. ITC can be claimed by a registered person for

- (a) Taxable supplies for business purpose (b) Taxable supplies for non-business purpose
(c) Exempted supplies (d) Non-taxable supplies (e) All of above

15. ABC Limited purchased one plant and machinery of ₹30,00,000 and paid GST ₹6,00,000 and has taken ITC, depreciation shall be allowed on -

- (a) ₹6,00,000 (b) ₹30,00,000 (c) ₹36,00,000 (d) ₹33,00,000

16. Where the goods or services or both are used by the registered person partly for the purpose of business and partly for non business purposes, the amount of credit allowed shall be on -

- (a) input tax as is attributable for taxable supplies for business purpose
(b) input tax as is attributable for taxable supplies for non-business purpose
(c) input tax as is attributable for all supplies
(d) input tax as is attributable for non-business purpose
(e) No credit is allowed

17. Where the goods or services or both are used by the registered person partly for effecting taxable supplies and partly for exempt supplies, the amount of credit allowed shall be on -

- (a) input tax as is attributable for taxable supplies only. (b) input tax as is attributable for exempt supplies
(c) input tax as is attributable for all supplies (d) No credit is allowed on all supplies

18. Credit on Input services or capital goods held in stock can be availed in case of new Registration/Voluntary Registration?

- (a) Yes (b) No (c) Yes, on Input services only (d) Yes, on capital goods only

19. In case of Compulsory registration, input tax credit can be availed on

- (a) stocks held on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act, provided application for registration is filed within 30 days from the due date
(b) stocks held on the day immediately preceding the date of grant of registration under the provisions of this Act.
(c) stocks held on the day immediately preceding the date of application of registration under the provisions of this Act.
(d) None of the above

20. In case of Voluntary registration, input tax credit can be availed by submitting form no. _____ within 30 days.

- (a) ITC-02 (b) ITC-03 (c) ITC-01 (d) ITC-04

21. In case of shifting from normal scheme to composition scheme, input tax credit can be reversed by submitting form no. _____.

- (a) ITC-02 (b) ITC-03 (c) ITC-01 (d) ITC-04

22. Input tax credit is not available in respect of _____.

- (a) Goods lost (b) Goods stolen (c) Goods destroyed (d) all of the above

23. ABC Limited purchased one plant and machinery of ₹20,00,000 and paid GST ₹3,00,000 and has not taken ITC of GST paid, depreciation shall be allowed on -

- (a) ₹3,00,000 (b) ₹20,00,000 (c) ₹23,00,000 (d) ₹17,00,000

24. Mr. Z becomes liable to pay tax on 1st August and has obtained registration on 15th August. Mr. Z is eligible for ITC on inputs held in stock / semi-finished goods / finished goods as on _____

- (a) 01st August (b) 15th August (c) 31st July (d) None of the above

25. Mr. A, a registered taxable person, was paying tax at composition scheme upto 30th June. However, w.e.f. 1st July, Mr. A becomes liable to pay tax under regular scheme. Mr. A will be eligible for ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods as on 30th June. ITC on capital goods will be reduced by _____ % per quarter from the date of the invoice.

- (a) 10% (b) 25% (c) 5% (d) 15%

Answer:

1. (c); 2. (c); 3. (c); 4. (b); 5. (b); 6. (d); 7. (d); 8 (b); 9 (a); 10 (c); 11 (c); 12 (c); 13 (d); 14 (a); 15 (b); 16 (a); 17 (a); 18 (b); 19. (a); 20. (c); 21. (b); 22. (d); 23. (c); 24. (c); 25. (c).

EXAMINATION QUESTION

NOV 2023

Question 5**(8 Marks)**

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 2024:

S. No.	PARTICULARS	AMOUNT (₹)
	<u>OUTWARD SUPPLY:</u>	
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 service 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
	<u>INWARD SUPPLY: (Intra-state)</u>	
i.	Purchase of taxable goods from registered suppliers.	8,00,000
ii.	Availed Works Contract service for repair of office building. Amount of repair was debited in the profit & loss account.	30,000
iii.	Availed legal service from an advocate to represent the matter in the Court relating to collection of disputed proceed from customers.	50,000

Notes :

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

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

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

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

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

Compute the net minimum GST payable in cash by M/s. Honest Enterprise for the month of December 2024.

Solution:**Output GST Liability**

i. Intra-state supply of goods to M/s. Natural & Sons	7,00,000
CGST @ 2.5%	17,500
SGST @ 2.5%	17,500
ii. Intra-state transfer of goods to its branch office in the state of West Bengal.	Nil
Both places are under the same GSTIN.	
(Since it is stock transfer, it will not be considered to be supply and GST shall be Nil)	
iii. Provided inter-state supply of sponsorship service to XYZ Ltd. of Chennai.	80,000
CGST @ 9%	7,200

SGST @ 9%	7,200
(Reverse charge shall not be applicable because the person sponsoring the event is other than Partnership firm or company)	
iv. Advance received for future supply of management consultancy service to Mr. Sharad (Intra-state supply)	40,000
CGST @ 9%	3,600
SGST @ 9%	3,600

ITC

i. Purchase of taxable goods from registered suppliers.	8,00,000
CGST @ 2.5%	20,000
SGST @ 2.5%	20,000
ii. Availed Works Contract service for repair of office building.	
Amount of repair was debited in the profit & loss account.	30,000
CGST @ 9%	2,700
SGST @ 9%	2,700
(Since amount has not been capitalised, ITC shall be allowed u/s 17(5))	
iii. Availed legal service from an advocate to represent the matter in the Court relating to collection of disputed proceed from customers.	50,000
CGST @ 9%	4,500
SGST @ 9%	4,500
(Reverse charge shall be applicable and ITC shall be allowed)	

Net GST Payable

Output CGST (17,500 + 7,200 + 3,600)	28,300
Less: ITC (20,000 + 2,700 + 4,500)	27,200
Net CGST	1,100
CGST payable under reverse charge	4,500
Output SGST (17,500 + 7,200 + 3,600)	28,300
Less: ITC (20,000 + 2,700 + 4,500)	27,200
Net SGST	1,100
SGST payable under reverse charge	4,500

DEC 2021**Question 5****(8 Marks)**

M/s ABC Ltd., a registered supplier in Surat, Gujarat and it has calculated output net GST liability after adjusting ITC in the books for the month of February 2025:

CGST : ₹3,00,000

SGST : ₹2,50,000

IGST : ₹3,00,000

During the above month, the following additional information provided by M/s ABC Ltd:

S. No.	Particulars	Amount (excluding GST) ₹
1	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. The hiring charges for the trucks were ₹7,500 per truck per day	3,75,000

2	The company sold goods to X & Co. of Delhi on 6th January 2023 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6 th January 2023. X & Co. paid the consideration for the goods on 20 th February along with applicable interest.	5,00,000
3	The 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 2023 and the last lot would be delivered in April 2023.	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 2023. Afterwards, the company re-values it at ₹9 per packet in February 2023 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 2025.

Solution:

Computation of net GST liability of ABC Ltd. to be paid in cash for February 2025

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 (Note 3) (6th February, 2025 to 20th February, 2025) [Includible in value in terms of section 15 of the CGST Act, 2017.]	5,900 [5,90,000 × 2% × 15/30]	--	--	900
Total output tax liability		3,00,000	2,50,000	3,00,900
Less: ITC in respect of legal services paid as reverse charge is available	1,50,000	(13,500) [1,50,000 × 9%]	(13,500) [1,50,000 × 9%]	
Net output tax liability (A)		2,86,500	2,36,500	3,00,900
Legal consultancy services received (B) [Tax is payable under reverse charge on legal services received by a business entity (Note 4) from a partnership firm of advocates. Further, tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	1,50,000	13,500 [1,50,000 × 9%]	13,500 [1,50,000 × 9%]	
Total GST payable in cash [(A) + (B)]		3,00,000	2,50,000	3,00,900

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 2025.
- (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.
- (3) Interest on delayed payment collected is assumed to be inclusive of GST. Further, the invoice value has been taken as inclusive of GST for computing said penal interest. However, it is also possible to assume the interest to be exclusive of GST and to compute the same by taking the values as exclusive of GST (i.e. ₹ 5,00,000).
- (4) It has been most logically assumed that the aggregate turnover of ABC Ltd. in the preceding FY was above the threshold limit for registration under GST law.

JULY 2021**Question 6(a)****(6 Marks)**

A Ltd. procured the following goods in the month of December, 2024

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) Confectionary 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 2024 by giving necessary explanations. Assume, that all the other conditions necessary for availing ITC have been fulfilled.

Solution:**Computation of amount of ITC available for the month of December 2024**

S. No.	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.] (Note 1)	11,000
(4)	Inputs used in trial runs [Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed.]	9,850
(5)	Confectionary items for consumption of employees working in the factory [ITC on food or beverages is blocked unless the same is used in same line of business or as an element of the taxable composite or mixed supply. Further, ITC on goods and/or service used for personal consumption is blocked.]	Nil

(6)	Cement used for making foundation and structural support to plant and machinery [ITC on goods used for construction of plant and machinery is not blocked. Plant and machinery includes foundation and structural supports through which the same is fixed to earth.]	8,050
	Total eligible ITC	28,900

NOV 2020

Question 5.**(8 Marks)**

KNK Ltd., a registered supplier of Mumbai is a manufacturer of heavy machines. Its outward supplies (exclusive of GST) for the month of January, 2025 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, 2025 are as follows:

S. No	Particulars	CGST paid ₹	SGST paid ₹
(i)	Raw materials A (of which 70% of inputs procured were used and 30% were in stock at the end of the January, 2023)	60,000	60,000
(ii)	Raw materials B (of which 90% material received in factory and remaining material completely damaged due to a road accident on the way to factory. There was no negligence on the part of the KNK Ltd.)	50,000	50,000
(iii)	Construction of pipelines laid outside the factory premises	30,000	30,000
(iv)	Insurance charges paid for trucks used for transportation of goods	55,000	55,000

Additional information:

- (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 2B except for item (i) i.e. Raw Material A, for which supplier has not filed its GSTR-1 for the month of January 2025, hence corresponding Input Tax Credit (ITC) is not reflecting in GSTR.2B of KNK Ltd. in January, 2025.

Compute the following:

- (i) Amount of eligible Input Tax Credit (ITC) available for the month of January, 2025
- (ii) Net minimum GST payable in Cash, for the month of January, 2025 after using available Input Tax Credit.

Working notes should form part of your answer.

Solution:**(i) Amount of eligible Input Tax Credit (ITC) available for the month of January, 2025****Raw Material B**

CGST (50,000 X 90%) 45,000

SGST (50,000 X 90%) 45,000

Insurance charges for trucks used for transportation of goods (eligible)

CGST 55,000

SGST 55,000

Total ITC of CGST

1,00,000

Total ITC of SGST	1,00,000
Output tax	
Inter State Sale	85,00,000
IGST @ 18%	15,30,000
Intra State Sale	15,00,000
CGST @ 9%	1,35,000
SGST @ 9%	1,35,000

(ii) Calculation of Net Minimum GST payable in cash

	IGST	CGST	SGST
Output tax	15,30,000	1,35,000	1,35,000
ITC CGST/SGST	-	(1,00,000)	(1,00,000)
Net Tax Payable in cash	15,30,000	35,000	35,000

Notes:

1. In case of Raw material A supplier has not furnished GSTR-1 and due to this amount is not shown in GSTR-2B of the purchaser in this case KNK Ltd is not eligible to take credit as per rule 36(4).

2. As per section 17(5), ITC on goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples shall not be allowed hence only 90% tax credit shall be allowed in case of Raw Material B

3. As per section 17(5), ITC on construction of pipelines laid outside the factory premises shall not be allowed.

NOV 2019**Question.7. (a)****(5 Marks)**

Dina Ltd., a registered supplier from Maharashtra is engaged in the manufacturing of passenger auto. The company provides the following details of purchase made/services availed by it during the month of March 2023:

Sl. No.	Particulars	GST Paid ₹
i.	Purchase of iron which is used as a raw material (Goods were received in two instalments, first on in March 2025 and the second instalment was received in April)	2,50,000
ii.	Purchase of accessories which were delivered directly to the Dealers of the company. Only invoice was received by Dina Ltd.	90,000
iii.	Purchase of Bus (seating capacity 15) for the transportation of employees from their residence to company and back	1,97,000
iv.	Input tax credit on general insurance taken on a car used by Executives of the company for official purposes.	5,200
v	Payment made to M/s Tasty Caterers for providing daily breakfast & lunch to the employees of the company, as voluntary staff welfare measure.	54,700

You are required to determine the eligible input Tax Credit available to M/s Dina Ltd. for the month of March 2025, by giving brief explanations for treatment of various items. Subject to the information given above, all the other conditions necessary for availing input tax credit have been fulfilled.

Solution:**Computation of eligible tax credit to M/s Dina Ltd. for the month of March 2025**

(i) Purchase of iron which is used as a raw material	Nil
(ii) Purchase of accessories which were delivered directly to the Dealers of the company. Only invoice was received by Dina Ltd. (ITC is allowed)	90,000
(iii) Purchase of Bus (seating capacity 15) for the transportation of employees	1,97,000

from their residence to company and back (ITC is allowed)

- (iv) Input tax credit on general insurance taken on a car used by Executives of the company for official purposes. Nil
- (v) Payment made to M/s Tasty Caterers for providing daily breakfast & lunch to the employees of the company, as voluntary staff welfare measure. Nil

Total **2,87,000**

Notes:

- (i) As per 16(2), If the goods are received in installments, tax credit shall be allowed only when last installment has been received. In the given case last installment is received in April 2024 hence credit shall be allowed in the month of April.
- (ii) As per 17(5), ITC of motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver) is not allowed in the given case bus is of 15 seating capacity.
- (iii) As per 17(5), ITC of food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, life insurance and health insurance is not allowed.

NOV 2019

Question.10. (a) **(4 Marks)**

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

Answer: Refer answer given in the book

MAY 2019

Question 5 **(8 Marks)**

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 months of September 2024:

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 2024:	
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, 2024. 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, 2024 due to road traffic jams.

Note:

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

(iii) All the conditions necessary for availing the ITC have been fulfilled except mentioned above. Compute the net CGST, SGST and IGST payable in cash by Mr. Himanshu for the month of September 2024.

Solution:**Output Tax****Intra-State supply of Goods**

	25,00,000
Add: CGST @ 9%	2,25,000
Add: SGST @ 9%	2,25,000
Total	29,50,000

Inter-State supply of Goods

	5,00,000
Add: IGST @ 18%	90,000
Total	5,90,000

Input Tax Credit**Intra state purchase of goods**

	14,00,000
Add: CGST @ 9%	1,26,000
Add: SGST @ 9%	1,26,000
Total	16,52,000

ITC

CGST 1,26,000SGST 1,26,000**Intra State Purchase of goods from unregistered dealer**

No ITC shall be allowed

Inter state purchase of goods

	3,00,000
Add: IGST @ 18%	54,000
Total	3,54,000

ITC

IGST 54,000

ITC of goods received in the month of October shall be allowed in the month of October.

Computation of Net Tax

Particulars	IGST ₹
Output Tax	90,000
Less: opening ITC – IGST	(50,000)
Less: ITC -IGST	(40,000)
Net Tax Payable	Nil

Balance IGST credit of ₹14,000 can be adjusted either from CGST/SGST. In the given case we have adjusted from SGST.

Computation of Net Tax

Particulars	CGST ₹
Output Tax	2,25,000
Less: opening ITC – CGST	(95,000)
Less: ITC – CGST	(1,26,000)
Net Tax Payable	4,000

Computation of Net Tax

Particulars	SGST ₹
Output Tax	2,25,000
Less: ITC – IGST	(14,000)

Less: opening ITC – SGST	(60,000)
Less: ITC – SGST	(1,26,000)
Net Tax Payable	25,000

Note: As per section 17, ITC of car is not allowed.

MAY 2019

Question 7 (b)

(4 Marks)

Jamku Ltd. a registered person is engaged in the business of spices. It provides following details for GST paid during October, 2024.

No.	Particulars	GST Paid (₹)
1.	Raw spices purchase	
	- Raw spices used for furtherance of spices	50,000
	- Raw spices used for personal use of Directors	20,000
2.	Electric machinery purchased to be used in the manufacturing process.	25,000
3.	Motor vehicle used for transportation of the employee	55,000
4.	Payment made for material and to contractor for construction of staff quarter.	1,25,000

Determine the amount of ITC available to Jamku Ltd. for the month of October, 2024 with all related workings and explanations.

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

Solution: Computation of ITC Available to Jamku Ltd. for the Month of October 2024

Particulars	GST Paid (₹)
1. Raw Spices used for furtherance of Business	50,000
2. Raw Spices for personal use (ITC not allowed)	Nil
3. Electric machinery purchased to be used in the manufacturing process.	25,000
4. Motor vehicle used for transportation of the employee (Not allowed)	Nil
5. Payment made for material and to contractor for construction of staff quarter. (Not allowed)	Nil
Total ITC Allowed	75,000

Notes:

- Input tax credit shall be allowed only if the same is used for business purpose if it is used for personal purpose then no ITC shall be allowed. (section 16)
- As per section 17(5), ITC of motor vehicle seating capacity upto 13 persons used for transportation of employee is not allowed.
- As per section 17(5), ITC of material and payment to contractor (works contract service) for staff quarter is not allowed.

NOV 2018

Question 8 (b)

(4 Marks)

CANWIN Ltd., a registered supplier, is engaged in the manufacture of Tanks. The company provides the following information pertaining to GST paid on purchases made/input services availed by it during the month of January 2025:

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 and a registered supplier	80,000
(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	50,000
(iv) Works Contract services availed for construction of Staff quarters within the company premises	4,25,000

Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January 2025 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.

Solution: Computation of the amount of ITC available to M/s CANWIN Ltd.

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 and a registered supplier	80,000
(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	Nil
(iv) Works Contract services availed for construction of Staff quarters within the company premises	Nil
Total	1,95,000

Note:

- As per section 16(2), A registered shall be entitled to take credit on the basis of debit note.
- As per section 16(2), if goods is received by other person on behalf of registered person then also credit shall be allowed.
- As per section 16(3), if registered person has taken tax credit of input tax then it shall not be added to the cost of the asset in the given case depreciation was claimed on the tax amount hence no credit shall be allowed.
- As per section 17(5), no tax credit shall be allowed on works contract services availed for construction of immovable property.

NOV 2018**Question 7 (b)****(4 Marks)**

M/s J & Co. Chartered Accountants a partnership firm having its registered and head office in Mumbai and Registered under the GST Act in the State of Maharashtra only. It does not have any branches in other state. The Gross Receipts of the firm in the Financial Year 2023-24 was 60 Lakhs. Firm has submitted following information for the month of August, 2024:

Particulars	Amount in (₹) (Excluding GST)			
Professional Services Provided and Bills Raised during the month for Providing of services of ITR Filing and Income Tax Consultancy	1,00,000			
Internal Audit of X Pvt. Ltd. at their office in Mumbai (Registered in the state of Maharashtra)	50,000			
Statutory Audit Services provided to M/s Tirupati Trading Pvt Ltd. at Ahmedabad (Registered in the State of Gujarat)	70,000			

Firm has also furnished following information in respect of input services availed from registered dealers for providing of output services during the month August, 2024:

Particulars	Amount in (₹) (Excluding GST)	CGST	SGST	IGST
Services availed from Courier Agency	5,000	450	450	-
Railway Travelling Expenses from Mumbai to Ahmedabad and Return Ticket for conducting of Audit of M/s Tirupati Trading Pvt. Ltd. for 3 Tier AC	12,000	Nil	Nil	600
Service Availed from Another Professional Firm at Mumbai amount is paid without TDS U/s 194J of Income Tax Act.	20,000	1,800	1,800	Nil

Notes:

- Rate of CGST, SGST and IGST to be 9%, 9% & 18% respectively, on outward supplies.
- All the conditions necessary for availing the ITC have been fulfilled.
- Opening Balance of available input tax credit is NIL for CGST, SGST and IGST.

Compute the Net GST Payable by M/s J & Co. for the month August, 2022 after adjusting the GST Credit. Brief reasoning should form part of your answer.

Solution:

Services provided by Chartered accountants are taxable under GST and no exemption is provided to Chartered accountants.

Computation of Net GST Payable by M/s J & Co. for the month of August 2024

₹

Output Tax

(1) Professional services provided and bill raised during the month.	1,00,000
Add: CGST @ 9%	9,000
Add: SGST @ 9%	9,000
 (2) Internal audit of X Pvt. Ltd. at Mumbai	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
 (3) Statutory audit at Ahmedabad (Inter -State supply)	70,000
Add: IGST @ 18%	12,600

Input Tax

Input service of courier service	5,000
Add: CGST @ 9%	450
Add: SGST @ 9%	450
 Railway services for official tour	12,000
Add: IGST @ 5%	600
 Input service from other firm in Mumbai	20,000
Add: CGST @ 9%	1,800
Add: SGST @ 9%	1,800

Computation of Net Tax Liability

	CGST
Output Tax	13,500
Less: ITC -CGST	(2,250)
Net Tax Liability	11,250
	SGST
Output Tax	13,500
Less: ITC -SGST	(2,250)
Net Tax Liability	11,250
	IGST
Output Tax	12,600
Less: ITC -IGST	(600)
Net Tax Liability	12,000

NOV 2018**Question 9 (b)****(5 Marks)**

Harshgeet Pvt. Ltd. a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of July, 2024:

Sr. No.	Particulars	GST paid
(1)	Raw Material (To be received in September, 2024)	2,50,000

(2)	Membership of a club availed for employees working in the factory	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital Goods (out of 3 items, invoice for 2 item is missing and GST paid on that Item is 80,000)	1,50,000

Determine the amount of Tax Credit available with Harshgeet Pvt. Ltd. for the month of July, 2024 by giving the necessary explanation for treatment of various items. All the conditions necessary for availing the ITC have been fulfilled.

Solution:

Sr. No.	Particulars	GST paid
(1)	Raw Material (To be received in September, 2024)	Nil
(2)	Membership of a club availed for employees working in the factory	Nil
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	Nil
(4)	Trucks used for transport of raw material	40,000
(5)	Capital Goods (out of 3 items, invoice for 2 item is missing and GST paid on that Item is 80,000)	70,000
Total		1,10,000

Notes:

- As per section 16(2), Tax credit shall be allowed when the goods is received in the given case raw material is received in September hence credit will be allowed in the month of September.
- As per section 17(5), tax credit of club membership for employees is not allowed.
- As per section 16 (2), where the goods against an invoice are received in lots the registered person shall be entitled to take credit upon receipt of last lot. In the given case third lot was received during this month hence credit shall not be allowed.
- ITC on motor vehicles is disallowed in terms of section 17(5) of the CGST Act, 2017, except when they are used inter alia, for transportation of goods.
- ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2)]

MAY 2018**Question 8 (b)****(4 Marks)**

Fun Pharma Private Limited, a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information of GST paid on the purchases made/input services availed by it during the month of September 2024:

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

Determine the amount of Input Tax Credit available with M/s Fun Pharma Private Limited for the month of September 2024 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.

Solution: Computation of amount of Input Tax Credit available with M/s Fun Pharma Private Limited for the month of September 2024

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

Input Tax Credit Available 2,25,000

Notes:

1. As per section 17(5), Input tax credit shall not be available for purchase of cabs.
2. As per section 16 (2), where the goods against an invoice are received in lots the registered person shall be entitled to take credit upon receipt of last lot. In the given case first lot was received during this month hence credit shall not be allowed.
3. As per section 16(2), tax credit shall be allowed if assessee is in possession of a tax invoice in the given case of capital goods invoice for one item is missing hence credit for such item is not allowed.
4. As per section 17(5), Input tax credit of outdoor catering is not allowed.

MAY 2018**Question 9 (c)****(4 Marks)**

Bharat Associates Pvt. Ltd. Purchased machinery worth ₹ 9,00,000 (excluding GST) on 20-07-2024 on which it paid GST @ 18%. It availed the ITC. On 05-03-2025 it sold the machinery for ₹7,00,000 (excluding GST) to Hindustan Associates Pvt. Ltd. The GST rate on sale is 18%. What will be the course of action for Bharat Associates Pvt. Ltd. to follow under CGST Act, 2017?

Answer: As per Section 18 (6) of the CGST Act, 2017 read with CGST Rule 44, in case of **supply of capital goods**, on which input tax credit has been taken, the registered person shall pay an amount on the basis of remaining life considering total life to be 60 months however part of the month shall be ignored or the tax on the transaction value of such capital goods, whichever is higher.

Accordingly, the amount payable on supply of machine shall be computed as follows:

In this case the machine has been used from 20th July 2024 to 05th March 2025 i.e. 7 months and 14 days

Remaining life shall be = 52 months 16 days i.e. 52 months

Amount to be reversed (A) $1,62,000/60 \times 52 =$	1,40,400
Duty leviable on transaction value (₹ 7,00,000 × 18%) (B)	1,26,000
Amount payable towards disposal of machine is higher of (A) and (B)	1,40,400

IPC NOV 2017 (MODIFIED)**Question 2****(4 Marks)**

Rajesh Ltd. has submitted particulars of sale or purchase for the month of January 2025. Compute GST Payable if Rate of CGST @ 10% and SGST @ 10% (The amounts are exclusive of GST.)

Particulars	Amt. in (₹)
(i) Purchase from composition dealers	5,00,000
(ii) Inter-state purchases	18,00,000
(iii) Purchase of capital goods	9,00,000
(iv) Sales within the State effected during the month of January, 2025	12,00,000

Solution:

	₹
Sales	12,00,000
Add: CGST @ 10%	1,20,000
Add: SGST @ 10%	1,20,000
Total	14,40,000

Capital Goods

Transaction Value	9,00,000
Add: CGST @ 10%	90,000
Add: SGST @ 10%	90,000
Total	10,80,000

Inter - state purchase

Transaction Value	18,00,000
Add: IGST @ 20%	3,60,000

Computation of Net Tax

Particulars	CGST ₹
Output Tax Goods	1,20,000
Less: ITC Goods – IGST	(1,20,000)
Net Tax Payable	Nil

Computation of Net Tax

Particulars	SGST ₹
Output Tax Goods	1,20,000
Less: ITC Goods – IGST	(1,20,000)
Net Tax Payable	Nil

Carried Forward:**IGST –₹ 1,20,000****CGST –₹ 90,000****SGST –₹ 90,000****IPC NOV 2017 (MODIFIED)****Question 8****(2 Marks)**

Raghavan, a service provider, has taken credit based on the invoice made available to him. He has received the invoice on 10-07-2024 and has made payment against the invoice on 01-01-2025. Explain the consequences of credit that he has taken on 10-07-2024.

Answer:

As per section 16(2), Payment should be made within 180 days from the date of invoice otherwise credit taken earlier shall be added to the output tax liability alongwith interest but if later he makes payment after 180 days, then again he is eligible to take tax credit and limit of section 16(4) shall not be applicable. In the given case payment has been made within 180 days of the date of invoice hence tax credit is taken correctly.

Question 9**(2 Marks)**

Mahesh has received invoices but they have remained unaccounted for more than a year. He intends to take credit while accounting for it now. Advice him on his decision.

Answer:

As per section 16(4), A registered person shall not be eligible to take credit after the 30th Day of November of the subsequent year or furnishing the annual return, whichever is earlier provided the assessee has made the payment to the supplier. In the given case if the assessee has made the payment to the supplier and 30th November of subsequent year or filing of annual return is not crossed then he is eligible to take credit.

TAX INVOICE, CREDIT AND DEBIT NOTES/RECEIPT
VOUCHER/REFUND VOUCHER/DELIVERY CHALLAN
(SECTION 31/32/33/34 CGST ACT)

Question 1: Explain provisions regarding issue of tax invoice in case of supply of goods.

Answer: Tax invoice. Section 31(1)

- (1) A registered person supplying taxable goods shall, before or at the time of,—
- (a) removal of goods for supply to the recipient, where the supply involves movement of goods; or
 - (b) delivery of goods or making available thereof to the recipient, in any other case,
- issue a tax invoice.

Example

If goods are delivered on 10th July 2024, invoice should be issued maximum upto 10th July 2024. If the goods are to be delivered at some other place and goods were removed from place of business on 10th August 2024 and delivered at destination on 28th August 2024, invoice should be issued maximum upto 10th August 2024.

Question 2: Explain Time Limit for issuing tax invoice in case of supply of services.

Answer: Time limit for issuing tax invoice Section 31(2)/Rule 47

The invoice in the case of the taxable supply of services, shall be issued within a period of **30 days** from the date of the supply of service:

In case of an **insurer** or a **banking company** or a **financial institution**, invoice shall be issued shall be **45 days** from the date of the supply of service:

Further an insurer or a banking company or a financial institution, or a telecom operator, making taxable supplies of services between distinct persons, may issue the invoice before the expiry of the quarter during which the supply was made.

Question 3: Write a note on issue of tax invoice under section 31/ Rule 46/Rule 48.

Answer:

Tax invoice shall contain the following particulars

- (i) Name, Address and Goods and Services Tax Identification Number of the Supplier and Recipient
- (ii) Serial number and date of issue of invoice
- (iii) Description of goods or services, Quantity, Value, Discount, Rate of GST and Amount of GST and HSN Code
- (iv) Place of supply along with the name of the State, in the case of a supply in the course of inter-State trade or commerce;
- (v) Whether the tax is payable on reverse charge basis; and
- (vi) name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is fifty thousand rupees or more;
- (vii) Signature or digital signature of the supplier or his authorised representative:

The invoice shall be prepared in triplicate, in the case of supply of goods, in the following manner, namely,—

- (a) the original copy being marked as ORIGINAL FOR RECIPIENT;
- (b) the duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and
- (c) the triplicate copy being marked as TRIPLICATE FOR SUPPLIER.

The invoice shall be prepared in duplicate, in the case of the supply of services, in the following manner, namely,—

- (a) the original copy being marked as ORIGINAL FOR RECIPIENT; and
- (b) the duplicate copy being marked as DUPLICATE FOR SUPPLIER.

Restriction with regard to number of copies shall not be applicable in case of e-invoicing.

Question 4: Explain provisions regarding issue of tax invoice in case of continuous supply of goods.**Answer: Invoice in case of Continuous Supply of Goods**

As per section 31 (4), in case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.

As per section 2(32), "continuous supply of goods" means a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract and for which the supplier invoices the recipient on a regular or periodic basis and includes supply of such goods as the Government may specify.

Invoice in case of Continuous supply of Services

As per section 31 (5), in case of continuous supply of services,—

- (i) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.
- (ii) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.
- (iii) 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.

As per section 31 (6), in a case where the supply of services ceases under a contract before the completion of the supply, the invoice shall be issued at the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation.

As per section 2(33), "continuous supply of services" means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may notify.

Example: ABC Cinemas entered into an annual maintenance contract with XYZ Services Ltd. for one year [April-March] for the Air conditioners fitted in their theaters. As per the contract, payment for said services had to be made on 7th April. However, ABC cinemas made the payment on 15th April. Since services provided by XYZ Services Ltd. to ABC Cinemas is a continuous supply of services and due date of payment is ascertainable from the contract, XYZ Services Ltd. had to issue a tax invoice on or before such due date, viz. 7th April.

Example: ABC 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 Mr. X for its Air Conditioner and Washing Machine. As per the terms of contract, maintenance services will be provided on the first day of each quarter of the relevant financial year and payment for the same will also be due on the date on which service is rendered. During the year, it provided the services on April 1, July 1, October 1, and January 1 in accordance with the terms of contract. When should ABC Caretakers issue the invoice for the services rendered?

Answer: Continuous supply of service means 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 ABC 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, ABC Caretakers should issue quarterly invoices on or before April 1, July 1, October 1, and January 1.

Question 5: Explain provisions regarding issue of invoice in case of goods sent on approval basis.**Answer: Goods sent on approval for Sale or Return**

As per section 31 (7), where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued before or at the time of supply or six months from the date of removal, whichever is earlier.

Question 6: Explain Credit Note.**Answer: Credit Note/Debit Note Section 34****Credit Note**

(1) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, 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.

(2) Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than **30th day of 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, and the tax liability shall be adjusted in such manner as may be prescribed:

Example: ABC Ltd. issued an invoice on 10.01.2025 ₹ 10,00,000 + GST 2,00,000 and paid GST to the government on 20.02.2025. The recipient informed the goods supplied were of ₹ 8,00,000 and GST should be 1,60,000, in this case ABC Ltd. will issue a credit note for ₹ 2,00,000 + GST 40,000. ABC Ltd. shall be allowed to reduce its tax liability in the subsequent month by ₹ 40,000 and the recipient shall increase tax liability by ₹ 40,000 because he might have taken ITC of ₹ 2,00,000. If this error is detected on 01.12.2025, no adjustment allowed after 30.11.2025.

Debit Note

(3) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply, the registered person, who has supplied such goods or services or both, shall issue to the recipient one or more debit notes for supplies made in a financial year containing such particulars as may be prescribed.

(4) Any registered person who issues a debit note in relation to a supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued and the tax liability shall be adjusted in such manner as may be prescribed.

Explanation.— For the purposes of this Act, the expression "debit note" shall include a supplementary invoice.

Example: ABC Ltd. issued an invoice on 10.01.2025 ₹ 10,00,000 + GST 2,00,000 and paid GST to the government on 20.02.2025. The recipient informed the goods supplied were of ₹ 12,00,000 and GST should be 2,40,000, in this ABC Ltd. shall issue a debit note for ₹ 2,00,000 + GST 40,000 and shall pay GST of ₹40,000 to Government in the next month and recipient shall take tax credit of ₹ 40,000 in the subsequent month.

Credit Note**NOV-2022 Examination (5 Marks)****Question 8(b)**

List any three situations that warrant issue of Credit Note. Briefly explain the time line to declare such Credit Note in the GST return.

Solution:

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) 30th 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 7: Explain provisions of issue of invoice where amount is less than ₹200

Answer : Issue of Tax Invoice where amount is less than ₹200 Section 31(3)(b) / Rule 46

A registered person may not issue a tax invoice subject to the following conditions, namely,—

- (a) the recipient is not a registered person; and
(b) the recipient does not require such invoice, and

shall issue a consolidated tax invoice for such supplies at the close of each day in respect of all such supplies.

Example: ABC limited has supplied goods worth ₹150 to an unregistered dealer/ consumer, in this case there is no requirement to issue invoice but if it is demanded by the recipient, invoice is to be issued.

But it will not be applicable in case of a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens.

Issue of Bill of Supply where amount is less than ₹200 Section 31(3)(c) / Rule 49

Similar provision shall be applicable in case of bill of supply, eg. A composition dealer has sold goods of ₹ 150 to a consumer, he is exempt from issuing bill of supply but at the end of the day, a consolidated bill of supply has to be issued. (purpose is to make accounting of total sales for the purpose of paying composition tax.)

Illustration 1: ABC is a trader dealing in stationery items. It is registered under GST and has undertaken following sales during the day:

S. No.	Recipient of supply	Amount (₹)
1.	R Traders - a registered retail dealer (Composition Dealer)	190
2.	D Enterprises – an unregistered trader	358
3.	G – a Painter [unregistered]	500
4.	O Orphanage – an unregistered entity	188
5.	A – a Student [unregistered]	158

None of the recipients require a tax invoice.

Determine in respect of which of the above supplies, ABC may issue a Consolidated Tax Invoice instead of Tax Invoice at the end of the day?

Solution:

In the given illustration, ABC can issue a Consolidated Tax Invoice only with respect to supplies made to O Orphanage [worth ₹188] and A [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 R Traders, although the value of goods supplied to it is less than ₹200, R 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 D Enterprises and G although both of them are unregistered, because the value of goods supplied is not less than ₹200.

Question 8: Explain Invoice-cum-bill of supply.**Answer: Invoice-cum-bill of supply Rule 46A**

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 9: Write a note on bill of supply under Rule 49.**Answer: Bill of supply under Rule 49**

A registered person supplying exempted goods or services or both or paying tax under the provisions of section 10 shall issue, instead of a tax invoice, a bill of supply containing particulars given below:

- (a) Name, address and Goods and Services Tax Identification Number of the supplier and recipient
- (b) Serial No. and date of issue
- (c) Description of goods, quantity and value of supply also discount allowed.
- (d) Harmonised System of Nomenclature Code for goods or services;
- (e) Signature or digital signature of the supplier or his authorised representative:

Question 10: Write a note on Receipt Voucher under Rule 50.**Answer: Receipt voucher Section 31(3)(d) Rule 50.**

A registered person shall, on receipt of advance payment with respect to any supply of goods / services, issue a receipt voucher or any other document.

A receipt voucher shall contain the following particulars, namely,—

- (a) Name, address and Goods and Services Tax Identification Number of the supplier and recipient
- (b) Serial No. and date of issue
- (c) Description of goods, quantity and advance taken, rate and amount of GST
- (d) Harmonised System of Nomenclature Code for goods or services;
- (e) Signature of the supplier or his authorised representative:

Question 11: Write a note on Refund Voucher under Rule 51.**Answer: Refund voucher Section 31(3)(e) Rule 51**

Where, on receipt of advance payment with respect to any supply of goods / services the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued the said registered person shall be allowed to refund the amount and shall take refund voucher from such person. The supplier shall not be allowed to decrease his tax liability rather he has to claim refund by filing RFD 01.

A refund voucher shall contain the following particulars, namely:—

- (a) name, address and Goods and Services Tax Identification Number of the supplier and recipient;
- (b) Serial number and date of issue
- (c) number and date of receipt voucher issued earlier
- (d) description of goods or services in
- (e) amount of refund, rate of tax / amount of tax.
- (f) whether the tax is payable on reverse charge basis; and
- (g) signature of the supplier or his authorised representative.

Question 12: Explain Transportation of Goods without issue of invoice i.e. by issuing Delivery challan.**Answer: In the following cases goods can be removed without issue of invoice but a delivery challan should be issued**

- (i) supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known,
- (ii) transportation of goods for job work,
- (iii) transportation of goods for reasons other than by way of supply,(Stock Transfer or goods sent on approval etc.)or

(iv) such other supplies as may be notified by the Board (Goods sent on sale of return basis)

Contents of delivery challan

- (i) Name, address and Goods and Services Tax Identification Number of the consigner and consignee
- (ii) Serial number and date
- (iii) Quantity (provisional, where the exact quantity being supplied is not known), taxable value, tax rate and amount of tax
- (iv) Harmonised System of Nomenclature code and description of goods;
- (v) place of supply, in case of inter-State movement;
- (vi) signature.

The delivery challan shall be prepared in triplicate:

- (a) the original copy being marked as ORIGINAL FOR CONSIGNEE;
- (b) the duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and
- (c) the triplicate copy being marked as TRIPLICATE FOR CONSIGNER.

Where goods are being transported on a delivery challan, e-way bill has to be prepared.

Question 13: Explain transportation of goods in a semi knocked down or completely knocked down condition or in batches or lots.

Answer:

- (a) the supplier shall issue the complete invoice before dispatch of the first consignment;
- (b) the supplier shall issue a delivery challan for each of the subsequent consignments, giving reference of the invoice;
- (c) each consignment shall be accompanied by copies of the corresponding delivery challan along with a duly certified copy of the invoice; and
- (d) the original copy of the invoice shall be sent along with the last consignment.

Question 14: Explain provisions of facility of digital payment to recipient.

Answer: Facility of digital payment to recipient. Section 31A

The Government may, on the recommendations of the Council, prescribe a class of registered persons who shall provide prescribed modes of electronic payment to the recipient of supply of goods or services or both made by him and give option to such recipient to make payment accordingly, in such manner and subject to such conditions and restrictions, as may be prescribed.

Question 15: Explain Tax Invoice in special cases.

Answer: Tax Invoice in special cases Rule 54

- (1) In case of an insurer / banking company / financial institution, the supplier may issue a consolidated tax invoice or any other document for the supply of services made during a month at the end of the month, whether physically or electronically whether or not serially numbered, and whether or not containing the address of the recipient of taxable service.
- (2) In case of a goods transport agency the supplier may issue a tax invoice or any other document containing the gross weight of the consignment, name of the consigner and the consignee, registration number of goods carriage details of goods transported, details of place of origin and destination, Goods and Services Tax Identification Number of the person liable for paying tax whether as consigner, consignee.
- (3) In case of passenger transportation service, a tax invoice shall include ticket in any form, whether or not serially numbered, and whether or not containing the address of the recipient of service.
- (4) In case of admission to cinematograph films in multiplex screens, the supplier shall be required to issue an electronic ticket and it shall be deemed to be a tax invoice, even if such ticket does not contain the details of the recipient of service.

Provided that the supplier of such service in a screen other than multiplex screens may, at his option, follow the above procedure.

Question 16: Explain E invoicing**Answer:**

All registered persons having turnover more than 5 crores in any financial year from 2017-18 onwards (*Notification no 17/2022-CT dated 01-08-2022*) shall make invoice in form GST INV-01 called 'e-invoice schema' and it will be uploaded on invoice registration portal:

Invoice Registration Portal (IRP)

IRP is the website for uploading/reporting of invoices by the notified persons. Following IRPs have been notified for the purpose of preparation of the e-invoice:

www.einvoice1.gst.gov.in
 www.einvoice2.gst.gov.in
 www.einvoice3.gst.gov.in
 www.einvoice4.gst.gov.in
 www.einvoice5.gst.gov.in
 www.einvoice6.gst.gov.in
 www.einvoice7.gst.gov.in
 www.einvoice8.gst.gov.in
 www.einvoice9.gst.gov.in
 www.einvoice10.gst.gov.in

It will be applicable only in case of B2B supply i.e. it is not applicable in case of B2C invoices. Similar procedure shall be applicable in case of credit note and debit note. The invoice uploaded shall be returned after obtaining an invoice reference number and a QR Code and also the invoice shall be digitally signed. It will also be applicable in case of supply for export or supply to SEZ unit.

The advantages to E invoicing are that the particulars shall be filed in GSTR-1 or E-way bill or GSTR-2B etc. automatically. It will also reduce transcription errors.

Exemption from e-invoicing (Notification no. 13/2020 dated: 21.03.2020)

The entities mentioned below shall be exempt from issue 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
- 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

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. However in such cases a declaration has to be given as mention below:

'I/We hereby declare that though our aggregate turnover in any preceding financial year from 2017-18 onwards is more than the aggregate turnover notified under sub-rule (4) of rule 48, we are not required to prepare an invoice in terms of the provisions of the said sub-rule'.

Only SEZ units and not SEZ developers are exempt from issuing e-invoices. Thus, SEZ developers whose turnover exceeds ₹ 5 crores in any preceding financial year from 2017-18 onwards are mandatorily required to issue e-invoices.

How e-invoice data is consumed by GST System for generation of e-way bill or populating relevant parts GST Returns?

Invoice Registration Portal sends the e-invoice data along with Invoice Reference Number to the GST System as well as to E-Way Bill System. The GST system will auto-populate them into GSTR-1 of the

supplier and GSTR-2B of respective receivers. With source marked as 'e-invoice', IRN and its date will also be shown in GSTR-1 and GSTR-2B.

GST invoice will be valid only with a valid IRN. IRN is different from invoice number. Invoice no. (e.g. ABC/1/2019-20) is assigned by supplier and is internal to business. IRN, on other hand, is a unique reference number (hash) generated and returned by IRP, on successful registration of e-invoice, for instance, 35054cc24d97033afc24f49ec4444dbab81f542c555f9d30359dc75794e06bbe

Question 17: Explain Dynamic QR code.

Answer:

Dynamic QR code

The invoice issued by a registered person (except specified class of persons), whose aggregate turnover in a financial year exceeds ₹ 500 crores, in respect of B2C supplies shall have Dynamic QR code. The purpose of this provision is to enable and encourage digital payments where buyer can scan the dynamic QR code and make payment from mobile wallet directly. Today, many shops have static QR code at the payment counter which is scanned by the buyer, but the buyer has to enter the amount to be paid to the shop in the mobile payment App. The dynamic QR code, on the other hand, will have the payment details and thus 'scan and pay' in one go is possible. This has no relevance or applicability to the e-invoicing in respect to B2B supplies by notified class of taxpayers. Dynamic QR Code will be generated by the seller himself either on the Point of Sale (PoS) machine or the invoice issued.

CLARIFICATIONS

It is clarified that the goods which are taken for supply on approval basis can be moved from the place of business of the registered supplier to another place within the same State or to a place outside the State on a delivery challan and the invoice may be issued at the time of supply of goods. For this purpose, the person carrying the goods for such supply can carry the invoice book with him so that he can issue the invoice once the supply is final [Circular No. 10/10/2017 GST dated 18.10.2017].

Similarly in case of art work sent for supply on approval basis, the supplier can carry invoice book with him alongwith art work and invoice can be issued when the supply becomes final [Circular No. 22/22/2017 GST dated 21.12.2017]

PRACTICE PROBLEMS

Q1. Sultan Industries Ltd., Delhi, entered into a contract with Prakash Entrepreneurs, Delhi, for supply of spare parts of a machine on 7th September. The spare parts were to be delivered on 30th September. Sultan Industries Ltd. removed the finished spare parts from its factory on 29th September. Determine the date by which invoice must be issued by Sultan Industries Ltd. under GST law.

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

Q2. The aggregate turnover of Sangri Services Ltd. exceeded ₹20 lakh on 12th August. It applied for registration on 3rd September and was granted the registration certificate on 6th September. You are required to advise Sangri Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices.

Answer: As per section 25 read with CGST Rules, 2017, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Sangri Services Ltd.'s turnover exceeded ₹20 lakh on 12th August, it became liable to registration on same day. Further, it applied for registration within 30 days of so becoming liable to registration, the effective date of registration is the date on which he becomes liable to registration, i.e. 12th August. As per section 31 read with CGST Rules, 2017, 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 registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.

Therefore, in the given case, Sangri Services Ltd. has to issue the Revised Tax Invoices in respect of taxable supplies effected during the period starting from the effective date of registration (12th August) till the date of issuance of certificate of registration (6th September) within 1 month from the date of issuance of certificate of registration, i.e. on or before 6th October.

Q3. Shyam Fabrics has opted for composition levy scheme in the current financial year. It has approached you for advice whether it is mandatory for it to issue a tax invoice. You are required to advise him regarding same.

Answer: A registered person paying tax under the provisions of section 10 [composition levy] shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed. Therefore, in the given case, Shyam Fabrics cannot issue tax invoice. Instead, it shall issue a Bill of Supply.

Q4. Royal Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Park Royal, Delhi on 4th January. For the occasion, it gets the service by way of makeover of its models from Aura Beauty Services Ltd., Ashok Vihar, for which a consideration of ₹ 5,00,000 (excluding GST) has been charged. Aura Beauty Services Ltd. issued a duly signed tax invoice on 10th February showing the lumpsum amount of ₹ 5,90,000 inclusive of CGST and SGST @ 9% each for the services provided. Answer the following questions:

(i) Examine whether the tax invoice has been issued within the time limit prescribed under law.

(ii) Tax consultant of Royal Fashions objected to the invoice raised suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Aura Beauty Services Ltd. However, Aura Beauty Services Ltd. contended that there is no mandatory requirement of showing tax component separately in the invoice. You are required to examine the validity of the objection raised by tax consultant of Royal Fashions.

Answer

(i) As per section 31 read with the CGST Rules, in case of taxable supply of services, invoices should be issued before or after the provision of service, but within a period of 30 days [45 days in case of insurer/banking company or financial institutions including NBFCs] from the date of supply of service.

In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e. upto 3rd February. However, the invoice has been issued on 10th February.

(ii) Section 31 read with the CGST Rules, inter alia, provides that tax invoice in addition to other mandatory details shall also contain the amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess). Further, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

The objection raised by the tax consultant of Royal Fashions suggesting that the amount of tax charged in respect of the taxable supply of makeover services should be shown separately in the invoice raised by Aura Beauty Services Ltd., is valid in law.

Q5. Kidzee Toys Ltd., a wholesaler of toys registered in Chandigarh, is renowned in the local market for the variety of toys and their reasonable prices. Kidzee Toys Ltd. makes supply of 100 pieces of baby's learning laptops and chat learning phones to Nancy General Store on 25th September by issuing a tax invoice amounting to ₹ 1,00,000.

However, the said toys were returned by Nancy General Store on 30th September. Discuss which document Kidzee Toys Ltd. is required to issue in such a case?

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.

Q6. Rana Sanga Ltd., a registered supplier has made following taxable supplies to its customer Babur in the quarter ending 30th June.

Date	Bill No.	Particulars	Invoice value (including GST) [₹]
5 th April	102	Notebooks [10 in numbers]	1,200
10 th May	197	Chart Paper [4 in number]	600
20 th May	230	Crayon colors [2 packets]	500
2 nd June	254	Poster colors [5 packets]	900
22 nd 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.

Q7. 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.

Q8. 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 the validity of the 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.

Q9. 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.

Q10. Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods and the delivery shall be made on or before 31st October. The goods were removed from the factory at Kolkata on 11th October. As per the agreement, the goods were to be delivered on or before 31st October. Suraj Enterprises has received the goods on 14th October. 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 the given case, invoice has to be issued on or before, 11th October (the time of removal of goods).

Q11. Trust and Fun Ltd., an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5th June. Payment for the event was made on 19th 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 5th June (date of supply of service), i.e. on or before, 5th July.

Q12. 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, the said registered person may issue to the person who had made the payment, a refund voucher against such payment. Therefore, in case subsequently no services are supplied by Udai Singh, and no tax invoice is issued in pursuance thereof, Udai Singh may issue a refund voucher against such payment to Sujamal.

Q13. Bhoj Raj, a registered person, has availed GTA services on which he is liable to pay tax under reverse charge. He wishes to know whether he is required to issue an invoice. Please advise him discussing the relevant provisions under CGST Act and rules thereunder.

Answer: Bhoj Raj is required to issue an invoice with regard to the GTA services availed by him. A registered person who is liable to pay tax under subsection (3) or sub-section (4) of section 9 (i.e. where the recipient is liable to discharge GST on reverse charge basis) shall issue an invoice in respect of goods or services or both received by him from the supplier on the date of receipt of goods or services or both.

Q14. Sitaram Textiles has to send cloth for dyeing to its job-worker. It wishes to know whether it needs to issue a tax invoice at the time of sending the goods to job-worker. Please advise him with reference to the provisions of the CGST Act.

Answer: Sitaram Textiles has to issue a delivery challan and not the tax invoice at the time of sending the goods to job-worker. Rule 55, inter alia, stipulates that for the purposes of transportation of goods for job work, the consignor may issue a delivery challan, serially numbered, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following details, namely:-

- (i) date and number of the delivery challan;
- (ii) name, address and Goods and Services Tax Identification Number of the consignor, if registered;
- (iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
- (iv) Harmonised System of Nomenclature code and description of goods;
- (v) quantity (provisional, where the exact quantity being supplied is not known);
- (vi) taxable value;
- (vii) tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
- (viii) place of supply, in case of inter-State movement; and
- (ix) signature.

The delivery challan shall be prepared in triplicate, in case of supply of goods, in the following manner, namely:-

- (a) the original copy being marked as ORIGINAL FOR CONSIGNEE;
- (b) the duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and
- (c) the triplicate copy being marked as TRIPLICATE FOR CONSIGNER.

MULTIPLE CHOICE QUESTIONS

1. In case of taxable supply of services, invoice shall be issued within a period of _____ from the date of supply of service.

- (a) 30 days
- (b) 45 days
- (c) 60 days
- (d) 90 days

2. In case of taxable supply of services by an insurer, invoice shall be issued within a period of _____ from the date of supply of service.

- (a) 30 days
- (b) 45 days
- (c) 60 days
- (d) 90 days

3. In case of continuous supply of services, where due date of payment is ascertainable from the contract, invoice shall be issued:

- (a) before or at the time when the supplier of service receives the payment
- (b) on or before the due date of payment
- (c) Either (a) or (b)
- (d) None of the above

4. In case of continuous supply of services, where due date of payment is not ascertainable from the contract, invoice shall be issued:

- (a) before or at the time when the supplier of service receives the payment
- (b) on or before the due date of payment
- (c) Either (a) or (b)
- (d) None of the above

5. Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued:

- (a) before/at the time of supply
- (b) 6 months from the date of removal
- (c) Earlier of (a) or (b)
- (d) None of the above

6. Mr. X, a registered person deals in supply of taxable goods. He need not issue tax invoice for the goods supplied on 16.04.2022 as the value of the goods is ____.

- (a) ₹1,200
- (b) ₹600
- (c) ₹150
- (d) ₹200

7. Tax invoice must be issued by _____

- (a) Every supplier
- (b) Every taxable person
- (c) Registered persons not paying tax under composition scheme
- (d) All the above

8. A bill of supply can be issued in case of:

- (a) Exempted supplies
- (b) Supplies to unregistered persons
- (c) Both of above
- (d) None of the above.

9. Which of the following statement is correct.

- (a) A registered person supplying taxable goods shall within 30days of,—

(a) removal of goods for supply to the recipient, where the supply involves movement of goods; or

(b) delivery of goods or making available thereof to the recipient, in any other case, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed.

(b) A registered person supplying taxable goods shall, before,—

(a) removal of goods for supply to the recipient, where the supply involves movement of goods; or

(b) delivery of goods or making available thereof to the recipient, in any other case, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed

(c) A registered person supplying taxable goods shall, before or at the time of,—

(a) removal of goods for supply to the recipient, where the supply involves movement of goods; or

(b) delivery of goods or making available thereof to the recipient, in any other case, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed

(d) none of these

10. Which of the following statement is correct.

(a) a registered person may, within two month from the date of issuance of certificate of registration and in such manner as may be prescribed, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him

(b) a registered person may, within 15days from the date of issuance of certificate of registration and in such manner as may be prescribed, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him

(c) a registered person may, within one month from the date of issuance of certificate of registration and in such manner as may be prescribed, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him

(d) none of these

11. Which of the following statement is correct.

(a) a registered person may not issue a tax invoice if the value of the goods or services or both supplied is less than two hundred rupees subject to such conditions and in such manner as may be prescribed

(b) a registered person may not issue a tax invoice if the value of the goods or services or both supplied is less than one hundred rupees subject to such conditions and in such manner as may be prescribed

(c) a registered person may not issue a tax invoice if the value of the goods or services or both supplied is less than five hundred rupees subject to such conditions and in such manner as may be prescribed

(d) none of these

12. Which of the following statement is correct.

(a) a registered person supplying exempted goods or services or both or paying tax under the provisions of section 10 shall issue, instead of a bill of supply, tax invoice containing such particulars and in such manner as may be prescribed

(b) a registered person supplying exempted goods or services or both or paying tax under the provisions of section 10 shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed

(c) a registered person supplying taxable goods or services or both or paying tax under the provisions of section 10 shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed

(d) none of these

13. Which of the following statement is correct.

- (a) In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued after each such statement is issued or, as the case may be, each such payment is received.
- (b) In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before each such statement is issued or, as the case may be, each such payment is received.
- (c) In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.
- (d) none of these

14. Which of the following statement is correct.

- (a) In case of continuous supply of services, where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment
- (b) In case of continuous supply of services, where the due date of payment is ascertainable from the contract, the invoice shall be issued after the due date of payment
- (c) In case of continuous supply of services, where the due date of payment is ascertainable from the contract, the invoice shall be issued before the due date of payment
- (d) none of these

15. In which of the following cases, a deliver challan can be issued instead of tax invoice

- (a) supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known
- (b) transportation of goods for job work
- (c) transportation of goods for reasons other than by way of supply
- (d) (a) & (b)
- (e) (a) & (c)
- (f) any of the above

Answer:

1. (a); 2. (b); 3. (b); 4. (a); 5. (c); 6. (c) ; 7. (c) ; 8. (a); 9(c); 10(c); 11. (a); 12. (b); 13. (c); 14. (a); 15. (f)

EXAMINATION QUESTION

JAN 2021

Question 7(a)**(4 Marks)**

ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens was issuing consolidated tax invoice for supplies at the close of each day in terms of section 31(3)(b) of CGST Act, 2017 read with fourth proviso to rule 46 of CGST Rules, 2017.

During the month of October, 2022, 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.

NOV 2019

Question.8. (a)**(5 Marks)**

Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March 2025:

(i) Value of supply charged in an invoice was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000

(ii) Tax Charged in an Invoice 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 an Invoice 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 CGST Act, 2017?

(2) Whether Debit Note or Credit Note has to be issued in each of the above circumstances and, if so, quantify the amount for which it is to be issued.

(3) What is the maximum time-limit available for declaring the credit note in the GST Return?

Answer:

(1) A supplier of goods / services is mandatorily required to issue a tax invoice. However, during the course of trade or commerce, after the invoice has been issued there could be situations like:

- The supplier has erroneously declared a value which is more than the actual value of the goods / services provided.
- The supplier has erroneously declared a higher tax rate than what is applicable for the kind of the goods / services supplied.
- The quantity received by the recipient is less than what has been declared in the tax invoice.
- The quality of the goods / services supplied is not to the satisfaction of the recipient thereby necessitating a partial or total reimbursement on the invoice value.
- Any other similar reasons.

(2)

(i) Credit note can be issued as the supplier has erroneously declared a value which is more than the actual value of goods.

- (ii) Debit Note can be issued by the supplier as tax charged is lesser than the actual tax.
- (iii) Debit Note can be issued by the supplier as the supplier has erroneously declared a value which is less than the actual value of goods.
- (3) Maximum time limit available for declaring credit note in the GST Return is 30th November of the subsequent year.

MAY 2019**Question 7 (a)****(4 Marks)**

Examine the following independent cases of supply of goods and services and determine the time of issue of invoice under each of the cases as per the provisions of CGST Act, 2017:

- (i) Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods on 3rd October, 2024. The goods were removed from the factory at Kolkata on 11th October, 2024. As per the agreement, the goods were to be delivered by 31st October, 2024. Suraj Enterprises has received the goods on 14th October, 2024.
- (ii) Trust and Fun Ltd, an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5th June, 2024. Payment for the event was made on 19th June, 2024.

Answer:

(i) As per section 31(1), a registered person supplying taxable goods shall issue a tax invoice, before or at the time of delivery of goods or making available thereof to the recipient. If the supply involves movement of goods, invoice should be issued before removal of goods.

In the given case, supply involves movement of goods, invoice should be issued before removal of goods i.e. before 11th October 2024.

(ii) As per Rule 47, the invoice referred to in rule 46, in the case of the taxable supply of services, shall be issued within a period of thirty days from the date of the supply of service.

In the given case, invoice shall be issued within 30 days from the date of supply of service i.e. 30 days from 5th June 2024.

MAY 2019**Question 8 (b)****(4 Marks)**

Jolla provides continuous supply of services regarding Annual Maintenance Contract (AMC) of Air conditioner and all electronic items in Khotu Ltd. He provides following details regarding same:

They made contract for the AMC. As mentioned in contract AMC will be starts from 01-10-2024 and AMC is valid for a year. AMC ends on 30-09-2024. Jolla receives payment for the AMC on 31-10-2024.

Explain time of issue of invoice in Continuous Supply of Service (CSS) as per provisions of CGST Act, 2017 and accordingly determine time of issue of Invoice in following different circumstances:

- (1) As mentioned in contract Khotu Ltd. have to make payment on 05-11-2024.
- (2) If terms of payment is not mentioned in AMC and also not agreed by both the parties.

Answer:**Invoice in case of Continuous supply of Services**

As per section 31 (5) Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services—

- (i) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.
- (ii) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.

- (iii) 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.

In the given case

- (1) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment i.e. 05-11-2024.
- (2) 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 i.e. 31-10-2024.

NOV 2018

Question 11 (b)

(5 Marks)

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

- | | | | |
|-------|--|---|------------|
| (i) | Date of commencement of Providing CSS | - | 01-10-2024 |
| (ii) | Date of completion of Providing CSS | - | 31-01-2025 |
| (iii) | Date of receipt of payment by Mr. Lakhan | - | 30-03-2025 |

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

- (i) If no due date for payment is agreed upon by both under the contract of CSS.
- (ii) If payment is linked to the completion of service.
- (iii) If M/s. TNB Limited has to make payment on 25-03-2025 as per the contract between them.

Answer:

Invoice in case of Continuous supply of Services

As per section 31 (5) Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services—

- (i) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.
- (ii) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.
- (iii) 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.

In the given case

- (i) Since the date of payment is not ascertainable from the contract, invoice shall be issued before or at the time when the supplier of service receives the payment i.e. on or before 30-03-2025.
- (ii) Since the date of payment is linked to the completion of service, invoice shall be issued on or before the date of completion of service i.e. on or before 31-01-2025.
- (iii) Since the date of payment is ascertainable from the contract, invoice shall be issued on or before the due date of payment. i.e. on or before 25-03-2025.

MAY 2018

Question 11 (b)

(1.5 Marks)

Determine with reason whether the following statements are true or false:

- (i) A registered person shall issue a separate invoice for supplying both taxable as well as exempted goods to an unregistered person.

Answer:

False: As per rule 46A, a registered person shall issue a single "invoice-cum-bill of supply" for supplying taxable as well as exempted goods or services or both to an unregistered person.

Question 11 (b)**(3 Marks)**

(ii) A Non-banking financial company can issue a consolidated tax invoice at the end of every month for the supply made during that month.

Answer:

True: As per Rule 54, Where the supplier of taxable service is an insurer or a banking company or a financial institution, the said supplier shall issue a consolidated tax invoice or any other document in lieu thereof, by whatever name called for the supply of services made during a month at the end of the month, whether issued or made available, physically or electronically whether or not serially numbered, and whether or not containing the address of the recipient of taxable service.

MAY 2018**Question 10 (a)****(5 Marks)**

Under what circumstances needs of issuance of debit note and credit note arise under section 34 of CGST Act, 2017?

Answer: Refer answer given in the book

Question 7: Write a note on Revised Tax Invoice and credit or debit notes under Rule 53.

See section 31(3)(a) Rule 53

MAY 2018**Question 11 (b)****(4 Marks)**

Chidanand Products Pvt. Ltd. started its business of supply of goods on 1st August, 2024. Its turnover exceeds ₹40,00,000 on 5th September, 2024. It applied for registration on 28th September, 2024 & granted registration certificate on 6th October, 2024. Guide the company regarding invoices to be issued between 5th September, 2024 to 6th October, 2024 to registered dealers. Further it had also made supplies to unregistered dealers in that period. How it can raise invoices?

Answer: Refer Answer Given in the book

E-WAY BILL

(Section 68/Rule 138,138A,138B,138C,138D,138E)

Section 68/Rule 138

E-way bill shall be prepared for every movement of goods by the person causing movement of goods. The person causing movement of goods is the supplier but if the supplier is unregistered and the recipient is registered, person causing movement of goods is the recipient. E-way bill will be prepared on the site e-waybillgst.gov.in by filling in Form No. EWB-01. Part A shall be filled in by the person causing movement of goods and Part B by the transporter. When Part A is filled, the portal shall generate a unique number which will be assigned to the transporter and the transporter shall fill in Part B and after that e-way bill is generated and also the portal will generate the e-way bill number. In case there is movement of goods but there is no supply e.g. stock transfer or the goods sent on approval basis etc., even in such cases also e-way bill shall be generated.

E-way bill shall be generated only if consignment value is exceeding ₹50,000 but in case of movement of goods to job worker and also in case of movement of handicraft goods, e-way bill has to be generated irrespective of the value. Consignment value means the value determined as per section 15 but it will not include value of exempted goods but it will include the amount of GST e.g. if value is ₹48,000 and GST is ₹4,800, in this case e-way bill has to be generated.

Part A has to be filled in by the person who is causing movement of goods but such person can authorise the transporter or the courier or the electronic commerce operator to fill in Part A. If the supplier has his own vehicle, Part A and Part B shall be filled in by the supplier.

In general movement of goods without generating e-way bill is not allowed but movement is allowed by filling in Part A if the goods are transported for a **distance of upto fifty kilometers within the State or Union Territory** from the place of business of the consignor to the place of business of the transporter for further transportation.

In case of change of vehicle, number of new vehicle has to be updated on the common portal but movement is allowed without updation of the new vehicle Where the goods are transported for a distance of upto fifty kilometers within the State or Union Territory from the place of business of the transporter finally to the place of business of the consignee.

NOV 2020 Examination (3 Marks)

Question 7 (b).

"It is mandatory to furnish the details of conveyance in 'Part-B of E- way Bill."

Comment on the validity of the above statement with reference to provisions of E- Way Bill under CGST Rules, 2017"

Answer: As per rule 138, yes it is mandatory to furnish the details of conveyance in Part-B of E-way Bill otherwise e-way bill shall be treated as invalid but in case where the goods are transported for a distance of upto fifty kilometers within the State or Union Territory from the place of business of the consignor to the place of business of the transporter for further transportation, the supplier or the recipient, or as the case may be, the transporter may not furnish the details of conveyance in Part B of FORM GST EWB-01.

Transportation of goods by railways/ air/ vessel

Where the goods are transported by railways or by air or vessel, the e-way bill shall be generated by the registered person, being the supplier or the recipient, who shall, either before or after the commencement of movement, furnish, on the common portal, the information in Part B of FORM GST EWB-01.

Change of conveyance

Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in Part A of the FORM GST EWB-01, 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 of FORM GST EWB-01:

Change of transporter

The consignor or the recipient, who has furnished the information in Part A of FORM GST EWB-01, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B of FORM GST EWB-01 for further movement of the consignment. **Provided** that after the details of the conveyance have been updated by the transporter in Part B of FORM GST EWB-01, the consignor or recipient, as the case may be, who has furnished the information in Part A of FORM GST EWB-01 shall not be allowed to assign the e-way bill number to another transporter.

Example: A consignor is required to move goods from City X to City Z. He appoints Transporter A for movement of his goods. Transporter A moves the goods from City X to City Y. For completing the movement of goods i.e., from City Y to City Z, Transporter A now hands over the goods to Transporter B. Thereafter, the goods are moved to the destination i.e. from City Y to City Z by Transporter B. In such a scenario, only one e-way bill would be required. Part A can be filled by the consignor and then the e-way bill will be assigned by the consignor to Transporter A. Transporter A will fill the vehicle details, etc. in Part B and will move the goods from City X to City Y. On reaching City Y, Transporter A will assign the said e-way bill to the Transporter B. Thereafter, Transporter B will be able to update the details of Part B. Transporter B will fill the details of his vehicle and move the goods from City Y to City Z [Press Release No. 144/2018 dated 31.03.2018]

NOV 2019 Examination (5 Marks)**Question.7. (b)**

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 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, Mehta Transporter can assign the said e-way bill to Parikh Transporter who will thereafter update the details of conveyance in Part B.

Consolidated e-way bill

After e-way bill has been generated where multiple consignments are intended to be transported in one conveyance, the transporter may indicate the serial number of e-way bills generated in respect of each such consignment electronically on the common portal and a consolidated e-way bill in FORM GST EWB-02 may be generated by him.

Where the consignor or the consignee has not generated the e-way bill in FORM GST EWB-01 and the aggregate of the consignment value of goods carried in the conveyance is more than fifty thousand rupees, the transporter, except in case of transportation of goods by railways, air and vessel, shall, generate the e-way bill in FORM GST EWB-01 on the basis of invoice or bill of supply or delivery challan, as the case may be, and may also generate a consolidated e-way bill in FORM GST EWB-02 on the common portal prior to the movement of goods:

Cancellation of e-way bill

Where an e-way bill has been generated under this rule, but goods are either not transported or are not transported as per the details furnished in the e-way bill, the **e-way bill may be cancelled** electronically on the common portal **within twenty four hours** of generation of the e-way bill. **Provided** that an **e-way bill cannot be cancelled** if it has been verified in transit.

Validity of e-way bill

An e-way bill or a consolidated e-way bill shall be valid for the period as mentioned below from the relevant date.

Sl. No.	Distance	Validity period
1.	Upto 200 km.	One day
2.	For every 200 km. or part thereof thereafter	One additional day
3.	Upto 20 km.	One day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
4.	For every 20 km. or part thereof thereafter	One additional day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship

The period of validity shall be counted from the time at which the e-way bill has been generated and each day shall be counted as the period expiring at midnight of the day immediately following the date of generation of e-way bill.

The expression "Over Dimensional Cargo" shall mean a cargo carried as a single indivisible unit and which exceeds the dimensional limits.

Examination JAN – 2021 (3 Marks)

Question 7(b)

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:

$$= 1 \text{ day} + 18 \text{ days}$$

$$= 19 \text{ days}$$

(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:

$$= 1 \text{ day} + 1 \text{ days}$$

$$= 2 \text{ days}$$

Extension of Time Limit for e-way bill

Where, under circumstances of an exceptional nature, the goods cannot be transported within the validity period of the e-way bill, the transporter may extend the validity period after updating the details in Part B of FORM GST EWB-01, if required, but the validity of the e-way bill may be extended within **eight hours from the time of its expiry.**

Intimation of e-way bill

The details of the e-way bill generated under this rule shall be made available to the—

- (a) supplier, where the information in Part A of FORM GST EWB-01 has been furnished by the recipient or the transporter; or
- (b) recipient, where the information in Part A of FORM GST EWB-01 has been furnished by the supplier or the transporter,

on the common portal, and the supplier or the recipient, as the case may be, shall communicate his acceptance or rejection of the consignment covered by the e-way bill. Where the person to whom the information has been made available does not communicate his acceptance or rejection **within seventy two hours** of the details being made available to him on the common portal, or the **time of delivery of goods** whichever is earlier, it shall be deemed that he has accepted the said details.

Circumstances when e-way not required 138(14)

Notwithstanding anything contained in this rule, no e-way bill is required to be generated—

- (i) Transportation of LPG / Kerosene / Postal baggage / Jewellery / Diamonds / Currency
- (ii) where the goods are being transported by a non-motorised conveyance;
- (iii) where the goods are being transported from the customs port, airport, air cargo complex and land customs station to an inland container depot or a container freight station for clearance by Customs;
- (iv) Goods exempted from GST
- (v) where the goods being transported are alcoholic liquor for human consumption / petroleum products
- (vi) where the supply of goods being transported is treated as no supply under Schedule III of the Act ;
- (vii) where the goods being transported are transit cargo from or to Nepal or Bhutan;
- (viii) any movement of goods caused by defence formation under Ministry of defence
- (ix) where the consignor of goods is the Central Government, Government of any State or a local authority for transport of goods by rail;
- (x) where empty cargo containers are being transported;
- (xi) where the goods are being transported upto a distance of twenty kilometers from the place of the business of the consignor to a weighbridge for weighment or from the weighbridge back to the place of the business of the said consignor subject to the condition that the movement of goods is accompanied by a delivery challan issued in accordance with rule 55; and

Documents and devices to be carried by a person-in-charge of a conveyance. Rule 138A.

(1) The person in charge of a conveyance shall 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.

In case of **imported goods**, the person in charge of a conveyance shall also carry a copy of the **bill of entry.**

(2) If a registered person is covered under e invoicing and has obtained invoice reference number with QR code from invoice registration portal, in that case he may produce the same for verification instead of carrying a physical copy of invoice.

(3) Where the registered person has obtained invoice reference number with QR code, the information in Part A of FORM GST EWB-01 shall be auto-populated by the common portal.

(4) The Commissioner may, by notification, require a class of transporters to obtain a unique Radio Frequency Identification Device and get the said device embedded on to the conveyance and map the e-way bill to the Radio Frequency Identification Device prior to the movement of goods.

Verification of documents and conveyances. Rule 138B.

(1) The Commissioner or an officer empowered by him in this behalf may authorize the proper officer to intercept any conveyance to verify the e-way bill in physical or electronic form.

(2) The Commissioner shall get Radio Frequency Identification Device readers installed at places where the verification of movement of goods is required to be carried out and verification of movement of vehicles shall be done through such device readers where the e-way bill has been mapped with the said device.

Inspection and verification of goods. Rule 138C.

(1) **A summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of FORM GST EWB-03 within twenty four hours of inspection and the final report in Part B of FORM GST EWB-03 shall be recorded within three days of such inspection:**

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 FORM EWB-03, for a further period not exceeding three days.

Explanation.—The period of twenty four hours or, as the case may be, three days shall be counted from the midnight of the date on which the vehicle was intercepted.

(2) Where the physical verification of goods being transported on any conveyance has been done during transit at one place, no further physical verification of the said conveyance shall be carried out again, for the same journey **unless a specific information relating to evasion of tax is made available subsequently.**

Facility for uploading information regarding detention of vehicle. Rule 138D.

Where a vehicle has been intercepted and detained for a period exceeding thirty minutes, the transporter may upload the said information in FORM GST EWB-04 on the common portal.

Restriction on furnishing of information in PART A of FORM GST EWB-01. Rule 138E.

No person (including a consignor, consignee, transporter, an e-commerce operator or a courier agency) shall 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, who,—*

- (a) being a person paying tax under section 10, statement in **FORM GST CMP-08** for two consecutive quarters; or
- (b) being a person other than a person specified in clause (a), has not furnished the returns for a consecutive period of two tax periods:
- (c) being a person other than a person specified in clause (a), has not furnished the statement of outward supplies for any two months or quarters, as the case may be.
- (d) being a person, whose registration has been suspended under rule 21A:

Provided that the Commissioner may, on receipt of an application from a registered person in **FORM GST EWB-05**, on sufficient cause being shown and for reasons to be recorded in writing, by order, in **FORM GST EWB-06** allow furnishing of the said information in PART A of FORM GST EWB- 01.

Provided further that no order rejecting the request of such person to furnish the information in PART A of FORM GST EWB-01, shall be passed without affording the said person a reasonable opportunity of being heard:

Special Provision for movement of Gold or precious stones etc. Rule 138F

In case of intra-state movement of Gold etc. of the value of ₹ 2 lakh or more as notified, E-way bill has to be created. For this purpose only Part A of FORM GST EWB-01, shall be required to be submitted and E-way bill shall be generated on the basis of such Form. There will not be any requirement to fill Part B of EWB-01. Other provisions of E-way bill shall be applicable in the normal manner.

Example:

1. ABC Ltd., Delhi dispatched goods of value ₹ 48,000 + GST 12%, in this case way bill is required because consignment value for the purpose of way bill shall include GST also but if value of taxable goods is ₹ 30,000 and value of exempt goods is ₹ 18,000. GST on taxable goods is 12% in this case way bill is not required because consignment value for the purpose of way bill do not include exempt goods.
2. ABC Ltd., Delhi has transferred stock to its own branch in Delhi. Consignment value is ₹ 2,00,000 and no GST payable even if goods are taxable because the company has only one registration, in this case way bill is required because if there is movement of goods way bill is required even if it is not a supply.
3. Part A of EWB 01 is filled in by the person causing the movement of goods and such person may be consigner or consignee depending upon the situation as who is causing the movement. If such consigner or consignee has their own transport, in that case part B of EWB 01 shall also be filled in by such consigner or consignee.
4. If the consigner or consignee has directed the transporter, Part A can be filled by such transporter. Similarly part A can be filled in by the ECO or Courier Agency

E-way Bill in case of 'Bill To Ship To' Model

In a "Bill To Ship To" model of supply, there are three persons involved in a transaction, namely:

'A' is the person who has ordered 'B' to send goods directly to 'C'.

'B' is the person who is sending goods directly to 'C' on behalf of 'A'.

'C' is the recipient of goods.

In this complete scenario. two supplies are involved and accordingly two tax invoices are required to be issued:

Invoice -1: which would be issued by 'B' to 'A'.

Invoice -2: which would be issued by 'A' to 'C'.

It is clarified that as per the CGST Rules, either A or B can generate the e-Way Bill but it may be noted that only one e-Way Bill is required to be generated [Press Release dated 23.04.2018]

FORM GST EWB-01
(See rule 138)
E-Way Bill

E-Way Bill No. :
E-Way Bill date :
Generator :
Valid from :
Valid until :

Part A		
A.1	GSTIN of Supplier (if unregistered mention "URP")	
A.2	Place of Dispatch	
A.3	GSTIN of Recipient	
A.4	Place of Delivery	
A.5	Document Number (mention tax invoice / bill of supply / challan no. etc.)	
A.6	Document Date	
A.7	Value of Goods	
A.8	HSN Code	
A.9	Reason for Transportation (mention supply / stock transfer / sale or return etc.)	
Part B		
B.1	Vehicle Number for Road	
B.2	Transport Document Number (mention LR / RR / Airway bill / bill of lading etc.)	

FORM GST EWB-02
(See rule 138)
Consolidated E-Way Bill

Consolidated E-Way Bill No. :

Consolidated E-Way Bill Date :

Generator :

Vehicle Number :

Number of E-Way Bills (Total)	
E-Way Bill Number	
1.	
2.	
3.	
4.	

Action Points

1. Consolidated E-way Bill is generated in this form.
2. Rule 138 provides that once an E-way Bill has been generated in accordance with the provisions of sub-rule (1) of Rule 138, where multiple consignments are intended to be transported in one conveyance, the transporter may indicate the serial number of e-way bills generated in respect of each such consignment electronically on the common portal and a consolidated E-way Bill in Form GST EWB-02 may be generated by him on the said common portal prior to the movement of goods.
3. The form contains the details of E-way Bill for which consolidated E-way Bill has been issued.

FORM GST EWB-03
(See rule 138C)
 Verification Report

Part A	
Name of the Officer	
Place of inspection	
Time of inspection	
Vehicle Number	
E-Way Bill Number	
Tax Invoice or Bill of Supply or Delivery Challan or Bill of Entry date	
Tax Invoice or Bill of Supply or Delivery Challan or Bill of Entry Number	
Name of person in-charge of vehicle	
Description of goods	
Declared quantity of goods	
Declared value of goods	
Brief description of the discrepancy	
Whether goods were detained?	
If not, date and time of release of vehicle	
Part B	
Actual quantity of goods	
Actual value of the Goods	
Tax payable	
Integrated tax	
Central tax	
State or Union territory tax	
Cess	

Penalty payable	
Integrated tax	
Central tax	
State or Union territory tax	
Cess	
Details of Notice	
Date	
Number	
Summary of findings	

Action Points

1. This form is relevant for verification report of every inspection of goods in transit.
2. Rule 138C provides that a summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of Form GST EWB-03 with twenty four hours of inspection and the final report in Part B of Form GST EWB-03 shall be recorded within three days of such inspection.

FORM GST EWB-04
(See rule138D)
Report of detention

E-Way Bill Number	
Approximate Location of detention	
Period of detention	
Name of Officer in-charge	(if known)
Date	
Time	

Action Points

1. This form is relevant for preparation of detention report.
2. Rule 138D provides that where a vehicle has been intercepted and detained for a period exceeding thirty minutes, the transporter may upload the said information in Form GST EWB-04 on the common portal.

“FORM GST EWB-05

[See rule 138 E]

Application for unblocking of the facility for generation of E-Way Bill

1	GSTIN	<Auto>
2	Legal Name	<Auto>
3	Trade Name	<Auto>
4	Address	<Auto>
5	Facility of furnishing of information in Part A of FORM GST EWB 01 (i.e. facility for generation of E-Way Bill) blocked w.e.f.	<Auto>
6	Reasons of unblocking of facility for generation of E- Way Bill	<User input>
	(i)	
	(ii)	
	(iii)	
7	Expected date for filing of returns for the period under default	<User input>

8. Verification

I hereby solemnly affirm and declare that the information given hereinabove is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.

Signature of Authorised Signatory

Name

Designation /Status

Date:

FORM GST EWB – 06

[See rule 138 E]

Reference No.:

Date:

To

_____GSTIN

----- Name

_____Address

Order for permitting / rejecting application for unblocking of the facility for generation of E-Way Bill

Application ARN:

Date:

The facility for generation of E- Way Bill was blocked in respect of the aforementioned registered person w.e.f. ----- in terms of rule 138E of the Central Goods and Services Tax Rules, 2017.

I have carefully considered the facts of the case and the application / submissions made by the aforementioned registered person.

I hereby accept the application and order for unblocking of the facility for generation of E- Way Bill on the following grounds:

- 1.
- 2.

Please note that the system will block the facility for generation of E-Way Bill after _____(date) if the registered person continues to be defaulter in terms of rule 138E of the Central Goods and Services Tax Rules, 2017.

OR

I have carefully considered the facts of the case and the application / submissions made by the aforementioned registered person.

I hereby reject the application for unblocking the facility for generation of E-Way Bill on following grounds:

- 1.
- 2.

Signature:**Name:****Designation:****Jurisdiction:****Address:**

Note: Separate document may be attached for detailed order / reason(s).”

Reverse Charge

Section 9(3) of CGST Act /Notification No. 13/2017 CTR dated 28.06.2017

Section 5(3) of IGST Act /Notification No.10/2017 ITR dated 28.06.2017

Reverse Charge Mechanism

Generally, the supplier of goods or services is liable to pay GST. However, under the reverse charge mechanism, the liability to pay GST is cast on the recipient of the goods or services.

1. Services from Non-Taxable Territory to Taxable Territory (Notification No. 10/2017- Integrated Tax (Rate)) (E-1)

Reverse charge shall be applicable in respect of any taxable services provided or agreed to be provided by any person who is located in a non-taxable territory and received by any person located in the taxable territory.

No such reverse charge shall be applicable in case of OIDAR services received by an unregistered person.

Example

(i) ABC limited has taken services of an architect of USA on payment basis for construction of one building, In this case GST is payable by ABC limited under reverse charge.

(ii) Mr. X has taken OIDAR services on payment basis, GST shall be payable by Mr. X if he is registered but if he is unregistered, Person providing OIDAR services shall collect GST from him and shall pay to the Government.

(iii) Mr. X has taken OIDAR services free of cost for personal or business purpose, in this case no GST is payable either by Mr. X or by the person providing OIDAR services.

2. Goods Transport Agency

In case of good transport agency, they have the option to pay tax under reverse charge or under forward charge and for this purpose they have to give declaration. If they have opted for forward charge, reverse charge shall not applicable for them. Declaration shall be given in the manner given below:

I/we have taken registration under GST and have exercised the option to pay tax on services of GTA in relation to transport of goods supplied by us during the Financial Year _____ under forward charge.

Reverse charge shall be applicable only if GTA has given services to any of the following persons. Further under reverse charge tax shall be paid by the recipient of GTA service and Recipient of GTA service is the person who pays/is liable to pay freight for transportation of goods by road in goods carriage, located in the taxable territory.

- (a) any factory
- (b) any society
- (c) any co-operative society
- (d) any body corporate established, under any law
- (e) any partnership firm
- (f) any casual taxable person which is registered under GST.
- (g) any person registered under GST (except Govt. Department)

If services has been provided to **unregistered individual or unregistered HUF or unregistered casual taxable person**, in that case reverse charge is not applicable (further it is exempt from GST).

Example

(i) ABC Ltd., consignor is in Delhi and consignee XYZ Ltd. is in UP and GTA, Z Ltd. is in Delhi and freight is to be paid by ABC Ltd., in this case reverse charge is applicable and GST shall be paid by ABC Ltd. and if freight is to be paid by XYZ Ltd., reverse charge shall be applicable and XYZ Ltd. has to pay GST under reverse charge.

If the person making payment of freight is individual or HUF who is unregistered, it will be exempt from GST.

(ii) ABC Ltd., consignor is in Delhi and consignee Mr. X is in U.P. who is unregistered and GTA, Z Ltd. is in Delhi and freight is to be paid by Mr. X, in this case it will be exempt from GST.

Illustration 1: ABC Ltd., a carrying and forwarding agency, started its operations on October 1, 2024. It utilized the services of Big Carriers, a goods transport agency, in the month of November, 2024. Big Carriers have communicated to ABC Ltd. that GST on the services provided by them is required to be paid by ABC Ltd. under reverse charge.

You are required to critically examine stand taken by each of the two parties to arrive at the final conclusion.

Solution: In case of goods transport agency, reverse charge is applicable and GST shall be paid by the service recipient i.e. ABC Ltd. and not by Big Carriers., hence ABC Ltd. has to pay GST to the Government.

Examination MAY – 2023 (3 Marks)

Question 8(a)

GTA services provided to an unregistered person (including unregistered casual taxable person) are exempt from GST by virtue of Entry 21 A of GST Laws. Discuss the validity of above statement.

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

Examination NOV 2020 (2 Marks)

Question 6 (b).

'Veer Transport', a registered Goods Transport Agency (GTA), transported goods by road of Dilip & Company, a sole proprietary firm which is not registered under GST. Discuss tax consequences.

Answer:

Since GTA services have been provided to an unregistered sole proprietor, no GST shall be payable.

3. Legal Services:

Reverse charge shall be applicable in case of legal services provided by an individual advocate including a senior advocate or firm of advocates and services should given to Any business entity registered under GST.

4. Services supplied by an Arbitral Tribunal

Reverse charge shall be applicable if arbitral tribunal has given services to any business entity registered under GST.

Illustration 2: Vakil & Vakil, a firm of lawyers rendered legal advice to Mr. B, an architect, and MNO Ltd., an advertising agency during December, 2024. Who is liable to pay GST in this case? Will your answer be different if Mr. B and MNO Ltd. sought legal advice from Mr. A, a lawyer?

Aggregate Turnover of Mr. B and MNO Ltd. are exceeding prescribed limit in the preceding year.

Solution: In case of taxable services provided to any business entity by an individual advocate or a firm of advocates by way of legal services, person liable to pay GST is the person receiving such service.

Further, services provided by an individual advocate or a partnership firm of advocates by way of legal services to a business entity with a turnover up to prescribed limit in the preceding financial year are exempt from GST.

In the given case, turnover of services of both Mr. B and MNO Ltd. is more than prescribed limit in the preceding financial year and hence, legal services provided by Vakil and Vakil (firm of advocates) or Mr. A (individual lawyer) during December, 2024 will be taxable.

Therefore, GST will be payable by service receivers, Mr. B and MNO Ltd. irrespective of whether the legal advice is sought from a firm of lawyers or from Mr. A, an individual lawyer.

Illustration 3: Gupta Associates, a firm of lawyers rendered legal Advice to Mr. Das, an Architect and Surya Ltd. an Advertising agency during December, 2024.

Who is Liable to pay GST in this Case? Will your answer be different if Mr. Das and Surya Ltd. sought Legal Advice from Mr. Dev a Lawyer.

Aggregate Turnover of Mr. Das and Surya Ltd. are exceeding prescribed limit in the preceding year.

Solution:

In case of taxable services provided to any business entity by an individual advocate or a firm of advocates by way of legal services, GST is payable under reverse charge, however services provided by an individual advocate or a partnership firm of advocates by way of legal services to a business entity with a turnover up to prescribed limit in the preceding financial year are exempt from GST.

In the given case, turnover of both Mr. Das and Surya Ltd. is more than prescribed limit in the preceding financial year and also they are business entity hence legal services provided by Gupta Associates (firm of advocates) during December, 2022 shall be taxable and service recipient will be required to pay tax under reverse charge.

It will not make any difference if services have been taken from Mr. Dev an individual lawyer.

5. Sponsorship Services

Reverse charge shall be applicable in case of sponsorship services provided such services are given to any body corporate or partnership firm.

Example

(i) Sponsorer is in Delhi and organizer of programme is also in Delhi and it is company or partnership firm, Reverse charge is applicable and GST shall be paid by the sponsorer.

(ii) If programme has been sponsored by an individual/HUF, the organizer shall collect GST from individual/HUF and shall pay it to the Government.

Illustration 4: Mr. A sponsored a dance competition organized by 'Taal Academy', a dance school run by an individual. The dance competition was named as 'Mr. A's Dance Show' by 'Taal Academy'. Who is liable to pay GST in this case? Will your answer be different if 'Taal Academy' is run by a partnership firm?

Solution: In case of service provided by way of sponsorship to any body corporate or partnership firm, person liable to pay GST is the person receiving such service i.e. reverse charge is applicable, but if services are given to any other person, reverse charge is not applicable.

In the given case sponsorship service is provided to an individual, the person liable to pay GST will be service provider i.e., 'Taal Academy'. Further, since the status of service receiver is relevant for determining as to who would pay GST, status of service provider is immaterial. Therefore, as long as sponsorship service is rendered to an individual, GST will be payable by service provider i.e., 'Taal Academy' irrespective of whether the same is run by an individual or a partnership firm.

6. Services By Government or Local Authority

Reverse charge shall be applicable in case of services supplied by the Central Government, State Government, Union territory or local authority to a business entity but reverse charge is not applicable in the following cases:

- (1) services by the Department of Posts.
- (2) services by 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) transport of goods or passengers.
- (5) renting of immovable property given to unregistered person (i.e. reverse charge shall be applicable only if the service has been given to a registered person)

Example: Mr. X has sent one speed post through post office and has paid ₹ 30 + GST, in this case reverse charge is not applicable whether Mr. X is registered or unregistered.

Example: Mr. X purchased one railway ticket 1st class ₹ 1,000 + GST, in this case reverse charge is not applicable whether Mr. X is registered or unregistered.

Example: Mr. X has taken one building on rent from MCD ₹ 10,000 p.m. + GST, in this case reverse charge not applicable if he is unregistered but reverse charge applicable if he is registered.

Examination MAY 2018 (3 Marks)

Question 9 (b)

State with reason, person liable to pay GST in each of following independent cases. Assume recipient is located in taxable territory.

(i) Rental income received by Tamil Nadu State Government from renting an immovable property to Mannappa Pvt. Ltd. which is registered under GST.

Answer: Reverse charge shall be applicable in case of supply of renting of immovable property by Governments or Local Authority provided service recipient is registered under GST. In the given case service recipient is registered under GST, hence reverse charge shall be applicable.

(ii) Legal Fees received by Mr. Sushrut, a senior advocate, from M/s. Tatva Trading Company having turnover of ₹50 lakhs in preceding F.Y.

Answer: Legal services given by senior advocate shall be exempt if it is given to business entity which is unregistered but if it is registered, service shall be taxable and reverse charge shall be applicable.

7. Reverse charge shall be applicable in case of service by way of **renting of residential dwelling to a registered person.**

8. Reverse charge shall be applicable in case of **Long term lease of land** (30 years or more) by any person against consideration in form of upfront amount (called as premium, salami, cost, price, development charges or by any other name) and/or periodic rent for construction of a project by a promoter

9. Reverse charge shall be applicable in case of **services supplied by a Director** of a company/body corporate to the said company/body corporate.

If the director is an employee, in that case it will be covered in Schedule III and it will not be considered to be supply.

10. Reverse charge shall be applicable in case of Services supplied by an insurance agent to any person carrying on insurance business.

11. Reverse charge shall be applicable in case of services provided by a recovery agent to a banking company/financial institution or a non-banking financial company.

12. **Services by Music Composer, Photographer, Artist, Author etc.** Reverse charge shall be applicable in case of Supply of services by a music composer, photographer, artist, author etc. for transfer or permitting the use of a copyright relating to original dramatic, musical or artistic works to a **Music Company, Producer, Publisher etc.**

However, an author can choose to pay tax under forward charge if he has taken registration under the CGST Act and filed a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option and also he makes a declaration on the invoice issued by him in prescribed form to the publisher.

Examination JAN 2021 (5 Marks)

Question 8(a)

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 the provisions of the 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.

Examination NOV 2020 (4 Marks)

Question 6 (b).

Mr. Kamal Jain, an unregistered famous author, received ₹20 lakhs 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. Discuss whether forward charge shall be applicable or reverse charge shall be applicable.

Answer:

Reverse charge shall be applicable in respect of any services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like and recipient shall be liable to pay tax under reverse charge.

The author has the option to pay GST under normal charge but he shall not withdraw the said option within a period of 1 year from the date of exercising such option and he makes a declaration in the prescribed form in annexure -I and also on the invoice issued by him in form GST Inv-I to the publisher.

In the given case since in the question it is not mentioned whether author shall give declaration and author is an unregistered person hence PQR publications shall pay GST under reverse charge.

13. Reverse charge shall be applicable in case of supply of services by the members of Overseeing Committee to Reserve Bank of India (RBI).

14. Reverse charge shall be applicable in case of services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership (LLP) firm to bank or nonbanking financial company (NBFCs).

15. Reverse charge shall be applicable in case of services provided by business facilitator to a banking company.

16. Reverse charge shall be applicable in case of services provided by an agent of business correspondent to business correspondent.

17. Services provided by way of Supply of Security Personnel

Reverse charge shall be applicable in case of security services provided by any person other than a body corporate and further services are provided to a registered person.

Reverse charge shall not be applicable if services have been given to the Govt. or services have been given to a person who has opted for composition scheme.

Example

1. Mr. X is providing security services to ABC limited (registered under GST), in this case reverse charge is applicable.

2. Mr. X is providing security services to ABC limited (not registered under GST), in this case reverse charge is not applicable.

3. Services are given by ABC limited to Mr. X or services are given by ABC limited to XYZ limited, reverse charge is not applicable.

18. Services provided by way of Renting of any Motor Vehicle

Service by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient are taxable at the following two rates:

- (i) @ 5% (2.5% CGST+2.5% SGST/UTGST or 5% IGST) provided supplier of services has taken only the limited ITC. In this case reverse charge shall be applicable.
- (ii) @ 12% (6% CGST+6% SGST/UTGST or 12% IGST) where supplier of services opts to pay GST at said rate. In this case, there is no restriction on availing ITC on goods or services used in supplying renting of motor vehicles service by the supplier of service. In this case reverse charge not applicable
- (iii) Renting of motor vehicle without fuel, in this case rate of GST shall be 18% and reverse charge is not applicable.

Reverse charge shall be applicable if such services are given by any person, other than a body corporate and services are given to a body corporate.

Examples on RCM for renting of motor vehicle

1. Mr. X a registered dealer is providing renting of motor vehicle services without cost of fuel, in this case reverse charge is not applicable and the supplier shall charge tax @ 18% (because RCM is not applicable in case of renting of motor vehicle without cost of fuel.)
2. Mr. X a registered dealer is providing renting of motor vehicle services with cost of fuel and GST is payable @12%, in this case reverse charge is not applicable because GST is being charged @ 12%.
3. Mr. X a registered dealer is providing renting of motor vehicle services with cost of fuel and GST is payable @ 5%, in this case reverse charge is applicable because GST is being charged @ 5%. However supply should be given to a body corporate. If supply given to any other person reverse charge is not applicable.
4. ABC Ltd. a registered dealer is providing renting of motor vehicle services with cost of fuel and GST is payable @ 5%, in this case reverse charge is not applicable because services have been provided by a body corporate.

19. Services of lending of securities under Securities Lending Scheme

If any person has provided services of lending of securities under Securities Lending Scheme, 1997 of Securities and Exchange Board of India, in that case reverse charge shall be applicable and GST shall be paid by the person who borrows the securities.

Question 1: Explain TOS of services in case of reverse charge

Answer: TOS of services in case of reverse charge. Section 13(3)

TOS shall be earliest of the following dates:

- (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.
- (b) the date immediately following sixty days from the date of issue of invoice.

If it is not possible to determine the time of supply in the manner given above, the time of supply shall be the date of entry in the books of account of the recipient of supply.

Examination NOV 2019 (4 Marks)

Question.6. (b)

Know & Grow Publishers, a registered dealer in India, paid an advance ₹ 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1) (a) of the Copyright Act, 1957, of his original literary work on 5-9-2024. It made the balance payment ₹ 1,50,000 on 12-12-2024. You are required to determine the time of supply, if Mr. Ganatra (opted for reverse charge) raised the invoice on:

- (i) 6-10-2024
- (ii) 17-12-2024

Answer: As per section 13(3), Time of supply of services in case of reverse charge shall be earlier of the following:

1. The date of payment or
 2. The date immediately following 60 days from the date of issue of invoice.
- (i) (a) TOS for ₹ 50,000 when invoice issued on 6th October 2024
In the given case TOS shall be earlier of the following:
1. 05th September 2024
 2. 6th December 2024 (Oct -25, Nov – 30, December – 5)

Hence, TOS shall be 5th September 2024.

(i) (b) TOS for ₹ 1,50,000 when invoice is issued on 6th October 2024

In the given case TOS shall be earlier of the following:

1. 12th December 2024
2. 6th December 2024 (Oct -25, Nov – 30, December – 5)

Hence, TOS shall be 6th December 2024.

(ii) (a) TOS for ₹ 50,000 when invoice issued on 17th December 2024

In the given case TOS shall be earlier of the following:

1. 05th September 2024
2. 16th February 2025 (December – 14, January – 31, Feb - 15)

Hence, TOS shall be 5th September 2025

(ii) (b) TOS for ₹ 1,50,000 when invoice issued on 17th December 2024

In the given case TOS shall be earlier of the following:

1. 12th December 2024
2. 16th February 2025 (December – 14, January – 31, Feb - 15)

Hence, TOS shall be 12th December 2024.

Examination MAY 2018 (3 Marks)

Question 9 (a)

On 4th September, 2024, V.R. Mehman a famous music composer, received, ₹3 crore of consideration from Zilmil Music Co. Ltd. for sale of copyright of his original music album. He finished his work & made available the CD to the music company on 20th July, 2024 & raised the invoice on 24th July, 2024. What will be the time of supply as per CGST Act, 2017?

Note: Above Service is taxable under reverse charge basis.

Answer: As per section 13(3), Time of supply of services in case of reverse charge shall be earlier of the following:

1. The date of payment or
2. The date immediately following 60 days from the date of issue of invoice.

In the given case TOS shall be earlier of the following:

1. 4th September 2024
2. 24th September 2024 (July -7, August – 31, September – 23)

Hence, TOS shall be 4th September 2024.

Question 2: Explain issue of Payment Voucher

Answer: Payment voucher section 31(3)(g) / Rule 52.

A registered person who is liable to pay tax under reverse charge shall issue a payment voucher at the time of making payment to the supplier.

A payment voucher shall contain the following particulars, namely:—

- (a) name, address and Goods and Services Tax Identification Number of the supplier and recipient, if registered;
- (b) serial number / date of issue
- (c) description of goods or services;
- (d) amount paid / rate of tax / amount of tax.
- (e) place of supply along with the name of State and its code, in case of a supply in the course of inter-State trade or commerce; and
- (f) signature / digital signature

Illustration 5:

Determine the time of supply from the given information. (Assuming 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 (May 27, June 30, July 3) will be the time of supply, being the earlier of the two stipulated dates namely, date of payment and date immediately following 60 days since issue of invoice.

Illustration 6: Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

S. No.	payment for receipt of services	Issue of invoice
(i)	10.08.2024	29.06.2024
(ii)	10.08.2024	01.06.2024
(iii)	Part payment made on 30.06.2024 and balance amount paid on 01.09.2024	29.06.2024
(iv)	Payment is entered in the books of account on 28.06.2024 and debited in recipient's bank account on 30.06.2024	01.06.2024
(v)	Payment is entered in the books of account on 30.06.2024 and debited in recipient's bank account on 26.06.2024	29.06.2024

Answer:

S. No.	payment for receipt of services	Issue of invoice	Date immediately following 60 days from invoice	Time of supply of goods
(i)	10.08.2024	29.06.2024	29.08.2024 (June-1, July-31, Aug-28)	10.08.2024
(ii)	10.08.2024	01.06.2024	01.08.2024 (June-29, July-31)	01.08.2024
(iii)	Part payment made on 30.06.2024 and balance amount paid on 01.09.2024	29.06.2024	29.08.2024 (June-1, July-31, Aug-28)	30.06.2024 for part payment and 29.08.2024 for balance amount
(iv)	Payment is entered in the books of account on 28.06.2024 and debited in recipient's bank account on 30.06.2024	01.06.2024	01.08.2024 (June-29, July-31)	28.06.2024 (i.e. when payment is entered in the books of account of the recipient)
(v)	Payment is entered in the books of account on 30.06.2024 and debited in recipient's bank account on 26.06.2024	29.06.2024	29.08.2024 (June-1, July-31, Aug-28)	26.06.2024 (i.e. when payment is debited in the recipient's bank account)

Question 3: Explain TOS in case of Associated Enterprises.

Answer: Associated enterprise

In case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be the date of entry in the books of account of the recipient of supply or the date of payment, whichever is earlier.

As per section 2(12), "**associated enterprises**" shall have the same meaning as assigned to it in section 92A of the Income-tax Act, 1961.

Question 4: Explain TOS in case of Reverse charge of goods.**Answer: Receipt of goods that are taxable under reverse charge [Section 12(3)]**

The time of supply of goods on which GST is payable on reverse charge basis under section 9 of CGST Act is determined in terms of section 12(3), as follows:

The time of supply for such goods will be the earliest of the following dates:

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

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

Illustration 7: 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.)

Illustration 8: Determine the time of supply from the given information.

May 4 - Supplier invoices goods taxable on reverse charge basis to Pillar & Co. (30 days from the date of issuance of invoice elapse on June 3)

June 12 - Pillar & Co receives the goods, which were held up in transit

July 3 - Payment made for the goods

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

PRACTICE PROBLEMS

1. 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 the Central Government to a registered business entity.

Answer:

- (a) Since GST on services provided by an arbitral tribunal to any business entity is payable under reverse charge, in the given case, GST is payable by the recipient - business entity.
- (b) GST on sponsorship services provided by any person to any body corporate or partnership firm is payable under reverse charge. Since in the given case, services have been provided to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier – company.
- (c) GST on services supplied by Central Government, 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.

2. Vivek Goyal, director 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.

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

Answer:

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

4. 'Safe Trans', a Goods Transport Agency, transported goods of Kapil & Co., a partnership firm, which is not registered under GST. Determine the person liable to pay tax in this case.

Answer:

In case of services provided by Goods Transport Agency (GTA) in respect of transportation of goods by road to, inter alia, any partnership firm whether registered or not under any law; GST is liable to be paid by such partnership firm. Therefore, in the given case, Kapil & Co. is liable to pay GST under reverse charge.

5. Legal Fees is received by Sushrut, an advocate, from M/s. Tatva Trading Company having turnover of ₹ 50 lakh in preceding F. Y. Who is the person liable to pay tax in this case?

Answer:

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

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

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

(a) Services supplied by an insurance agent to an Insurance Company.

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

(c) Security services (services provided by way of supply of security personnel) provided to a registered person.

Answer:

(a) GST on services supplied by an insurance agent to any person carrying on insurance business located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – Insurance Company.

(b) GST on services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company located in the taxable territory is payable under reverse charge. However, since, in the given case, services are being supplied by a recovery agent to a car dealer, GST is payable under forward charge by the service provider - recovery agent.

(c) GST on security services (services provided by way of supply of security personnel) provided to a registered person, located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered person receiving the services.

Q7. A firm of lawyers issues invoice for services to ABC Ltd. on 17th Feb. The payment is contested by ABC Ltd. on the ground that on account of negligence of the firm, the company's case was dismissed by the Court for non-appearance, which necessitated further appearance for which the firm is billing the company. The dispute drags on and finally payment is made on 3rd November.

Identify the time of supply of the legal services.

Note: Legal services are taxable on reverse charge basis.

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

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

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

Q8. Kabira Industries Ltd engaged the services of a transporter for road transport of a consignment on 17th June and made advance payment for the transport on the same date, i.e., 17th June. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July. Invoice was received from the transporter on 22nd July. What is the time of supply of the transporter's service?

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

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

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

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

MULTIPLE CHOICE QUESTIONS

1. GST is payable by the recipient under reverse charge on:

- (a) Sponsorship services
- (b) Transport of goods by rail
- (c) Transport of passengers by air
- (d) All of the above

2. GST is payable by recipient of services in the following cases:-

- (i) Services provided by way of sponsorship to ABC Ltd.**
- (ii) Services supplied by a director of Galaxy Ltd. to Mr. Krishna.**
- (iii) Services by Department of Posts by way of speed post to MNO Ltd.**
- (iv) Services supplied by a recovering agent to SNSP Bank**

- (a) (i) & (iii)
- (b) (i) & (iv)
- (c) (ii) & (iii)
- (d) (ii) & (iv)

3. Which of the following statement is not correct?

- (a) Reverse charge shall be applicable in case of renting of immovable property by the Govt. to a business entity who is registered under GST
- (b) Reverse charge shall be applicable in case of renting of immovable property by the Govt. to a business entity who is not registered under GST
- (c) Renting of immovable property by the Govt. to a person other than business entity shall be exempt from GST
- (d) None of these

4. Reverse charge shall be applicable

- (a) If Govt. has provided security services to a business entity which is registered under GST
- (b) If Govt. has provided renting of immovable property services to a business entity which is registered under GST
- (c) If Govt. has provided services in relation to an aircraft or vessel inside or outside the precincts of a port or airport
- (d) (a) & (b)
- (e) (a) & (c)
- (f) none of these

5. Which of the following statement is not correct?

- (a) If an individual advocate has given services to a business entity who is registered, reverse charge shall be applicable
- (b) If an individual advocate has given services to any other advocate, it will be exempt from GST
- (c) If an individual advocate has given services to a business entity who is unregistered, it will be exempt from GST
- (d) If an individual advocate has given services to a business entity who is unregistered, reverse charge shall be applicable

6. ABC Ltd. has sent certain goods through one GTA to XYZ Ltd. and freight is payable by XYZ Ltd. and both ABC Ltd. and XYZ Ltd. are registered under GST, in this case

- (a) normal charge shall be applicable and GTA will collect GST from ABC Ltd.
- (b) normal charge shall be applicable and GTA will collect GST from XYZ Ltd.
- (c) reverse charge shall be applicable and GST shall be paid by ABC Ltd.
- (d) reverse charge shall be applicable and GST shall be paid by XYZ Ltd.
- (e) none of these

7. In which case reverse charge is not applicable

- (a) Sponsorship services have been provided by ABC Ltd. to XYZ Ltd.
- (b) Sponsorship services have been provided by ABC Ltd. to one HUF

- (c) Sponsorship services have been provided by Mr. A to XYZ Ltd.
- (d) None of these

8. In which case reverse charge is not applicable

- (a) GTA transported goods and consignor ABC Ltd. and consignee XYZ Ltd. and freight payable by ABC Ltd.
- (b) GTA transported goods and consignor Mr. A and consignee XYZ Ltd. and freight payable by XYZ Ltd.
- (c) GTA transported goods and consignor Mr. A and consignee Mr. B and freight payable by Mr. A. Mr. A is not registered but Mr. B is registered
- (d) None of these

9. Which Statement from the following is correct

- (i) Reverse charge shall be applicable in respect of any taxable services provided or agreed to be provided by any person who is located in a non-taxable territory and received by any person located in the taxable territory.
- (ii) Reverse charge shall be applicable in respect of any non- taxable services provided or agreed to be provided by any person who is located in a non-taxable territory and received by any person located in the taxable territory.
- (iii) Reverse charge shall be applicable in respect of any taxable services provided or agreed to be provided by any person who is located in a taxable territory and received by any person located in the taxable territory.
- (iv) Reverse charge shall be applicable in respect of any taxable services provided or agreed to be provided by any person who is located in a taxable territory and received by any person located in the non- taxable territory.
- (a) only (i) is correct
- (b) only (i) & (ii) is correct
- (c) only (ii) & (iii) is correct
- (d) only (ii) & (iv)
- (e) all the above is correct.

10. Which Statement from the following is correct

- (i) Reverse charge shall be applicable in case of OIDAR services received by an unregistered person.
- (ii) Reverse charge shall be applicable in case of OIDAR services received by registered person.
- (iii) Reverse charge shall be applicable in case of OIDAR services, service provided by an unregistered person.
- (iv) Reverse charge shall be applicable in case of OIDAR services, service provided by registered person.
- (a) only (i) is correct
- (b) only (ii) is correct
- (c) only (ii) & (iii) is correct
- (d) only (ii) & (iv)
- (e) all the above is correct.

11. Which Statement from the following is correct

- (i) Reverse charge shall be applicable if sponsorship services have been provided to any body corporate or partnership firm.
- (ii) Reverse charge shall be applicable if sponsorship services have been provided to any person.
- (iii) Reverse charge shall be applicable if sponsorship services have been provided to an individual.
- (iv) Reverse charge shall be applicable if sponsorship services have been provided to HUF.
- (a) only (i) is correct
- (b) only (ii) is correct
- (c) only (iii) & (iv) is correct
- (d) only (i) & (iv)
- (e) all the above is correct.
- (f) (i),(iii) & (iv) is correct

12. Mr. A sponsored a dance competition organized by ‘Taal Academy’, a dance school run by an individual. The dance competition was named as ‘Mr. A’s Dance Show’ by ‘Taal Academy’. Who is liable to pay GST in this case?

- (a) Taal Academy (b) Mr. A
(c) Both (d) None of above

13. ABC Ltd., a carrying and forwarding agency, started its operations on October 1, 2024 and is registered under GST. It utilized the services of Big Carriers, a goods transport agency, in the month of November, 2024. GST shall be payable by

- (a) ABC Ltd. (b) Big Carriers
(c) Both (a) & (b) (d) None of above

14. ABC, a firm of lawyers rendered legal advice to Mr. B, an architect, and MNO Ltd., an advertising agency during December, 2024. Who is liable to pay GST in this case if aggregate turnover of Mr. B and MNO Ltd. are exceeding prescribed limit in the preceding year.

- (a) ABC (b) Mr. B only
(c) Both Mr. B & MNO Ltd. (d) MNO Ltd.

15. ABC, a firm of lawyers rendered legal advice to Mr. B, an architect, and MNO Ltd., an advertising agency during December, 2024. Who is liable to pay GST in this case if aggregate turnover of Mr. B is ₹15 lakh and MNO Ltd. ₹45 lakh in the preceding year.

- (a) ABC (b) Mr. B only
(c) Both Mr. B & MNO Ltd. (d) MNO Ltd.

16. Reverse charge shall be applicable

- (a) Services by the Department of Posts.
(b) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport
(c) Transport of goods or passengers
(d) in respect of services provided by Government or local authority except (a) , (b) & (c)
(e) in respect of services provided by Government or local authority except (a) & (b) only

17. Which Statement from the following is correct

- (a) Reverse charge shall be applicable in respect of services provided or agreed to be provided by an insurance agent to any person carrying on insurance business
(b) Reverse charge shall not be applicable in respect of services provided or agreed to be provided by an insurance agent to any person carrying on insurance business
(c) Reverse charge shall be applicable in respect of services provided or agreed to be provided by an insurance agent to any person carrying on any business
(d) Reverse charge shall be applicable in respect of services received by an insurance agent.

18. Which Statement from the following is not correct

- (a) Reverse charge shall be applicable in respect of services provided or agreed to be provided by an insurance agent to any person carrying on insurance business
(b) Reverse charge shall be applicable in respect of services provided by a recovery agent to a banking company or a financial institution or a non-banking financial company
(c) Reverse charge shall be applicable in respect of services by the members of overseeing committee to Reserve Bank of India.
(d) Reverse charge shall be applicable in respect of services by Director to any partnership firm.

19. Which Statement from the following is correct

- (a) Reverse charge shall be applicable in respect of services supplied by individual Direct Selling Agents (DSAs) to bank or non-banking financial company (NBFCs).
(b) Reverse charge shall not be applicable in respect of services supplied by Individual Direct Selling Agents (DSAs) to bank or non-banking financial company (NBFCs).
(c) Reverse charge shall be applicable in respect of services supplied by Direct Selling Agents (a body corporate) to bank or non-banking financial company (NBFCs).
(d) Reverse charge shall be applicable in respect of services supplied by Direct Selling Agents (LLP) to bank or non-banking financial company (NBFCs).

20. Time of supply of services in case of reverse charge shall be earliest of the following dates:

(i) 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.

(ii) the date immediately following _____ days from the date of issue of invoice.

(a) 50 days (b) 30 days (c) 60 days (d) 40 days

21. Which of the following statements is correct

(a) a registered person who is liable to pay tax under reverse charge shall issue an invoice in respect of goods / services received by him from the supplier who is not registered on the date of receipt of goods / services.

(b) an unregistered person who is liable to pay tax under reverse charge shall issue an invoice in respect of goods / services received by him from the supplier who is not registered on the date of receipt of goods / services.

(c) a registered person who is liable to pay tax under reverse charge shall not issue an invoice in respect of goods / services received by him from the supplier who is not registered on the date of receipt of goods / services.

(d) a registered person who is liable to pay tax under normal charge shall issue an invoice in respect of goods / services received by him from the supplier who is not registered on the date of receipt of goods / services.

22. A service receiver has received invoice dated 29.06.2024 and made the payment on 10.08.2024 and reverse charge is applicable, in this case time of supply shall be

(a) 28.08.2024 (b) 29.06.2024 (c) 10.08.2024 (d) none of these

23. A service receiver has received invoice dated 01.06.2022 and made the payment on 10.08.2022 and reverse charge is applicable, in this case time of supply shall be

(a) 01.08.2024 (b) 10.08.2024 (c) 01.06.2024 (d) none of these

24. Part payment made on 30.06.2024 and balance amount paid on 01.09.2024 and date of issue invoice 29.06.2024, in this case TOS under reverse charge shall be

(a) 30.06.2024 for part payment and 29.08.2024 for balance payment

(b) 29.06.2024 for part payment and 01.09.2024 for balance payment

(c) 31.08.2024 for part payment and 01.09.2024 for balance payment

(d) none of these

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

(a) Date on which payment is made to the supplier

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

(c) Date of invoice

(d) Earlier of (a) and (b)

26. What is the time of supply of service where services are received from an associated enterprise located outside India?

(a) Date of entry of services in the books of account of recipient of service

(b) Date of payment

(c) Earlier of (a) & (b)

(d) Date of entry of services in the books of the supplier of service

Answer:

1. (a); 2. (b); 3.(b); 4. (d); 5. (d); 6. (d); 7. (b); 8. (c); 9. (a); 10. (b); 11. (a); 12. (a); 13. (a); 14. (c); 15. (d); 16. (d); 17. (a); 18. (d); 19. (a); 20. (c); 21. (a); 22. (c); 23 (a); 24. (a); 25.(d); 26.(c)

EXAMINATION QUESTION

NOV 2019

Question.6.**(8 Marks)**

Alfa Institute of Management (AIM), a private college, is registered under GST in the State of Punjab.

AIM provided the following particulars for the month of April 2024:

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 undergraduate courses recognised by Stan University, London under Dual Degree programmes	8,50,000
iii	Fee received from students of Competitive Exam training academy run by a Department of AIM	5,40,000
iv	Mess fees received from Students (Mess is run by AIM on its own)	3,20,000
v	Amount paid to Local Municipal Corporation for premises taken on rent for conducting coaching classes for Competitive Exams	50,000
vi	Legal Service availed from Top Care & Co., a Partnership firm of advocates, for the Competitive Exam training academy (Intra-state transaction)	20,000

Notes:

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both outward and inward supplies.

All the amounts given above are exclusive of taxes wherever applicable.

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

No opening balance of ITC under any head of tax.

From the information given above, you are required to calculate the Value of taxable Supply and net GST liability (CGST, SGST or IGST as the case may be) to be paid in cash, if any, by AIM for the month of April 2022.

Answer:

Computation of value of taxable supply and net GST liability to be paid in cash by AIM for April, 2024

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
Total value of taxable supply	13,90,000

Particulars	CGST (₹)	SGST (₹)
GST liability under forward charge @ 9% [Note-5]	1,25,100	1,25,100
<i>Services on which tax is payable under reverse charge:</i>		
Rent paid to Local Municipal Corporation [Note-6]	4,500	4,500
Legal services received from Top Care & Co., a partnership firm of advocates ¹	1,800	1,800

[Note-7]

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
Net GST liability payable in cash [A] + [B]	1,25,100	1,25,100

Notes:-

1. Services provided by an educational institution to its students are exempt. Further, educational institution means inter alia an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by an Indian law.
It has been assumed that the aggregate turnover of AIM in the preceding financial year exceeds ₹20 lakh. Therefore, tuition fee received by Punjab University, being an educational institution, is exempt, since it provides qualification recognised by Indian law.
2. Tuition fee received by Stan University is taxable since Stan University is not an educational institution as qualification provided by it is not recognised by Indian law.
3. Fee received from students of competitive exam training academy is taxable as Department of AIM is not an educational institution since competitive exam training does not lead to grant of a recognized qualification.
4. Catering services provided by educational institutions to its students are exempt. It has been assumed that the mess fees has been charged from the students pursuing the qualification recognised by law.
5. Since all the services provided are intra-State, CGST and SGST @ 9% is charged
6. GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.
7. GST is payable under reverse charge in case of legal services supplied by a firm of advocates to a business entity
8. The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

<u>NOV 2019</u>

Question.7. (b)

(4 Marks)

M/s Parnav Associates, a Partnership Firm, provided recovery agent service to Newtron Credits Ltd., an NBFC and a registered supplier, on 15th January 2025. Invoice for the same was issued on 7th February, 2025 and the payment was made on 18th April, 2025 by Newtron Credits Ltd, Bank account of company was debited on 20th April, 2025.

Determine the following:

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

Answer:

(i) In respect of services provided by a recovery agent to a banking company or a financial institution or a non-banking financial company, reverse charge shall be applicable i.e. the NBFC etc. shall pay tax.

In the given case Newtron Credits Ltd. an NBFC shall be liable to pay GST under reverse charge.

- (i) As per section 13(3), Time of supply of services in case of reverse charge shall be earlier of the following:

1. The date of payment or
2. The date immediately following 60 days from the date of issue of invoice.

In the given reverse charge shall be applicable and earlier of the following shall be the time of supply:

1. 18th April, 2025

2. 9th April, 2025 (i.e. Feb – 21, March – 31 April- 8)

MAY 2019

Question 6

(8 Marks)

Mr. Uttam Kumar a registered supplier of service in Kolkata, has provided following information for the month of October, 2024:

No.	Particulars	Amount in (₹)
1.	Intra-State taxable supply of service	6,40,000
2.	Amount received from Kapola Pvt. Ltd., for service provided to company. (He is a director in Kapola P. Ltd.), being Intra-State transaction.	5,00,000
3.	Paid legal fee to senior advocate for one legal matter within State, being Intra-State transaction.	50,000
4.	Amount received for service provided by him as a commentator to a local recognized sports body, being Intra-State transaction	1,20,000
5.	Amount received for acting as a coach in recreational activities relating to sports, from one local charitable entity registered under section 12AA or 12AB of the Income Tax Act, 1961, being Intra-State transaction.	30,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Uttam Kumar for the month of October, 2022
Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

All the amounts given are exclusive of CGST, SGST and IGST.

Solution:

Computation of Net GST Liability of Mr. Uttam Kumar

Output Tax

Intra-State supply of service

	6,40,000
Add: CGST @ 9%	57,600
Add: SGST @ 9%	57,600
Total	7,55,200

Legal fee paid to senior advocate

Reverse charge shall be applicable, Mr. Uttam shall be liable to pay GST under reverse charge and ITC of the same also be allowed.

	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
Total	59,000

Service provided to local recognized sports body

Service provided to local recognized sports body is not covered under exemption as local sports body is not recognized sports body hence GST shall be payable.

	1,20,000
Add: CGST @ 9%	10,800
Add: SGST @ 9%	10,800
Total	1,41,600

Service provided to local charitable entity

Service provided to local charitable entity is not covered under exemption hence GST shall be payable.

	30,000
Add: CGST @ 9%	2,700
Add: SGST @ 9%	2,700

Total 35,400

Computation of Net GST Liability

Particulars	CGST ₹
Output Tax	
Intra State supply	57,600
Services to local sports body	10,800
Services to Charitable Institution	2,700
Legal service taken from advocate (payable under reverse charge)	4,500
Total payable	75,600
Less: ITC (tax paid under reverse charge)	(4,500)
Net GST Liability	71,100

Computation of Net GST Liability

Particulars	SGST ₹
Output Tax	
Intra State supply	57,600
Services to local sports body	10,800
Services to Charitable Institution	2,700
Legal service taken from advocate (payable under reverse charge)	4,500
Total payable	75,600
Less: ITC (tax paid under reverse charge)	(4,500)
Net GST Liability	71,100

Note:

Service provided by Mr. Uttam to Kapola Pvt. Ltd. to company as director, in this case company is liable to pay GST under reverse charge and Mr. Uttam shall not charge GST.

NOV 2018**Question 8 (a)****(6 Marks)**

Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February 2025:

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 to 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 2025.

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

All the amounts given above are exclusive of taxes.

Solution: Computation of Net GST Liability of Mr. Thiraj for the month of February 2025

<u>Output Tax</u>	₹
Intra-state taxable supply of service is a taxable supply	5,20,000
Add: CGST @ 9%	46,800
Add: SGST @ 9%	46,800

Legal fee paid to a Lawyer located within the State taxable under reverse charge and service recipient shall be liable to pay tax. (Section 9(3) of CGST Act)	20,000
Add: CGST @ 9%	1,800
Add: SGST @ 9%	1,800
(ITC will be available of tax paid under reverse charge)	
Rent paid to the State Govt. for his office building taxable under reverse charge and service recipient shall be liable to pay tax if the service recipient is registered under GST. (Section 9(3) of CGST Act)	30,000
Add: CGST @ 9%	2,700
Add: SGST @ 9%	2,700
(ITC will be available of tax paid under reverse charge)	
Received for services towards conduct of exams to Loveall University, Pune (recognized by law) is a exempt service.	Nil

Computation of Net Tax Liability	CGST
Output tax (46,800+1,800+2,700)	51,300
Less: ITC-CGST	(4,500)
Net Tax Liability	46,800
	SGST
Output tax (46,800+1,800+2,700)	51,300
Less: ITC-SGST	(4,500)
Net Tax Liability	46,800

NOV 2018

Question 10 (c)**(3 Marks)**

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

- (i) Mr. Raghu provided sponsorship services to WE-WIN Cricket Academy, an LLP.
(ii) 'Safe Trans', a Goods Transport Agency, transported goods of Kapil & Co., a partnership firm which is not registered under GST.

Answer:

- (i) As per section 9(3) of CGST Act, reverse charge shall be applicable if sponsorship services is provided to body corporate or partnership firm but if such services is given to other person then reverse shall not be applicable, in the given case service is provided to LLP which is also similar to partnership firm and reverse charge shall be applicable and WE-WIN Cricket Academy shall be liable to pay GST under reverse charge.
(ii) As per section 9(3) of CGST Act, reverse charge shall be applicable in case a Goods Transport Agency services provided to any partnership firm whether registered or not, in the given case GTA services is provided to partnership hence Kapil & Co. is liable to pay GST under reverse charge.

NOV 2018

Question 9 (a)**(5 Marks)**

'M/s Maheshwari Corporation Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka having Turnover of ₹200 lakhs in the last financial year. It has furnished the following information for the month of June, 2024

Sr. No.	Particulars	Amount in (₹) Excluding GST
(1)	Services provided by way of Labour Contract for repairing a single residential unit otherwise than as a part of residential complex (It is an intra state transaction.)	1,30,000
(2)	Intra State Sale of Taxable Goods including 50,000 received as advance in April, 2024. The invoice for the entire sale value is issued on 15 th June, 2024	2,50,000
(3)	Goods Transport Services received from GTA, GTA is paying tax @ 12% (It is an	1,80,000

interstate transaction.)

- (4) Goods Purchased from unregistered dealer on 20th June, 2024 80,000
(Interstate purchases are worth, 45,000 and balance purchases was intrastate).

Compute Net GST Liability (CGST, SGST, IGST as the case may be) of M/s Maheshwari Corporation Pvt. Ltd. for the month of June, 2024 assume the rates of GST, unless otherwise specified, as under:

CGST- 9%, SGST-9%, IGST- 18%

Solution: Computation of Net GST Liability for the month of June 2024

₹

Output Tax

(1) Services provided by way of Labour Contract for repairing a single residential unit is a taxable supply	1,30,000
Add: CGST @ 9%	11,700
Add: SGST @ 9%	11,700
 (2) Intra State Sale of Taxable goods	 2,50,000
Add: CGST @ 9%	22,500
Add: SGST @ 9%	22,500

Input Tax

Input Service of GTA Service	1,80,000
Add: IGST @ 12%	21,600

Computation of Net Tax Liability

	CGST
Output Tax (11,700+22,500)	34,200
Less: ITC -IGST	(21,600)
Net Tax Liability	12,600

	SGST
Output Tax (11,700+22,500)	34,200
Less: ITC	Nil
Net Tax Liability	34,200

Notes:

1. No Tax shall be payable at the time of advance received for supply of goods and tax shall be paid at the time of supply or date of invoice.
2. In case of goods purchased from unregistered dealer there is no tax element was charged on the bill and reverse charge is also suspended for purchase of goods from unregistered dealer.
3. Reverse charge shall not be applicable in case GTA is charging tax on supply of service and credit shall be allowed to the recipient

MAY 2018

Question 8 (a)

(5 Marks)

M/s. Pradyumn Corporation Pvt. Ltd., a registered dealer of Mumbai furnishes you following information for the month of October, 2024.

S. No	Particulars	Amount (₹)
(i)	Intra state sale of Taxable goods (out of above ₹ 50,000 was received as advance in September, 2024)	2,00,000
(ii)	Goods purchased from unregistered dealer (purchase on 20th October, 2024) (10,000 in case of Inter State & Balance Intra-state)	50,000
(iii)	Received for services by way of labour contracts for repairing a single residential	50,000

	unit otherwise than as a part of residential complex (it is Intra-state transaction)	
(iv)	Professional fees paid to Ms. Udadhi located in a non-taxable territory (it amounts to Interstate transaction)	50,000

Compute GST liability (CGST, SGST or IGST, as the case may be) of M/s. Pradyumn Corporation Pvt. Ltd. for the month of October, 2024. Assume the rates of GST as under

CGST 9%

SGST 9%

IGST 18%

Note: Turnover of M/s. Pradyumn Corporation Pvt. Ltd. was 2 crore in the Previous Financial Year.

Solution: Computation of Net GST payable by M/s Pradyumn Corporation Pvt. Ltd. for the month of October 2024

Input tax Credit

₹

(i) Input tax credit in case of Goods Purchased from Unregistered is not allowed.

(ii) In case of Professional payment to Ms. Udadhi located in non-taxable territory reverse charge shall be applicable assuming service is rendered in taxable territory and tax credit shall be allowed.

$$\text{IGST} = 50,000 \times 18\% = 9,000$$

Output Tax

Intra-State sale of taxable goods

Sale Value	2,00,000
Add: CGST @ 9%	18,000
Add: SGST @ 9%	18,000
Total	2,36,000

Advance received is not taxable in the month of September.

Labour Contract Services

Value	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
Total	59,000

Computation of GST Liability

	CGST ₹
Output tax (18,000+4,500)	22,500

	SGST ₹
Output tax (18,000+4,500)	22,500

IGST of ₹9,000 is payable under reverse charge.

Computation of Net Tax

	CGST ₹
Output tax (18,000+4,500)	22,500
Less: ITC Import of service	(9,000)
Net Tax Payable	13,500

	SGST ₹
Output tax (18,000+4,500)	22,500
Net Tax Payable	22,500

IGST of ₹9,000 is payable under reverse charge.

Exemptions From GST

Section 11 CGST Act Notification No.12/2017 CTR dated 28.06.2017

Section 6 of IGST Act Notification No.9/2017 ITR dated 28.06.2017

1. Health Care Services (E-74)

Health care services are exempt from GST and health care services shall include diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India. **It will not include hair transplant or 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.

Services provided by way of transportation of a patient in an ambulance shall also be exempt from GST.

Services by para-medics are also exempt from GST. **Paramedics** are trained health care professionals, for example, nursing staff, physiotherapists, technicians, lab assistants etc.

Only services in **recognized systems of medicines in India** are exempt.

Following systems of medicines are the recognized systems of medicines in India:-

Allopathy, Yoga, Naturopathy, Ayurveda, Homeopathy, Siddha, Unani, any other system of medicine that may be recognized by Central Government (e.g. Reiki is not recognised)

No exemption shall be allowed to the services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU)/Critical Care Unit (CCU)/Intensive Cardiac Care Unit (ICCU)/Neo natal Intensive Care Unit (NICU)] having room charges exceeding Rs. 5000 per day to a person receiving health care services.

Services by a veterinary clinic in relation to health care of animals or birds is also exempt from GST. **(E-46)**

Health care services provided by the clinical establishments will include food supplied to the patients; and such food may be prepared by the canteens run by the hospitals or may be outsourced by the hospitals from outdoor caterers. Other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable [*Circular No. 32/06/2018 GST dated 12.02.2018*]. Supply of services other than healthcare services such as renting of shops, auditoriums in the premises of the clinical establishment, display of advertisements etc. will be subject to GST.

Illustration 1: 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.

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

(vii) Good Health Medical Centre is of the view that since it is a clinical establishment, all the service provided by it as well as all the services provided to it are exempt from GST.

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

Answer:

(i) Not Exempt. Since reiki healing is not a recognized system of medicine.

(ii) Exempt. 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.

(iii) Exempt. Health care service includes services by way of transportation of the patient to and from a clinical establishment. Thus, air ambulance service is also exempt.

(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.

(vi) Not Exempt. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are taxable.

(vii) If services have been provided by Clinical establishment etc., it will be exempt from GST but if services have been taken by such clinical establishment etc., it will be taxable.

Illustration 2: Well-Being Nursing Home has received the following amounts in the month of February, 2025 in lieu of various services rendered by it in the same month. You are required to determine its GST liability for February, 2025 from the details furnished below:-

Particulars	(₹)(in lakh)
i. Palliative care for terminally ill patients at patient's home (<i>Palliative care is given to improve the quality of life of patients who have a serious disease</i>)	30
ii. Services provided by cord blood bank unit of the nursing home	24
iii. Hair transplant services	100
iv. Ambulance services to transport critically ill patients from various locations to nursing home	12
v. Naturopathy treatments.	80
vi. Plastic surgery to restore anatomy of a child affected due to an accident. (Anatomy means study of the structure of human or animal bodies)	30
vii. Reiki healing treatments. <i>Such treatment is not a recognized system of medicine</i>	120
viii. Mortuary services	10

Note: All the amounts given above are exclusive of tax and Rate of Tax is CGST @ 9% and SGST @ 9%. Point of supply for the services rendered by Well-Being Nursing Home in the month of February, 2025 fall in the month of February itself.

Solution:

Computation of GST liability of Well-Being Nursing Home for the month of February, 2025

Particulars	(₹)(in lakh)
i. Palliative care for terminally ill patients at patient's home	-
ii. Services provided by cord blood bank	24.000
iii. Hair transplant services	100.000
iv. Ambulance services	-
v. Naturopathy treatments	-
vi. Plastic surgery to restore anatomy of a child affected due to an accident	-
vii. Reiki healing treatments	120.000
viii. Mortuary services	-
Value of taxable service	244.000
CGST @ 9% [₹ 244 lakh × 9%]	21.960
SGST @ 9% [₹ 244 lakh × 9%]	21.960

Examination MAY - 2023 (4 Marks)

Question 6(b)

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 ₹7000/- per day for 2 days.
- (ii) Operation theatre charges ₹5000/-
- (iii) Doctors Consultation Charges ₹8000/-
- (iv) Other services ₹4000/-

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. **(4 Marks)**

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.

MAY – 2023 Examination (4 Marks)**Question 6(b)**

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 ₹7000/- per day for 2 days.
- (ii) Operation theatre charges ₹5000/-
- (iii) Doctors Consultation Charges ₹8000/-
- (iv) Other services ₹4000/-

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.

2. Agriculture Related Services

No GST shall be leviable in connection with Agricultural Activities and such activities are as given below: (E-54)

- (a) ploughing of field, sowing of seed, cultivation, plant protection or testing, fumigating, tending, pruning, cutting, trimming, harvesting, drying, cleaning, sun drying, curing, sorting, grading, cooling, threshing or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market, e.g. Threshing in case of wheat crop.
- (b) supply of farm labour;
- (c) renting of agricultural land with or without a structure incidental to its use or leasing of agro machinery
- (d) loading, unloading, packing, storage or warehousing of agricultural produce;
- (e) agricultural extension services i.e. training or education in agriculture
- (f) services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce.
- (g) Carrying out an intermediate production process as job work in relation to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce. [E-55]

Clarification**Processed Tea and coffee**

Tea used for making the beverage, such as black tea, green tea, white tea is a processed product made in tea factories after carrying out several processes, such as drying, rolling, shaping, refining, oxidation, packing etc. on green leaf and is the processed output of the same. Thus, green tea leaves and not tea is the “agricultural produce” eligible for exemption available for loading, unloading, packing, storage of agricultural produce. Same is the case with coffee obtained after processing of coffee beans.

Jaggery

Similarly, processing of sugarcane into jaggery changes its essential characteristics. Thus, jaggery is also not an agricultural produce.

Pulses

Pulses commonly known as dal are obtained after dehusking or splitting or both. The process of dehusking or splitting is usually not carried out by farmers or at farm level but by the pulse millers. Therefore pulses (dehusked or split) are also not agricultural produce. However, whole pulse grains such as whole gram, rajma etc. are covered in the definition of agricultural produce.

Custom milling of paddy into rice

Milling of paddy is not an intermediate production process in relation to cultivation of plants. It is a process carried out after the process of cultivation is over and paddy has been harvested. Further, processing of paddy into rice is not usually carried out by cultivators, but by rice millers. Milling of paddy into rice also changes its essential characteristics.

Therefore, 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.

In view of the above, it is clarified that milling of paddy into rice is not eligible for exemption. [Circular No. 19/19/2017 GST dated 20.11.2017]. However as a special case services by way of loading, unloading, packing, storage or warehousing of rice has been exempted. [E-24]

Services by way of storage or warehousing of cereals, pulses, fruits and vegetables. (E-24B)

Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables which do not change or alter the essential characteristics of the said fruits or vegetables. (E-57)

Services by way of warehousing of minor forest produce. (E-24A)

Services by way of artificial insemination of livestock (other than horses). (E-55A)

Illustration 3: 'Big Agro Handlers' furnishes the following details with respect to the activities undertaken by them in the month of December, 2024:

Sl. No	Particulars	Amount in (₹)
(i)	Supply of farm labour	58,000
(ii)	Warehousing of biscuits	1,65,000
(iii)	Commission on sale of paddy	68,000
(iv)	Training of farmers on use of new pesticides and fertilizers developed through scientific research	10,000
(v)	Renting of vacant land to a stud farm	1,31,500
(vi)	Testing undertaken for seeds	1,21,500
(vii)	Leasing of vacant land to a poultry farm	83,500

Compute the GST Payable by 'Big Agro Handlers' for the month of December, 2024.

Assume that the point of supply in respect of all the activities mentioned above falls in the month of December, 2024 itself and all the amounts mentioned above are exclusive of GST. Rate of CGST @ 9% & SGST @ 9%.

Solution:**Computation of GST Payable by Big Agro Handlers for December, 2024**

Sl. No	Particulars	Amount in (₹)
(i)	Supply of farm labour	Nil
(ii)	Warehousing of biscuits	1,65,000
(iii)	Commission on sale of paddy	Nil
(iv)	Training of farmers on use of new pesticides and fertilizers developed through scientific research	Nil
(v)	Renting of vacant land to a stud farm	1,31,500
(vi)	Testing undertaken for seeds	Nil
(vii)	Leasing of vacant land to a poultry farm	Nil
	Total	2,96,500

	CGST @ 9%	26,685
	SGST @ 9%	26,685

Illustration 4: 'Rock Farmer Association' is engaged in providing services relating to agriculture. It furnishes the following details with respect to the activities undertaken by them in the month of December, 2024:

Sl. No.	Particulars	Amount (₹)
(i)	Cultivation of ornamental flowers	42,000
(ii)	Packing of tomato ketchup	54,000
(iii)	Warehousing of potato chips	1,65,000
(iv)	Sale of tea leaves (agricultural produce) on commission basis	68,000
(v)	Packaging of pulses in the agricultural field	42,000
(vi)	Training of farmers on use of scientific tools and agro machinery	10,000
(vii)	leasing of vacant land to a stud farm	1,63,000
(viii)	Grading of wheat according to its quality	42,000
(ix)	Testing of samples from plants for pest detection	1,21,500
(x)	Rearing of silk worms	83,500

Compute the GST Payable by 'Rock Farmer Association' for the month of December, 2024. Assume that the point of supply in respect of all the activities mentioned above falls in the month of December, 2024 itself and all the amounts mentioned above are exclusive of GST and Rate of SGST @ 9% and CGST @ 9%.

Solution:

Computation of GST payable by Rock Farmer Association for December, 2024

Sl. No.	Particulars	Amount (₹)
(i)	Cultivation of ornamental flowers	-
(ii)	Packing of tomato ketchup	54,000
(iii)	Warehousing of potato chips	1,65,000
(iv)	Sale of tea leaves (agricultural produce) on commission basis	-
(v)	Packaging of pulses	-
(vi)	Training of farmers on use of scientific tools and agro machinery	-
(vii)	leasing of vacant land to a stud farm	1,63,000
(viii)	Grading of wheat according to its quality	-
(ix)	Testing of samples from plants for pest detection	-
(x)	Rearing of silk worms	-
	Total	3,82,000
	CGST @ 9%	34,380
	SGST @ 9%	34,380

Illustration 5: Mr. X started rendering services w.e.f. 01.04.2024 and registered under GST on 01.04.2024 and has submitted information as given below: (CGST & SGST has been charged separately @ 9% each).

- Rendered services on 10.12.2024 to an agricultural farm relating to agricultural operation of ₹40,00,000.
- Renting of agro machinery on 05.06.2024 to an agricultural farm of ₹10,00,000.
- Advertisement to APL Ltd. on 10.10.2024 on T.V. ₹20,00,000.
- Renting of commercial property on 10.03.2025 for ₹25,00,000 to XYZ Ltd.
- Rendered service to ABC Ltd. for ₹25,00,000 on 10.03.2025, issued bill on 20.03.2025, received payment on 01.03.2025.

Compute GST Payable for F.Y. 2024-25.

Solution: Computation of GST Payable

Particulars	₹
Rendered services to an agricultural farm in relating to agricultural operation	Exempt

Renting of agro machinery	Exempt
Advertisement on T.V	20,00,000
Renting of commercial property	25,00,000
Rendered service to ABC Ltd.	25,00,000
Value of Taxable Supply	70,00,000
CGST Payable ₹70,00,000 x 9%	6,30,000
SGST Payable ₹70,00,000 x 9%	6,30,000

- Notes:** 1. Rendered services to an agricultural farm in relating to agricultural operation is exempt.
2. Renting of agro machinery exempt.

Illustration 6: Dukhiya Das is engaged in providing following services. With the help of information given below, determine which of the services provided by Dukhiya Das are exempt from GST:

- (1) Packaging of the onions purchased from village farmers into small packets of 1 kg each, in Dukhiya Das warehouse, so that same can be sold in a nearby city mall.
- (2) Warehousing of jaggery and tea.
- (3) Renting of warehouse for storage of agricultural produce.

Answer:

(1) Entry 54, *inter alia*, exempts the processes/operations carried out at an agricultural farm on the agricultural produce which do not alter the essential characteristics of agricultural produce, but make it marketable only for the primary market. In the given case, though the packaging of onions does not alter their essential characteristic, it makes them marketable for retail market and not for the primary market and further, such packaging is being done at the warehouse of Dukhiya Das and not at an agricultural farm. Hence, said services are not exempt.

(2) Entry 54, *inter alia*, exempts the warehousing of agricultural produce but jaggery and tea do not qualify as agricultural produce and it is taxable.

(3) Entry 54, *inter alia*, exempts the services of loading, unloading, packing, storage or warehousing of agricultural produce. Thus, warehousing of agricultural produce, *per se*, is exempt. However, in the given case, services being provided are not warehousing services but renting of immovable property services. Such services are not exempt.

3. Education Services

Educational Services (E-66)

(a) Services provided by an educational institution to its students, faculty and staff.

(b) Services provided to an educational institution relating to admission, or conduct of examination.

"Educational institution" means an institution providing services by way of,—

- (i) pre-school education and education up to higher secondary school or equivalent;
- (ii) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
- (iii) education as a part of an approved vocational education course

Clarification

Private ITIs qualify as an educational institution if the education provided by these ITIs is approved as vocational educational course. It implies that services provided by a private ITI only in respect of designated trades notified under Apprenticeship Act, 1961 are exempt from GST.

Services other than designated trades are liable to GST.

(c) services to an educational institution, by way of,—

- (i) transportation of students, faculty and staff;
- (ii) catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory;
- (iii) security or cleaning or house-keeping services performed in such educational institution;

Educational Institution for the purpose of point (i), (ii), (iii) means an institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

Example: Service provided by a private transport operator to Scholar Boys Higher Secondary School in relation to transportation of students to and from the school, shall be exempt from GST.

(d) Services received by way of supply of online educational journals or periodicals to an educational institution other than an institution providing services by way of—

- (i) pre-school education and education up to higher secondary school or equivalent; or
- (ii) education as a part of an approved vocational education course;

Example: Delhi University has taken online services of educational journals and periodicals from one university in USA and paid US dollar 1,00,000, in this case it is exempt from GST but if such services have been taken by a Pre School, it will be taxable.

(e) Services by way of giving on hire motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent. [E-22]

Example: ABC Ltd. a transporter has given one bus on rent to XYZ transporter who has further given it to a Pre School, in this case services from ABC to XYZ are exempt from GST also services by XYZ to pre school are exempt.

Clarification

(i) College Hostel Mess services

Educational institutions generally have mess facility for providing food to their students and staff. Such facility is (i) either run by the institution/ students themselves or (ii) is outsourced to a third person.

If the catering services is one of the services provided by an educational institution to its students, faculty and staff and the said educational institution is covered by the definition of 'educational institution' as given above, then the same is exempt.

If the catering services, i.e., supply of food or drink in a mess or canteen, is provided by anyone other than the educational institution, i.e. the institution outsources the activity to an outside contractor, then it is a supply of service to the concerned educational institution and attracts GST [Circular No. 28/02/2018 GST dated 08.01.2018].

Note: It may be noted that said services when provided to an educational institution providing pre-school education or education up to higher secondary school or equivalent are exempt from tax.

(ii) The Central and State Educational Boards shall be treated as 'Educational Institution' for the limited purpose of providing services by way of conduct of examination to the students.

(iii) Fees charged from prospective employers

Educational institutes such as IITs, IIMs charge a fee from prospective employers like corporate houses/MNCs, who come to the institutes for recruiting candidates through campus interviews in relation to campus recruitments. Such services shall also be liable to tax

(iv) Maritime courses approved by DG Shipping

Maritime Training Institutes and their training courses are approved by the Director General of Shipping which are duly recognised under the provisions of the Merchant Shipping Act, 1958.

Therefore, Maritime Training Institutes are educational institutions and the courses conducted by them are exempt [Circular No. 117/36/2019 GST dated 11.10.2019].

(v) Services provided by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee is also exempt from GST.

Illustration 7: Sarvshiksha, an Educational Trust, runs a play school, 'Tiny Tots' and a higher secondary school, 'Pinnacle Academy'. It also runs a coaching centre which provides coaching for IIT JEE entrance

examinations to meritorious students of economically weak background. It also provides coaching classes for examinations of Certified Public Accountant, USA.

With reference to the provisions of GST, examine the leviability of GST in the above case.

Solution: GST will not be leviable on services relating to education rendered by the play school (pre-school), 'Tiny Tots' and the higher secondary school, 'Pinnacle Academy' run by Sarvshiksha, the Educational Trust.

Since, coaching given by private coaching institutes/centres is not a part of a curriculum for obtaining recognized qualification, the same is not covered under Exemption. Therefore, coaching classes for IIT JEE entrance examination and CPA examinations will not be covered and thus, will be liable to GST. It is immaterial that coaching is given to economically weak students or for a national level entrance examination or an international examination.

Illustration 8: Industrial Training Institute (ITI), Manikpuri runs an approved vocational educational programme approved by prescribed authority. Revenue raised a demand for GST on the services provided by ITI Manikpuri.

Examine whether the demand raised by Revenue is correct in law.

Solution : Services by way of education as a part of an approved vocational education course are included in the Exemption, hence ITI Manikpuri will not be liable to pay GST.

Therefore, the demand raised by Revenue is not correct in law.

Example: 'Dharam Institute of Technology' (DIT), a private engineering college in M.P., offers post graduate engineering programmes. All the engineering courses including the distance learning post graduate engineering programme offered by DIT are recognised by the law [The All India Council for Technical Education (AICTE)]. Since DIT imparts education as a part of a curriculum for obtaining a qualification recognised by the Indian law, the same is an educational institution.

Example: 'Littleways Public School' is a school located in Tamil Nadu. The school has two branches – one is a pre-school and another is a higher secondary school affiliated to CBSE. A pre-school and a higher secondary school are educational institutions. Thus, Littleways Public School qualifies as an educational institution.

Example: 'Kaladrishti ITI, Gorakhpur is engaged in providing skill development courses in other than designated trades notified under the Apprentices Act, 1961. Since courses offered by Kaladrishti ITI are not in designated trades notified under the Apprentices Act, 1961, education provided by it is not approved as vocational educational course as defined above. Resultantly, it doesn't qualify as an educational institution.

Example: Little Millennium – a pre school in outskirts of Mumbai – has subscribed the online journals on child development and experiential learning. Services of supply of online educational journals or periodicals provided, *inter alia*, to an institution providing services by way of preschool education are not exempt.

Example: SM Transporters has provided services of transportation of students and faculty from their residence to school and back, to Pathwheels School - a higher secondary school. Services of transportation of students, faculty and staff provided, *inter alia*, to an institution providing services by way of education up to higher secondary school or equivalent are exempt.

Example: Shiksha College, offering degree courses, has to conduct its half yearly examination in November. For this purpose, it has paid the honorarium to paper setters and examiners (not on the rolls of Shiksha College) for their services. Further, it availed the printing services for printing the question papers (paper and content are provided by Shiksha College) for conducting examination. Services provided to an educational institution relating to admission to, or conduct of examination by, such institution are exempt. Therefore, services of paper setters and examiners and printing services availed by Shiksha College are exempt.

Example: Gyaani Public School – a higher secondary school – has hired Suvidha Services Ltd. for security and housekeeping services in the school. Security and housekeeping services provided within the premises of, *inter alia*, a higher secondary school are exempt. Therefore, said services provided by Suvidha Services Ltd. are exempt.

The school subsequently hired Suvidha Services Ltd. for providing the security and housekeeping services at School's Annual Day function organised in an auditorium outside the school campus. Security and housekeeping services provided to Gyaani Public School for School's Annual Day function organized outside the school campus will be taxable as only the security and housekeeping services performed **within the premises** of the higher secondary school are exempt.

Q. Indiana Engineering College, a recognised educational institution, has conducted an entrance test examination for various courses run by it and charged entrance fees from the applicants. Determine whether Indiana Engineering College is liable to pay GST on the same.

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

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

Examination DEC – 2021 (6 Marks)

Question 6. (a)

M/s AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October 2025

Particulars	Amount (₹)
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com	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 M/s AB Ltd. for the month of October 2025 with necessary explanations.

Solution:

Computation of value of taxable supplies of AB Ltd.

Particulars	Amount (₹)
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 (Note 1) 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

Value of taxable supplies	8,80,000
---------------------------	----------

Note:

1. It has been assumed that security services are performed in N Higher Secondary School.

4. Services by way of training or coaching in – (E-80)

(a) recreational activities relating to arts or culture, by an individual or

(b) sports by charitable entities registered under section 12AA or 12AB of the Income-tax Act.

Training or coaching relating to all forms of arts, culture is covered under this entry, namely, dance, music, painting, sculpture making, literary activities, theatre, etc. of any school, tradition or language.

5. Legal Services (E-45)**Legal Services**

Services provided by-

(a) a partnership firm of Advocates or an individual as an Advocate other than a Senior Advocate, by way of legal services to-

(i) an advocate or partnership firm of advocates providing legal services;

(ii) any person other than a business entity; or

(iii) a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration;

(iv) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity

Example:

(i) Mr. X an Advocate has given services to Mr. Y an advocate, In this case it is exempt from GST.

(ii) Mr. X an Advocate has given services to Mr. Y a business entity with turnover upto prescribed limit in the preceding year, In this case it is exempt from GST.

(iii) Mr. X an Advocate has given services to Mr. Y a business entity with turnover exceeding prescribed limit in the preceding year, In this case it is chargeable to GST.(Recipient shall pay tax under reverse charge)

(b) a Senior Advocate by way of legal services to-

(i) any person other than a business entity; or

(ii) a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration.

(iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity

Example:

(i) Mr. X an Senior Advocate has given services to Mr. Y an advocate, In this case it is exempt from GST provided turnover of Mr. Y is not exceeding prescribed limit in the preceding year otherwise it is taxable and Mr. Y will pay tax under Reverse Charge. (In this case no special exemption rather advocate receiving service shall also be treated like business entity)

(ii) Mr. X an Senior Advocate has given services to Mr. Y a business entity with turnover upto prescribed limit in the preceding year, In this case it is exempt from GST.

(iii) Mr. X an Senior Advocate has given services to Mr. Y a business entity with turnover exceeding prescribed limit in the preceding year, In this case it is chargeable to GST.(Recipient shall pay tax under reverse charge)

(c) an Arbitral Tribunal to –

(i) any person other than a business entity; or

(ii) a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration;

(iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.

"business entity" means any person carrying out business. The term business shall have the same meaning as given u/s 2(17) of CGST Act.

Example of services by Arbitral Tribunal / Advocates

Sl. No.	Service Provider	Service Receiver	Taxable/Exempt	Taxability
01.	Arbitral Tribunal	Mr. A	Exempt	
02.	Arbitral Tribunal	ABC Ltd. (Turnover ₹8 Lakh in the preceding year)	Exempt	
03.	Arbitral Tribunal	ABC Ltd. (Turnover ₹45 Lakh preceding year)	Taxable	Reverse Charge applicable and Service Recipient shall be liable to pay GST.
04.	Mr. A (An individual advocate)	Mr. B (an individual advocate)	Exempt	
05.	Mr. A (an individual advocate)	Mr. B	Exempt	
06.	Mr. A (An individual advocate)	ABC Ltd. (Turnover ₹7 Lakh in the preceding year)	Exempt	
07.	XYZ (Partnership firm of Advocates)	ABC Ltd. (Turnover ₹43 Lakh preceding year)	Taxable	Reverse Charge applicable and Service Recipient shall be liable to pay GST.

Example: Pyarelal & Co. has obtained registration under GST in the preceding financial year. In the current FY, it sought legal consultancy services for its business from Nyay Advocates – a partnership firm of advocates. The legal services so received by Pyarelal & Co. are not exempt because its aggregate turnover exceeds the threshold exemption limit of registration in the preceding financial year. Further, the tax on the said legal services is payable by Pyarelal & Co. under reverse charge.

Example:

- (i) Mr. X an Advocate has given services to Mr. Y an advocate, In this case it is exempt from GST.
- (ii) Mr. X an Advocate has given services to Mr. Y a business entity with turnover upto prescribed limit in the preceding year, In this case it is exempt from GST.
- (iii) Mr. X an Advocate has given services to Mr. Y a business entity with turnover exceeding prescribed limit in the preceding year, In this case it is chargeable to GST.(Recipient shall pay tax under reverse charge)

Example:

- (i) Mr. X an Senior Advocate has given services to Mr. Y an advocate, In this case it is exempt from GST provided turnover of Mr. Y is not exceeding prescribed limit in the preceding year otherwise it is taxable and Mr. Y will pay tax under Reverse Charge. (In this case no special exemption rather advocate receiving service shall also be treated like business entity)
- (ii) Mr. X an Senior Advocate has given services to Mr. Y a business entity with turnover upto prescribed limit in the preceding year, In this case it is exempt from GST.
- (iii) Mr. X an Senior Advocate has given services to Mr. Y a business entity with turnover exceeding prescribed limit in the preceding year, In this case it is chargeable to GST.(Recipient shall pay tax under reverse charge)

6. Services Provided by Government

Services by the Government

Services by the Central Government, State Government, Union territory or local authority shall be exempt from GST and such services may be:

Services by way of issuance of passport, visa, driving licence, birth certificate or death certificate, Services by way of registration required under any law, testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, including fire license, required under any law. **(E-61/47)**

The following services of the Government shall be taxable. (E-6)

(a) services by the Department of Posts, however, services by way of post card, inland letter, book post and ordinary post (envelopes weighing less than 10 grams) shall be exempt from GST. **(E-24C)**

(b) Services by Ministry of Railways (Indian Railways)

(c) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.

(d) transport of goods or passengers. or

(e) any service, other than services covered under entries (a) to (c) above, provided to business entities which are registered under GST e.g. renting of immovable property/advertisement by railways/security services/ Logistics Services etc. but if amount charged for such services is upto ₹5,000, it will be exempt, e.g. ABC limited is a business entity registered under GST and it has taken one of the specified services and paid ₹ 4,000, in this case, no GST is payable. **(E-9)**

Further if such services are given to business entities which is unregistered, it will be exempt from GST irrespective of the amount of services but exemption shall not be available for Renting of Immovable property, e.g. ABC limited is a business entity which is unregistered and it has taken one of the specified services and paid ₹ 40,000, in this case, no GST is payable. **(E-7)**

Services provided by the Central Government, State Government, Union territory or local authority to another Central Government, State Government, Union territory or local authority shall be exempt. **(E-8)**

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 upto ₹ 25,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance. **(E-9D)**

Services supplied by Central Government, State Government, Union territory to their undertakings or Public Sector Undertakings(PSUs) by way of guaranteeing the loans taken by such undertakings or PSUs from the banking companies and financial institutions. **(E-34A)**

Services provided by the Central Government, State Government, Union territory or local authority by way of **assignment of right to use natural resources to an individual farmer for cultivation of plants and rearing of all life forms of animals**, except the rearing of horses, for food, fibre, fuel, raw material or other similar products. **(E-63)**

Services provided by the Central Government, State Government, Union territory by way of **deputing officers after office hours or on holidays for inspection or container stuffing** or such other duties in relation to import export cargo on payment of Merchant Overtime charges. **(E-65)**

Services by Central Government, State Government or local authority in relation to a function covered under article 243G/243W of the Constitution. Such functions are given in eleventh/twelfth schedule of Constitution, e.g. Khadi, village and cottage industries, Drinking water, Roads, culverts, bridges, ferries, waterways and other means of communication, Libraries, Cultural activities, Markets and fairs.

Service by way of grant of alcoholic liquor licence, against consideration in the form of licence fee or application fee or by whatever name it is called.

Services provided by Govt. by way of tolerating non-performance of a contract by the supplier of service shall be exempt from GST. Thus, any consideration received by the Government from any person or supplier for non-performance of contract is exempted from tax. **(E-62)**

E.g. Public Works Department of Karnataka entered into an agreement with M/s. ABC, a construction company, for construction of its office complex for an agreed consideration. In the agreement dated 10th July, it was agreed by both the parties that M/s. ABC shall complete the construction work and handover the project on or before 31st December.

It was further agreed that any breach of the terms of contract by either party would give right to the other party to claim for damages or penalty. M/s. ABC did not complete the construction and did not handover the project by the specified date i.e., on or before 31st December. As per the contract, the Department asked for damages/penalty from M/s. ABC. Resultantly, M/s. ABC paid an amount of ₹ 10,00,000/- to the Department for non-performance of contract. Amount paid by M/s. ABC to Department is exempt from payment of tax.

Leasing Services

Upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable in respect of service by way of granting of long term lease of 30 years, or more) of industrial plots or plots for development of infrastructure for financial business, provided by the State Government Industrial Development Corporations or Undertakings or by any other entity having 20% or more ownership of Central Government, State Government, Union territory shall be exempt from GST. (E-41)

7. Service of transportation of passengers, with or without accompanied belongings, by— (E-15/17)

- (a) Stage Carriage shall be exempt but air conditioned stage carriage shall be taxable. If service are taken through ECO u/s 9(5), it will always be taxable whether non air- conditioned or air conditioned.
- (b) Railways shall be exempt but first class or air-conditioned class shall be taxable
- (c) metro, monorail or tramway shall be exempt
- (d) inland waterways shall be exempt
- (e) non-air conditioned contract carriage, for transportation of passengers shall be exempt but if service have been taken through ECO, it will be taxable whether air-conditioned or non air-conditioned.
- (f) If contact carriage is for tourism, conducted tour, charter or hire, it is always taxable whether air-conditioned or non air-conditioned.
- (g) public transport in a vessel within India shall be exempt but if it is predominantly for tourism purpose, it is taxable.
- (h) metered cabs or auto rickshaws (including e-rickshaws) shall be exempt but if service is given by ECO covered under section 9(5), it will be taxable.
- (i) air in ***economy class***, embarking from or terminating in an airport located in the State of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bagdogra located in West Bengal shall be exempt.

Normal public ships or other vessels that sail between places located in India would be covered in this entry even if some of the passengers on board are using the service for tourism because predominantly, such service is not for tourism purpose. However, services provided by leisure/charter vessels/a cruise ship, predominant purpose of which is tourism, would not be covered in here even if some of the passengers in such vessels are not tourists.

Example: Services by way of transportation of passengers [not predominantly for tourism purpose] on a vessel, from Kolkata to Port Blair (mainland to island) or Port Blair to Rose Island (inter island) is exempt.

Question: Mr. A boarded Rajdhani Express (fully AC train) from Kanpur on January 5, 2023 and disembarked at New Delhi. He hired a car from a local cab operator for the whole day on a lumpsum consideration and visited Delhi's historical monuments. In the night, he took the Metro to International Airport and boarded a flight to Mumbai. At Mumbai Airport, he used a radio taxi for going to his Hotel. Mr. A returned to Kanpur from a different train, Pushpak Express in sleeper class.

With reference to the provisions of GST, examine the leviability of GST on the various modes of travel undertaken by Mr. A.

Solution: In the given case, GST leviability on the various passenger transportation services used by Mr. A will be determined as under:

- (i) Rail travel in AC train – Not covered under exemption list and thus, liable to GST.
- (ii) Travel in a car rented for the whole day on a lumpsum consideration – Since travel by only metered cabs and auto rickshaw is covered in Exemption list, travel in a car rented for the whole day on a lumpsum consideration will be liable to GST.
- (iii) Metro travel – Covered in exemption and hence, not taxable.

- (iv) Air travel – Not covered under exemption and thus, liable to GST.
- (v) Radio taxi travel – Not covered in exemption and hence taxable.
- (vi) Rail travel in sleeper class - Covered in exemption and hence, not taxable.

8. Goods Transportation Services (E-18)

Services by way of transportation of goods-

- (a) by road except the services of—
 - (i) a goods transportation agency;
 - (ii) a courier agency;
- (b) by inland waterways.

Goods transport agency means any agency which provides service **in relation to transport of goods by road** and issues **consignment note. Individual truck/tempo operators who do not issue any consignment note are not covered within the meaning of the term GTA.** As a result, the services provided by such individual transporters who do not issue a consignment note will be exempt from GST.

Example: Hari Prasad owns a truck and operates it himself. He carries the goods booked for his truck without issuance of consignment note. Services provided by Hari Prasad by way of transportation of goods by road are exempt.

9. Services provided by a goods transport agency, by way of transport in a goods carriage of – (E-21)

- (i) agricultural produce;
- (ii) milk, salt and food grain including flour, pulses and rice;
- (iii) organic manure;
- (iv) newspaper or magazines registered with the Registrar of Newspapers;
- (v) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or
- (vi) defence or military equipments.

10. Services by way of transportation by rail or a vessel from one place in India to another of the following goods – (E-20)

- (i) agricultural produce;
- (ii) milk, salt and food grain including flour, pulses and rice;
- (iii) organic manure;
- (iv) newspaper or magazines registered with the Registrar of Newspapers;
- (v) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or
- (vi) defence or military equipments.

11. Services provided by a GTA to an unregistered individual, unregistered HUF or registered casual taxable person shall be exempt from GST. (E-21A)

Illustration 9: Answer with respect to applicability of GST in the following cases during the month of June, 2022:

- (i) Transport of milk, salt and food grain including flours, pulses and rice and newspaper registered with the Registrar of Newspapers by a goods transport agency in a goods carriage.
- (ii) Transportation of petroleum and petroleum products and household effects by railways.
- (iii) Transportation of postal mails or mail bags by a vessel.

Solution:

- (i) Exempt. Services provided by a goods transport agency by way of transportation of milk, salt and food grain including flours, pulses and rice and newspaper registered with the Registrar of Newspapers are exempt from GST.
- (ii) Taxable. Transportation of petroleum and petroleum products and household effects by railways are not exempt from GST.
- (iii) Taxable. Transportation of postal mails or mail bags by a vessel are not exempt from GST.

Illustration 10: Discuss whether GST is payable in respect of transportation services provided by Raghav Goods Transport Agency in each of the following independent cases:

Customer	Nature of services provided	Amount charged
A	Transportation of milk	₹ 20,000
B	Transportation of books on a consignment transported in a single goods carriage	₹ 3,000
C	Transportation of chairs for a single consignee in the goods carriage	₹ 600

Solution:

Customer	Nature of services Provided	Amount Charged	Taxability
A	Transportation of Milk	₹20,000	Exempt. Transportation of milk by goods transport agency is exempt.
B	Transportation of books on a consignment transported in a single goods carriage	₹3,000	GST is payable.
C	Transportation of chairs for a single consignee in the goods carriage	₹600	GST is payable.

Question: Babloo Transporters, a Goods Transport Agency, transported relief materials meant for victims of Kerala floods, a natural disaster, by road from Delhi to Ernakulam, for a company. 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 advise 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.

12. Banking and Financial Services (E-27)

Services by way of—

(a) **extending deposits, loans or advances** in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services);

(b) *inter se* **sale or purchase of foreign currency** amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers.

Interest: means interest payable in any manner in respect of any moneys borrowed or debt incurred (including a deposit, claim or other similar right or obligation) but does not include any service fee or other charge in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilized.

Service charges/ fees, documentation fees, broking charges, administrative charges, entry charges or such like fees or charges collected over and above interest on loan, advance or a deposit are not exempt and thus, represent taxable consideration.

13. Services provided by a banking company to Basic Saving Bank Deposit (BSBD) account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY). (E-27A)

14. Services to an acquiring bank, by any person in relation to settlement of an amount upto ₹ 2,000 in a single transaction transacted through credit card, debit card, charge card or other payment card service. “**Acquiring bank**” means any banking company, financial institution including non-banking financial company or any other person, who makes the payment to any person who accepts such card. (E- 35)

Examination MAY 2019 (6 Marks)**Question 6 (a)**

M/s. Apna Bank Limited as Scheduled Commercial Bank has furnished the following details for the month of August, 2024:

Particulars	Amount ₹ in Crores (Excluding GST)
Extended Housing Loan to its customers	100

Processing fees collected from its customers on sanction of loan	20
Commission collected from its customers on bank guarantee	30
Interest income on credit card issued by the bank	40
Interest received on housing loan extended by the bank	25
Minimum balance charges collected from current account and saving account holder	01

Compute the Value of Taxable supply. Give reasons with suitable assumptions.

Solution: Computation of value of taxable service and GST Payable by Apna Bank Limited.

Sl. No	Particulars	Amount (₹) in crores
(i)	Extended Housing Loan to its customers	Nil
(ii)	Processing fees collected from its customers on sanction of loan	20
(iii)	Commission collected from its customers on bank guarantee	30
(iv)	Interest income on credit card issued by the bank	40
(v)	Interest received on housing loan extended by the bank	Nil
(vi)	Minimum balance charges collected from current account and saving account holder	01
	Value of Taxable supply	91

Notes:

- Interest Income on credit card issued by the bank is not covered under exemption hence GST is payable.
- Extending Housing loan to its customer is covered under exemption hence no GST is payable.

Illustration 11: Robinson Bank Ltd. furnishes the following information relating to services provided and the gross amount received during the month of December, 2024. Compute the value of taxable service and GST payable:

(i) Amount of commission received for debt collection service	₹ 10,00,000.00
(ii) Discount earned on bills discounted	4,50,000.00
(iii) Inter se sale or purchase of foreign currency amongst banks	5,70,000.00
(iv) Charges received on credit card and debit card facilities extended	3,80,000.00
(v) Penal interest recovered from the customers for the delay in repayment of loan	2,60,000.00
(vi) Commission received for service rendered to Government for tax collection	6,00,000.00

(Show the workings with explanation wherever required)

Presume all the above amounts are inclusive of GST and also rate of CGST @ 9% and SGST @ 9%.

Solution: Computation of value of taxable service and GST Payable by Robinson Bank Ltd.

Sl. No	Particulars	Amount in (₹)
(i)	Amount of commission received for debt collection service	10,00,000
(ii)	Discount earned on bills discounted	Nil
(iii)	Inter se sale or purchase of foreign currency amongst banks	Nil
(iv)	Charges received on credit card and debit card facilities extended	3,80,000
(v)	Penal interest recovered from the customers for the delay in repayment of loan	Nil
(vi)	Commission received for service rendered to Government for tax collection	6,00,000
	Total	19,80,000
	Value of Taxable Services [19,80,000/118 x 100]	16,77,966.10
	CGST @ 9%	1,51,016.95
	Rounded off	1,51,017.00
	SGST @ 9%	1,51,016.95
	Rounded off	1,51,017.00

Notes:

1. Debt collection GST is taxable.
2. Discount is covered in exemption.
3. Inter se sale or purchase of foreign currency is covered in the exemption hence no GST.

Illustration 12: Euro Bank Ltd. furnishes the following information relating to services provided and the gross amount received (excluding GST):

Particulars	Amount (₹)
Interest on overdraft	5,00,000
Interest on loans with a collateral security	6,00,000
Interest on corporate deposits	10,00,000
Administrative charges (over and above interest) on loans, advances and deposits	6,00,000
Sale of foreign exchange to general public	15,00,000
Service charges relating to issuance of Certificates of Deposit (CDs)	20,00,000

Compute the value of taxable service and the GST liability of Euro Bank Ltd. considering the rate of CGST at 9% and SGST at 9%.

Solution: **Computation of value of taxable service and GST liability of Euro Bank Ltd.**

Particulars	Amount (₹)
Interest on overdraft	Nil
Interest on loans with a collateral security	Nil
Interest on corporate deposits	Nil
Administrative charges (over and above interest) on loans, advances and deposits	6,00,000
Sale of foreign exchange to general public	15,00,000
Service charges relating to issuance of CD	<u>20,00,000</u>
Value of taxable service	<u>41,00,000</u>
CGST @ 9% [$₹41,00,000 \times 9\%$]	3,69,000
SGST @ 9% [$₹41,00,000 \times 9\%$]	3,69,000

15. Services related to Charitable and Religious Activities (E-1)

Services provided by a Charitable Trust which is registered under section 12AA/12AB of the Income Tax Act shall be exempt from GST but only with regard to the following services:

1. Public Health by way of Care or counseling of terminally ill persons or persons with severe physical or mental disability or persons afflicted with HIV or AIDS or persons addicted to a dependence-forming substance such as narcotics drugs or alcohol. Public awareness of preventive health, family planning or prevention of HIV infection;
2. Advancement Of Religion, spirituality or yoga;
3. Advancement of educational programmes/skill development relating to (i) abandoned, orphaned or homeless children, (ii) physically or mentally abused and traumatized persons, (iii) Prisoners, (iv) persons over the age of 65 years residing in a rural area.
4. Preservation of environment including watershed, forests & wildlife.

If the Trust has provided any other service, it will be taxable e.g. grant of advertising rights to a person on the premises of the charitable/religious trust or on publications of the trust, or granting admission to events, functions, celebrations, shows against admission tickets or fee etc. would attract GST.

Arranging yoga and meditation camp by charitable trusts

Services provided by entity registered under section 12AA or 12AB of the Income-tax Act, 1961 by way of advancement of religion, spirituality or yoga are exempt.

Residential programmes or camps where the fee charged includes cost of lodging and boarding shall also be exempt as long as the primary and predominant activity, objective and purpose of such residential programmes or camps is advancement of religion, spirituality or yoga.

However, if charitable or religious trusts primarily provide accommodation or serve food and drinks against consideration, such activities will be taxable. Similarly, activities such as holding of fitness camps or classes such as those in aerobics, dance, music etc. will be taxable.

GST on services provided TO charitable trusts

Services provided to charitable or religious trusts are taxable.

Examination NOV 2018 (5 Marks)**Question 8 (a)**

JP Charitable institution, an entity registered under Section 12AA or 12AB of Income Tax Act, 1961 and registered in GST, has furnished you the following details with respect to the activities undertaken by it during the month of January, 2025. You are required to compute its Taxable Value of GST from the information given below, assuming the rate of GST is 18%. Brief reasoning should be part of your answer.

Particulars	Amount in (₹) (Excluding GST)
Membership fees received from members	10,00,000
Amount received for advancement of educational programs relating to abandoned or orphaned or homeless children	4,00,000
Amount received for renting of commercial property owned by Trust	5,00,000
Amount received for counselling of terminally ill person	3,50,000
Fees charged for Yoga Camp conducted by Trust	2,00,000
Amount received relating to preservation of Forest and Wildlife	6,00,000

Solution:**Computation of value of taxable supply of J P Charitable Institution for the month of January, 2025**

Particulars	Amount in (₹)
(i) Membership fees received from members	10,00,000
(ii) Amount received for advancement of educational programs relating to abandoned or orphaned or homeless children	Nil
(iii) Amount received for renting of commercial property owned by Trust	5,00,000
(iv) Amount received for counselling of terminally ill person	Nil
(v) Fees charged for Yoga Camp conducted by Trust	Nil
(vi) Amount received relating to preservation of Forest and Wildlife	Nil
Taxable Value	15,00,000
GST @ 18%	2,70,000

Charitable activities provided by an entity registered under section 12AA or 12AB of the Income-tax Act, 1961 are exempt.

Since JP Charitable Institution is registered under section 12AA or 12AB of the Income-tax Act, 1961 and activities mentioned at points (ii), (iv), (v) and (vi) are included in charitable activities, the same are exempt.

16. Religious ceremony / activities (E-13)

(a) conduct of any religious ceremony;

(b) renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust under section 12AA or 12AB of the Income-tax Act, 1961.

However, nothing contained in entry (b) of this exemption shall apply to-

(i) renting of rooms where charges are ₹ 1,000 or more per day;

(ii) renting of premises, community halls, kalyanmandapam or open area, and the like where charges are ₹10,000 or more per day;

(iii) renting of shops or other spaces for business or commerce where charges are ₹ 10,000 or more per month.

17. The services provided by the Haj Committee and Kumaon Mandal Vikas Nigam Limited (KMVN) in relation to pilgrimage to Mecca and Kailash- Mansarovar respectively are not liable to GST. **(E-60)**

Example: KMVN supplies numerous services, namely, medical facilities, catering services, security, accommodation services, etc. to the pilgrims undertaking Kailash-Mansarovar pilgrimage. Such services

provided by KMVN in respect of the religious pilgrimage to Kailash-Mansarovar are covered under entry 60 and thus, are exempt.

18. Performance by an Artist (E-78)

Services by an artist by way of a performance in folk or classical art forms of-

- (a) music, or
- (b) dance, or
- (c) theatre,

if the consideration charged for such performance is not more than ₹ 1,50,000 are exempt from GST.

The activities by a performing artist in folk or classical art forms of music, dance, or theatre are exempt if consideration does not exceed ₹ 1,50,000. However, if consideration from such activities exceeds ₹1,50,000, entire consideration is subject to GST.

Further, all other activities by an artist in **other art forms** e.g. western music or dance, modern theatres, performance of actors in films or television serials would be taxable. Similarly activities of artists in **still art forms** e.g. painting, sculpture making etc. are **taxable**.

However, the exemption shall not apply to service provided by such artist as a brand ambassador. '**Brand ambassador**' means a person engaged for promotion or marketing of a brand of goods, service, property or actionable claim, event or endorsement of name, including a trade name, logo or house mark of any person.

Examination JULY 2021 (5 Marks)

Question 7(b)

XYZ Pvt. Ltd. manufactures beauty soap with the brand name 'Forever beauty'. XYZ Pvt. Ltd. has organized a concert to promote its brand Ms. Mahima, its brand ambassador, who is leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert is ₹1,25,000.

- (i) Explain with relevant provisions of GST, whether Ms. Mahima will be required to pay any GST.
- (ii) What will be the answer if the proceeds of the concert is donated to a charitable organization?

Answer:

(i) Services by an artist by way of a performance in classical art forms of, inter alia, dance, are exempt from GST, if the consideration charged for such performance is not more than ₹ 1,50,000.

However, such exemption is not available in respect of service provided by such artist as a brand ambassador.

Since Ms. Mahima is the brand ambassador of 'Forever Beauty' soap manufactured by XYZ Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by XYZ Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST.

(ii) Even if the proceeds of the concert will be donated to a charitable organization, she will be liable to GST.

Illustration 13: 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:

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

Answer: (a) 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.

(b) 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.

(c) 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:

$$= ₹ 1,55,000 \times 18\% = ₹ 27,900$$

(d) 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].

Question: 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. The proceeds of the concert worth ₹ 1,20,000 will be donated to a charitable organization.

Examine whether Ms. Ahana Kapoor will be required to pay any GST?

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. However, such 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 will not have any bearing on the eligibility or otherwise to the above-mentioned exemption.

19. Services by an Unincorporated Body or a Non- Profit Entity

Service by a non- profit entity registered under any law for the time being in force, to its own members as

(a) as a trade union or

(b) up to an amount of ₹ 7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex.(E-77)

If any such RWA has given services to its members and amount charged is exceeding ₹7,500 p.m., in that case GST has to be charged on the entire amount. If RWA is unregistered, no GST shall be charged. If any person has two flats in the locality, ₹7,500 shall be per flat.

e.g. A particular RWA has turnover upto ₹20 lakh and is unregistered and it is charging ₹10,000 from each of its member as maintenance charge, in this case it is exempt from GST but if turnover is exceeding ₹20 lakh and RWA is registered, in this case RWA is required to charge GST on entire amount of ₹10,000.

Examination JAN 2021 (4 Marks)

Question 6(b)

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 2024.

Compute the total GST payable, if any, by Satya Sai Residents Welfare Association, for February 2024.

GST rate is 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% (₹)

Maintenance charges received [₹ 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.]	2,40,000	
Total GST payable [It has been logically presumed that maintenance charges are exclusive of GST.]		43,200
Less: ITC on water pump		(9,000)
Less: ITC on Input service		(3,600)
Net Tax		30,600

20. Services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in,-

- (i) activities relating to the welfare of industrial or agricultural labour or farmers; or
- (ii) promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment,

to its own members against consideration in the form of membership fee upto an amount of ₹ 1000/- per member per year. (E-77A)

21. Tour operator service, which is performed partly in India and partly outside India, supplied by a tour operator to a foreign tourist, to the extent of the value of the tour operator service which is performed outside India Provided that value of the tour operator service performed outside India shall be such proportion of the total consideration charged for the entire tour which is equal to the proportion which the number of days for which the tour is performed outside India has to the total number of days comprising the tour, or 50% of the total consideration charged for the entire tour, whichever is less:

Provided further that in making the above calculations, any duration of time equal to or exceeding 12 hours shall be considered as one full day and any duration of time less than 12 hours shall be taken as half a day.

Explanation. — "foreign tourist" means a person not normally resident in India, who enters India for a stay of not more than six months for legitimate non immigrant purposes.(E-52A)

Illustrations:

A tour operator provides a tour operator service to a foreign tourist as follows:—

(a)	3 days in India, 2 days in Nepal; Consideration Charged for the entire tour: Rs.1,00,000/- Exemption: Rs. 40,000/- (=Rs.1,00,000/- x 2/5) or, Rs. 50,000/- (= 50% of Rs.1,00,000/-) whichever is less, i.e., Rs. 40,000/-(i.e., Taxable value: Rs. 60,000/-);
(b)	2 days in India, 3 nights in Nepal; Consideration Charged for the entire tour: Rs. 1,00,000/- Exemption: Rs. 60,000 (=Rs.1,00,000/- x 3/5) or, Rs. 50,000/- (= 50% of Rs. 1,00,000/-) whichever is less, i.e., Rs. 50,000/-(i.e., Taxable value: Rs. 50,000/-);
(c)	2.5 days in India, 3 days in Nepal; Consideration charged for the entire tour: Rs. 1,00,000/- Exemption: Rs. 54,545 (=Rs.1,00,000/- x 3/5.5) or, Rs. 50,000/- (= 50% of Rs.1,00,000/-) whichever is less, i.e., Rs. 50,000/- (i.e., Taxable value: Rs. 50,000/-).

22. Services by way of giving on hire –

- (i) to a state transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers.
- (ii) to a local authority, an Electrically operated vehicle (EOV) meant to carry more than 12 passengers.
- (iii) to a goods transport agency, a means of transportation of goods.

(E-22)

Q. 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.

Example: Nishant owns a truck which he has rented to Sindhu and Bansal Transport Agency - a GTA. Services by way of giving on hire a means of transportation of goods [truck in the given case] to a GTA [Sindhu and Bansal Transport Agency], are exempt from tax.

Example: 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. Services by way of giving on hire, *inter alia*, to a goods transport agency, a means of transportation of goods are exempt.

23. Services provided by an Incubatee

Services provided by an incubatee up to a total turnover of ₹ 50 lakh in a financial year subject to the following conditions, namely:-

- (a) the total turnover had not exceeded ₹ 50 lakh during the preceding financial year; and
- (b) a period of 3 years has not elapsed from the date of entering into an agreement as an incubatee. **(E- 44)**

Incubatee: means an entrepreneur located within the premises of a Technology Business Incubator (TBI)/ Science and Technology Entrepreneurship Park (STEP) recognised by the National Science and Technology Entrepreneurship Development Board of the Department of Science and Technology, Government of India (NSTEDB) and who has entered into an agreement with the TBI/STEP to enable himself to develop and produce hi-tech and innovative products.

Taxable services, provided by a TBI/STEP recognised by NSTEDB or bio- incubators recognised by the Biotechnology Industry Research Assistance Council, under the Department of Biotechnology, Government of India (BIRAC). **(E-48)**

24. Right to Admission to Various Events

Services by way of admission to a **museum, national park, wildlife sanctuary, tiger reserve or zoo.** **(E-79)**

Services by way of admission to a **protected monument** so declared under the Ancient Monuments and Archaeological Sites & Remains Act 1958 or any of the State Acts, for the time being in force. **(E-79A)**

Services by way of right to admission to-

- (a) circus, dance, or theatrical performance including drama or ballet;
- (b) award function, concert, pageant, musical performance or any sporting event other than a recognised sporting event;
- (c) recognised sporting event;
- (d) planetarium,

where the consideration for right to admission is not more than ₹ 500 per person. **(E-81)**

Recognised sporting event means any sporting event,-

- (i) organised by a recognised sports body where the participating team or individual represent any district, state, zone or country;
- (ii) organized

- (A) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State or zone;
- (B) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;
- (C) by Central Civil Services Cultural and Sports Board;
- (D) as part of national games, by Indian Olympic Association; or
- (E) under Panchayat Yuva Kreedaa Aur Khel Abhiyaan (PYKKA) Scheme.

Recognised sports body means –

- (i) the Indian Olympic Association;
- (ii) Sports Authority of India;
- (iii) a national sports federation recognised by the Ministry of Sports and Youth Affairs of the Central Government, and its affiliate federations;
- (iv) national sports promotion organisations recognised by the Ministry of Sports and Youth Affairs of the Central Government;
- (v) the International Olympic Association or a federation recognised by the International Olympic Association; or
- (vi) a federation or a body which regulates a sport at international level and its affiliated federations or bodies regulating a sport in India.

25. Services provided by Specified Bodies

Services by the **Employees' State Insurance Corporation** to persons governed under the Employees' State Insurance Act, 1948. **(E-30)**

Services provided by the **Employees Provident Fund Organisation** to the persons governed under the Employees Provident Funds and the Miscellaneous Provisions Act, 1952. **(E-31)**

Services by **Coal Mines Provident Fund Organisation** to persons governed by the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948. **(E-31A)**

Services by **National Pension System (NPS) Trust** to its members against consideration in the form of administrative fee. **(E-31B)**

26. General Insurance Business Services

Services of **general insurance business** provided under following schemes –

- (a) Hut Insurance Scheme;
- (b) Cattle Insurance under Swarnajayanti Gram Swarozgar Yojna;
- (c) Scheme for Insurance of Tribals;
- (d) Janata Personal Accident Policy and Gramin Accident Policy;
- (e) Group Personal Accident Policy for Self-Employed Women;
- (f) Agricultural Pumpset and Failed Well Insurance;
- (g) premia collected on export credit insurance;
- (h) Restructured Weather Based Crop Insurance Scheme (RWCIS), approved by the Government of India and implemented by the Ministry of Agriculture;
- (i) Jan Arogya Bima Policy;
- (j) Pradhan Mantri Fasal Bima Yojana (PMFBY);
- (k) Pilot Scheme on Seed Crop Insurance;
- (l) Central Sector Scheme on Cattle Insurance;
- (m) Universal Health Insurance Scheme;
- (n) Rashtriya Swasthya Bima Yojana;

- (o) Coconut Palm Insurance Scheme;
- (p) Pradhan Mantri Suraksha BimaYojna;
- (q) Niramaya Health Insurance Scheme implemented by the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999.
- (r) Bangla Shasya Bima

(E-35)**27. Life Insurance Business Services**

Services of life insurance business provided by way of annuity under the **National Pension System. (E-28)**

Services of life insurance business provided by the **Army, Naval and Air Force Group Insurance Funds** to members of the Army, Navy and Air Force. **(E-29)**

Services of life insurance provided by the **Naval Group Insurance Fund** to the personnel of Coast Guard. **(E-29A)**

Services of life insurance provided by the Central Armed Police Forces Group Insurance Funds to their members. **(E-29B)**

Services of life insurance business provided under following schemes-

- (a) Janashree Bima Yojana;
- (b) Aam Aadmi Bima Yojana;
- (c) Life micro-insurance product having maximum amount of cover of ₹ 2,00,000;
- (d) Varishtha Pension BimaYojana;
- (e) Pradhan Mantri Jeevan Jyoti BimaYojana;
- (f) Pradhan Mantri Jan DhanYogana;
- (g) Pradhan Mantri Vaya Vandan Yojana. **(E-36)**

Pension schemes

Services by way of collection of contribution under the Atal Pension Yojana. **(E-37)**

Services by way of collection of contribution under any pension scheme of the State Governments. **(E-38)**

28. Business Facilitator/Correspondent

Services by the following persons in respective capacities –

- (a) business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch;
- (b) any person as an intermediary to a business facilitator or a business correspondent with respect to services mentioned in entry (a); or
- (c) business facilitator or a business correspondent to an insurance company in a rural area. **(E-39)**

29. Services provided to Government**Composite supply of goods and services TO Government (E-3A)**

Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply provided to the Central Government, State Government or Union territory or local authority by way of any activity:

- ✓ in relation to any function entrusted to a Panchayat under article 243G of the Constitution or
- ✓ in relation to any function entrusted to a Municipality under article 243W of the Constitution.

Example: Work of maintenance of streetlights in a Municipal area to an agency which involves apart from maintenance, replacement of defunct lights and other spares. In this case, it is a composite supply of goods and it will be exempt from GST if the value of goods is not more than 25% of the total value of supply.

Service provided by Fair Price Shops to Central Government, State Government or Union territory by way of sale of food grains, kerosene, sugar, edible oil, etc. under Public Distribution System against consideration in the form of commission or margin. **(E-11A)**

Services provided to the Central Government, State Government, Union territory **under any insurance scheme** for which total premium is paid by the Central Government, State Government, Union territory. **(E-40)**

Services provided to the Central Government, State Government, Union territory administration **under any training programme** for which **75% or more** of the total expenditure is borne by the Central Government, State Government, Union territory administration. **(E-72)**

Services provided to the Central Government, by way of transport of passengers with or without accompanied belongings, by air, embarking from or terminating at a **RCS (Regional Connectivity Scheme) airport**, against consideration in the form of viability gap funding but exemption shall be allowed only for 3 years from the date of operation of the airport. **(E-16)**

30. Construction Services

- Services supplied by **Electricity Distribution Utilities** by way of construction, erection, commissioning, or installation of infrastructure for extending electricity distribution network upto the tube well of the farmer or agriculturalist for agricultural use. **(E-10A)**
- Transmission/distribution of electricity by an electricity transmission / distribution utility. **(E-25)**. However, in this regard CBIC has clarified that the other services provided by DISCOMS (distribution companies) to consumer against charges are liable to GST such as,-
 - i. Application fee for releasing connection of electricity;
 - ii. Rental Charges against metering equipment;
 - iii. Testing fee for meters/transformers, capacitors etc.;
 - iv. Labour charges from customers for shifting of meters or shifting of service lines;
 - v. charges for duplicate bill [*Circular No. 34/8/2018 GST dated 01.03.2018*].
- 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**. Further it will be exempt from GST if the supply is given in connection with **Housing for All (Urban) Mission or Pradhan Mantri Awas Yojana (E-11)**

31. Sponsorship of Sports Events

Services by way of sponsorship of sporting events organised -

- (a) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State, zone or Country;
- (b) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;
- (c) by the Central Civil Services Cultural and Sports Board;
- (d) as part of national games, by the Indian Olympic Association; or
- (e) under the Panchayat Yuva Kreedha Aur Khel Abhiyaan Scheme. **(E-53)**

32. Skill Development Services

Any services provided by, _

- (a) the National Skill Development Corporation set up by the Government of India;
- (b) a Sector Skill Council approved by the National Skill Development Corporation;
- (c) an assessment agency approved by the Sector Skill Council or the National Skill Development Corporation;
- (d) a training partner approved by the National Skill Development Corporation or the Sector Skill Council, in relation to-

- (i) the National Skill Development Programme implemented by the National Skill Development Corporation; or
- (ii) a vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or
- (iii) any other Scheme implemented by the National Skill Development Corporation. **(E-69)**

Services of **assessing bodies empanelled centrally** by the Directorate General of Training, Ministry of Skill Development and Entrepreneurship by way of assessments under the Skill Development Initiative Scheme. **(E-70)**

Services provided by training providers (Project implementation agencies) under **Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDUGKY)** implemented by the Ministry of Rural Development, Government of India by way of offering skill or vocational training courses certified by the National Council for Vocational Training. **(E-71)**

33. Services provided to a recognised sports body by-

- (a) an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organised by a recognized sports body;
- (b) another recognised sports body.

However, services by individuals such as selectors, commentators, curators, technical experts are taxable. The service of a player to a franchisee which is not a recognized sports body is also taxable. *The term 'recognised sports body' has been defined earlier in this chapter.* **(E-68)**

Question: Poorva acts as a Team Manager for Indian Sports Authority (ISA), a recognised sports body, for a tennis tournament organised by a multinational company and received a remuneration of ₹2,00,000. Determine whether GST is payable on the remuneration received by Poorva.

Answer: 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.

In the given case, the services are being provided by a team manager to a recognised sports body, but the sporting event is not organised by a recognised sports body. Therefore, the services provided by Poorva are not exempt from GST.

34. Other Exempt Services

- Supply of services associated with transit cargo to Nepal and Bhutan (landlocked countries). **(E-9B)**
- Services by way of renting of residential dwelling for use as residence except where the residential dwelling is rented to a registered person. In case residential building is taken on rent by the proprietor for his personal use it will be exempt even if the proprietorship concern is registered. **(E-12)**
- Satellite launch services. **(E-19C)**
- Service by way of access to a road or a bridge on payment of toll charges. **(E-23)**
- Services by way of collecting or providing news by an independent journalist, Press Trust of India or United News of India. **(E-49)**
- Services of public libraries by way of lending of books, publications or any other knowledge-enhancing content or material. **(E-50)**
- Services by an organiser to any person in respect of a business exhibition held outside India. **(E-52)**
- Services provided by the National Centre for Cold Chain Development under the Ministry of Agriculture, Cooperation and Farmer's Welfare by way of cold chain knowledge dissemination. **(E-58)**
- Services by a foreign diplomatic mission located in India. **(E-59)**
- Services by way of granting National Permit to a goods carriage to operate through-out India/ contiguous States **(E-61A)**

- Services by way of providing information under the RTI Act (Right to Information Act, 2005). **(E-65A)**
- Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets. **(E-76)**
- Services by way of right to admission to the events organized under FIFA U-17 Women's World Cup 2020. **(E-82A)**
- Services by way of right to admission to the events organised under AFC Women's Asia Cup 2022. **(E-82B)**
- Services provided by and to Fédération Internationale de Football Association (FIFA) and its subsidiaries directly or indirectly related to any of the events under FIFA U-17 Women's World Cup 2020 to be hosted in India whenever rescheduled. **(E-9AA)**
- Services provided by and to Asian Football Confederation (AFC) and its subsidiaries directly or indirectly related to any of the events under AFC Women's Asia Cup 2022 to be hosted in India. **(E-9AB)**
- Services by way of transportation of goods by an aircraft from a place outside India upto the customs station of clearance in India shall be exempt from GST. **(E-19)**
- Services provided to a Governmental Authority by way of —
 - (a) water supply;
 - (b) public health;
 - (c) sanitation conservancy;
 - (d) solid waste management; and
 - (e) slum improvement and upgradation.Shall be exempt **(E-3B)**

Exemption vide notification no. 9/2017 – Integrated Tax (Rate)

Import of services shall be exempt in the following cases:

- (i) If services have been imported by the Central Government, State Government, Union territory, a local authority, a governmental authority
- (ii) If services have been imported by a charitable trust covered under section 12AA of Income Tax Act
- (iii) If services have been imported by an individual in relation to any purpose other than commerce, industry or any other business or profession.

No exemption shall be allowed in case of OIDAR services.

(E-10)

PRACTICE PROBLEMS

Q1. With reference to the position of GST law, determine the applicability of GST in each of the following independent cases:

- (i) External asset management services received by Reserve Bank of India from overseas financial institutions.
- (ii) Service provided by an Indian tour operator to Mr. B, a Japanese National, for a tour conducted in Europe
- (iii) Services provided to a Higher Secondary School affiliated to CBSE Board by an IT company in relation to development of a software to be used for enhancing the quality of classroom teaching.

Answer:

- (i) **Exempt.** Services received by Reserve Bank of India from outside India in relation to management of foreign exchange reserves have been exempted from GST. External asset management services received by Reserve Bank of India from overseas financial institutions is a specialized financial service in the course of management of foreign exchange reserves.
- (ii) **Exempt.** Services provided by an Indian tour operator to a foreign tourist in relation to a tour wholly conducted outside India have been exempted from GST.
- (iii) **Taxable.** The following specific services provided **TO** an educational institution have been exempted from GST:
 - (i) transportation of students, faculty and staff;
 - (ii) catering, including any mid-day meals scheme sponsored by the Government;
 - (iii) security or cleaning or house-keeping services performed in such educational institution;
 - (iv) services relating to admission to, or conduct of examination by, such institution.

However, the **services of a development of software** provided **to** it are not covered under any of the specific services given above. Thus, the same will be liable to GST.

Q2. Mrs. Kiran has provided you the following details in respect of various services received/availed by her during December, 2024:-

- (i) Deposited ₹ 1,00,000 in her Savings Bank A/c. Interest of ₹ 5,000 was credited in her account on 31.12.2024.
- (ii) Availed services of a mobile network operator and received a monthly bill for ₹ 2,000.
- (iii) Visited an Orthopaedician (MBBS, MS) as she had severe backache and paid consultancy fee of ₹1,000.
- (iv) Availed beauty treatment services from a salon for ₹ 6,000.

Notes:

1. All the amounts given above, are exclusive of GST, wherever applicable.
2. Wherever applicable, GST is to be recovered from the service receiver.
3. Rate of CGST @ 9% & SGST @ 9%.

Compute the amount of GST leviable on services availed/received by Mrs. Kiran.

Solution:

Computation of GST leviable on services received/availed by Mrs. Kiran

Particulars	Value of Taxable Service received (₹)
Amount deposited in the saving bank account and interest earned	-
Services of mobile network operator	2,000.00
Visit to an orthopaedician on complaint of severe backache	-
Beauty treatment services	6,000.00
Total	8,000.00
CGST @ 9%	720.00

SGST @ 9%	720.00
Total	9,440.00

Q3. With reference to the provisions of GST, examine the validity of following statements:

- (i) Health care services provided by a Municipality owned hospital are not covered under exemption.
- (ii) Services provided to and by Reserve Bank of India are covered in exemption.
- (iii) Pisciculture (breeding of fish) is not liable to GST as the same is covered under exemption.

Solution:

(i) Invalid. Services provided by Government and local authorities are covered in exemption.

(ii) Invalid. Services provided by Reserve bank of India, and to Reserve Bank of India both are taxable services.

(iii) Valid. Services relating to agriculture are covered in exemption. Agriculture means the cultivation of plants and rearing of all **life-forms of animals**, except the rearing of horses, for food, fibre, fuel, raw material or other similar products. Therefore, breeding of fish, being agriculture, would be covered under exemption and thus, be not liable to GST.

Q4. Following services are provided by various service providers, state whether services are taxable or not?

1. Speed post service provided by post office to Delhi govt.
2. Express parcel post service provided by post office to Rajasthan Ltd.
3. Services provided to RBI
4. Service provided by Delhi Metro Rail Corporation for transport of passengers
5. Services provided by an Indian railway for the transport of passengers in first class AC.
6. Service provided in non taxable territory.

Answer:

S. No.	Particulars	Taxable / Not Taxable
1.	Speed post service provided by post office to Delhi Govt.	Taxable
2.	Express parcel post service provided by post office to Rajasthan Ltd.	Taxable
3.	Services provided to RBI	Taxable
4.	Service provided by Delhi Metro Rail Corporation for transport of passengers	Not Taxable
5.	Services provided by an Indian railway for the transport of passengers in first class AC	Taxable
6.	Service provided in non taxable territory	Not Taxable

Q5. (i) “Not All the Services provided by an Employee to the Employers are outside the ambit (scope) of GST”. Explain the statement with reference to GST law.

(ii) Discuss whether the following services are liable to Tax

- (1) Services provided on contract basis by a person to another
- (2) Services provided by a casual worker to Employer who gives wages on daily basis to the workers.

Solution:

(i) As per schedule III service rendered by an employee to the employer shall not be considered to be supply of service i.e. it is outside the ambit of GST and no GST is payable. However if the employee has rendered services to the employer which is not in the capacity of employee, it will be taxable e.g. Mr. X an employee of ABC Ltd. is running one advertisement agency also and services in connection with advertisement have been rendered to ABC Ltd., such services are taxable.

(ii) (1) If services are provided on contract basis by one person to the other, it will be considered to be supply of service and liable to GST.

(ii) (2) Services rendered by employee to employer are not supply of service even if the employee is a temporary employee or a casual worker and no GST is payable.

Q6. Briefly examine whether the following activities are liable to GST as per the provisions of Finance Act, 1994.

(a) Mr. Aditya, a singer performs in a bus where passengers drop some coins in his bowl kept, either after feeling rejoiced or out of compassion. Also, examine would your answer be different in (a) if Mr. Aditya is called upon Mumbai to perform in an award show for ₹ 50,000.

(b) Mr. Ramu during long drive with his wife Sanju violated traffic rules and was imposed fine of ₹ 1,000.

Solution:

(a) Mr. Aditya is not liable to pay GST as GST is leviable on the services provided or to be provided. Mr. Aditya has performed an activity without consideration and any activity without consideration does not come within the ambit of definition of “supply”. In this case passengers are under no obligation to pay any amount for listening to him nor have they engaged him for his services. (**Ambit means** scope)

If Mr. Aditya is called upon Mumbai to perform in an award show for ₹50,000, then this activity would come within the ambit of definition of “supply” as it becomes an activity for a consideration. Resultantly, this activity would be liable to GST.

(b) GST is not leviable in this case as in order to be supply, an activity has to be carried out for a consideration. Therefore, fine being the legal consequence of Mr. Ramu’s action is not in the nature of consideration for an activity.

Q7. XYZ & Co. is a consultancy firm based in New Delhi. It has two branch offices at Mumbai and Singapore. Services are provided by Mumbai branch to Head Office at New Delhi and by Head Office at New Delhi to Singapore branch. Explain which of the activities will constitute ‘supply’ under GST tax law.

Solution: Services provided by Mumbai branch to Head Office at New Delhi will be treated as distinct persons and be considered as ‘supply’ and GST shall be payable.

When services are provided by Head Office at New Delhi to Singapore branch (located in non-taxable territory), the two establishments are treated as establishments of distinct persons and thus, the services provided in this case will constitute ‘supply’, however no GST shall be charged because services have been provided in non-taxable territory.

Q8. Examine the chargeability of GST in each of the following independent cases:-

(i) Mr. Raju, an employee provides his service on contract basis to an associate company of Vikram Enterprises, the employer.

(ii) ABC Institute is engaged in providing private tuitions to the students of Graduation Level.

All the above activities are being carried out in lieu of specific monetary consideration.

Answer:

(i) As per schedule III service rendered by an employee to the employer shall not be considered to be supply of service i.e. it is outside the ambit of GST and no GST is payable. However, services provided outside the ambit of employment for a consideration would be a supply. Since, services provided on contract basis i.e. principal-to-principal basis are not services provided in the course of employment, services provided on contract basis by a person to another would be treated as supply of service.

Thus, services provided by Mr. Raju, an employee, on contract basis to the associate company of Vikram Enterprises, the employer, would be treated as supply of service and charged to GST.

(ii) Providing private tuitions to the students of Graduation Level for a consideration is a supply of service. Since, private tuitions are not covered in exempted list, they would be chargeable to GST.

Q9. Mr. X has received a sum of ₹ 5,00,000 from his employer on premature termination of his contract of employment. Mr. X needs your advice as to whether such receipts are liable to GST.

Solution: No, Mr. X need not pay any tax on such amount. Amounts paid by the employer to the employee for premature termination of a contract of employment are treated as amounts paid in relation to services provided by the employee to the employer in the course of employment. Hence, amounts so paid would not be chargeable to GST.

Q10. Examine which of the following independent services are exempt from GST:

(a) Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.

(b) An RWA, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member.

Answer:

(a) Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. Food supplied to the in-patients by a canteen run by the hospital, as advised by the doctor/nutritionists, is a part of composite supply of healthcare and not separately taxable.

(b) Supply of service by a RWA (unincorporated body or a non-profit entity registered under any law) to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹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.

Q11. 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.

Q12. Examine whether GST is exempted on the following independent supplies of services:

(i) Service provided by a private transport operator to Scholar Boys Higher Secondary School in relation to transportation of students to and from the school.

(ii) Services provided by way of vehicle parking to general public in a shopping mall.

Answer:

(i) Yes. Services provided TO an educational institution by way of transportation of students are exempted from GST.

(ii) No. Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, GST is payable on the same.

Q13. 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.

Q14. Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (₹)
Fees charged for yoga camp conducted by a charitable trust	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	5,20,000

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

Particulars	(₹)
Fees charged for yoga camp conducted by a charitable trust [Note-1]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-2]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-3]	5,00,000
Service provided by commentator to a recognized sports body [Note-4]	10,20,000

Notes:

1. 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.
2. Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
3. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are taxable.
4. Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.

MULTIPLE CHOICE QUESTIONS

- 1. Transportation of passengers by _____ are exempt from GST.**
 - (a) Railway in first class
 - (b) Railway in an air-conditioned coach
 - (c) Metro
 - (d) All of the above
- 2. Transportation of _____ by a GTA in a goods carriage is exempt from GST.**
 - (a) Agricultural produce
 - (b) Organic manure
 - (c) Milk
 - (d) All of the above
- 3. What of the following services provided to an educational institution – Debo Public School (providing education upto higher secondary) - are exempt from GST?**
 - (a) Transportation of staff of the school
 - (b) Cleaning of the school
 - (c) Services relating to conduct of higher secondary exams
 - (d) All of the above
- 4. Transportation of passengers by _____ are exempt from GST.**
 - (a) air conditioned stage carriage
 - (b) radio taxi
 - (c) air, terminating in Nagaland airport
 - (d) All of the above
- 5. Which of the following services are exempt under GST?**
 - (a) testing of agricultural produce
 - (b) supply of farm labour
 - (c) warehousing of agricultural produce
 - (d) all of the above
- 6. Transportation of ____ by rail from Chennai to Gujarat are exempt from GST.**
 - (i) pulses
 - (ii) military equipments
 - (iii) electric equipments
 - (iv) biscuits
 - (a) (i) & (ii)
 - (b) (i) & (iii)
 - (c) (ii) & (iv)
 - (d) all of the above
- 7. Services by way of warehousing of -----is taxable under GST.**
 - (i) pulses
 - (ii) cereals
 - (iii) fruits
 - (iv) sugar
- 8. Banking services provided by Department of post:**
 - (a) Taxable & Reverse Charge Mechanism is applicable
 - (b) Taxable & Normal Charge is applicable
 - (c) Exempt from GST
 - (d) Nil rated
- 9. Which is a wrong statement?**
 - (a) All services of Department of Post are exempted
 - (b) All services by State/Central Governments/local authorities in relation to an aircraft or a vessel in a Port or an Airport are exempted

(c) All services by State/Central Governments/local authorities in relation to transport of passengers are exempted

(d) All the above mentioned

10. Which exemption option is right from the following?

(a) For letting out any immovable property

(b) For letting out any residential dwelling for use as residence

(c) For letting out any residential property irrespective of its use

(d) For none of the above

11. Transportation of passengers exempted if –

(a) It is by air-conditioned stage carriage

(b) It is by air-conditioned contract carriage

(c) It is by non-air-conditioned stage carriage for tourism, charter or hire

(d) None of the above

12. Transportation of passengers is exempted –

(a) In an air-conditioned railway coach

(b) In a vessel for public tourism purpose between places in India

(c) In a metered cab/auto rickshaw / e rickshaw

(d) In all the above mentioned

13. Transportation of goods is not exempted if it is –

(a) by a goods transport agency / courier agency

(b) by inland waterways

(c) by an aircraft from a place outside India upto the customs station of clearance in India

(d) by all the above mentioned

14. Transportation of agricultural produces, milk, salt and food grain including flour, pulses and rice, 'relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap', newspaper or magazines registered with the Registrar of Newspapers - is exempted –

(a) If it is by a goods transport agency

(b) If it is by a rail - within India

(c) If it is by a vessel - within India

(d) If it is by all of the above

15. Which of the following is exempted –

(a) Services by way of loading, unloading, packing, storage or warehousing of rice

(b) Services by way of loading and unloading of jute

(c) Services by way of packing and storage or warehousing of rubber

(d) None of the above

16. If the aggregate turnover of in FY 2023-24 of M/s ABCD Enterprises, Kanchipuram, Tamil Nadu, India was ₹18 lakh, exemption is available for the following services rendered to ABCD Enterprises –

(a) Arbitral Tribunal services

(b) Legal services by firm of advocates

(c) Legal services by senior advocate

(d) All of the above

17. Which of the following is not exempted -?

(a) Health care service to human beings by authorized medical practitioners / para medics

(b) Health care services to Animals/Birds

(c) Warehousing of Agriculture Produce

(d) Rearing horses

18. Which of the following are exempted services?

(a) Services by an artist by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding ₹ 1 lakh

(b) Services by an artist by way of a performance in folk or classical art forms of music/ dance with consideration therefor not exceeding ₹ 1.5 lakh

- (c) Services by an artist by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding ₹ 1.5 lakh
- (d) Services by an artist as a brand ambassador by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding ₹ 1.5 lakh

19. Services by educational institution is exempted if the services are to –

- (a) Any common man
- (b) Its own students, faculty / staff
- (c) Both a & b
- (d) None of the above

20. Hair transplant services provided to Mr. A residing in Delhi by Dr. Batra from Delhi and charged ₹40,00,000. GST Payable shall be

- (a) Nil
- (b) IGST – ₹7,20,000
- (c) CGST- ₹3,60,000 & SGST- ₹3,60,000
- (d) CGST- ₹7,20,000

21. Ambulance services provided to Mr. A residing in Delhi by Ganga Ram Hospital from Delhi and charged ₹40,00,000. GST Payable shall be

- (a) Nil
- (b) IGST – ₹7,20,000
- (c) CGST- ₹3,60,000 & SGST- ₹3,60,000
- (d) CGST- ₹7,20,000

22. Mortuary services provided to Mr. A residing in Delhi by Gaurav Mortuary services, Punjabi Bagh from Delhi and charged ₹1,00,000. GST Payable shall be

- (a) Nil
- (b) IGST – ₹18,000
- (c) CGST- ₹9,000 & SGST- ₹9,000
- (d) CGST- ₹18,000

23. Educational institution" means an institution providing services by way of-

- (a) pre-school education and education up to higher secondary school or equivalent.
- (b) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.
- (c) education as a part of an approved vocational education course.
- (d) all the above
- (e) none of the above

24. Which of the following is exempt from GST.

- (i) Legal services provided to a business entity with an aggregate turnover up to prescribed limit in the preceding financial year.
- (ii) Legal services provided to a business entity with an aggregate turnover up to prescribed limit in the current financial year.
- (iii) Legal services provided to a business entity with an aggregate turnover exceeding prescribed limit in the preceding financial year.
- (iv) Legal services provided to a business entity with an aggregate turnover exceeding prescribed limit in the current financial year.
- (a) all the above is exempt.
- (b) only (i) is exempt
- (c) both (i) & (iii) is exempt
- (d) (i),(ii) & (iii) is exempt
- (e) none of these is exempt

25. Renting of agro machinery in Delhi to an agricultural farm(in Delhi) of ₹10,00,000. GST Payable shall be

- (a) CGST – ₹1,80,000
- (b) SGST - ₹1,80,000

(c) CGST- ₹90,000 and SGST- ₹90,000

(d) Nil

26. Post office of Ashok Vihar, Delhi issued post card (less than 10 gram) and collected ₹1,00,000 from its customer in Delhi, in this case GST Payable shall be

(a) CGST – ₹18,000

(b) SGST - ₹18,000

(c) CGST- ₹9,000 and SGST- ₹9,000

(d) Nil

27. Post office of Ashok Vihar, Delhi rendered speed post services and charged ₹1,00,000 from its customer in Delhi, in this case GST Payable shall be

(a) CGST – ₹18,000

(b) SGST - ₹18,000

(c) CGST- ₹9,000 and SGST- ₹9,000

(d) Nil

28. Services by way of transportation of _____ by rail shall be taxable

(a) relief materials meant for victims of disasters, calamities, accidents or mishap;

(b) newspaper

(c) computer and laptops

(d) organic manure.

29. Which of the following is exempt from GST.

(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.

(ii) Service of a player to a franchisee which is not a recognized sports body.

(iii) Services by a recognized sports body to another recognized sports body.

(iv) Services by individuals such as selectors, commentators, curators (custodian), technical experts.

(a) all the above is exempt.

(b) only (i) is exempt

(c) only (i) & (iii) is exempt

(d) (i),(ii) & (iii) is exempt

(e) none of these is exempt

(f) only (ii) & (iii) is exempt

30. HDFC Bank Ltd. sold foreign exchange to general of ₹10,00,000 during the month of March, in this case taxable amount shall be –

(a) Nil

(b) ₹10,00,000

(c) ₹5,00,000

(d) CGST - ₹90,000 & SGST - ₹90,000

31. HDFC Bank Ltd. received commission of ₹10,00,000 for debt collection services provided to customers during the month of March, in this case taxable amount shall be –

(a) Nil

(b) ₹10,00,000

(c) ₹5,00,000

(d) CGST - ₹90,000 & SGST - ₹90,000

32. Services by way of right to admission in circus is exempt if

(a) consideration for admission is less than ₹500 per person

(b) consideration for admission is more than ₹500 per person

(c) consideration for admission is upto ₹500 per person

(d) None of the above

33. Services by way of right to admission in planetarium is taxable if

(a) consideration for admission is less than ₹500 per person

(b) consideration for admission is more than ₹500 per person

(c) consideration for admission is upto ₹500 per person

(d) None of the above

34. Services by way of admission to a museum is exempt if

- (a) consideration for admission is less than ₹500 per person
- (b) consideration for admission is more than ₹500 per person
- (c) consideration for admission is upto ₹500 per person
- (d) in all the above cases it is exempt.

35. Mr. X let out one residential building in Delhi for ₹50,00,000 to Mr. B (not a registered person), in this case GST Payable shall be if rate of GST is 18%

- (a) Nil
- (b) CGST – ₹4,50,000 & SGST – ₹4,50,000
- (c) CGST – ₹9,00,000
- (d) SGST – ₹9,00,000

36. Mr. X let out one commercial building in Delhi for ₹50,00,000 to Mr. B, in this case GST Payable shall be if rate of GST is 18%

- (a) Nil
- (b) CGST – ₹4,50,000 & SGST – ₹4,50,000
- (c) CGST – ₹9,00,000
- (d) SGST – ₹9,00,000

37. Which of the following is exempt

- (i) Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India.
- (ii) Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly in India.
- (iii) Services provided by a tour operator to a Indian tourist in relation to a tour conducted wholly in India.
- (a) only (i) is exempt
- (b) all the above is exempt
- (c) (ii) & (iii) is exempt
- (d) None of the above is exempt
- (e) (i) & (iii) is exempt
- (f) (i) & (ii) is exempt

38. Which of the following is exempt

- (i) Services by an old age home run by Central Government, State Government or an entity registered under section 12AA of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto ₹25,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.
- (ii) Services by an old age home run by Central Government, State Government or an entity registered under section 12AA of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto ₹5,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.
- (iii) Services by an old age home run by Central Government, State Government or an entity registered under section 12AA of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto ₹7,500 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.
- (iv) Services by an old age home run by Central Government, State Government or an entity registered under section 12AA of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto ₹50,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.
- (a) only (i) is exempt
- (b) all the above is exempt
- (c) (ii) & (iii) is exempt
- (d) (i) & (iii) is exempt
- (e) (i) & (ii) is exempt
- (f) (i) & (iv) is exempt

39. Which of the following is exempt

(i) Services supplied by Central Government, State Government, Union territory to their undertakings or Public Sector Undertakings (PSUs) by way of guaranteeing the loans taken by such undertakings or PSUs from the financial institutions.

(ii) Services supplied by Central Government, State Government, Union territory to their Private Sector Undertakings by way of guaranteeing the loans taken by Private Sector Undertakings from the financial institutions.

(iii) Services supplied by Banks to Private Sector Undertakings by way of guaranteeing the loans taken by Private Sector Undertakings from the financial institutions.

- (a) only (i) is exempt
- (b) all the above is exempt
- (c) (ii) & (iii) is exempt
- (d) (i) & (iii) is exempt
- (e) (i) & (ii) is exempt
- (f) None of the above

40. Which of the following is not exempt

(i) Services by contractor to the contractee in the course of business.

(ii) Services by any court or Tribunal established under any law for the time being in force.

(iii) The functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.

(iv) The duties performed by any person who holds any post under the provisions of the Constitution.

- (a) only (i) is not exempt
- (b) all the above is not exempt
- (c) (ii) & (iii) is not exempt
- (d) (i) & (iii) is not exempt
- (e) (i) & (ii) is not exempt
- (f) None of the above

Answer:

1 (c); 2. (d); 3. (d); 4. (c); 5. (d); 6. (a); 7. (d); 8 (c); 9. (d); 10 (b); 11 (d); 12. (c); 13 (a); 14 (d); 15 (a); 16 (d); 17 (d); 18. (c); 19. (b); 20. (c); 21. (a); 22. (a); 23. (d); 24. (b); 25. (d); 26. (d); 27. (c); 28. (c); 29. (c); 30. (b); 31. (b); 32. (c); 33. (b); 34. (d); 35. (a); 36. (b); 37. (a); 38. (a); 39. (a); 40. (a);

EXAMINATION QUESTION

MAY 2023

Question 6(a)**(6 Marks)**

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, 2025.

(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.	15,200

Details of Input Services: -

(vi) Paid to an unregistered Goods Transport agency for various consignments of transportation of goods by road.	15,100
--	--------

Notes:

(i) All the amount stated above in both the tables are exclusive of GST, wherever applicable.

(ii) Aggregate turnover of Mr. Jayesh in previous year was ₹42,00,000.

You are required to Compute Gross value of supplies, on which GST to be paid by Mr. Jayesh for the month of October, 2025.

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

(i) Commission received as a recovery agent from Non-Banking Financial Company [Tax is payable by NBFC under reverse charge.]	-
(ii) Actionable claim received from normal business debtors [No tax is payable as actionable claims other than lottery, betting and gambling are covered under Schedule III, i.e. they are neither supply of goods nor supply of services.]	-
(iii) Amount received from ABC Ltd. for performance of classical dance [Taxable since consideration for classical dance performance exceeds ₹ 1,50,000.]	1,74,500
(iv) 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.]	-
(v) Rent from registered individual person [Tax is payable by the registered individual person under reverse charge]	-
(vi) Services from unregistered GTA [Tax on services provided by unregistered GTA is payable under reverse charge by Mr. Jayesh being a registered person.]	15,100
Gross value of taxable supply on which GST is to be paid by Mr. Jayesh	1,89,600

Note: Based on the position of law as existing on 31.10.2025.

MAY 2019**Question 10 (a)****(4 Marks)**

Explain the meaning of consignment note in relation to Goods Transport Agency and state its contents as per provisions of the CGST Act, 2017.

Answer: Refer answer given in the book.

NOV 2018**Question 10 (b)****(3 Marks)**

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

- (i) M/s Fast Trans, a goods transport agency, transported relief materials meant for victims of Kerala floods being a natural disaster, by road from Delhi to Ernakulam, for a Limited Co.
- (ii) Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of organizing business exhibition at Pragati Maidan in New Delhi as part of Make in India initiative.

Answer:

(i) Exempt: Goods transport agency services provided for relief material meant for victims of disaster shall be exempt from GST.

(ii) Taxable: Services by an organiser to any person in respect of business exhibition held outside India shall be exempt from GST, in the given case business exhibition services held in India shall be taxable service.

NOV 2018**Question 7 (a)****(6 Marks)**

Worldwide Pvt. Ltd (a registered Taxable Person) having the Gross receipt of ₹50 Lakhs in the previous financial year provides the following information relating to their services for the month of July, 2024

Particulars	Amount in (₹)
(1) Running a boarding school (upto higher secondary)	2,40,000
(2) Fees from prospective employer for campus interview	1,70,000
(3) Education Services for obtaining the qualification recognised by law of foreign country	3,10,000
(4) Renting of Furnished Flats for Temporary Stay to different persons (Rent per day is less than 1000 per person).	1,20,000
(5) Conducting Modular Employable Skill Course. Approved by National Council of Vocational Training	1,40,000
(6) Conducting Private Tutions	3,00,000

Compute the value of Taxable Supply and the amount of GST Payable. The above receipts doesn't include the GST Amount. Rate of GST is 18%

Solution: Computation of Value of Taxable Supply and GST payable

Particulars	Amount in (₹)
(1) Running a boarding school is an exempted service	Nil
(2) Fees from prospective employer for campus interview is taxable	1,70,000
(3) Education Services for obtaining the qualification recognised by law of foreign country	3,10,000
(4) Renting of Furnished Flats for Temporary Stay to different persons (Rent per day is less than 1000 per person).	1,20,000
(5) Conducting Modular Employable Skill Course. Approved by National	

Council of Vocational Training is an exempted service	Nil
(6) Conducting Private Tutorials	3,00,000
Value of Taxable Supply	9,00,000
GST @ 18%	1,62,000

Notes:

(1) Education services for obtaining the qualification recognised by law of Indian country is an exempted service but in the given case it is recognised by foreign country hence it is taxable.

(2) Renting of furnished flats for temporary stay to different persons is a taxable service if the value of such supply is more than ₹1000 per day in the given case rent is less than ₹1000 per person hence it is exempted.

IPC NOV 2017**Question 3****(4 Marks)**

Decide whether following services are taxable or exempt

Particulars	Amt. in (₹)
(i) Freight charges for transportation of goods by vessel-from a place outside India upto Customs Station of clearance.	10,00,000
(ii) Speed post services provided by Delhi Post Office, where the Value of each service does not exceed ₹5,000.	3,00,000
(iii) Services provided by a Senior Advocate to a business entity with a turnover of ₹16,00,000 in the preceding financial year.	2,00,000
(iv) Transportation of passengers with accompanied belongings by a stage carriage (non - airconditioned).	1,00,000
(v) Services provided by a local authority, to a business entity having a turnover of ₹18,00,000 in the preceding financial year.	2,50,000

Solution:

Particulars	Amt. in (₹)
(i) Freight charges for transportation of goods by vessel-from a place outside India upto Customs Station of clearance.	Taxable
(ii) Speed post services provided by Delhi Post Office, where the Value of each service does not exceed ₹5,000.	Taxable
(iii) Services provided by a Senior Advocate to a business entity with a turnover of ₹16,00,000 in the preceding financial year.	Exempt
(iv) Transportation of passengers with accompanied belongings by a stage carriage (non - airconditioned).	Exempt
(v) Services provided by a local authority, to a business entity having a turnover of ₹18,00,000 in the preceding financial year.	Exempt

ACCOUNTS AND RECORDS

SECTION 35 / 36/ Rule 56,57, 58 (CGST ACT 2017)

Accounts and other records Section 35 Rule 56

Every registered person shall maintain the following books/ records relating to

- (a) Production or manufacture of goods
- (b) Inward and outward supply of goods or services
- (c) Stock of goods
- (d) Input tax credit availed/utilised
- (e) Output tax payable and paid
- (f) Records of goods or services exported or imported
- (g) Records of supplies attracting payment of tax on reverse charge
- (h) Tax invoices, bills of supply, delivery challan, debit notes, credit notes , receipt voucher, payment voucher and refund voucher
- (i) Particulars of 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
- (j) Advances received, paid and adjustments made thereto
- (k) A register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.
- (l) Every registered person shall also keep the particulars of—
 - (a) names and complete addresses of suppliers from whom he has received the goods or services chargeable to tax under the Act;
 - (b) names and complete addresses of the persons to whom he has supplied goods or services, where required under the provisions of this Chapter;
 - (c) the complete address of the premises where goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein.

Any entry in registers, accounts and documents shall not be erased, effaced or overwritten, and all incorrect entries, shall be scored out under attestation and thereafter, the correct entry shall be recorded and where the registers and other documents are maintained electronically, a log of every entry edited or deleted shall be maintained.

Where the registered person fails to account for the goods or services, the proper officer shall determine the amount of tax payable on the goods or services that are not accounted for, as if such goods or services had been supplied by such person.

SPECIAL PROVISION FOR MAINTAINING BOOKS OF ACCOUNTS

1. Books of accounts to be maintained by an agent (Rule 56)

Every agent shall maintain accounts depicting the,—

- (a) particulars of authorisation received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- (b) particulars including description, value and quantity of goods or services received on behalf of every principal;
- (c) particulars including description, value and quantity of goods or services supplied on behalf of every principal;
- (d) details of accounts furnished to every principal
- (e) tax paid on receipts or on supply of goods or services effected on behalf of every principal.

2. Books of accounts to be maintained by a manufacturer (Rule 56)

Every registered person manufacturing goods shall maintain monthly production accounts showing quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof.

3. Books of accounts to be maintained by a service provider (Rule 56)

Every registered person supplying services shall maintain the accounts showing quantitative details of goods used in the provision of services, details of input services utilised and the services supplied.

4. Books of accounts to be maintained by a person executing works contract (Rule 56)

Every registered person 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 or services received for the execution of works contract;
- (c) description, value and quantity (wherever applicable) of goods or 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.

5. Books of accounts to be maintained by a clearing and forwarding agent (Rule 56)

Any person having custody over the goods in the capacity of a carrier or a clearing and forwarding agent for delivery or dispatch thereof to a recipient on behalf of any registered person shall maintain true and correct records in respect of such goods handled by him on behalf of such registered person and shall produce the details thereof as and when required by the proper officer.

6. Books of accounts to be maintained by a owner of godown or warehouse (Rule 58)

Every owner or operator of a warehouse or godown shall obtain unique enrolment number by submitting form GST ENR-01, if he is not registered and shall maintain particulars relating to dispatch, movement, receipt and disposal of such goods. The owner or the operator of the godown 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.

7. Books of accounts to be maintained by a transporter (Rule 58)

In case of a transporter, if not already registered, shall obtain unique enrolment number by submitting form GST ENR-01.

A transporter who is registered in more than one State or Union Territory having the same Permanent Account Number, he may apply for a **unique common enrolment number** by submitting the details in FORM GST ENR-02 using any one of his Goods and Services Tax Identification Numbers, and a unique common enrolment number shall be generated.

Where the said transporter has obtained a unique common enrolment number, he shall not be eligible to use any of the Goods and Services Tax Identification Numbers.

Any person engaged in the business of transporting goods shall maintain records of goods transported, delivered and goods stored in transit by him.

Generation and maintenance of electronic records Rule 57

The registered person may keep and maintain accounts and other particulars in electronic form. Proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within a reasonable period of time. 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.

Every registered person shall keep the books of account at the principal place of business and books of account relating to additional place of business shall be maintained at such additional place of business.

Period of retention of accounts Section 36

Every registered person shall retain the books of accounts until the **expiry of seventy two months from the due date of furnishing of annual return for the year pertaining to such accounts and records:**

If any legal proceedings are pending with regard to any matter, the books etc. relating to such matter should be kept for a period of **atleast one year** after final decision on such matter.

TDS / TCS
SECTION 51/52 (CGST ACT 2017)

Question 1: Write a note on Tax deduction at source Section 51.

Answer: Tax deduction at source Section 51

1. GST shall be deducted at source @ 1% CGST and 1% SGST provided total value of supply excluding amount of GST is exceeding ₹2,50,000. E.g. If PWD department of Haryana Govt. has to pay ₹2,40,000 + GST ₹24,000, in this case no tax shall be deducted at source but if amount payable is ₹2,60,000 + GST ₹26,000, tax shall be deducted at source @ 1% + 1% on ₹2,60,000

2. Tax shall be deducted at source only by the following persons:-

- (a) a department of the Government; or
- (b) local authority; or
- (c) Governmental agencies; or
- (d) any other person notified for this purpose

3. **As per section 24**, the person deducting Tax has to take compulsory registration irrespective of the turnover. He should apply for registration in **REG-07**.

4. The tax so deducted shall be deposited within 10 days after the end of the month. As per rule 66, a monthly statement shall be submitted in form no. GSTR-7 upto 10th of the subsequent month. TDS certificate shall be issued in form no. GSTR-7A. The person on whose behalf tax shall be deducted shall claim credit in his electronic cash ledger. If the tax deducted is not paid to the Govt., interest shall be charged u/s 50.

E.g. A department of Govt. has given contract to ABC Ltd. for completion of some work and the company has submitted a bill of ₹10,00,000 plus CGST ₹90,000 SGST ₹90,000, in this case Govt. department shall deduct tax 2% of ₹10,00,000 i.e. ₹20,000. While paying GST to the Govt. ABC Ltd. shall deducted ₹10,000 from CGST and ₹10,000 from SGST and balance amount shall be paid.

5. No tax shall be deducted at source if the location of the supplier and place of supply is in a state / union territory which is different from the state / union territory of the registration of recipient. E.g. PWD department of Haryana has given orders to a builder of Delhi to construct a building in Delhi to be used as Haryana Bhawan and amount payable is ₹200 lakhs + GST, in this case the supplier is in Delhi and also supply is in Delhi but recipient is registered in Haryana. The supplier shall charge CGST and Delhi GST and PWD department of Haryana is not allowed to deduct tax at source.

Question 2: Explain Provisions for Tax Collection at source under GST by ECO.

Answer: Collection of tax at source Section 52.

As per section 24, the person collecting Tax has to take compulsory registration irrespective of the turnover. He should apply for registration in **REG-07**.

1. Every electronic commerce operator shall collect an amount @ **1% per cent** (0.5% CGST + 0.5% SGST), 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.

2. The amount collected shall be deposited to the Government by the operator **within ten days** after the end of the month in which such collection is made. If the tax collected is not paid to the Govt., interest shall be charged u/s 50.

3. As per rule 67, a statement shall be furnished in form **GSTR-8** within 10 days after the end of the month.

4. Every ECS who collects the amount, as per rule 80, shall furnish an annual statement upto **31st December** following the end of such financial year. (GSTR 9B)

5. The supplier who has supplied the goods or services through the operator shall claim credit, in his electronic cash ledger, of the amount collected and reflected in the statement of the operator.

Example:

ABC limited has sold goods worth ₹20,00,000 plus GST ₹4,00,000 through Amazon and Amazon is entitled for a commission of 15%, in this case, Amazon shall collect ₹24,00,000 from the buyer and shall deduct ₹3,00,000 + GST ₹ 60,000. Amazon shall also collect 0.5% + 0.5% of ₹20,00,000 i.e. ₹20,000 Amazon shall pay balance amount to ABC limited i.e. ₹ 24,00,000-3,60,000 – 20,000 =20,20,000.

ABC limited has to pay GST of ₹ 4,00,000 but ITC of ₹ 60,000 shall be deducted and also tax credit shall be taken for ₹20,000 and balance amount shall be ₹ 3,20,000.

IGST ACT
SECTION 7,8,9,10 AND 12

Question 1: Explain Levy and collection of IGST/Charging section of IGST.

Answer: Levy and Collection. Section 5

5(1). There shall be levied a tax called the integrated goods and services tax on all inter-State supplies of goods / services, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 of the Central Goods and Services Tax Act and at such rates, not exceeding forty per cent, as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.

In case of Import also IGST shall be payable.

5(2). The integrated tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.

5(3). The Government may specify categories of goods/services, the tax on which shall be paid on reverse charge basis by the recipient.

5(4). The Government may specify category of goods or services on which registered person shall pay tax under reverse charge if goods / services have been taken from unregistered persons

At present Government has notified that in case of cement and capital goods, the promotor or builder shall be liable to pay tax under reverse charge if the goods are purchased from unregistered persons. (Notification No.24/2019)

5(5). GST shall be collected by the ECO and shall be responsible for making payment to the Government.

Power to grant exemption from tax Section 6

(1) Where the Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by notification, exempt the goods or services from IGST.

Question 2: Explain Inter-State supply.

Answer: Inter-State supply Section 7

(1) In case of supply of goods or services where the location of the supplier and the place of supply are in—

- (a) two different States;
- (b) two different Union territories; or
- (c) a State and a Union territory,

shall be treated as a supply of goods in the course of inter-State trade or commerce.

(2) Import of goods or services in India or export of goods or services outside India shall be inter-state supply.

(3) Supply of goods or services, to or by a Special Economic Zone developer or a Special Economic Zone unit shall be inter-state supply.

(4) Supply of goods to a tourist covered u/s 15 shall also be considered to be inter-state supply.

Tourist u/s 15 means a person not normally resident in India, who enters India for a stay of not more than six months for legitimate non-immigrant purposes and is leaving India with the goods purchased by him.

Question 3: Explain Intra-State supply.

Answer: Intra-State supply Section 8

Supply of goods or services where the location of the supplier and the place of supply of goods are in the same State or same Union territory shall be treated as intra-State supply:

Question 4: Explain Supplies in territorial waters.**Answer: Supplies in territorial waters Section 9**

Notwithstanding anything contained in this Act,—

- (a) where the location of the supplier is in the territorial waters, the location of such supplier; or
- (b) where the place of supply is in the territorial waters, the place of supply,

shall, for the purposes of this Act, be deemed to be in the nearest coastal State or Union territory.

Question 5: Discuss Place of supply of goods within India.**Answer: Place of supply of goods within India Section 10**

Place of supply of goods within India shall be determined in the manner given below:

1. If there is a movement of goods and supply is given to a registered person, place of supply shall be the place where movement of goods terminate. E.g. ABC Ltd. is a builder in Delhi and is registered in GST and it has ordered supply of cement from XYZ of Delhi and cement was delivered at the construction site of the builder in Ghaziabad, in this case place of supply shall be U.P.
2. If supply is given to an unregistered person and address of such person is recorded in the invoice, place of supply shall be the location as per the address and if address is not given, place of supply shall be location of the supplier. E.g. Mr. X of Lucknow has come to Delhi and has purchased one Laptop from a dealer in Delhi and has given the address of Lucknow, in this case place of supply shall be U.P. but if he has not given any address, place of supply shall be Delhi.
3. If the goods are installed or assembled at the site, the place where it is installed or assembled. E.g. ABC Ltd. is registered in Delhi and it has installed one Generator in Ghaziabad, in this case place of supply is U.P. whether recipient is registered or not.
4. If the goods are supplied on board of a conveyance, the place where the goods are taken on board. E.g. Mr. X travelled from Delhi to Mumbai by train and goods were taken on board at Mathura by railways for supply to passengers, in this case place to supply is Mathura.
5. Where the goods are delivered on direction of the third person, place of supply shall be the principal place of the business of such third person. E.g. Mr. X of Delhi has given orders to Mr. Y of Haryana to deliver goods to Mr. Z of U.P., in this case place of supply shall be Delhi.

Question 6: Discuss Place of supply of goods outside India. (Not covered in syllabus)**Answer: Place of supply of goods outside India Section 11****Place of supply of goods imported into, or exported from India.**

The place of supply of goods,—

- (a) imported into India shall be the location of the importer;
- (b) exported from India shall be the location outside India.

Question 7: Discuss place of supply of services within India.

Answer: The provisions of this section shall apply to determine the place of supply of services where the location of supplier of services and the location of the recipient of services is in India. Section 12(1)

Category 1**1. Immovable property etc. Section 12(3) if the services are in connection with immovable property or Hotel or Guest House or boat or vessel etc., place of supply shall be place where it is located.**

If immovable property or boat or vessel is located outside India, the POS shall be the location of recipient (LOR) (if either supplier or recipient is outside India, Section 13 shall be applicable and POS shall be the place where property or boat or vessel is situated).

Example

(i) ABC Ltd. registered in Delhi has given orders to XYZ Ltd. of Calcutta to construct a building in Mumbai, in this case place of supply shall be Mumbai and XYZ Ltd. shall raise tax invoice on ABC Ltd. and shall charge IGST.

(ii) Mr. X registered in Delhi has spent one day on a vessel in Mumbai, in this case place of supply shall be Mumbai and the person supplying services in Mumbai shall charge CGST and SGST of Maharashtra.

(iii) ABC Ltd. registered in Mumbai has given orders to XYZ registered in West Bengal to construct one building in Bangladesh, in this case place of supply shall be Mumbai i.e. the location of recipient.

(iv) Mr. X, a Chartered Accountant, registered in Delhi travels to Mumbai for business and stays in a hotel there. The place of supply of accommodation service is the place where the hotel is located, i.e. Mumbai and the hotel owner shall issue a tax invoice and shall charge CGST and SGST of Maharashtra.

(v) A company C provides the service of 24 hours accommodation in a houseboat, which will transit both in Kerala and Karnataka in as much as the guests board the house boat in Kerala and stay there for 22 hours but it also moves into Karnataka for 2 hours (as declared by the service provider). The place of supply of this service is in the States of Kerala and Karnataka. The service shall be deemed to have been provided in the ratio of 22:2 in the States of Kerala and Karnataka, respectively. The value of the service shall be accordingly apportioned between the States.

2. Restaurant, catering service etc. Section 12(4)

POS shall be the location of restaurant etc. in the similar manner as in case of immovable property.

Example:

(i) Mr. X, a businessman registered in Hyderabad dines in a restaurant at Mumbai while on a business trip. The place of supply of restaurant service is the location where such service is performed, i.e. Mumbai.

(ii) Mr. Y, a makeup artist at Kolkata, goes to Jaipur, Rajasthan for doing the makeup of Ms. Simran Kapoor, a Bollywood actress based in Mumbai. The place of supply is the location where such service is performed, i.e. Jaipur.

3. Admission to cultural, artistic event etc. Section 12(6)

POS shall be the place where admission has been taken for such event.

Example:

(i) Mr. X registered in U.P. buys a ticket for a circus organized at Gurugram, Haryana by a circus company based in New Delhi. The place of supply is the location where the circus is held, i.e. Gurugram.

(ii) Manasvi of New Delhi buys a ticket for an amusement park located in Noida, Uttar Pradesh. The place of the supply is the location where the park is located, i.e. Noida.

4. Services on a conveyance etc. Section 12(10)

POS shall be the first point of departure of conveyance (but in case of goods it is the place where the goods are taken in the transport)

Example:

(i) Mr. X is travelling from Delhi to Mumbai in an Airjet flight. He desires to watch an English movie during the journey by making the necessary payment. The place of supply of such service of showing 'movie on demand' is the first scheduled point of departure of the conveyance for the journey, i.e. Delhi.

5. Telecommunication services Section 12(11)

POS shall be the place where landline or dish antenna etc. is installed.

In case of postpaid connection, the billing address shall be POS.

In case of prepaid connection, it is the place from where recharge coupon has been purchased.

Example:

(i) Mr. X (Kolkata) gets a landline phone installed at his home in Kolkata from Skybel Ltd. The place of supply is the location where the telecommunication line is installed, i.e. Kolkata.

- (ii) Mr. Y (Mumbai) gets a DTH installed at his home in his village in Uttar Pradesh from TATA Sky Ltd. The place of supply is the location where the DTH is installed, i.e. Uttar Pradesh.
- (iii) Mr. Z (Delhi) takes a post-paid mobile connection in Mumbai from Airtel Ltd. and gives his residence address at Mumbai as the address for billing with supplier. The place of supply is the location of billing address of the recipient, i.e. Mumbai.
- (iv) Mr. A (New Delhi) gets his post-paid mobile bill (billing address New Delhi) paid online from Goa. The place of supply is the location of the billing address of the recipient, i.e. New Delhi.
- (v) Mr. B (Delhi) purchases a pre-paid card from a selling agent in Mumbai. The place of supply is the address of the selling agent or re-seller, i.e. Mumbai.
- (vi) Mr. C (Delhi) gets a pre-paid mobile recharged from a grocery shop in Chennai. The place of supply is the location where such pre-payment is received, i.e. Chennai.

6. Banking and financial services etc. Section 12(12)

POS shall be the address in the bank records otherwise location of bank shall be POS.

Example:

- (i) Mr. X (Chennai) buys shares from a broker in BSE (Mumbai). The place of supply is the location of the recipient of services in the records of the supplier, i.e. Chennai.
- (ii) Mr. Y (New Delhi) has one bank account in State Bank in Mumbai and address given records of the bank is that of Delhi, in this case place of supply is Delhi.
- (iii) Mr. Z from Varanasi, Uttar Pradesh, visits a bank registered in New Delhi to get a demand draft made. Mr. Z does not have any account with the said bank. 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. New Delhi.

7. Advertisement services to Government / Local Authority etc. Section 12(14)

POS shall be the place where services have been rendered.

Category 2

1. Training / Coaching and performance appraisal etc. Section 12(5)

POS shall be location of registered person otherwise the place where services are rendered.

2. Event management services etc. Section 12(7)

POS shall be the location of registered person otherwise place where services are rendered.

3. Transportation of goods etc. Section 12(8)

POS shall be the location of the registered person otherwise place from where the goods have been handed over.

4. Passenger transportation service etc. Section 12(9)

POS shall be the location of the registered person otherwise place from where the passenger has boarded the transport.

5. Insurance services etc. Section 12(13)

POS shall be the location of the registered person otherwise address of the recipient.

Category 3

As per Section 12(2), POS in case of other services, if recipient is registered, place of registered person. Otherwise address of recipient. If address of recipient not available, location of supplier.

Question 8: Discuss place of supply of services outside India. (Not covered in syllabus)

Answer: Place of supply of services outside India Section 13

Place of supply of services where location of supplier or location of recipient is outside India.

(1) The provisions of this section shall apply to determine the place of supply of services where the location of the supplier of services or the location of the recipient of services is outside India.

(2) The place of supply of services except the services specified in sub-sections (3) to (13) shall be the location of the recipient of services:

Provided that where the location of the recipient of services is not available in the ordinary course of business, the place of supply shall be the location of the supplier of services.

(3) The place of supply of the following services shall be the location where the services are actually performed, namely:—

- (a) services supplied in respect of goods which are required to be made physically available by the recipient of services to the supplier of services, or to a person acting on behalf of the supplier of services in order to provide the services:

Provided that when such services are provided from a remote location by way of electronic means, the place of supply shall be the location where goods are situated at the time of supply of services:

Provided further that nothing contained in this clause shall apply in the case of services supplied in respect of goods which are temporarily imported into India for repairs or for any other treatment or process and are exported after such repairs or treatment or process without being put to any use in India, other than that which is required for such repairs or treatment or process;

- (b) services supplied to an individual, represented either as the recipient of services or a person acting on behalf of the recipient, which require the physical presence of the recipient or the person acting on his behalf, with the supplier for the supply of services.

(4) The place of supply of services supplied directly in relation to an immovable property, including services supplied in this regard by experts and estate agents, supply of accommodation by a hotel, inn, guest house, club or campsite, by whatever name called, grant of rights to use immovable property, services for carrying out or co-ordination of construction work, including that of architects or interior decorators, shall be the place where the immovable property is located or intended to be located.

(5) The place of supply of services supplied by way of admission to, or organisation of a cultural, artistic, sporting, scientific, educational or entertainment event, or a celebration, conference, fair, exhibition or similar events, and of services ancillary to such admission or organisation, shall be the place where the event is actually held.

(6) Where any services referred to in sub-section (3) or sub-section (4) or sub-section (5) is supplied at more than one location, including a location in the taxable territory, its place of supply shall be the location in the taxable territory.

(7) Where the services referred to in sub-section (3) or sub-section (4) or sub-section (5) are supplied in more than one State or Union territory, the place of supply of such services shall be taken as being in each of the respective States or Union territories and the value of such supplies specific to each State or Union territory shall be 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 basis as may be prescribed.

(8) The place of supply of the following services shall be the location of the supplier of services, namely:—

- (a) services supplied by a banking company, or a financial institution, or a non-banking financial company, to account holders;
- (b) intermediary services;
- (c) services consisting of hiring of means of transport, including yachts but excluding aircrafts and vessels, up to a period of one month.

Explanation.—For the purposes of this sub-section, the expression,—

- (a) "account" means an account bearing interest to the depositor, and includes a non-resident external account and a non-resident ordinary account;
- (b) "banking company" shall have the same meaning as assigned to it under clause (a) of section 45A of the Reserve Bank of India Act, 1934 (2 of 1934);
- (c) "financial institution" shall have the same meaning as assigned to it in clause (c) of section 45-I of

the Reserve Bank of India Act, 1934 (2 of 1934);

(d) "non-banking financial company" means,—

- (i) a financial institution which is a company;
- (ii) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or
- (iii) such other non-banking institution or class of such institutions, as the Reserve Bank of India may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.

(9) [***]

(10) The place of supply in respect of passenger transportation services shall be the place where the passenger embarks on the conveyance for a continuous journey.

(11) The place of supply of services provided on board a conveyance during the course of a passenger transport operation, including services intended to be wholly or substantially consumed while on board, shall be the first scheduled point of departure of that conveyance for the journey.

(12) The place of supply of online information and database access or retrieval services shall be the location of the recipient of services.

Explanation.—For the purposes of this sub-section, person receiving such services shall be deemed to be located in the taxable territory, if any two of the following non-contradictory conditions are satisfied, namely:—

- (a) the location of address presented by the recipient of services through internet is in the taxable territory;
- (b) the credit card or debit card or store value card or charge card or smart card or any other card by which the recipient of services settles payment has been issued in the taxable territory;
- (c) the billing address of the recipient of services is in the taxable territory;
- (d) the internet protocol address of the device used by the recipient of services is in the taxable territory;
- (e) the bank of the recipient of services in which the account used for payment is maintained is in the taxable territory;
- (f) the country code of the subscriber identity module card used by the recipient of services is of taxable territory;
- (g) the location of the fixed land line through which the service is received by the recipient is in the taxable territory.

(13) In order to prevent double taxation or non-taxation of the supply of a service, or for the uniform application of rules, the Government shall have the power to notify any description of services or circumstances in which the place of supply shall be the place of effective use and enjoyment of a service.

Example 1: MX Pvt. Ltd. (New Delhi) imports a machine from Germany for being installed in its factory at New Delhi. To install such machine, MX Pvt. Ltd. takes the service of an engineer who comes to India from Germany for this specific installation. The place of supply of installation service, which requires the physical presence of machinery, is the location where the service is actually performed, i.e. New Delhi.

Example 2: A mobile company located in United States of America (USA) takes services of a software company located in Bangalore for installation of a software in its mobiles in USA. The Indian software company provides its services through electronic means from its office in India. The place of supply is the location where goods (mobile phones) are situated at the time of supply of service, i.e. USA.

Example 3: ABC Ltd., Hyderabad has exported a machine to a company in Indonesia. The machine stops functioning and is thus, imported by ABC Ltd. for free repairs in terms of the sale contract. The machine is exported after repairs without being put to any use in India. The place of supply of repair service is the location of the recipient, i.e. Indonesia.

Example 4: QR Pvt. Ltd. imports raw diamonds from a diamond merchant in Belgium for the purpose of cutting, polishing and finishing the same. After the work is completed, the finished diamonds are exported to the diamond merchant in Belgium. The place of supply of the services undertaken by QR Pvt. Ltd. is the location of the recipient, i.e. Belgium.

Example 5: Mr. X, a hair stylist registered in New Delhi, travels to Singapore to provide his services to Ms. Y, a resident of Singapore. The place of supply is the location where the services are actually performed, i.e. Singapore.

Example 6: PQR Consultants, New Delhi, bags a contract for doing a market research for a vehicle manufacturing company based in South Korea, in respect of its upcoming model of a car. The research is to be carried out in five countries including New Delhi in India. Since the services are supplied at more than one location including a location in the taxable territory, the place of supply is the location in the taxable territory, i.e. New Delhi.

Example 7: Services supplied on the same goods A company C which is located in Kolkata is providing the services of testing of a dredging machine and the testing service on the machine is carried out in Orissa and Andhra Pradesh. The place of supply is in Orissa and Andhra Pradesh and the value of the service in Orissa and Andhra Pradesh will be ascertained by dividing the value of the service equally between these two States.

Example 8: Services supplied on different goods A company C which is located in Delhi is providing the service of servicing of two cars belonging to Mr. X. One car is of manufacturer J and is located in Delhi and is serviced by its Delhi workshop. The other car is of manufacturer A and is located in Gurugram and is serviced by its Gurugram workshop. The value of service attributable to the Union territory of Delhi and the State of Haryana respectively shall be calculated by applying the ratio of the invoice value of car J and the invoice value of car A, to the total value of the service.

Example 9: Services supplied to individuals A makeup artist M has to provide make up services to an actor A. A is shooting some scenes in Mumbai and some scenes in Goa. M provides the makeup services in Mumbai and Goa. The services are provided in Maharashtra and Goa and the value of the service in Maharashtra and Goa will be ascertained by applying the generally accepted accounting principles.

Example 10: Mr. C, an architect (New Delhi), provides professional services to Mr. Z of New York in relation to his immovable property located in Pune. The place of supply is the location of immovable property, i.e. Pune.

Example 11: Mr. C, an architect (New Delhi), enters into a contract with Mr. Z of New York to provide professional services in respect of immovable properties of Mr. Z located in Pune and New York. Since the immovable properties are located in more than one location including a location in the taxable territory, the place of supply is the location in the taxable territory, i.e. Pune.

Example 12: A circus team from Russia organizes a circus in New Delhi. The place of supply is the location where the event is actually held, i.e. New Delhi.

Example 13: An event management company registered in New Delhi organises an art exhibition displaying works of an international painter based in Dubai. The exhibition is organised in 3 countries including New Delhi in India. Since the service is supplied at more than one location including a location in the taxable territory, the place of supply is the location in the taxable territory, i.e. New Delhi.

Example 14: Mr. C, a non-resident, has an NRE account with Varanasi Bank (registered in Uttar Pradesh) in India. The place of supply of banking services provided by the Varanasi Bank to Mr. C, a non-resident customer, is the location of the supplier of service, i.e. Varanasi.

Example 15: XYZ & Sons, Kolkata, is an agent who facilitates supply of goods between foreign customers and Indian sellers. The place of supply of intermediary services is the location of the supplier of services, i.e. Kolkata.

Example 16: Mr. D, an unregistered person based in New Delhi hires a yacht from a company based in London, UK for 20 days. The place of supply is the location of the supplier of services, i.e. London.

Example 17: Mr. A, a foreign tourist, has booked a ticket for New Delhi-Sri Lanka flight from an airlines registered in New Delhi for a continuous journey without any stopover. The place of supply of services by airlines is the place where the passenger embarks on the conveyance for a continuous journey, i.e. New Delhi.

Example 18: 'A' and 'B' have entered into a contract as per which 'A' needs to provide a service of, say, annual maintenance of tools and machinery to 'B'. 'A' subcontracts a part or whole of it to 'C'. Accordingly, 'C' provides the service of annual maintenance to 'A' as part of such subcontract, by providing annual maintenance of tools and machinery to the customer of 'A', i.e. to 'B' on behalf of 'A'.

Though 'C' is dealing with the customer of 'A', but 'C' is providing the main supply of annual maintenance service to 'A' on his own account, i.e. on principal to principal basis.

In this case, 'A' is providing supply of annual maintenance service to 'B', whereas 'C' is supplying the same service to 'A'. Thus, supply of service by 'C' will not be considered as an intermediary.

Example 19: 'A' is a manufacturer and supplier of a machine. 'C' helps 'A' in selling the machine by identifying client 'B' who wants to purchase this machine and helps in finalizing the contract of supply of machine by 'A' to 'B'. 'C' charges 'A' for his services of locating 'B' and helping in finalizing the sale of machine between 'A' and 'B', for which 'C' invoices 'A' and is paid by 'A' for the same. While 'A' and 'B' are involved in the main supply of the machinery, 'C', is facilitating the supply of machine between 'A' and 'B'. In this arrangement, 'C' is providing the ancillary supply of arranging or facilitating the 'main supply' of machinery between 'A' and 'B' and therefore, 'C' is an intermediary and is providing intermediary service to 'A'.

Example 20: 'A' is a software company which develops software for the clients as per their requirement. 'A' has a contract with 'B' for providing some customized software for its business operations. 'A' outsources the task of design and development of a particular module of the software to 'C', for which 'C' may have to interact with 'B', to know their specific requirements. In this case, 'C' is providing main supply of service of design and development of software to 'A', and thus, 'C' is not an intermediary in this case.

Example 21: An insurance company 'P', located outside India, requires to process insurance claims of its clients in respect of the insurance service being provided by 'P' to the clients. For processing insurance claims, 'P' decides to outsource this work to some other firm. For this purpose, he approaches 'Q', located in India, for arranging insurance claims processing service from other service providers in India. 'Q' contacts 'R', who is in business of providing such insurance claims processing service, and arranges supply of insurance claims processing service by 'R' to 'P'. 'Q' charges P a commission or service charge of 1% of the contract value of insurance claims processing service provided by 'R' to 'P'. In such a case, main supply of insurance claims processing service is between 'P' and 'R', while 'Q' is merely arranging or facilitating the supply of services between 'P' and 'R', and not himself providing the main supply of services. Accordingly, in this case, 'Q' acts as an intermediary as per definition of section 2(13).

Example 22: 'A' is a manufacturer and supplier of computers based in USA and supplies its goods all over the world. As a part of this supply, 'A' is also required to provide customer care service to its customers to address their queries and complains related to the said supply of computers. 'A' decides to outsource the task of providing customer care services to a BPO firm, 'B'. 'B' provides customer care service to 'A' by interacting with the customers of 'A' and addressing / processing their queries / complains. 'B' charges 'A' for this service. 'B' is involved in supply of main service 'customer care service' to 'A', and therefore, 'B' is not an intermediary.

MISCELLANEOUS

Question 1: Explain Constitutional Provisions regarding GST.

Answer: Constitutional Provision

The Constitution of India is the Supreme law in India. The Parliament can make law only with regard to the matters which are allowed as per the constitution otherwise the law made by parliament shall be called Ultra vires i.e. it is not enforceable. The constitution consists of a preamble, 22 parts containing 395 articles and 12 Schedules.

India has a three-tier federal structure, comprising the Union Government, the State Governments and the local Government. The power to levy taxes and duties is distributed among the three tiers of Governments, in accordance with the provision of the Indian Constitution.

Relation between union and the states (article 245 to 263)

Article 246: It gives the respective authority to Union and state Governments and such authority is given in Seventh Schedule of Indian Constitution and there are three list in Seventh Schedule.

1. Union List – If any matter is mentioned in Union List, parliament can make law with regard to such matter. (there are 97 entries)
2. State List – If matter is mentioned in State List, State legislature, can make law with regard to such matter. (there are 66 entries)
3. Concurrent List – If matter is mentioned in Concurrent List, both of the government can make law with regard to such matter. (there are 47 entries)

Some of the important entries in the Union List are as given below:

82. Taxes on income other than agricultural income.
83. Duties of customs including export duties.
84. Duties of excise on following goods manufactured or produced in India, namely —
 - (a) petroleum crude;
 - (b) high speed diesel;
 - (c) motor spirit (commonly known as petrol);
 - (d) natural gas;
 - (e) aviation turbine fuel; and
 - (f) tobacco and tobacco products.

Some of the important entries in State List are as given below:

46. Taxes on agricultural income
51. Duties of excise on alcoholic liquors for human consumption; opium, Indian hemp and other narcotic drugs.
53. Taxes on the consumption or sale of electricity.
54. Sales Tax/VAT on sale of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural Gas, aviation turbine fuel and alcoholic liquor for human consumption for sale within the state i.e. excluding sale in the course of international trade or commerce of such goods.

Amendment in the Constitution for the purpose of GST (Constitution (101st Amendment) act, 2016)

Article 246A: Power to make laws with respect to Goods and Services Tax:

- This article grants power to Centre and State Governments to make laws with respect to GST imposed by Centre or such State for Intra state supply.
- Centre has the exclusive power to make laws with respect to GST in case of inter-state supply of goods / services but as per article 269A, such tax shall be distributed between the central and states.
- Import of goods / services into India will also be deemed to be Inter State supply.

GST Council: Article 279A

- ❖ Article 279A of the Constitution empowers the President to constitute a joint forum of the Centre and States namely, Goods & Services Tax Council (GST Council).
- ❖ The provisions relating to GST Council came into force on 12th September, 2016. President constituted the GST Council on 15th September, 2016.
- ❖ The Union Finance minister is the Chairman of this Council and Ministers in charge of Finance/Taxation or any other Minister nominated by each of the States & UTs with Legislatures are its members. Besides, the Union Minister of State in charge of revenue or Finance is also its member.
- ❖ The function of the Council is to make recommendations to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution etc.
- ❖ It shall also recommend the date on which GST be levied on petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel.

Definitions of 'Goods and Services Tax', 'Services' and 'State' incorporated under Article 366

The term Goods and Services Tax, Services and State have been defined under respective clauses of Article 366 as follows:

- ❖ **As per article 366(12A), Goods and Services Tax** means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. Consequently, GST can be levied on supply of all goods and services except alcoholic liquor for human consumption.
- ❖ **As per article 366(26A), Services** means anything other than goods.
- ❖ **As per article 366 (26B), State**, with reference to GST, includes a Union territory with Legislature i.e. Delhi, Pondicherry and Jammu and Kashmir.
- ❖ **As per article 366 (30), Union Territory**, Union Territory means any union territory specified in the first schedule and includes any other territory comprised within the territory of India but not specified in that schedule.

Question 2: Explain Levy and collection of CGST/Charging section of CGST.**Answer: Levy and Collection. Section 9**

9(1). There shall be levied a tax called the central goods and services tax on all intra-State supplies of goods/ services, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 and at such rates, not exceeding twenty per cent, as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.

9(2). The central tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.

9(3). The Government may specify categories of goods/services, the tax on which shall be paid on reverse charge basis by the recipient.

9(4). The Government may specify category of goods or services on which registered person shall pay tax under reverse charge if goods / services have been taken from unregistered persons

At present Government has notified that in case of cement and capital goods, the promotor or builder shall be liable to pay tax under reverse charge if the goods are purchased from unregistered persons. (Notification No.24/2019)

9(5). GST shall be collected by the ECO and shall be responsible for making payment to the Government.

Issue of invoice in case of reverse charge

Section 31(3)(f)

A registered person who is liable to pay tax under sub-section (3) or sub-section (4) of section 9 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.

May-2024 Examination (5 Marks)

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.

Solution:

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 (note).

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.

Note: It has been assumed that service provided by Mr. Sameer is legal service

Question 3 : Explain the Statement : GST – A tax on goods and services

Answer:

In general GST is levied on all goods and services but as per section 9(1), GST can not be levied on supply of alcoholic liquor for human consumption (i.e. State Excise Duty and Sales Tax / VAT / Central Sales Tax shall be leviable on alcoholic liquor for human consumption. In case of Opium, Indian hemp and other narcotic drugs, GST as well as State Excise Duty can be levied but Sales Tax / VAT / Central Sales Tax can not be levied.)

As per section 9(2), GST can not be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel. (i.e. Central Excise Duty and Sales Tax / VAT / Central Sales Tax shall be leviable on such product.) GST can be levied w.e.f. from such date as may be notified by the Govt. on the recommendation of GST council. (in case of Tobacco, GST as well as Central Excise Duty both can be levied but Sales Tax / VAT / Central Sales Tax can not be levied.)

Question 4:What are the States and Union Territory for the purpose of GST.

Answer:

As per section 2(103), There are 28 States in India and are as under:

1. Andhra Pradesh
2. Arunachal Pradesh
3. Assam
4. Bihar
5. Chhattisgarh
6. Goa
7. Gujarat

8. Haryana
9. Himachal Pradesh
10. Jharkhand
11. Karnataka
12. Kerala
13. Madhya Pradesh
14. Maharashtra
15. Manipur
16. Meghalaya
17. Mizoram
18. Nagaland
19. Odisha
20. Punjab
21. Rajasthan
22. Sikkim
23. Tamil Nadu
24. Telangana
25. Tripura
26. Uttar Pradesh
27. Uttarakhand
28. West Bengal

States will include a Union territory also with Legislature i.e. it will include Delhi, Pondicherry and Jammu and Kashmir

As per Section 2 (114) “Union territory” means the territory of—

- (a) the Andaman and Nicobar Islands;
- (b) Lakshadweep;
- (c) Dadra and Nagar Haveli and Daman and Diu
- (d) Chandigarh;
- (e) Ladakh

Explain 5: GSTN. (Goods and Service Tax Network)

Answer:

The Goods and Service Tax Network (or GSTN) is a non-profit, non-government organization. It will manage the entire IT system of the GST portal. Private players own a 51% share in the GSTN, and the government owns the rest. The authorized capital of the GSTN is Rs 10 crore, of which 49% of the shares are divided equally between the Central and State governments, and the remaining is with private banks. The GSTN shall control and manager entire GST system though a portal which is called GST Common Portal

Question 6: Explain GST Common Portal.

Answer: GST Common Portal

Common GST Electronic Portal - www.gst.gov.in is a website managed by Goods and Services Network (GSTN) and it has been setup by the Government to establish a uniform interface for the tax payer and a common and shared IT infrastructure between the Centre and States. The portal is one single common portal for all GST related services. A common GST system provides linkage to all State/UT Commercial Tax Departments, Central Tax authorities, Taxpayers, Bank and other stakeholders.

The functions of the GSTN include:

- a. facilitating registration;
- b. forwarding the returns to Central and State authorities;
- c. computation and settlement of IGST;
- d. matching of tax payment details with banking network;

- e. providing various reports to the Central and the State Governments based on the taxpayer return information;

Question 7: Explain GST Suvidha Providers(GSPs) / Application Services Provides (ASPs).

Answer: GST Suvidha Providers(GSPs) / Application Services Provides (ASPs)

GSTN has selected certain Information Technology Enabled Services companies to be called GST Suvidha Providers(GSPs). GSPs develop applications to be used by taxpayers for interacting with the GSTN. They facilitate the tax payers in uploading invoices as well as filing of returns and act as a single stop shop for GST related services.

They customize products that address the needs of different segment of users. GSPs may take the help of Application Services Provides (ASPs) who act as a link between taxpayers and GSPs.

Question 8: Explain what are the taxes to be subsumed in GST.

Answer: Taxes to be subsumed in GST

Central levies to be subsumed

- (i) Central Excise Duty & Additional Excise Duty.
- (ii) Service Tax.
- (iii) Excise Duty under Medicinal and Toilet Preparation Act.
- (iv) Countervailing Duty & Special Countervailing Duty. (Countervailing Duty (CVD) was levied in case of import in lieu of excise duty and Special Countervailing Duty also called Special Addition Duty was levied in case of import in lieu of sales tax / VAT)
- (v) Central Sales Tax (it was levied in case of inter state sales)
- (vi) Central surcharges and Cesses in so far as they relate to supply of goods and services.

State levies to be subsumed

- (i) State surcharges and Cesses in so far as they relate to supply of goods and services.
- (ii) Entertainment Tax (except those levied by local bodies)
- (iii) Tax on lottery, betting and gambling.
- (iv) Entry tax (All forms) & Purchase tax.
- (v) VAT/Sales tax.
- (vi) Luxury tax.
- (vii) Taxes on advertisements.

Question 9: Explain origin based tax and destination based tax.

Answer: In case of Inter State sale if tax is to be received and consumed by the State from where movement of Goods has started, It will be called origin based tax i.e. tax shall be received by the supplying State. If tax is to be received by the state where the goods are received for consumption, it will be called destination based tax or consumption based tax. Prior to GST it was origin based tax but under GST it is destination based tax, eg. If goods are sold from Delhi to UP, GST shall be received by UP but prior to GST Central tax was received by Delhi. It is one of the major change in GST.

Question 10: Explain Goods And Services Tax Practitioners.

Answer: Goods And Services Tax Practitioners Section 48

Eligibility Criteria for becoming GST practitioner.

Any person who

- (i) is a citizen of India
- (ii) is a person of sound mind
- (iii) is not adjudged as insolvent
- (iv) has not been convicted by a competent court

He should be a Chartered Accountant/ Cost Accountant / Company Secretary or should have any other qualification prescribed for this purpose.

Procedure for enrollment

A person desirous of becoming GST Practitioner has to submit an application in the form GST PCT-1. The application shall be scrutinised and GST practitioner certificate shall be granted in the form GST PCT-2. In case, the application is rejected, proper reasons shall have to be mentioned in the form GST PCT-4.

Activities by GST practitioner

A goods and services tax practitioner can undertake any or all of the following activities on behalf of a registered person:

- (a) furnish details of outward and inward supplies
- (b) furnish monthly, quarterly, annual or final return
- (c) make deposit for credit into the electronic cash ledger
- (d) file a claim for refund and
- (e) file an application for amendment or cancellation of registration.

A GST practitioner shall also be allowed to appear as authorised representative before any officer of department, Appellate Authority or Appellate Tribunal, on behalf of such a registered person who has authorised him to be his GST practitioner.

Conditions for GST Practitioner

Any registered person may give consent and authorise a GST practitioner in the form GST PCT-5 by listing the authorised activities in which he intends to authorise the GST practitioner. The registered person authorising a GST Practitioner shall have to authorise in the standard form Part A of form GST PCT-5 and the GST practitioner will have to accept the authorisation in Part B of the form GST PCT-5. The GST practitioner shall be allowed to undertake only such tasks as indicated in the authorisation form GST PCT-5. The registered person may, at any time, withdraw such authorisation in the prescribed form GST PCT-5.

Responsibility for correctness of particulars

The responsibility for correctness of any particulars furnished in the return or other details filed by the GST practitioners shall continue to rest with the registered person on whose behalf such return and details are furnished. Any statement furnished by the GST practitioner shall be made available to the registered person on the GST Common Portal. For every statement furnished by the GST practitioner, a confirmation shall be sought from the registered person over email or SMS. The registered person before confirming, should ensure that the facts mentioned in the return are true and correct before signature. However, failure to respond to request for confirmation shall be treated as deemed confirmation. The GST practitioner shall prepare all statements with due diligence and affix his digital signature on the statements prepared by him or electronically verify using his credentials. If the GST practitioner is found guilty of misconduct, his enrolment will be liable to be cancelled. A show cause notice would be issued to him in the form GST PCT-3.

Question 11: Explain Concept of GST/ GST – A Cure for Ills of Existing Indirect Tax.

Answer: The basic concept of GST is as given below:

- GST is a value added tax levied on manufacture, sale and consumption of goods and services.
- GST offers comprehensive and continuous chain of tax credits from the producer upto the retailer level thereby taxing only the value added at each stage of supply chain.
- The supplier at each stage is permitted to avail credit of GST paid on the purchase of goods and/or services and can set off this credit against the GST payable on the supply of goods and services to be made by him. Thus, only the final consumer bears the GST charged by the last supplier in the supply chain.
- Since, only the value added at each stage is taxed under GST, there is no multiple tax or cascading of taxes under GST system. GST does not differentiate between goods and services and thus, the two are taxed only once.

Question 12: Explain Seamless flow of credit.**Answer: Seamless flow of credit**

Since GST is a destination based consumption tax, revenue of SGST ordinarily accrues to the consuming States. The Inter - State supplier is allowed to set off the available credit of IGST, CGST and SGST/UTGST (in that order) against the IGST payable on inter -State supply made by him.

The buyer is allowed to avail the credit of IGST paid on Inter-State purchase made by him. Thus unlike the earlier scenario where the credit chain used to break in case of inter - State sales on account of non - VATable CST, under GST regime there is a seamless credit flow in case of inter - State supplies too.

Question 13: Explain Features of Indirect Taxes.**Answer: Features of Indirect Taxes**

1. **An important source of revenue:** Indirect Taxes are a major source of tax revenues for Governments worldwide and continue to grow as more countries move to consumption oriented tax regimes. In India, Indirect taxes contribute more than 50% of the total tax revenues of Central and State Governments.
2. **Shifting of burden:** There is a clear shifting of tax burden in respect of indirect taxes. For example, GST paid by the supplier of the goods is recovered from the buyer by including the tax in the cost of the commodity.
3. **No perception of direct pinch:** Since, value of indirect taxes is generally inbuilt in the price of the commodity, most of the time the tax payer pays the same without actually knowing that he is paying tax to the Government. Thus, tax payer does not perceive a direct pinch while paying indirect taxes.
4. **Inflationary:** Tax imposed on commodities and services causes an all-round price spiral. In other words, indirect taxation directly affects the prices of commodities and services and leads to inflationary trend.
5. **Wider tax base:** Unlike direct taxes, the indirect taxes have a wide tax base. Majority of the products or services are subject to indirect taxes.
6. **Promotes social welfare:** High taxes are imposed on the consumption of harmful products (also known as 'sin goods') such as alcoholic products, tobacco products etc. This not only checks their consumption but also enables the State to collect substantial revenue.
7. **Regressive in nature:** Generally, the indirect taxes are regressive in nature. The rich and the poor have to pay the same rate of indirect taxes on certain commodities of mass consumption. This may further increase the income disparities between the rich and the poor.

Question 14: Explain what is tax?

Answer: A tax may be defined as a "pecuniary (monetary) burden laid upon individuals or property owners to support the Government, a payment exacted by legislative authority. A tax "is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority".

In simple words, tax is nothing but money that people have to pay to the Government, which is used to provide public services.

Question 15: Explain Direct tax and Indirect Tax.**Answer: Direct Tax / Indirect Tax**

If any particular tax is paid by a person and also its incidence is on that person, it is called direct tax like income tax e.g. If Mr. X has paid income tax of ₹5,00,000, it will be called direct tax because it is paid by Mr. X and also its incidence is borne by Mr. X.

If any tax is paid by one person but its incidence is on some other person, it will be called indirect tax like **Central GST, State GST, Integrated GST, UT GST etc.**

Its incidence is borne by the consumers who ultimately consume the product or the service, while the immediate liability to pay the tax may fall upon another person such as a manufacturer or provider of service or seller of goods e.g. If ABC Ltd. has manufactured a product and it is sold for ₹20,00,000 and CGST plus SGST of ₹2,00,000 has been recovered, the GST so collected shall be called indirect tax because the payment was made by a company but it is ultimately borne by the buyer.

Question 16: Define Person

As per section 2 (84), "person" includes—

- (a) an individual;
- (b) a Hindu Undivided Family;
- (c) a company;
- (d) a firm;
- (e) a Limited Liability Partnership;
- (f) an association of persons / a body of individuals, whether incorporated or not.
- (g) Statutory corporation.
- (h) any body corporate;
- (i) a co-operative society/other society
- (j) a local authority;
- (k) Central Government or a State Government;
- (l) trust;
- (m) every artificial juridical person, not falling within any of the above;

Certain Definitions

As per 2 (5) "agent" means a person, including a factor, broker, commission agent, *arhatia*, *del credere* agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another

As per 2(19) "capital goods" means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.

As per 2(62) input tax

"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-sections (3) and (4) of section 5 of the Integrated Goods and Services Tax Act;
- (d) the tax payable under the provisions of sub-sections (3) and (4) of section 9 of the respective State Goods and Services Tax Act; or
- (e) the tax payable under the provisions of sub-sections (3) and (4) of section 7 of the Union Territory Goods and Services Tax Act, but does not include the tax paid under the composition levy;

As per 2(67) "inward supply" in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration

As per 2(78) "non-taxable supply" means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act;

As per 2(82) "output tax" in relation to a taxable person, means the tax chargeable under this Act 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.

As per 2(88) "principal" means a person on whose behalf an agent carries on the business of supply or receipt of goods or services or both;

As per 2(90) "principal supply" means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary;

As per 2(94) "registered person" means a person who is registered under section 25 but does not include a person having a Unique Identity Number

Meaning of "Recipient" of supply of goods or services or both section 2 (93)

"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 any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied;

Section 2(105) "supplier" in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied:

Provided that a person who organises or arranges, directly or indirectly, supply of specified actionable claims, including a person who owns, operates or manages digital or electronic platform for such supply, shall be deemed to be a supplier of such actionable claims, whether such actionable claims are supplied by him or through him and whether consideration in money or money's worth, including virtual digital assets, for supply of such actionable claims is paid or conveyed to him or through him or placed at his disposal in any manner, and all the provisions of this Act shall apply to such supplier of specified actionable claims, as if he is the supplier liable to pay the tax in relation to the supply of such actionable claims.

As per 2(107) "taxable person" means a person who is registered or liable to be registered under section 22 or section 24.

As per 2(117) "valid return" means a return furnished under sub-section (1) of section 39 on which self-assessed tax has been paid in full.

MULTIPLE CHOICE QUESTIONS

1. Which of the following taxes have been subsumed in GST?

- (a) Central Sales Tax
- (b) Central Excise Duty
- (c) VAT
- (d) All of the above

2. List-I of the Constitution contains matters in respect of which _____ has the exclusive right to make laws.

- (a) Central Government
- (b) State
- (c) Both Centre and State Governments
- (d) None of the above

3. GST is levied on supply of all goods and services except:

- (a) Alcoholic liquor for human consumption
- (b) Tobacco
- (c) Health care services
- (d) All of the above

4. On Petroleum Crude, High Speed Diesel, Motor Spirit (commonly known as Petrol), Natural Gas and Aviation Turbine Fuel:

- (a) GST is not levied at all
- (b) GST will be levied from a date to be notified on the recommendations of the GST Council
- (c) GST is levied, but exempt
- (d) None of the above

5. The functions of Goods and Services Network (GSTN) include:

- (a) facilitating registration
- (b) forwarding the returns to Central and State authorities
- (c) computation and settlement of IGST
- (d) All of the above

6. Which article of the Constitution outlines the composition and functions of the GST Council?

- (a) 270
- (b) 279A
- (c) 246A
- (d) 269A

7. What is the maximum rate of CGST prescribed under CGST Act?

- (a) 20%
- (b) 28%
- (c) 24%
- (d) 40%

8. Which of the following taxes levied on intra-State supply?

- (a) CGST
- (b) SGST/UTGST
- (c) Both (a) and (b)
- (d) IGST

9. IGST is levied on:

- (a) Inter-State supplies
- (b) Intra-State Supplies
- (c) Both (a) and (b)
- (d) None of the above

10. _____ is levied on the import of goods and/or services.

- (a) IGST
- (b) CGST and SGST

- (c) CGST and UTGST
- (d) None of the above

11. The maximum rate of IGST can be:

- (a) 20%
- (b) 30%
- (c) 40%
- (d) None of the above

12. On supply of which of the following items, GST shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council:

- (a) Petroleum crude
- (b) Alcoholic liquor for human consumption
- (c) Both (a) and (b)
- (d) None of the above

13. Which of the following statement is correct

- (a) India has adopted a dual GST which is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services.
- (b) India has adopted a single GST which is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services.
- (c) India has adopted a Triple GST which is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services.
- (d) India has adopted a Multiple GST which is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services.

14. Taxes subsumed in GST are-

- (i) Central Excise Duty & Additional Excise Duty.
 - (ii) Service Tax.
 - (iii) Central Sales Tax
 - (iv) Central surcharges and Cesses in so far as they relate to supply of goods and services.
- (a) all the above
 - (b) only (i) & (ii)
 - (c) only (ii) & (iii)
 - (d) None of the above

15. Which of the following statement is correct.

- (a) GST is applicable throughout India including J&K.
- (b) GST is applicable throughout India excluding J&K.
- (c) GST is applicable outside India.
- (d) None of the above is correct

16. Union Territory means the territory of

- (i) Andaman and Nicobar Island
- (ii) Dadra and Nagar Haveli
- (iii) Nagaland
- (iv) Telangana

- (a) all the above
- (b) only (i) & (ii)
- (c) only (ii) & (iii)
- (d) (i), (ii) & (iii)

17. Union Territory means the territory of

- (i) Lakshadweep
- (ii) Daman and Diu
- (iii) Arunachal Pradesh
- (iv) Goa

- (a) all the above
- (b) (i) & (ii)

- (c) (ii) & (iii)
- (d) (i), (ii) & (iii)
- (e) (iii) & (iv)

18. Which of the following statement is correct.

- (a) India was the first country to implement GST.
- (b) France was the first country to implement GST.
- (c) China was the first country to implement GST.
- (d) Brazil was the first country to implement GST.
- (e) Germany was the first country to implement GST.

19. Which of the following statement is correct.

- (a) capital goods means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.
- (b) capital goods means goods, the value of which is not capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.
- (c) capital goods means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used for personal use.
- (d) capital goods means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are not used in the course or furtherance of business.

20. Which of the following statement is correct.

- (a) inward supply in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration
- (b) inward supply in relation to a person, shall mean sale of goods or services or both with or without consideration
- (c) inward supply in relation to a person, shall mean transfer of goods or services or both whether by purchase, acquisition or any other means with or without consideration
- (d) inward supply in relation to a person, shall mean receipt of goods only by purchase, acquisition or any other means with consideration

Answer:

1. (d); 2. (a); 3. (a); 4. (b); 5. (d); 6. (b); 7. (a); 8. (c); 9. (a); 10. (a); 11. (c); 12. (a); 13. (a); 14. (a); 15. (a); 16. (b); 17. (b); 18. (b); 19. (a); 20. (a)

EXAMINATION QUESTION

NOV 2018

Question 12 (c) (i)

(2 Marks)

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

Answer: Refer answer given in the book

NOV 2018

Question 10 (b)(ii)

(2 Marks)

Differentiate between direct and indirect Taxes (Give any two points)

Answer:

S. No	Direct Tax	Indirect Tax
01.	The person paying the tax to the Government directly bears the incidence of the tax	The person paying the tax to the Government collects the same from the ultimate consumer thus incidence of the tax is bear by another person.
02.	Progressive in nature: High rate of taxes for people having higher ability to pay	Regressive in nature: All the consumers equally bear the burden, irrespective of their ability to pay

MAY 2018

Question 11 (c)

(3 Marks)

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

Answer: Refer answer given in the book

TAXATION PAPER

SEPT – 2024

CRD2

Roll No

Total No. of Questions - 8

Total No. of Printed Pages -8

Maximum Marks - 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book of Section- A only. Answers to questions in Part II are to be written in their respective descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I questions paper, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the - descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit the descriptive answer books with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

PART-II

70 Marks

1. **Section- A** comprises -questions **1-4**. In Section - A, answer question No. **1** which is compulsory and any **2** questions from question Nos. **2-4**. All questions in Section- A relate to assessment year 2024-25, unless otherwise stated. Significant notifications/circulars issued upto 29th February, 2024 shall be relevant.
Section- B comprises questions **5-8**. In Sections - B, answer question No. **5** which is compulsory and any 2 questions from question Nos. **6-8**.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. All questions in Section - B should be answered on the basis of position of GST Law as amended by Finance Act, 2023 and significant notifications/circulars issued upto 29th February, 2024.

**SECTION B: GOODS AND SERVICES TAX
PART - I**

Case Scenario 3

M/s. Veena & Co. of Jabalpur was registered under GST under composition scheme. Outward Supply of the firm for the month of July 2023 was ₹ 10 lakh, out of which ₹ 2 lakh was supply of services. In the preceding financial year, the firm was doing trading of taxable goods only. Turnover of the concern for the previous financial year was ₹ 100 lakh.

The firm imported the following services during August, 2023:

- (a) Architect services from Mr. Vinod, a partner of the firm, who resides in France for ₹ 1,00,000. The said service was paid but not used for the furtherance of the business.
- (b) Management consultancy services from Mr. Lal, a renowned lawyer in Sweden, who was an ex-employee of the firm. The value of the said service was ₹ 3,00,000. Even though it was used in the furtherance of the business, no consideration was paid by the firm.

Aggregate Turnover of the firm crossed the limit of ₹ 150 lakh on 25.09.2023 from which date the firm was liable to pay tax under regular scheme.

All the amounts given above are exclusive of taxes wherever applicable. All the supply referred above is intra-State unless specified otherwise.

From the information given above, choose the most appropriate answer for the 9-11 questions:

9. Tax liability of Veena & Co. for the month of July 2023 is ₹ _____ each under CGST and SGST.

- (A) 5,000
- (B) 9,000
- (C) 10,000
- (D) 14,000

(2 Marks)

Answer: (A) 5,000

10. Import of services by Veena & Co. that will be treated as supply is ₹ _____.

- (A) Nil
- (B) ₹ 1,00,000
- (C) ₹ 3,00,000
- (D) ₹ 4,00,000

(2 Marks)

Answer: (B) ₹ 1,00,000

11. Veena & Co. will be eligible to claim ITC held on Stock and Capital goods as on _____.

- (A) 01-09-2023
- (B) 24-09-2023
- (C) 25-09-2023
- (D) 30-09-2023

(2 Marks)

Answer: (B) 24-09-2023

Case Scenario 4

Pawan was engaged in providing various services within the State of Rajasthan since May 2023. His aggregate turnover crossed the threshold limit on 04.07.2023. He applied for registration under GST on 02.08.2023. He got his GST registration on 10.08.2023.

After taking registration, Pawan started a business across India including supply of goods also. He dispatched goods pan India based on orders he got for the goods dealt by him.

He received an order from Delhi for which he supplied taxable goods valuing ₹ 45,000. Applicable rate of IGST was 12%. He also supplied certain exempted goods valuing ₹ 4,000. He made one invoice for both taxable as well as exempted supply made to Delhi.

He asked his tax consultant for the requirement of generation of e-way bill for this order. Tax consultant informed him that the requirement of e-way bill is based on consignment value of goods supplied.

Even being a micro enterprise, Pawan did not receive timely payment from his customers as a result of which he ran into severe cash crunch and eventually could not make on-time payment to his suppliers. As a result, he decided to shut down his business and got placed in a software company as a senior programmer executive.

While shutting down his business, he informed his tax consultant to cancel the GST registration. Tax consultant surrendered his registration online in GST Portal on 25.10.2023 and his application for cancellation was approved by the Proper Officer on 31.10.2023.

All the amounts given above are exclusive of taxes wherever applicable.

From the information given above, choose the most appropriate answer for the 12-14 questions:

12. Effective date of registration of Pawan is _____.

- (A) 04.07.2023
- (B) 02.08.2023
- (C) 03.08.2023
- (D) 10.08.2023

(2 Marks)

Answer: (A) 04.07.2023

13. Consignment value of goods supplied to Delhi by Pawan is ₹ _____.

- (A) 45,000
- (B) 49,000
- (C) 50,400
- (D) 54,400

(2 Marks)

Answer: (C) 50,400

14. Due date by which Pawan is supposed to file Final return under GST is _____.

- (A) 25.11.2023
- (B) 30.11.2023
- (C) 25.01.2024
- (D) 31.01.2024

(2 Marks)

Answer: (D) 31.01.2024

15. Smita Limited made an outward supply of garments at an agreed price of ₹ 5,00,000. The company charged 'Go Green Cess' levied by Local municipal corporation amounting to ₹ 10,000 for this supply. As the customer made payment within 3 days from the date of delivery, Smita Limited provide a discount of ₹5,000 separately as a customer friendly measure, even though no prior agreement was made on discount. Value of Supply made by Smita Limited u/s 15 is ₹ _____

- (A) 5,05,000
- (B) 5,10,000
- (C) 5,00,000
- (D) 5,15,000

(2 Marks)

Answer: (B) 5,10,000

16. 'Truth is God', a religious trust u/s 12AA of the Income-tax Act, 1961, provides service by way of renting of premises within the precincts of a religious place which is exempt upto ₹ _____.

- (A) ₹ 999 per day
- (B) ₹ 1,000 per day
- (C) ₹ 9,999 per day
- (D) ₹ 10,000 per day

(1 Mark)

Answer: (C) ₹ 9,999 per day

Part-II: Descriptive Questions

Question 5(a)

(10 Marks)

DEF Pvt. Ltd., a registered supplier of goods and services in Pune, Maharashtra, has furnished the following details for the month of January, 2024. The turnover of DEF Pvt. Ltd. was ₹ 3.2 crores in last financial year.

Sr. No.	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 23 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 15.03.2023. Now R Ltd. issued debit note on 15.01.2024 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.	DEL 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 2024.

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, 2024. Make suitable assumptions wherever required.

Solution:

(i) Computation of output tax liability of DEF Pvt. Ltd. for January, 2024

Particulars	Value (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax payable				
Intra-State supply of taxable goods (Note 1)	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 (Note 2) [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.]	20,000			3,600

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.]				
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 (Note 3)	10,00,000	-	-	1,80,000
Total output tax liability		45,000	45,000	1,83,600

(Note 1 Intra-State supply of taxable goods has been logically considered as outward supply in the above solution.

Note 2 It has been assumed that entire ₹ 20,000 represents the service fee/convenience fee charged by DEF Pvt. Ltd.

Note 3 Inter-State supply of service has been logically considered as outward supply in the above solution.)

(ii) Computation of input tax credit available to DEF Pvt. Ltd. for January, 2024

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 th November of the succeeding financial year or the 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	-	-	--
Total		79,000	79,000	34,500

Note:

In the above solution, the words, “DEL Pvt. Ltd.” be read as “DEF Pvt. Ltd.” in Sr. no. 6 of the Question.

Question 5(b)**(5 Marks)**

ABC Infra, is a partnership firm registered under GST. It furnishes the following details about services provided during the month of February 2024:

	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 given of booking air tickets in economy class for flight between 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. GST rates for CGST, SGST, IGST are 9%, 9%, 18% respectively. Compute the GST payable by the ABC Infra for the month of February, 2024.

Solution:**Computation of GST payable by the ABC Infra for February, 2024**

	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 (Note 4)]	-	-
(iii)	Booking air tickets in economy class (Note 5) [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
	Total GST payable by ABC Infra	1,34,100	1,34,100

(Note 4 Consideration charged is ₹ 485 per person (₹ 2,42,500/500).

Note 5 It has been assumed that entire ₹ 1,20,000 represents the service fee/convenience fee charged by ABC Infra.

Note: In the given question, it has been assumed that the amounts given in the question are exclusive of GST. It is also possible to assume the given amounts as inclusive of GST and answer shall change accordingly.

Question 6(a)**(5 Marks)**

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 the preceding financial year 2022-23 for sale of machinery was ₹ 1.32 crores, it was first year so they had not started for providing service related to machinery. From FY 2023-24 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 the 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 FY 2023-24?

Solution:

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 dealing in the service only, M/s T cannot opt for composition scheme under section 10(2A) of the CGST Act, 2017 for FY 2023-24.

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 of goods under section 10(1) of the CGST Act, 2017 for FY 2023-24.

Question 6(b)

(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. **(2 Marks)**

(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? **(3 Marks)**

Solution:

(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 the name of the State of the 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 7(a)

(5 Marks)

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?

Solution:

(a) 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 × 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 7(b)

(5 Marks)

Every registered person executing works contract shall keep separate accounts for works contract under CGST Rules, 2017.

List the details to be maintained.

Solution:

Every registered person executing works contract shall keep separate accounts for works contract showing-

- the names and addresses of the persons on whose behalf the works contract is executed;
- description, value and quantity (wherever applicable) of goods/services received for the execution of works contract;
- description, value and quantity (wherever applicable) of goods/services utilized in the execution of works contract;
- the details of payment received in respect of each works contract; and
- the names and addresses of suppliers from whom he received goods or services.

Question 8(a)

(5 Marks)

Describe the provisions relating to import of services by a registered person as contained in the section 7(1)(b), 7(1)(c) and Schedule 1 of the CGST Act, 2017.

Solution:

(a) As per the provisions of section 7(1)(b), 7(1)(c) and Schedule I of the CGST Act, 2017, import of services for a consideration shall be considered as supply, whether or not in the course or furtherance of business

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 shall be treated as supply even if made without consideration.

Question 8(b)

(i) List out category of persons who are exempted from the E-invoicing provisions. **(2 Marks)**

(ii) No act or proceedings of the Goods and Services Tax Council shall be invalid merely by certain reasons. What are they? **(3 Marks)**

Solution:

(i) 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

Note: Any two points may be mentioned.

(ii) 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.

OR

Question 8(b)**(5 Marks)**

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.

Solution:

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.

TAXATION PAPER

MAY – 2024

DKM2

Roll No.

Total No. of Questions – 8

Total No. of Printed Pages – 15

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of Section A of descriptive answer book of Section-A only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I question paper will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after conclusion of the exam.
10. The invigilator will give you acknowledgment on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART-II

70 Marks

1. **Section – A** comprises questions 1-4. In **Sections-A**, answer question No. 1 which is compulsory and any 2 questions from question Nos. 2-4. All questions in **Section – A** relate to assessment year 2024-25, unless otherwise stated. Significant notifications/circulars issued upto 31st October, 2023.
Section – B comprises question 5-8. In **Section – B**, answer question No. 5 which is compulsory and any 2 questions from question Nos. 6-8.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

4. All question in Section – B, should be answered on the basis of position of GST law as amended by Finance Act, 2023 and significant notification / circulars issued upto 31st October, 2023.

PART – II

Section - B

Question 5 (a)

(10 Marks)

Evershine Pvt. Ltd., a GST registered supplier located in Jaipur, Rajasthan is engaged in taxable supply of packaging goods and consultancy services. It provides following details of various activities undertaken during the month of September 2023:

(A) Details of Outward Supplies :-

- (1) Supply of goods of ₹ 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 the 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 2023 – 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 the information given above, conditions necessary for claiming ITC were complied with.
(iii) All inward supplies are used for taxable goods only.
(iv) Brief and suitable notes should form part of your answer.

Calculate the amount of net minimum GST payable in cash by Evershine Pvt. Ltd. for the month of September 2023.

Solution:

Computation of minimum net GST payable in cash by Evershine Pvt. Ltd. for the month of September 2023

Particulars		Value of supply (₹)	CGST @9% (₹)	SGST @ 9% (₹)	IGST @18% (₹)
Output tax payable					
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	(2,17,800)	(42,200)
Minimum net GST payable in cash		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 (note 1) [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 or 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 (note 2)		5,00,000	Nil	Nil	Nil

[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.]					
Total			2,30,000	2,60,000	4,17,000
Note – In above answer, where location of supplier and place of supply are in two different States, it is an inter-State supply and where location of supplier and place of supply are in same State, it is an intra-State supply.					

Note 1: It is logically assumed that depreciation is not claimed on trucks.

2. It is logically assumed that amount spent on purchase of goods is capitalized in the books.

Question 5 (b)

(5 Marks)

Mr. Ravindra, a registered person in Bhopal, Madhya Pradesh has provided the following information regarding outward transactions made during the month of January 2024:

- (1) He was appointed by recognized sports body as a chief selector of hockey team and received ₹ 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.
- (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 for January 2024. All the amount stated above are exclusive of GST, wherever applicable. Suitable Notes should form part of answer.

Solution:

Computation of taxable value of supply on which GST is to be paid by Mr. Ravindra

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* [Services provided to a Local Authority by way of slum improvement and upgradation are exempt.]	NIL
Consideration received against western music dance performance in an event [Taxable, since the amount received for western music dance performance but the exemption is available for performance in folk or classical art forms of music or dance. if the consideration charged for such performance is not more than ₹1,50,000.]	1,25,000
Value of taxable supply on which GST is to be paid by Mr. Ravindra	6,25,000

*Note: It has been assumed that either the services provided are pure services or composite supply where value of supply of goods is upto 25% of value of such supply and consequently, said supply has been considered as exempt from GST.

However, it is also possible to assume that it is a composite supply with value of supply of goods more than 25% of value of such supply. In that case, said supply will be liable to GST.

Question 6 (a)**(5 Marks)**

As per CGST Act 2017, Vishnu Limited was not mandatorily required to get registered, however they opted for voluntary registration and applied for registration on 12th February 2024. Registration certificate has been granted by department on 24th February 2024. Vishnu Limited is not engaged in making inter-state outward taxable supplies. The CGST and SGST liability for the month of February 2024 is ₹ 31,000 each. Vishnu Limited provides the following information of goods held in stock on 23rd February 2024:

Sr. No.	Particulars	Amount (₹)
1.	Capital goods procured on 5 th February 2024, (Rate of CGST and SGST @ 6% each) being intra-state supply.	2,00,000
2.	Inputs contained in finished goods stock held were procured on 13 th February 2023 (Rate of IGST @ 18%) being inter-state supply.	3,00,000
3.	Value of Inputs received on 10 th October 2023 contained in semi-finished goods held in stock (Rate of CGST and SGST @ 6% each) being intra-state supply.	2,50,000
4.	Input procured on 1 st February 2024 lying in stock of semi-finished goods (Rate of CGST and SGST @ 7.5% each) being intra-state supply.	1,50,000
5.	Inputs procured on 8 th February 2024 lying in stock of finished goods. (Rate of IGST @ 18%) being inter-state supply.	60,000

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

Solution:

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

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>
Net GST payable (in cash)	Nil	Nil

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

Computation of eligible ITC available (Note -1)

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Capital goods [Person taking voluntary registration cannot avail ITC on capital goods held on the day immediately preceding the date of grant of registration.]	Nil	Nil	Nil
Inputs procured on 13 th February 2023	Nil	Nil	Nil
Inputs procured on 10 th October 2023	15,000	15,000	Nil
Inputs procured on 1 st February 2024	11,250	11,250	Nil
Inputs procured on 8 th February 2024	<u>Nil</u>	<u>Nil</u>	<u>10,800</u>
Total ITC	26,250	26,250	10,800

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.

Note 1: It is assumed that amounts mentioned in the question are exclusive of GST. However, it is also possible to solve the question by assuming the amounts given in the question to be inclusive of tax.

Question 6 (b)

(5 Marks)

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 6th September and back. He leaves Prayagraj on 11th September in a morning flight and lands in Jaipur the same day. He leaves Jaipur on 15th September in a late night flight and lands in Prayagraj the next day.

- (3) Rimjhim Pvt. Ltd., located in 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.

Solution:

(1) The place of supply of services by way of transportation of goods by courier provided to an unregistered person is the location at which such goods are handed over for their transportation.

Therefore, the place of supply, in the given case is Kolkata, West Bengal.

(2) The place of supply of passenger transportation service to an unregistered person is place where the passenger embarks on the conveyance for a continuous journey wherein the return journey is treated as a separate journey, even if the tickets for onward and return journey is issued at the same time.

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 7 (a)

(5 Marks)

GSTR 3B for the month of January 2024 has been filed by M/S Avisha Limited a registered person within the due date prescribed by the CGST Act 2017 which is on February 20th, 2024. It came to the notice of the Co. that tax due for the month of January 2024 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 2024 on March 20th, 2024 in the following manner:

Particulars	Cash Ledger	Credit Ledger
Shortfall	₹ 12,000	₹ 4,000

Assume that electronic cash ledger and credit ledger carry sufficient balance for the above short fall.

- (iii) You are required to calculate the amount of interest payable if any under Section 50 of CGST Act 2017 and Rule 88B of CGST Rules 2017.
- (iv) Give the effect if GSTR 3B for the month of January 2024 had been filed belatedly on March 20, 2024 and all other conditions remaining same.

Calculation should be rounded off to nearest rupee. As 2024 is leap year, give effect of same.

Solution:

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 [21.02.2024 - 20.03.2024 (both inclusive)] as under:

$$= ₹ 16,000 \times 18\% \times 29/366 = ₹ 228 \text{ (rounded off)}$$

(ii) If Avisha Limited has filed Form GSTR-3B for the month after the due date, i.e. on 20.03.2024, interest is payable on the net tax liability paid through Electronic Cash Ledger only, for a delay of 29 days, as under:

$$= ₹ 12,000 \times 18\% \times 29/366 = ₹ 171 \text{ (rounded off)}$$

Question 7 (b)**(5 Marks)**

Who is liable to deduct 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 CGST Act 2017 and Rule 12 of CGST Rules 2017.

Solution:

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 (note) on or before 31st December following the end of the 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.

Note: It may be noted that the annual statement (Form GSTR-9B) is yet to be notified.

Question 8 (a)**(5 Marks)**

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.

Solution:

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.

OR

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 GST Act, 2017.

Solution:

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

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

Question 8 (b)**(5 Marks)**

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.

Solution:

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 (note).

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.

Note: It has been assumed that service provided by Mr. Sameer is legal service.

TAXATION PAPER

NOV – 2023

SBG2

Roll No.....
Total No. of Questions – 8

Total No. of printed Pages – 15
Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answer to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidate.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have complete the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination in 3 hours. You will be required to submit (a) part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgment on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

1. **Section -A** comprises questions 1-4. In Section – A, answer question No. 1 which is compulsory and any 2 questions from question Nos 2-4. All questions in Section – A relate to Assessment Year 2024-2025, unless otherwise stated. Significant notifications/circulars issued upto 30th April, 2023 would be relevant.
Section – B comprises questions 5-8. In Section – B, answer question No. 5 which is compulsory and any 2 questions from question Nos. 6-8.
2. Working notes should form part of the answer.

3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answer in Hindi will not be evaluated.
4. All question in Section – B should be answered on the basis of position of GST Law as amended by Finance Act 2023 and significant notifications/circulars issued upto 30th April, 2023

PART – II**Section - B****Question 5****(8 Marks)**

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 2024:

S. No.	PARTICULARS	AMOUNT (₹)
	<u>OUTWARD SUPPLY:</u>	
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 service 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
	<u>INWARD SUPPLY: (Intra-state)</u>	
i.	Purchase of taxable goods from registered suppliers.	8,00,000
ii.	Availed Works Contract service for repair of office building. Amount of repair was debited in the profit & loss account.	30,000
iii.	Availed legal service from an advocate to represent the matter in the Court relating to collection of disputed proceed from customers.	50,000

Notes :

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

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

- (ii) Both inward and outward supplies given above are exclusive of taxes.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) Working note should form part of the answer.

Compute the net minimum GST payable in cash by M/s. Honest Enterprise for the month of December 2024.

Solution:**Output GST Liability**

- i. Intra-state supply of goods to M/s. Natural & Sons

7,00,000

CGST @ 2.5%	17,500
SGST @ 2.5%	17,500
ii. Intra-state transfer of goods to its branch office in the state of West Bengal. Both places are under the same GSTIN. (Since it is stock transfer, it will not be considered to be supply and GST shall be Nil)	Nil
iii. Provided inter-state supply of sponsorship service to XYZ Ltd. of Chennai.	Nil
CGST @ 9%	Nil
SGST @ 9%	Nil
(Reverse charge shall be applicable because the person sponsoring the event is a company)	
iv. Advance received for future supply of management consultancy service to Mr. Sharad (Intra-state supply)	40,000
CGST @ 9%	3,600
SGST @ 9%	3,600

ITC

i. Purchase of taxable goods from registered suppliers.	8,00,000
CGST @ 2.5%	20,000
SGST @ 2.5%	20,000
ii. Availed Works Contract service for repair of office building. Amount of repair was debited in the profit & loss account.	30,000
CGST @ 9%	2,700
SGST @ 9%	2,700
(Since amount has not been capitalised, ITC shall be allowed u/s 17(5))	
iii. Availed legal service from an advocate to represent the matter in the Court relating to collection of disputed proceed from customers.	50,000
CGST @ 9%	4,500
SGST @ 9%	4,500
(Reverse charge shall be applicable and ITC shall be allowed)	

Net GST Payable

Output CGST (17,500 + 3,600)	21,100
Less: ITC (20,000 + 2,700 + 4,500)	27,200
Net CGST	Nil
ITC of CGST to be carried forward	6,100
CGST payable under reverse charge	4,500
Output SGST (17,500 + 3,600)	21,100
Less: ITC (20,000 + 2,700 + 4,500)	27,200
Net SGST	Nil
ITC of SGST to be carried forward	6,100
SGST payable under reverse charge	4,500

Question 6 (a)**(6 Marks)**

Mr. Dhawan, 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 2025:

S. No.	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 from provision of training in recreational 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. Dhawan for the month of January 2025. All the amount stated above are exclusive of GST, Wherever applicable. Suitable notes should form part of the answer.

Solution:

(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. (Since services are performed outside the educational institution, it is taxable)	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. (Contract carriage is exempt only when it is given for transportation of passengers)	1,50,000
(iv) Amount received from provision of training in recreational activities of music. (recreational activities in arts and culture are exempt)	Nil
(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) (Renting of residential dwelling is taxable only when it is given to a registered person i.e. if it was let out to M/s. Dayaram & Sons, it will be taxable)	Nil
Value of supply	4,35,000

Question 6 (b)**(2 + 2 = 4 Marks)**

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 the water cooler directly to the 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) As per section 7, supply includes sale, transfer etc. of goods for a consideration. In this case Mr. Sonu has not taken any goods or services from the temple hence there is no supply accordingly GST is not payable. In case Mr. Sonu has taken any benefit in return, in that case it will be considered to be supply.
- (ii) As per Schedule I of CGST Act, import of services by a person from a related person or from any of his establishment outside India, in the course or furtherance of business shall be considered to be supply even if it is without consideration. In the given case services have been taken from head office free of cost, it will be taxable.

Question 7 (a)**(3 Marks)**

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 7 (b)**(4 Marks)**

Dream World Pvt. Ltd is registered under GST in the State of Haryana. During the Financial Year 2022-23, its annual aggregate turnover was ₹ 12 crore. In the month of April 2023, 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 7 (c)**(3 Marks)**

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, 2022. 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 the provisions of GST laws as to whether he is allowed to use the amount lying in the electronic credit ledger for making the payment of tax liability, payable as a consequence of the proceeding?

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 8 (a)**(5 Marks)**

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?

OR

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 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 30th September following the end of FY in which the ITC in respect of invoice/ debit note has been availed, then the amount of ITC shall be reversed by recipient, while furnishing a return in Form GSTR-3B on or before 30th November following the end of such FY during which such ITC has been availed.

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

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

Alternative

Where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation of registration to such proper officer, within 30 days (or within extended time period) from the date of service of the order of cancellation of registration.

If the proper officer is satisfied that there are sufficient grounds for revocation of cancellation, he may revoke the cancellation of registration, by an order within 30 days of receipt of application and communicate the same to applicant.

Otherwise, he may reject the revocation application. However, before rejecting the application, he has to first issue SCN to the applicant who shall furnish the clarification within 7 working days of service of SCN.

The proper officer shall dispose the application (accept/reject the same) within 30 days of receipt of clarification.

Question 8 (b)**(5 Marks)**

Mr. Sameer, a registered person under GST, is unable to file GSTR-1 on the reason being shown that tax payable under GSTR-1 which has been filed in respect of last tax period exceeds the tax payable under GSTR-3B which has been filed for the corresponding tax period. Explain the procedure to be followed by the department and Mr. Sameer for the same as per the provisions of Rule 88C of the CGST Rules 2017.

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.

Note: It is assumed that the tax payable by Mr. Sameer as per Form GSTR-1 for the last tax period exceeds the tax liability as per Form GSTR-3B for that period by more than the specified amount and specified percentage, as per rule 88C of the CGST Rules, 2017.

TAXATION PAPER

MAY – 2023

LWX2

Roll No.....

Total No. of printed Pages – **15**

Total No. of Questions – **8**

Maximum Marks – **70**

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Question (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet given on the Cover Page of Section A of descriptive type answer book. Answers to questions in Part II are to be written on the same descriptive type answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the Cover Page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive type answer book with OMR Cover Page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART II

1. **Section – A** comprises questions **1-4**. In Section – A, answer question No.1 which is compulsory and any **2** questions from question Nos. **2-4**. All questions in Section – A relate to assessment year 2024-25, unless otherwise stated.

Section – B comprises questions **5-8**. In Section – B, answer question No.5 which is compulsory and any **2** questions from question Nos. **6-8**

2. Working notes should form part of the answer.

3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

4. All questions in Section – B should be answered on the basis of position of GST law as amended by Finance Act 2023 and significant notification / circulars issued upto 31st October, 2023 .

PART – II

Section - B

Question 5

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 2025 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
- | | |
|--|----------|
| 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.
- | | |
|---|----------|
| 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, 2025, 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 the same is applicable.
- (v) In respect of few of the invoices relating to F.Y. 2024-2025, 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.

Additional Information:

(a) All the figures mentioned above are exclusive of taxes.

(b) 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, 2025.

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

(8 Marks)

Answer:

Computation of minimum CGST, SGST and IGST payable in cash by Jino Enterprises for the month of October, 2025

Output Tax

(i)(a) Intra-State supply of air-conditioners	4,00,000
CGST @ 6%	24,000
SGST @ 6%	24,000
(i)(b) Value of freight charges	1,00,000
CGST @ 6%	6,000
SGST @ 6%	6,000
(ii)(a) Value of services	3,00,000
CGST @ 9%	27,000
SGST @ 9%	27,000
(ii)(b) Value of parts / spares component in invoices	50,000
CGST @ 6%	3,000
SGST @ 6%	3,000
(iii) Inter-State supply of 10 combos of air- conditioners and stabilizers (20,000 x 10)	2,00,000
IGST @ 18%	36,000

ITC

(iv) Purchase of business class air tickets for travel from Assam		40,000
CGST @ 2.5%		1,000
SGST @ 2.5%		1,000

[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.]

(v) Invoices relating to FY 2024-25	CGST	20,000
	SGST	20,000
	IGST	80,000

[ITC in respect of any invoice can be taken upto 30th November following the end of FY to which such invoice relates or furnishing of the relevant annual return, whichever is earlier.]

Computation of Net GST Liability

IGST		36,000
Less: ITC of IGST		(36,000)
Net Tax		Nil

CGST (24,000 + 6,000 + 27,000 + 3,000)		60,000
Less: ITC of IGST		(39,000)
Less: ITC of CGST		(21,000)
Net Tax		Nil

SGST (24,000 + 6,000 + 27,000 + 3,000)		60,000
Less: ITC of IGST		(5,000)
Less: ITC of SGST		(21,000)
Net Tax		34,000

Question 6(a)

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, 2025.

(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.	15,200
---	--------

Details of Input Services: -

(vi) Paid to an unregistered Goods Transport agency for various consignments of transportation of goods by road.	15,100
--	--------

Notes:

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

You are required to Compute Gross value of supplies, on which GST to be paid by Mr. Jayesh for the month of October, 2025.

(6 Marks)

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

(i) Commission received as a recovery agent from Non-Banking Financial Company [Tax is payable by NBFC under reverse charge.]	-
(ii) Actionable claim received from normal business debtors [No tax is payable on actionable claims other than notified actionable claims are covered]	-
(iii) Amount received from ABC Ltd. for performance of classical dance [Taxable since consideration for classical dance performance exceeds ₹ 1,50,000.]	1,74,500
(iv) 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.]	-
(v) Rent from registered individual person [Tax is payable by the registered individual person under reverse charge]	-
(vi) Services from unregistered GTA [Tax on services provided by GTA is payable under reverse charge by Mr. Jayesh being a registered person.]	15,100
Gross value of taxable supply on which GST is to be paid by Mr. Jayesh	1,89,600

Question 6(b)

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 ₹7000/- per day for 2 days.
- (ii) Operation theatre charges ₹5000/-
- (iii) Doctors Consultation Charges ₹8000/-
- (iv) Other services ₹4000/-

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. **(4 Marks)**

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 7(a)

Mr. Manik provides the following information regarding his tax & other liabilities under GST Act as per Electronic Liability Register:

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 provisions of order of discharge of GST liability U/s 49(8) of CGST Act & advice to Mr. Manik. **(5 Marks)**

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

Question 7(b)

(i) Mr. Sumit is a registered dealer in the state of Punjab. In the month of May he decides to apply for QRMP scheme. As he wants to switch to QRMP scheme he had not filed his returns for the months of May and June.

Please guide to Mr. Sumit regarding the following:

(A) Conditions and restrictions of QRMP scheme.

(B) Manner of exercising option of QRMP scheme.

(3 Marks)

(ii) When goods are transferred by principal to job worker, there is no need to issue e-way bill. **(2 Marks)**

Comment on the validity of the above statement with reference to GST Laws.

Answer:

(i) (A) Conditions and restrictions of QRMP scheme

Mr. Sumit has to fulfil the following conditions and restrictions for opting for QRMP scheme:

- His aggregate annual turnover (PAN based) is up to ₹ 5 crore in the preceding financial year.
- He has furnished the return for the preceding month, as due on the date of exercising such option.
- He is not required to exercise the option every quarter.

(B) Manner of exercising option of QRMP scheme

Registered person – Mr. Sumit - intending to opt for QRMP scheme for any quarter should indicate his preference for furnishing of return on a quarterly basis from 1st day of the 2nd month of the preceding quarter till the last day of the 1st month of the quarter for which the option is being exercised.

(ii) The said statement is not valid.

When goods are transferred by principal to job worker, e-way bill is required to be mandatorily issued:

- in case of intra-State transfer, if consignment value exceeds ₹ 50,000, and
- in case of inter-State transfer, irrespective of the value of the consignment.

Question 8(a)

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

(ii) GTA services provided to an unregistered person (including unregistered casual taxable person) are exempt from GST by virtue of Entry 21 A of GST Laws. Discuss the validity of above statement. **(5 Marks)**

OR

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. **(5 Marks)**

Answer:

- (i) 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.

(ii) 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

Alternative

Refer Schedule III given in the book

Question 8(b)

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

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

Answer:

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

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

TAXATION PAPER

NOV – 2022

MQF2

Roll No.....
Total No. of Questions – 8

Total No. of printed Pages – 8
Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Question (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet given on the Cover Page of Section A of descriptive type answer book. Answers to questions in Part II are to be written on the same descriptive type answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the Cover Page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive type answer book with OMR Cover Page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART II

1. **Section – A** comprises questions **1-4**. In Section – A, answer question No.1 which is compulsory and any **2** questions from question Nos. **2-4**. All questions in Section – A relate to assessment year 2024-25, unless otherwise stated.
- Section – B** comprises questions **5-8**. In Section – B, answer question No.5 which is compulsory and any **2** questions from question Nos. **6-8**
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. All questions in Section – B should be answered on the basis of position of GST law as amended by significant notification/circulars issued upto 31st Oct, 2023.

PART II SECTION – B

5. 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 January 2024:

Sl No.	Particulars				Amounts in ₹
(i)	Outward supply of goods made during the month to various non-related persons :				As given in particular column
		Particulars	Market Value (₹)	Transaction Value (₹)	
	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 02.12.2023 was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January 2024. This invoice was issued by Mr. 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 as on 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 the invoices were duly reflected in GSTR 2B for the month of January 2023, 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 January 2024. Brief notes for treatment given for each item should form part of your answer.

(8 Marks)

Solution:

Outward intra-State supply of goods made in the State of Bihar	4,00,000
CGST @ 9%	36,000
SGST @ 9%	36,000
Outward supply of goods made to other States	1,00,000
IGST @ 18%	18,000

Inter-State services provided to State Government of Karnataka for conducting a computer training programme (Not exempt since the State Government has borne less than 75% of total expenditure.)	5,00,000
IGST @ 18%	90,000
Intra-State stock transfer to Gaya Branch with separate registration (Supply of goods between distinct persons without consideration is deemed supply as per Schedule 1)	20,000
CGST @ 9%	1,800
SGST @ 9%	1,800

Computation of input tax credit

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.)	5,00,000
CGST @ 9%	45,000
SGST @ 9%	45,000

Computation of net tax liability

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Total output tax	37,800	37800	1,08,000
Less: ITC (CGST 45,000)	(37,800)		(7,200)
Less: ITC (SGST 45,000)		(37,800)	(7,200)
Net GST Payable	Nil	Nil	93,600

Note:

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 1st February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, tax liability on the same does not arise in said month.

6(a). 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 2025:

Sl. No.	Particulars	Amount in ₹
	Outward Supply:	
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
	Inward Supply :	
iv.	Inter-State supply of goods received from Charm Limited. Since 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 they provide 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. Amount 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 2025 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No. (i) to (v). **(6 Marks)**

Solution:

Computation of gross GST liability of Mr. Handsome for the month of March 2025

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 the value of supply of the goods sold since where DCA is an agent under Schedule - I of the CGST Act, short term credit facility provided by DCA to the buyer is subsumed in the supply of the goods by the DCA to the buyer.]	20,000	[3,00,000 × 9%]	[3,00,000 × 9%]	
Commission charged for DCA services [Being taxable supply of services.]				5,400 [30,000 × 18%]
Gross GST liability		27,000	27,000	5,400
Note: 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 2025

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Inward supply of goods from Charm Limited free of cost [Supply of goods by principal – Charm Limited to the agent – Mr. Handsome qualifies as supply even though 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]	--	--	--
Total ITC available	Nil	Nil	36,000

(b) Answer the following, after reading the below given two paragraphs :

- (i) Briefly discuss the relevant provision
 - (ii) Decide the correct conclusion and
 - (iii) Determine the validity of the given advice (Correct / Incorrect)
- (I) Raju is engaged in the manufacture of 'Fly ash Bricks' in the State of Kerala. He started his activity in the month of April 2024 and deals only in intra-State. His tax consultant advise him to register under composition levy under GST as Raju's turnover is expected to be below ₹1 crore for the said financial year.
- (II) 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, 2024. 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.

(4 Marks)

Solution:

- (I) 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 these conditions is that 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.
- (II) 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.

7.(a) Nesamani started his business activities in the month of February 2025 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.

(5 Marks)

Solution:

Particulars	Amount (₹)
Computation of aggregate turnover of Nesamani	
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.]	--
Aggregate turnover	17,00,000

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.

(b)(i) 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?

(3 Marks)

Solution:

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 or minor) head to another (major or minor) head, as available in the 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.

(ii) 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. **(2 Marks)**

Solution:

In the given case, consignment value of goods (including GST and excluding value of exempt supply) is ₹50,350 ($47,500 \times 106\%$).

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.

8. (a) 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. **(5 Marks)**

Solution:

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.

Credit Note

(b) List any three situations that warrant issue of Credit Note. Briefly explain the time line to declare such Credit Note in the GST return. **(5 Marks)**

Solution:

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) 30th 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.

OR

GSTR-1/IFF

(b) List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF). Also briefly list the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1 I IFF. **(5 Marks)**

Solution:

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.

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.

TAXATION PAPER

MAY – 2022

JVF2

Roll No.....
Total No. of Questions – 8

Total No. of printed Pages – 9
Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Question (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet given on the Cover Page of Section A of descriptive type answer book. Answers to questions in Part II are to be written on the same descriptive type answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the Cover Page of Section A of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive type answer book with OMR Cover Page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART II

1. **Section – A** comprises questions **1-4**. In Section – A, answer question No.1 which is compulsory and any **2** questions from question Nos. **2-4**. All questions in Section – A relate to assessment year 2024-25, unless otherwise stated.
Section – B comprises questions **5-8**. In Section – B, answer question No.5 which is compulsory and any **2** questions from question Nos. **6-8**
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. All questions in Section – B should be answered on the basis of position of GST law as amended by significant notification/circulars issued upto 31st October, 2023.

PART – II
SECTION -B

5. Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand is engaged in the manufacturing of Washing Machines & Mixer Grinders. It provides you the details of various activities undertaken during the month of September, 2024 as follows:

Sl. No.	Particulars			Amount (₹)
(i)	Outward supplies made during the month -			29,00,000
	a.	Within the Jharkhand	24,00,000	
	b.	Outside the Jharkhand	5,00,000	
(ii)	Purchase of raw materials from registered dealers within the 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 01/09/2022 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 the other conditions necessary for availing ITC have been fulfilled.

Calculate the amount of net minimum GST payable in Cash by Zeon Ltd. for the month of September, 2024.

Brief and suitable notes should form part of your answer.

(8 Marks)

Solution:

Computation of minimum net GST payable in cash by Zeon Ltd. for the month of September 2024

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)	
Minimum net GST payable in cash	Nil	8,000	Nil
ITC to be carried forward next month	2,000		

Working Note:

Computation of ITC available

Particulars	CGST (₹)	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 has been paid under composition scheme is blocked. ITC on remaining purchases worth ₹5,00,000 is available, being supply of goods used/intended to be used in the 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%]	
Total ITC available	2,18,000	2,03,000	95,000

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

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discount)	50,000
Tax levied by the Municipal Authority on the sale of such goods	6,000
Packing charges (not included in the list price above)	2,500
Subsidy received from a NGO, Directly linked to price (included in the list price above)	3,000
Paid to one of vendors by ABC Pvt. Ltd. in relation to the service provided by vendor to XYZ Pvt. Ltd. (not included in the list price above)	2,000

XYZ Pvt. Ltd. offers 2% turnover discount on the list price after reviewing the performance of ABC Pvt. Ltd. The discount was not known at the time of supply.

ABC Pvt. Ltd. delayed the payment and paid ₹5,000 (Including GST of 18%) as interest to XYZ Pvt. Ltd.

Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law.

(6 Marks)

Solution:

Computation of value of taxable supply made by XYZ 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 [Taxes other than GST, if charged separately, are includible in the value of supply.]	6,000
Packing charges [Being incidental expenses, same are includible in the value of supply.]	2,500
Subsidy received from NGO [Since subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply.]	Nil
Payment made by ABC Pvt. Ltd. in relation to service provided by vendor to XYZ Pvt Ltd (Note 1). [Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.]	2,000
Turnover discount [Since discount is not known at the time of supply, it is not deductible from the value of supply.]	-

Interest for delayed payment (rounded off) [Includible in the value of supply]	4,237 [5,000 × 100/118]
Value of taxable supply	64,737

Note:

2. It has been most logically assumed that service provided by the vendor to XYZ Pvt. Ltd. is in relation to supply of goods by XYZ Pvt. Ltd. to ABC Pvt. Ltd.

(b) 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.

(2 Marks)

- (ii) Mr. Swamy of Chennai is working as a manager with ABC Bank.

He consulted M/s. Jacobs and company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import of service.

(2 Marks)**Solution:**

- (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.

7. (a) M/s. Xing Trans of Kolkata engaged in the trading of transmitters. On 20/05/2024, M/s. Xing Trans have 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 28/07/2024 at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25/11/2024 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 needs to be issued by M/s. Xing Trans.

(4 Marks)**Solution:**

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 28/07/2024.

Remaining 200 (150+ 50) units have neither been sold nor brought back till the expiry of 6 months from the date of removal goods, i.e. 20/11/2024. Thus, tax invoice for said 200 units needs to be issued upto 20/11/2024.

- (b) “One consolidated e-way bill can be generated for multiple invoices” Comment on the validity of the above statement with reference to GST law.

(3 Marks)**Solution:**

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.

(c) “All taxpayers are required to file GSTR-1 only after the end of the current tax period.”

Comment on the validity of the above statement with reference to GST law.

(3 Marks)

Solution:

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.

8. (a) “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 stated statement.

(5 Marks)

Solution:

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 by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority.

(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.

(b) 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.

(5 Marks)

Answer: Refer answer given in the book

OR

State any five circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017.

(5 Marks)

Answer: Refer answer given in the book

TAXATION PAPER

DEC – 2021

ETM2

Roll No.....
Total No. of Questions – 8

Total No. of printed Pages – 6
Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Question (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet given on the Cover Page of Section A of descriptive type answer book. Answers to questions in Part II are to be written on the same descriptive type answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the Cover Page of Section A of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive type answer book with OMR Cover Page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART II

1. **Section – A** comprises questions **1-4**. In Section – A, answer question No.1 which is compulsory and any 2 questions from question Nos. 2-4. All questions in Section – A relate to assessment year 2024-25, unless otherwise stated.
- Section – B** comprises questions **5-8**. In Section – B, answer question No.5 which is compulsory and any 2 questions from question Nos. 6-8
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. All questions in Section – B should be answered on the basis of position of GST law as amended by significant notification/circulars issued upto 31st Oct, 2023.

PART – II SECTION-B

5. M/s ABC Ltd., a registered supplier in Surat, Gujarat and it has calculated output net GST liability after adjusting ITC in the books for the month of February 2025:

CGST : ₹3,00,000

SGST : ₹2,50,000

IGST : ₹3,00,000

During the above month, the following additional information provided by M/s ABC Ltd:

S. No.	Particulars	Amount (excluding GST) ₹
1	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. The hiring charges for the trucks were ₹7,500 per truck per day	3,75,000
2	The company sold goods to X & Co. of Delhi on 6th January 2025 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6th January 2025. X & Co. paid the consideration for the goods on 20th February along with applicable interest.	5,00,000
3	The company sought legal consultancy services for 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 2025 and the last lot would be delivered in April 2025.	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 2025. Afterwards, the company re-values it at ₹9 per packet in February 2025 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 2025. **(8 Marks)**

Solution:

Computation of net GST liability of ABC Ltd. to be paid in cash for February 2025

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 (Note 3) (6th February, 2025 to 20th February, 2025) [Includible in value in terms of section 15 of the CGST Act, 2017.]	5,900 [5,90,000 × 2% × 15/30]	--	--	900
Total output tax liability		3,00,000	2,50,000	3,00,900
Less: ITC in respect of legal services paid as reverse charge is available	1,50,000	(13,500) [1,50,000 × 9%]	(13,500) [1,50,000 × 9%]	
Net output tax liability (A)		2,86,500	2,36,500	3,00,900

Legal consultancy services received (B) [Tax is payable under reverse charge on legal services received by a business entity (Note 4) from a partnership firm of advocates. Further, tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	1,50,000	13,500 [1,50,000 × 9%]	13,500 [1,50,000 × 9%]	
Total GST payable in cash [(A) + (B)]		3,00,000	2,50,000	3,00,900

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 2025.
- (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.
- (3) Interest on delayed payment collected is assumed to be inclusive of GST. Further, the invoice value has been taken as inclusive of GST for computing said penal interest. However, it is also possible to assume the interest to be exclusive of GST and to compute the same by taking the values as exclusive of GST (i.e. ₹ 5,00,000).
- (4) It has been most logically assumed that the aggregate turnover of ABC Ltd. in the preceding FY was above the threshold limit for registration under GST law.

Educational Services

6. (a) M/s AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October 2024

Particulars	Amount (₹)
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com	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 M/s AB Ltd. for the month of October 2024 with necessary explanations.

(6 Marks)

Solution:**Computation of value of taxable supplies of AB Ltd.**

Particulars	Amount (₹)
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 (Note 1) 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
Value of taxable supplies	8,80,000

Note:

1. It has been assumed that security services are performed in N Higher Secondary School.

Registration

(b) 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 2024 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? **(4 Marks)**

Solution:

- (i) Registration is required if aggregate turnover has exceeded the threshold exemption limit and if any person is supplying goods from different states, the lowest exemption limit shall be considered. In this case the limit of Tripura is ₹10 lakh hence registration is required.
(ii) If the goods supplied from a particular state is fully exempt/ non-taxable in that case as per section 23, turnover from that state shall not be considered. The threshold limit for other states is ₹40 lakhs hence registration is not required.

Time of Supply/Reverse Charge

7.(a)(i) An order is placed to T & Co., Sholapur on 18th August, 2024 for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 2024 and after completion of the order issued the invoice on 15th September, 2024. The payment against the same was received on 30th September, 2024. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations.

(ii) HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May 2024. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July 2024. Invoice was received from the transporter on 20th June 2024 and payment was made on 25th August 2024.

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

(5 Marks)

Solution:

(i) The time of supply of goods is the date of issue of invoice or the last date when the invoice ought to have been issued.

Further, a registered person is required to issue a tax invoice before or at the time of delivery of goods. Thus, in the given case, time of supply is 4th September, 2024.

(ii) Alternative 1: Assuming reverse charge is applicable

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

- (a) date of making payment, or
- (b) 61st day from the date of issue of invoice by supplier.

Thus, in the given case, time of supply is earlier of

- (a) 25th August or 20th August 2024 (61st day from 20th June)

Thus, time of supply 20th August 2024

Alternative 2: Assuming forward charges is applicable

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

Thus, in the given case, time of supply is 20th June, 2024.

(b) M/s PQR Ltd., have filed their GSTR3B return for the month of August, 2024 within the due date i.e. 20.09.2024. It was noticed in October 2024 that tax dues for the month of August, 2024 have been short paid for by ₹10,000. The shortfall of ₹10,000 was paid through cash ledger and credit ledger amounting to ₹7,500 and ₹2,500 respectively while filing GSTR3B of October 2024 which was filed on 20.11.2024.

(i) Examine and compute the Interest payable if any under the CGST Act, 2017.

(ii) What would be your answer if, GSTR-3B for the month of August 2024 had been filed belatedly on 20.11.2024 and the tax of ₹10,000/- has been paid on 20.11.2024 as above.

Note: Ignore the effect of the leap year. Electronic cash ledger and credit ledger carried sufficient balance for the above shortfall.

(5 Marks)

Solution:

In case of delayed payment of tax, interest is payable @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

However, interest is payable only on the short-paid tax which is paid through electronic cash ledger if return under section 39 is furnished after the due date.

- (i) In the given case, PQR Ltd. has furnished the return for August 2024 by the due date. Hence, interest is payable on the entire amount of short payment of ₹ 10,000, as under:

$$= ₹ 10,000 \times 18\% \times 61/365 = ₹ 300.82 \text{ or } 301 \text{ (rounded off)}$$

- (ii) If PQR Ltd. has furnished the return for August 2024 after the due date, interest is payable only on the short payment which is paid through electronic cash ledger, i.e. ₹ 7,500, as under:

$$= ₹ 7,500 \times 18\% \times 61/365 = ₹ 225.62 \text{ or } 226 \text{ (rounded off)}$$

Casual Taxable Person

8. (a) 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 2024 is 18 Lakhs.

(i) Explain the provisions of registration for Casual Taxable person under GST. Examine whether Mr. Q is liable for registration or not?

(ii) What will be the answer if Mr. Q makes trading in taxable notified products instead of taxable notified handicraft goods which involves 75% making on machine and 25% by hand?

(5 Marks)

Solution:

(i) A casual taxable person is required to obtain compulsory registration under GST irrespective of the quantum of its aggregate turnover.

However, normal threshold limit of ₹ 10 lakh / 20 lakh / 40 lakh shall be applicable to a casual taxable person who:

- (i) is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods,
- (ii) has obtained a PAN and
- (iii) 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 threshold limit, he will not be liable to registration.

(ii) In case Mr. Q is engaged in trading of notified products which are predominantly made by machine, he will not be eligible for the exemption from registration under aforesaid provisions and needs to take compulsory registration.

Tax Invoice / Debit Note / Credit Note

(b) 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. **(5 Marks)**

OR

- (i) What is 'e-invoicing'?
- (ii) What is the threshold limit for mandatory issuing of E-invoice for all registered businesses?
- (iii) A consignor hands over his goods for transportation on a 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?

(5 Marks)

Solution:

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

Alternative

- (i) E-invoicing is reporting of business to business (B2B) invoices to GST system for certain notified category of taxpayers.
- (ii) The threshold limit for mandatory issuance of e-invoice for all registered businesses is ₹ 10 crores.
- (iii) 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

CASE STUDIES

RTP

RTP JAN-2025

Vintage Cinemas Pvt. Ltd. (VCPL) is a leading chain of multiplexes operating in several States across India. The company has its corporate office in Mumbai, Maharashtra and is registered under GST in multiple States including Maharashtra. The company offers movie tickets, food and beverages and other entertainment-related services.

The turnover of the company in the preceding financial year as per the audited financial statements was ₹ 175 crore. The company crossed the aggregate turnover of ₹ 35 crore till June in the current year.

In July, VCPL opened a new multiplex in Gujarat wherein the commercial operations will commence from August 1.

Due to operations in multiple States, the finance and accounts operations are handled by a centralized team at the corporate office. The same team is also responsible for filing the GST returns for all the GST registrations of the company.

The company is also engaged in leasing of space to independent vendors in its food court against rental charges for the purpose of increasing the source of revenue.

The company obtained a new office building in Mumbai under a rental agreement and paid an amount of ₹ 5 crore as refundable security deposit to the owner of the premises. The term of the rental agreement is 5 years.

The company also dispatched advertisement material worth ₹ 35 lakh from Maharashtra to Gujarat Multiplex for the upcoming movies by way of transport through road in September. The company claimed input tax credit on such advertisement material at the time of receipt in Maharashtra.

The rate of tax applicable on all inward and outward supplies is 18% IGST, 9% CGST and 9% SGST unless otherwise specified.

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5 below -

1. Which of the following statements is correct under GST law in relation to the registration requirements of the company (VCPL) in relation to its operations to be commenced in the State of Gujarat?

- (a) VCPL is not required to take GST registration for Gujarat multiplex till turnover of Gujarat multiplex does not cross ₹ 20 lakh.
- (b) VCPL is required to take GST registration in Gujarat while commencing business in Gujarat as aggregate turnover of VCPL has already exceeded ₹ 20 lakh in the current financial year.
- (c) VCPL is allowed to add Gujarat multiplex as additional place of business under the existing GST registration in Maharashtra.
- (d) VCPL is required to take GST registration only from next financial year subject to the condition that turnover of current financial year for Gujarat multiplex exceeds ₹ 20 lakh.

Answer: (b) VCPL is required to take GST registration in Gujarat while commencing business in Gujarat as aggregate turnover of VCPL has already exceeded ₹ 20 lakh in the current financial year.

2. Which of the following statements is true in relation to filing of return by VCPL?

- (a) VCPL is required to file a single consolidated GST return for all States.
- (b) VCPL is required to file separate GST return for each State where it is registered.
- (c) VCPL is required to file returns only for the Maharashtra State where its corporate office is located.
- (d) VCPL has an option to file return in the State with the highest turnover.

Answer: (b) VCPL is required to file separate GST return for each State where it is registered.

3. VCPL is required to levy GST on rental charges _____.

- (a) only if the turnover of tenant exceeds ₹ 20 lakh.
- (b) only if the turnover of tenant exceeds ₹ 1.5 crore.

- (c) only if the total rental charge collection in hands of VCPL exceeds ₹ 20 lakh.
 (d) irrespective of the turnover of the tenant or the amount of rental charge collection in the hands of VCPL.

Answer: (d) irrespective of the turnover of the tenant or the amount of rental charge collection in the hands of VCPL.

4. In respect of the refundable security deposit given by VCPL, _____.
- (a) GST is payable on the deposit amount by the owner of the premises.
 (b) GST is payable on the deposit amount by VCPL.
 (c) there is no requirement to pay GST by the owner or VCPL.
 (d) GST is payable in equal proportion over the term of rent agreement by the owner of premises.

Answer: (c) there is no requirement to pay GST by the owner or VCPL.

5. VCPL is _____ for the advertisement material sent from Maharashtra Office to Gujarat office in relation to the upcoming movies.
- (a) not liable to issue any document as the transaction is between entities having same PAN.
 (b) liable to issue only a delivery challan.
 (c) liable to issue only a bill of supply.
 (d) liable to generate a tax invoice as well as an E-Way Bill.

Answer: (d) liable to generate a tax invoice as well as an E-Way Bill.

RTP SEPT-2024

XYZ Private Limited is a mid-sized company, registered in Delhi, dealing in the manufacturing and distribution of electronic goods in India. The company has been operating for over a decade and has a robust supply chain network across the Country. The Company needs to ensure compliance with various GST regulations related to return filing, registration, and payment of tax.

The company is exploring to expand its sales channel in India through distributors in each State. In view of the same, the company has undertaken following activities in the month of June.

- (a) Organized a distributor conclave in Udaipur, Rajasthan, where the distributors from Rajasthan, Gujarat and Madhya Pradesh participated in the conclave held in Rajasthan. The total cost of hotel accommodation was ₹ 25 lakh, which was paid by the Delhi office to the Hotel located in Rajasthan.
- (b) The company purchased certain gift items for distribution to the participants in the conclave. The gift items were purchased from the vendor located in Ludhiana, Punjab and were delivered to the hotel in Udaipur, Rajasthan for distribution to the participants of the conclave. The cost of such gift items was ₹25 lakh. However, the value of individual gift items was restricted to ₹ 75,000.
- (c) The company purchased an insurance policy for its employees travelling for the conclave and the premium for such insurance policy was ₹ 1 lakh which was paid by the company. There is no requirement under any law requiring such insurance policy.
- (d) The company took on rent, a new warehouse near its factory in Delhi for storage and dispatch of goods. The goods are being transported between the factory and new warehouse in non-motorized cart. The value of such goods transported in single trip is up to ₹ 5 lakh. Further, the rent of warehouse is ₹ 18 lakh for the initial 11 months and the same shall be revised to ₹ 21 lakh after expiry of initial 11 months.

The rate of tax applicable is 18% IGST, 9% CGST and SGST each unless otherwise specified.

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5 below -

1. Which of the following statements is correct under GST law in relation to the hotel accommodation service received by the Company?
- (a) The hotel shall charge CGST and SGST in the invoice issued to the Company.
 (b) The Hotel shall charge IGST in the invoice issued to the Company
 (c) The Hotel shall issue a bill of supply to the Company.

- (d) The Hotel shall charge CGST and SGST to the extent the charges are related to participants of Rajasthan and IGST to the extent charges are related to the participants of Gujarat and Madhya Pradesh, on the invoice issued to the Company.

Answer: (a) The hotel shall charge CGST and SGST in the invoice issued to the Company.

2. What shall be the place of supply in relation to the gift items purchased by XYZ Private Limited?

- (a) Rajasthan i.e. the location where the goods were received
- (b) Delhi i.e. the principal place of business of the Company
- (c) Punjab i.e. the location from where the goods were dispatched
- (d) Permanent location of participants receiving the gifts

Answer: (b) Delhi i.e. the principal place of business of the Company

3. Which of the following statements is true in relation to the gift items and the insurance policy purchased by the Company?

- (a) The company is not eligible to avail the input tax credit in relation to both, gift items and the insurance policy.
- (b) The company is eligible to avail the input tax credit related to gifts valuing less than ₹ 50,000.
- (c) The company is eligible to avail the input tax credit only on insurance policy as the same is provided to employees i.e. related person of the Company.
- (d) There is no restriction in availment of input tax credit related to gifts and insurance policy.

Answer: (a) The company is not eligible to avail the input tax credit in relation to both, gift items and the insurance policy.

4. Which of the following statements is correct in relation to the issuance of e-way bill for transportation of goods between factory and warehouse in non-motorized cart?

- (a) E-way bill is required to be issued by the company for each instance of transportation of goods irrespective of the consignment value of goods.
- (b) E-way bill is not required to be issued in the given case irrespective of the consignment value of the goods.
- (c) E-way bill is required to be issued for goods of the consignment value above ₹ 50,000
- (d) E-way bill is required to be issued for goods of the consignment value above ₹ 1,00,000

Answer: (b) E-way bill is not required to be issued in the given case irrespective of the consignment value of the goods.

5. Which of the following statements is most appropriate in relation to the new warehouse taken on rent by the Company?

- (a) Separate GST registration is not required mandatorily.
- (b) Separate GST registration is required mandatorily.
- (c) GST registration is required as a casual taxable person for the term of rent agreement.
- (d) Separate GST registration is required once the rent is more than ₹ 20 lakh per annum.

Answer: (a) Separate GST registration is not required mandatorily.

RTP MAY-2024

ABC Ltd. has its manufacturing unit in the State of Rajasthan. Further, it has ancillary units in the State of Madhya Pradesh and Gujarat and is registered in each of these States. Moreover, ABC Ltd. owns and operates a hotel in Udaipur, Rajasthan.

In addition to the aforesaid, ABC Ltd. owns a commercial space which is rented out to a registered person at the monthly rent of ₹ 50,000. The maintenance of the premises is the responsibility of ABC Ltd. In pursuance of the same, during the month of April, ABC Ltd. incurred certain expenses on the purchase of maintenance related materials. The said expenses are recoverable from the tenant alongwith the invoice issued for rent. The rate of tax applicable on the material used for maintenance was 5%.

During the year, ABC Ltd. agreed to provide the hotel to Mr. X for a business conference to be held at Udaipur. Mr. X is an unregistered person residing in Maharashtra.

ABC Ltd. made a supply of machinery in the month of June, details of which are as follows-

- Basic price of the machinery before TCS under Income Tax Act, 1961 – ₹ 45,000
- Tax collected at source under Income-tax Act, 1961 – ₹ 2,500
- It received a subsidy of ₹ 3,500 from Green Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of energy saved and not aforesaid machinery.

In addition to the aforesaid transactions, ABC Ltd. spent an amount of ₹ 5 lakh on the procurement of certain goods which were distributed as part of the corporate social responsibility [CSR] expenditure required under the provisions of the Companies Act, 2013.

During the scrutiny proceedings in the State of Gujarat, jurisdictional GST officer asked ABC Ltd to submit the copy of audited financial statements for Gujarat and was of the view that ABC Ltd. is required to get his accounts audited by a Chartered Accountant separately under GST Law for filing annual return and reconciliation statement in each State.

All above amounts are exclusive of GST, wherever applicable. The rate of GST on all inward and outward supplies is 18%, unless otherwise mentioned.

Assume that there is no other outward or inward transaction apart from aforesaid transactions.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:-

1. For the transaction related to renting of commercial space, what should be the rate of tax charged by ABC Ltd.?

- (a) The rate of GST on rent and maintenance material related recovery shall be 18%.
- (b) The rate of GST on rent shall be 18% and, on the material, shall be 5%.
- (c) No GST shall be charged on the recovery related to material used in maintenance. Rate of GST on rent shall be 18%.
- (d) The rate of GST on rent and maintenance material related recovery shall be 5%.

Answer: (a) The rate of GST on rent and maintenance material related recovery shall be 18%.

2. Compute the value of supply under section 15 of the CGST Act, 2017 made by ABC Ltd. in the month of June?

- (a) ₹ 45,000
- (b) ₹ 47,500
- (c) ₹ 48,500
- (d) ₹ 51,000

Answer: (a) ₹ 45,000

3. With respect to the hotel accommodation service provided to Mr. X, GST payable by ABC Ltd. is

- (a) nil, GST on accommodation service is payable by the recipient, Mr. X, under reverse charge
- (b) nil, GST on accommodation services provided to an unregistered person is exempt from GST
- (c) in the nature of CGST and SGST
- (d) in the nature of IGST

Answer: (c) in the nature of CGST and SGST

4. Which of the following options is correct with regard to the availability of ITC to ABC Ltd. in respect of GST paid on the procurement of goods meant for the purpose of corporate social responsibility activity?

- (a) The amount of ITC related to such procurement of goods is not available to ABC Ltd.
- (b) The amount of ITC related to such procurement of goods is available to ABC Ltd.
- (c) The amount of ITC only to the extent of 50% of amount of such procurement of goods is available to ABC Ltd.

(d) The amount of ITC shall be available to the registered person to whom such goods are distributed under CSR activity.

Answer: (a) The amount of ITC related to such procurement of goods is not available to ABC Ltd.

5. Which of the following options is correct with regard to the advice given by GST officer in respect of auditing of accounts?

(a) There is no requirement of separate audit of the financial statements from the perspective of GST provisions.

(b) Only reconciliation statement shall be audited by a Chartered Accountant.

(c) The annual return as well as the reconciliation statement shall be audited by a Chartered Accountant.

(d) Separate audit of financial statements at each State level is required by ABC Ltd. under the GST law.

Answer: (a) There is no requirement of separate audit of financial statements from the perspective of GST provisions.

RTP NOV-2023

Bali Bells Ltd. (hereinafter referred as Bali Bells), a private limited company registered in Chennai, Tamil Nadu, provides the following outward supplies in the month of September:

Particulars	Amount (₹)	
	Taxable	Exempt
Intra-State outward supplies	40,00,000	15,00,000
Inter-State outward supplies	30,00,000	10,00,000

Bali Bells Ltd. sold land for ₹ 2,00,00,000 (excluding GST) in the month of September. Bali Bells purchased one heavy steel machinery in the month of September for ₹ 1,00,000 (excluding GST @ 18%). Bali Bells capitalized the value of machinery along with GST paid on the same in its books of accounts and claimed depreciation on the full value of machinery as well as on GST amount.

Apart from this, Bali Bells has a tax invoice dated 25th July of last financial year with respect to an inward supply of ₹ 50,000 (excluding GST @ 18%). The company has not availed ITC on said invoice yet.

Bali Bells distributed some free samples of goods in the month of October to its customers to promote its sales.

Bali Bells made a supply during November, details of which are as follows-

-Basic price of the product before TCS under Income Tax Act, 1961 – ₹ 45,000

-Tax collected at source under Income-tax Act, 1961 – ₹ 2,500

-It received a subsidy of ₹ 3,500 from Bharat Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of energy saved and not aforesaid product.

Bali Bells has not furnished its annual return for the preceding financial year till the end of November and will furnish it in the month of December of the current financial year.

Assume that there is no other outward or inward supply transaction apart from aforesaid transactions, in the months of September, October and November. All the amounts given above are exclusive of taxes, unless otherwise specified.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:-

1. Determine the aggregate turnover of Bali Bells for the month of September.

(a) ₹ 2,70,00,000

- (b) ₹ 95,00,000
- (c) ₹ 2,95,00,000
- (d) ₹ 70,00,000

Answer: (b)

2. Bali Bells wants to avail ITC on GST paid on the heavy steel machinery purchased in September. Which of the following statements is true in this regard?

- (a) ITC on the machinery cannot be availed since depreciation has been claimed on the GST paid on the machinery under Income-tax Act, 1961.
- (b) ITC on the machinery shall be allowed to the extent of 50% in the current financial year and balance 50% in the subsequent financial year.
- (c) ITC on the machinery shall be allowed in the current financial year only to the extent of the depreciation claimed on GST paid on machinery.
- (d) Full ITC of GST paid on the machinery can be availed in the current year.

Answer: (a)

3. Whether Bali Bells can avail ITC on the free samples of goods distributed in the month of October?

- (a) Yes; ITC is available on outward supplies even if made without consideration in the course or furtherance of business.
- (b) No; ITC is not available since supply of samples is without consideration.
- (c) No; ITC on free samples is blocked under section 17(5) of the CGST Act, 2017.
- (d) No; ITC is not available since supply of free samples is not in course or furtherance of business.

Answer: (c)

4. Bali Bells can claim ITC on inputs received in July of preceding financial year up to _____ of the current financial year.

- (a) 30th November
- (b) 25th July
- (c) 31st December
- (d) 30th September

Answer: (a)

5. Compute the value of supply under section 15 of the CGST Act, 2017 made by Bali Bells in the month of November?

- (a) ₹ 45,000
- (b) ₹ 47,500
- (c) ₹ 48,500
- (d) ₹ 51,000

Answer: (a)

RTP MAY-2023

Manavtaa Trust is a charitable trust registered under section 12AB of the Income-tax Act, 1961. The trust is well known for its educational, charitable and religious activities. The trust became liable to registration under GST in the current financial year since it exceeded the threshold limit for registration and thus, got itself registered in the State of Gujarat in the month of May.

In the month of June, a multinational company, Dhruvtara Ltd., gifted 500 laptops worth ₹ 50 lakh to the trust free of cost for the charitable purposes, without any intention of seeking any business promotion from the same. Manavtaa Trust distributed these laptops for free in the same month to the needy students for facilitating them in their higher studies.

Manavtaa Trust owns a higher secondary school – Manavtaa Higher Secondary School - in Gujarat. In the month of July, the trust availed security personnel services from ‘Perfect Security Solutions’, Gujarat, a proprietorship concern, for security of the school premises for a consideration of ₹ 2,00,000. It also received legal consultancy services from ‘Maya & Co.’ a firm of advocates for the issues relating to the said school for ₹ 1,20,000, in the same month.

Manavtaa Trust furnished the following information regarding the expenses incurred by it in the month of August; all transactions being inter-State:

- (i) Services received and used for supplying taxable outward supplies – ₹ 3,50,000.
- (ii) Catering services received for students of Manavtaa Higher Secondary School – ₹ 2,00,000.
- (iii) Buses purchased with seating capacity of 25 persons including driver – ₹ 10,50,000 (Buses were delivered in the first week of September).

Manavtaa Trust provided the following information in respect of the services provided by it during the month of August:

- (i) It runs an old age home for senior citizens. Nominal monthly charges of ₹ 15,000 for boarding, lodging and maintenance are charged from each member. Total number of members is 20.
- (ii) It rents out a community hall situated within the precincts of a temple managed by it on 15th August for a religious function in first half for ₹5,000 and for an art exhibition in second half for ₹ 6,000.
- (iii) It rents out the rooms in the precincts of said temple to the devotees for a rent of ₹ 950 per room per day. Total rent collected in August amounts to ₹ 35,000.

All the figures given above are exclusive of taxes wherever applicable. Aggregate turnover of Manavtaa Trust for the preceding financial year was ₹ 15 lakh. All the conditions necessary for availment of ITC are fulfilled subject to the information given. Manavtaa Trust intends to avail exemption from GST wherever applicable.

Based on the information given above, choose the most appropriate answer to the following questions-

1. Which of the following activities of Manavtaa Trust does not amount to supply under the GST law?

- (a) Free laptops distributed to the needy students
- (b) Boarding, lodging and maintenance of the senior citizens by the old age home run by the trust
- (c) Renting of community hall situated within the precincts of the temple managed by the trust
- (d) Renting of rooms in the precincts of the temple managed by the trust

Answer: (a)

2. Compute the value of inward supplies on which tax is payable by Manavtaa Trust under reverse charge, for the month of July.

- (a) ₹ 2,00,000
- (b) ₹ 3,20,000
- (c) ₹ 1,20,000
- (d) Nil

Answer: (d)

3. Compute the value of exempt supply made by Manavtaa Trust for the month of August.

- (a) ₹ 3,00,000
- (b) Nil
- (c) ₹ 3,35,000

(d) ₹ 35,000

Answer: (c)

4. Compute the value of taxable supply made by Manavtaa Trust for the month of August.

(a) ₹ 3,00,000

(b) ₹ 11,000

(c) Nil

(d) ₹ 35,000

Answer: (b)

5. Determine the amount of ITC that can be credited to the Electronic Credit Ledger of Manavtaa Trust, in the month of August.

(a) ₹ 36,000

(b) ₹ 63,000

(c) ₹ 1,89,000

(d) ₹ 2,88,000

Answer: (b)

RTP NOV-2022

M/s. Delight Brothers, a partnership firm, is engaged in restaurant business. It is registered under the composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 for the current financial year. It's turnover in the State for the month of April was ₹ 12,00,000.

It received new orders in the month of May to run a mess facility for supplying food at:

- i. Vishwas Public School, a higher secondary school;
- ii. Knowledge Institute of Technology, an engineering college, approved by AICTE and UGC; and
- iii. Frontline Hospital

It also provided catering services to a Coral limited company for their Annual General Meeting. Service was provided on 3rd July. But invoice was not issued by the firm to the company. However, payment was received on 25th July for which bank account was credited on 28th July. The turnover of restaurant business for the current financial year is ₹ 48,00,000.

From the inception of next financial year, M/s. Delight Brothers will close down the restaurant business and will provide service of repairing of air conditioners.

M/s Delight Brothers undertakes intra-State transactions only.

Based on the information given above, choose the most appropriate answer for the following questions-

1. Compute the tax liability of M/s. Delight Brothers for the month of April?

(a) CGST & SGST of ₹ 6,000 each

(b) CGST & SGST of ₹ 12,000 each

(c) CGST & SGST of ₹ 30,000 each

(d) CGST & SGST of ₹ 60,000 each

Answer: (c)

2. Out of new orders received by the firm in May, which of the following services are exempt from GST?

(i) Service provided to Vishwas Public School

(ii) Service provided to Knowledge Institute of Technology

(iii) Service provided to Frontline Hospital

- (a) (i) and (iii)
- (b) (ii) and (iii)
- (c) only (i)
- (d) (i) and (ii)

Answer: (c)

3. Time of supply of catering services provided to a Coral limited company is

- (a) 3rd July
- (b) 25th July
- (c) 28th July
- (d) 2nd August

Answer: (a)

4. Which of the following statements is most appropriate in respect of next financial year for M/s Delight Brothers?

- (a) M/s Delight Brothers can continue to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
- (b) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
- (c) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.
- (d) M/s Delight Brothers can neither avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 nor under section 10(2A) of the CGST Act, 2017.

Answer: (c)

5. Rate of GST applicable for service of repairing of air conditioners made by M/s Delight Brothers will be _____, assuming that it intends to pay the tax at the minimum rate available?

- (a) 1%
- (b) 5%
- (c) 6%
- (d) 12%

Answer: (c)

RTP MAY-2022

Vidhula Impex Ltd. is engaged in supplying sports goods. The company did not opt for registration under GST. The proper officer under GST, based on enquiry, finds that the concern is liable for registration and he registers the firm on temporary basis on 15th June, 2024.

After being granted the registration certificate, the company availed the following services for the purpose of its business-

- i. Renting of motor vehicles from Blue Taxi Pvt. Ltd. where GST was charged @ 12%.
- ii. Appointed Mr. Rajesh as Technical Director for advisory role in business and the payment was made based on the contract entered. However, he was not employee of the company.

During the course of its business, the company issued an invoice to a customer and erroneously charged higher value by ₹ 34,000. Such invoice was issued on 28th February, 2025.

Further, in the month of February 2025, the company also generated an e-way bill for inter-State transport of goods. However, immediately on generation of the e-way bill, the buyer cancelled the order before it is dispatched from the factory for delivery.

In the month of March 2025, since the company was incurring heavy losses, it applied for cancellation of GST registration on 15th March, 2025. The order for cancellation was made on 30th March, 2025 effecting cancelling the registration with effect from 15th March, 2025.

From the information provided above, choose the most appropriate answer for the following questions (1-5):

1. After the grant of temporary registration, Vidhula Impex Ltd. needs to apply for registration within _____ from the date of grant of temporary registration, if no extension of period is to be granted for such temporary registration.
- (a) 30 days
 - (b) 90 days
 - (c) 7 days
 - (d) 15 days

Answer: (b)

2. In case of which of the following services, the company is liable to pay tax under reverse charge?
- (a) Renting of Motor Vehicles
 - (b) Directorship services
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)

Answer: (b)

3. Which document is required to be issued by the company in respect of the invoice issued on 28th February, 2025?
- (a) Debit note
 - (b) Credit note
 - (c) Bill of supply
 - (d) Revised Tax invoice

Answer: (b)

4. The Company needs to file its Final return by _____
- (a) 30th April, 2025
 - (b) 30th August, 2025
 - (c) 15th June, 2025
 - (d) 30th June, 2025

Answer: (d)

5. Which of the following statements is correct in respect of e-way bill generated for goods in the month of February for which order was cancelled?
- (a) Once generated, e-way bill cannot be cancelled.
 - (b) E-way bill can be cancelled within 24 hours of generation
 - (c) E-way bill can be cancelled within 48 hours of generation
 - (d) E-way bill can be cancelled within 72 hours of generation

Answer: (b)

RTP NOV-2021

MM Charitable Trust is registered under section 12AA of the Income-tax Act, 1961.

The trust conducted a three day residential yoga camp among people on the occasion of International yoga day for the advancement of yoga and charged ₹ 7,500 per person inclusive of stay and food.

The trust also conducted programmes for the advancement of education of persons aged above 65 years in metro cities. A nominal fee was charged for the same.

The trust received following donations during the month of September:-

- i. Solid Steels Pvt. Ltd. donated a RO water plant to the trust costing ₹ 75,000 and displayed its company name in the RO system installed at the premises of the trust as “Donated by Solid Steels Private Limited-trusted by all”.
- ii. Mr. Prasanna, a lawyer donated chairs to the trust costing ₹ 25,000 and ‘Love all’ is printed on all chairs donated by him to the trust.

The following are the details of GST payment made by the firm-

- i. GST of ₹ 1,75,000 was paid for the purchase of motor vehicle for transportation of needy persons (Seating capacity including driver is 13).
- ii. GST of ₹ 2,45,000 was paid for works contract services availed from Super Builders for construction of Trust’s office building.

MM Charitable Trust also owns and manages a gurudwara. It rented the community hall located in the precincts of the gurudwara for a rent of ₹ 8,500 per day for a marriage function. It also rented the commercial shop located in the precincts of the gurudwara for a rent of ₹ 10,000 per month per shop.

You can assume that the Trust is registered under GST and all the transactions are intra-State only. Conditions for availing ITC are fulfilled subject to the above- mentioned information.

Based on the information given above, choose the most appropriate answer for the following questions [1 to 4]-

1. Which of the following activities conducted by trust is exempt from GST?

- (a) Advancement of Yoga
- (b) Advancement of education
- (c) Both (a) and (b)
- (d) Neither of the activities

Answer: (a)

2. Determine the value of taxable supply in respect of donations received by the Trust?

- (a) ₹ 25,000
- (b) ₹ 75,000
- (c) ₹ 1,00,000
- (d) Nil

Answer: (b)

3. Compute the amount of input tax credit that can be claimed by the Trust?

- (a) ₹ 1,75,000
- (b) ₹ 2,45,000
- (c) ₹ 4,20,000
- (d) Nil

Answer: (d)

4. Which of the following statements is/are correct under GST law in respect of gurudwara managed by MM Charitable Trust?

- (a) Renting of community hall is taxable while renting of commercial shop is exempt.
- (b) Renting of community hall is exempt while renting of commercial shop is taxable.
- (c) Both renting of community hall and renting of commercial shop are taxable.
- (d) Both renting of community hall and renting of commercial shop are exempt.

Answer: (b)

RTP MAY-2021

M/s Aditi & Co, a partnership firm registered under GST, is undertaking various Government projects.

The firm has let out on hire the following vehicles-

- i. A motor vehicle to carry more than 15 passengers to a State Government Electricity Department

- ii. An electric motor vehicle to carry more than 12 passengers to Local Municipal Corporation
- iii. An electric motor vehicle to carry upto 12 passengers to State Transport Undertaking

The firm provided the following additional information for the month of October:

- i. Works contract services were availed for construction of immovable property being plant and machinery, where value of GST component was ₹ 1,10,000.
- ii. GST amounting to ₹ 70,000 was paid on account of demand of the Department due to fraud in returns filed.
- iii. Goods valuing ₹ 10,00,000, (GST on the same ₹ 1,00,000) were received 180 days ago (invoice also issued on the date of receipt of supply) for which payment has been made till date to an extent of ₹ 4,00,000 towards value, ₹ 40,000 towards tax.

The firm made two independent outward supplies in which value of supply was understated in one case by ₹75,000 and overstated by ₹ 45,000 in the other case.

The firm received certain supply of goods from registered persons on which tax was payable under reverse charge bas is.

All the amounts given above are exclusive of taxes, wherever applicable. All transactions referred to above are intra-State. All the conditions for availing ITC have been fulfilled subject to the information given above.

From the information given above, choose the most appropriate answer for Q. 1 to Q. 5 given below:-

1. In respect of vehicles let out on hire by the firm, services that are exempt from GST are

- (i) Letting on hire a motor vehicle to State Electricity Department (>15 passengers)
- (ii) Letting on hire an electric vehicle to Local Municipality (> 12 passengers)
- (iii) Letting on hire an electric vehicle to State Transport Undertaking (<12 passengers)

- (a) (i)
- (b) (ii)
- (c) (i) and (iii)
- (d) (ii) and (iii)

Answer: (b)

2. Determine the amount of eligible ITC to be claimed by the firm for the month of October.

- (a) ₹ 70,000
- (b) ₹ 1,10,000
- (c) ₹ 1,80,000
- (d) Nil

Answer: (b)

3. Determine the amount of ITC to be added to the output tax liability.

- (a) ₹ 40,000
- (b) ₹ 60,000
- (c) ₹ 1,00,000
- (d) Nil

Answer: (b)

4. Which of the following is correct in respect of document to be issued by the firm for understatement and overstatement of invoice value?

- (i) Debit note is to be issued for ₹ 75,000.
- (ii) Credit note is to be issued for ₹ 75,000.
- (iii) Debit note is to be issued for ₹ 45,000.
- (iv) Credit note is to be issued for ₹ 45,000.

- (a) i & iii
- (b) ii & iii
- (c) i & iv
- (d) ii & iv

Answer: (c)

5. Which of the following statements is correct in respect of supply of goods received by the firm which are taxable under reverse charge?

- (i) Firm shall issue a payment voucher at the time of making payment to supplier.
- (ii) Firm shall issue invoice for supply of goods.
- (iii) Firm shall issue receipt voucher at the time of making payment to supplier.
- (iv) Firm is not required to issue any document in respect of such supply.

- (a) i
- (b) i & ii
- (c) ii & iii
- (d) iv

Answer: (a)

RTP NOV– 2020

PTL Pvt. Ltd. is a retail store of merchandise located in 25 States and/or UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched scheme of “Buy One Get One Free” for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. For saving cost, PTL Pvt. Ltd. directly purchases merchandise from the manufacturers.

In the month of May, in order to save employee cost, PTL Pvt. Ltd. purchased a tempo traveller worth ₹12,00,000 with seating capacity of 25 persons (including driver) for transportation of its employees. Further, for ensuring the well-being of its employees, PTL Pvt. Ltd. voluntarily obtained the health insurance cover of ₹ 2,00,000 for each employee in the same month. The premium of ₹ 1,500 per employee has been paid by the company for 100 employees.

In the month of July, Mr. Raghav, a customer of the company, filed a law suit in the Court, against the company for not supplying goods of the value of ₹ 1,00,000. PTL Pvt Ltd. engaged Mr. Ram, an advocate, to represent it in Court for an agreed consideration of ₹ 25,000. As per the terms of the contract, Mr. Ram issued an invoice on 5th July. However, consideration was not paid till February next year.

Note - All the amounts given above are excluding taxes and all transactions are intra- State transactions. Rates of tax are CGST - 9% and SGST – 9%. However, for tempo traveller, the rates of taxes are CGST - 14% and SGST – 14%.

In relation to the above, answer the following questions:

(i) With respect to “Buy One, Get One” offer, which of the following statements is true:

- (a) It will not be considered as supply at all since no consideration is involved in one of the items.
- (b) Supply of item for which consideration is charged is a supply under section 7 of the CGST Act, 2017 while supply of the other item supplied free of cost is not a supply.
- (c) These are two individual supplies where a single price is charged for the entire supply. Since a single price is charged, the same will always be taxed as a mixed supply.
- (d) These are two individual supplies where a single price is charged for the entire supply. Their taxability will depend upon as to whether the supply is a composite supply or a mixed supply.

Answer: (d)

(ii) Eligible input tax credit for the month of May (i) on the purchase of tempo traveller and (ii) on health insurance premium paid (assuming that all other conditions, for availing input tax credit have been complied with) is:

- (a) (i) CGST - Nil, SGST - Nil and (ii) CGST - Nil, SGST - Nil
- (b) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - Nil, SGST - Nil
- (c) (i) CGST - Nil, SGST - Nil and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000
- (d) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000

Answer: (b)

Hint: CGST = 12,00,000 x 14% = 1,68,000 , SGST = 12,00,000 x 14% = 1,68,000

- Since seating capacity is more than 13 persons. ITC for tempo traveller is allowed.
- Further as per section 17(5), ITC for life insurance and health insurance is not allowed unless it is obligatory for employer to provide such insurance.

- (iii) Which of the following statements is true in respect of the services of advocate availed by the company?
- (a) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt. Ltd. ITC availed thereon is to be added to its output tax liability with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
 - (b) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. ITC availed thereon is to be added to output tax liability of PTL Pvt. Ltd. with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
 - (c) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt. Ltd. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.
 - (d) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.

Answer: (c)

Hint: Legal services received shall be payable under reverse charge

CGST = 25,000 x 9% = 2,250, SGST = 25,000 x 9% = 2,250

Mr. Kumar started interior designing practice from the month of January. His turnover up to the month of March was ₹12,50,000. On 30th June, his turnover exceeded ₹20,00,000 & reached to ₹ 20,05,000. Mr. Kumar applied for GST registration (as regular taxpayer) on 15th July and registration was granted to him on 25th July.

On 16th July, he entered into a contract for designing the flat of Mr. Shyam. The service was completed on 22nd July and Mr. Kumar issued invoice on the same day for ₹ 6,00,000. On 5th July, Mr. Kumar purchased capital goods amounting to ₹ 4,50,000 and from 25th July to 31st July, he availed services amounting to ₹1,75,000 for the purpose of completing the service.

On 1st August, Mr. Kumar got another contract for interior designing from Mr. Ram, which he accepted on 2nd August. The service was completed on 6th August and invoice was issued on 7th August for ₹ 5,00,000. Payment was received on 29th August.

Note: All values are excluding taxes, unless specifically mentioned. Mr. Kumar makes only intra-State outward supplies and all purchases are also intra-State. Rates of tax are CGST - 9% and SGST – 9%.

In relation to the above, answer the following questions:

- (i) The effective date of registration for Mr. Kumar is-
- (a) 30th June
 - (b) 15th July
 - (c) 25th July
 - (d) 16th July

Answer: (a)

Hint: If applicant has submitted application within a period of 30 days, he will be considered to be registered from the date on which he becomes liable to registration and if application is given after 30 days, effective date of registration shall be the date of granting registration.

- (ii) Mr. Shyam can issue a revised tax invoice till-
- (a) 23rd October
 - (b) 8th September
 - (c) 25th September
 - (d) 25th August

Answer: (d)

Hint: A registered person is allowed to issue revised invoice for the invoice already issued from the effective date of registration till the date of issuance of registration certificate. Further revised invoice should be issued within one month from the date of issuing of registration certificate.

(iii) Eligible input tax credit available with Mr. Kumar for the month of July is-

- (a) CGST ₹ 40,500 & SGST ₹ 40,500
- (b) CGST ₹ 15,750 & SGST ₹ 15,750
- (c) CGST ₹ 56,250 & SGST ₹ 56,250
- (d) CGST ₹ 36,000 & SGST ₹ 36,000

Answer: (c)

Hint: CGST = $(1,50,000 \times 9\% + 4,50,000 \times 9\%) = 56,250$

SGST = $(1,50,000 \times 9\% + 4,50,000 \times 9\%) = 56,250$

(iv) The time of supply of services provided by Mr. Kumar to Mr. Ram is-

- (a) 7th August
- (b) 1st August
- (c) 29th August
- (d) 06th August

Answer: (a)

(v) If instead of opting for regular scheme, Mr. Kumar opts to pay tax under section 10(2A) of the CGST Act, 2017, the tax liability for the month of July will be-

- (a) Nil
- (b) CGST ₹ 54,000 & SGST ₹ 54,000
- (c) CGST ₹ 18,000 & SGST ₹ 18,000
- (d) CGST ₹ 78,150 & SGST ₹ 78,150

Answer: (c)

Hint: CGST = $6,00,000 \times 3\% = 18,000$, SGST = $6,00,000 \times 3\% = 18,000$

RTP MAY 2020

Mr. Mandeep, a registered dealer, is doing building material business in the State of Assam. He availed architect services for his business from his friend in London free of cost. He also availed designing services from his brother in London for ₹ 5 Lakhs for his personal purposes.

He availed services which are liable to tax under reverse charge for which date of invoice was 01.09.2024, payment date as per his books of account and as per his bank account was 15.11.2024 and 18.11.2024 respectively.

His turnover for the current financial year is as follows:

Taxable supply of goods – ₹ 55 Lakhs

Exempt supply of goods – ₹ 16 Lakhs

Inward supply liable to tax under reverse charge – ₹ 8 Lakh

He intends to start providing services also from the next financial year and also to avail composition scheme.

He also wishes to make supplies to the Government.

Based on the information given above, choose the most appropriate answer for the following questions:-

I. In respect of services imported by Mr. Mandeep, which of the following is a correct statement?

- i. Architect services for his business from his friend in London free of cost is considered as a supply
- ii. Designing services from his brother in London for ₹ 5 Lakh for his personal purposes is considered as a supply.
- iii. Architect services for his business from his friend in London free of cost is not considered as a supply
- iv. Designing services from his brother in London for ₹5 Lakh for his personal purposes is not considered as a supply.

- (a) i & ii
- (b) i & iv
- (c) ii & iii
- (d) iii & iv

Answer: I. (c)

II. The time of supply of services, received by him and taxable under reverse charge, is

- (a) 01.09.2024
- (b) 01.11.2024
- (c) 15.11.2024
- (d) 18.11.2024

Answer: II. (b)

III. Aggregate turnover of Mr. Mandeep for the given financial year will be,

- (a) ₹ 63 Lakhs
- (b) ₹ 79 Lakhs
- (c) ₹ 71 Lakhs
- (d) ₹ 47 Lakhs

Answer: III. (c)

IV. Mr. Mandeep will be eligible for composition scheme in the next financial year, but he can supply services only upto:

- (a) ₹ 5.00 Lakhs
- (b) ₹ 6.3 Lakhs
- (c) ₹ 7.90 Lakhs
- (d) ₹ 7.10 Lakhs

Answer: IV. (d)

V. In case he supplies services to State Government by way of any activity in relation to any function entrusted to a Municipality under Article 243W of the Constitution, in the next financial year, which of the following will be exempt?

- i. Pure Services
- ii. Composite supply of goods and services in which value of supply of goods constitutes not more than 25% of value of said composite supply
- iii. Composite supply of goods and services in which value of supply of service constitutes not more than 25% of value of said composite supply

- (a) i & iii
- (b) ii & iii
- (c) i, ii & iii
- (d) i & ii

Answer: V. (d)

CASE STUDIES**MTP****MTP-1 JAN 2025****Case Scenario 1**

FUTURE Insurance Ltd. is an insurance company providing life and general insurance services across India. The company has been carrying on its business for the past three years with the approval of IRDA.

FUTURE Insurance Ltd. secure its business through various insurance agents spread across India. Those agents include individuals, firm, LLP and private limited company also. However, all of them are licensed under the Insurance Act.

The company availed services of renting of motor vehicles for its employees in PAN India through 'RR Travels Private Limited', where cost of fuel is included in the consideration charged. The service provider charged 5% GST and informed the company that it is claiming ITC only in respect of the same line of business.

FUTURE Insurance Ltd. provided the following details of insurance business for the month of May-

Sl. No.	Nature of receipt	Amount in ₹
i.	Premium received on Pradhan Mantri Jan Dhan Yojana	5,00,000
ii.	Premium received on Aam Aadmi Bima Yojana	3,00,000
iii.	Premium received on Life micro-insurance product having a sum assured of ₹ 2.50 lakh	4,00,000
iv.	Premium received on reinsurance of Group Personal Accident Policy for Self-Employed Women	1,00,000
v.	Premium received on Fire and Special perils policy of various business units	7,00,000
vi.	Premium received on Money-back policies issued	12,00,000

FUTURE Insurance Ltd. received the following supplies in the month of May and the details of GST paid on such supplies are as follows-

- i GST paid on purchase of car for use of Managing Director – ₹ 5,00,000
- ii GST paid on bus (seating capacity for 14 persons) purchased by the company for transportation of its employees from their residence to office and back – ₹ 3,00,000
- iii GST of ₹ 80,000 was paid on general insurance taken from Amity Insurance Ltd. for motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) which were used in transportation of staff of the company.

All the amounts given above are exclusive of taxes wherever applicable. All the supplies referred above are intra-State unless specified otherwise. Aggregate turnover of the company is not less than ₹ 10 crores for the past three years. Conditions necessary for availment of ITC are fulfilled subject to the information given.

Values given in the question, wherever required, are in accordance with the relevant CGST Rules, 2017.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 3 below:

1. Determine the services on which the company is liable to pay tax under reverse charge?
 - (a) Service availed from insurance agents
 - (b) Service availed from RR Travels Private Limited
 - (c) None of the services availed attracts RCM
 - (d) Both (a) & (b)

Answer: (a) Service availed from Insurance Agents

2. Compute the total value of taxable supply made by FUTURE Insurance Ltd. for the month of May?

- (a) ₹ 4,00,000
- (b) ₹ 12,00,000
- (c) ₹ 23,00,000
- (d) ₹ 32,00,000

Answer: (c) ₹ 23,00,000

3. Determine the amount of ITC that can be claimed by FUTURE Insurance Ltd?

- (a) ₹ 80,000
- (b) ₹ 3,00,000
- (c) ₹ 3,80,000
- (d) ₹ 8,80,000

(3 x 2 Marks = 6 Marks)

Answer: (c) ₹ 3,80,000

Case Scenario 2

Madurai Impex Ltd. ('company') is engaged in supplying sports goods. The company did not opt for registration under GST. The proper officer under GST, based on enquiry, finds that the company is liable for registration and he registers the firm on temporary basis on 15th June, 2023.

Further, in the month of February 2024, the company also generated an e-way bill for inter-State transport of goods. However, immediately on generation of the e-way bill, the buyer cancelled the order before it was dispatched from the factory for delivery.

In the month of March 2024, since the company was incurring heavy losses, it applied for cancellation of GST registration on 15th March 2024. The order for cancellation was made on 30th March 2024, effecting cancelling the registration with effect from 15th March 2024.

On the basis of the facts given above, choose the most appropriate answer to Q.4 to Q.6 below:

4. After the grant of temporary registration, Madurai Impex Ltd. needs to apply for registration within _____ from the date of grant of temporary registration, if no extension of period is to be granted for such temporary registration.

- (a) 30 days
- (b) 90 days
- (c) 7 days
- (d) 15 days

Answer: (b) 90 days

5. The Company needs to file its Final return by _____.

- (a) 30th April, 2024
- (b) 30th August, 2024
- (c) 15th June, 2024
- (d) 30th June, 2024

Answer: (d) 30th June, 2024

6. Which of the following statements is correct in respect of e-way bill generated for goods in the month of February for which order was cancelled?

- (a) Once generated, E-way bill cannot be cancelled.
- (b) E-way bill can be cancelled within 24 hours of generation
- (c) E-way bill can be cancelled within 48 hours of generation
- (d) E-way bill can be cancelled within 72 hours of generation

(3 x 2 Marks= 6 Marks)

Answer: (b) E-way bill can be cancelled within 24 hours of generation

MTP-2 JAN 2025**Case Scenario 1**

Anushka, registered under GST in the State of Madhya Pradesh, is engaged in supplying multiple taxable goods and services. She has undertaken the following activities/transactions in the month of October in the current financial year:

- (i) Donated some money to Netrajyoti Charitable Trust, Madhya Pradesh, in the memory of her late mother. The Netrajyoti Charitable Trust constructed a room in the school run by it from such donation and wrote "Donated by Miss. Anushka in the memory of her mother" on the door of the room so constructed.
- (ii) Organized a seminar in Indore which was sponsored by WE-WIN Cricket Academy, an LLP. Anushka received a sponsorship fee of ₹1,50,000.
- (iii) Ashoka Public School intended to distribute gift packages consisting of fountain pen, calculator and tape dispenser to its students on the occasion of Children's Day. Therefore, it entered into a contract with Anushka on 28th October for supply of 2,000 packages at a single price of ₹ 250. Rates of GST for fountain pen, calculator and tape dispenser are 5%, 12% and 18% respectively.
- (iv) Received the following payments during the month of October:
 - earned ₹ 160,000 by performing at a western Indian cinematic concert in Indore
 - earned ₹ 50,000 for renting of space for use as a Textile Emporium
 - received ₹ 70,000 for supply of farm labour
- (v) Supplied machinery with a basic price of ₹ 45,000 (before TCS under Income Tax Act, 1961). Tax collected at source under Income-tax Act, 1961 on said machinery is ₹ 2,500. Further, a subsidy of ₹50,000 is received from Prakarti Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to energy saved during the month.

Anushka needs to transport one consignment to the transporter and then to the consignee. The distance, within the same State, between her godown and the transporter is 20 kms and from the place of transporter to consignee is 99 kms, respectively.

All the amounts given above are exclusive of GST, wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:-

1. Donation made by Anushka to Netrajyoti Charitable Trust is _____.
 - (a) exempted from GST by way of a notification
 - (b) not a supply at all
 - (c) liable to GST under forward charge
 - (d) liable to GST under reverse charge

Answer: (b) not a supply at all

2. Which of the following statements is correct with respect to the sponsorship fee received by Anushka?
 - (a) Tax on sponsorship services is payable by Anushka under forward charge.
 - (b) Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.
 - (c) Sponsorship services are exempt from GST since services provided to a sports academy are exempt.
 - (d) Tax on sponsorship services is payable by Anushka under reverse charge.

Answer: (b) Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.

3. Determine the nature of supply and the applicable rate of GST for the packages supplied by Anushka to Ashoka Public School.
 - (a) composite supply & applicable rate of GST is 12%
 - (b) mixed supply & applicable rate of GST is 18%
 - (c) composite supply & applicable rate of GST is 18%
 - (d) mixed supply & applicable rate of GST is 12%

Answer: (b) mixed supply & applicable rate of GST is 18%

4. Out of all the payments received by Anushka in the month of October, value of exempt supply amounts to _____.

- (a) ₹ 4,30,000
- (b) ₹ 70,000
- (c) ₹ 1,20,000
- (d) ₹ 2,20,000

Answer: (b) ₹ 70,000

5. The value of supply of machinery supplied by Anushka is _____.

- (a) ₹ 45,000
- (b) ₹ 47,500
- (c) ₹ 48,500
- (d) ₹ 51,000

Answer: (a) ₹ 45,000

MTP-1 SEPT 2024

Himadri started providing a bouquet of goods and services in the month of April of the current financial year under the regular scheme in the State of Telangana and obtained voluntary registration under GST before starting the business.

In the month of April, she availed the services of construction of a godown for the business from her brother-in-law who was financially dependent on him. She also availed professional consultancy services in April for her business from her son who is a well settled Chartered Accountant in Telangana. Himadri did not pay any consideration for both these services as both of them were her relative/ family member respectively.

In April, she supplied 1,000 packages to Natraj Traders each consisting of a pen holder, a pen and a pencil box at a single price of ₹ 150. Rates of GST for pen holder, pen and pencil box are 5%, 12% and 18% respectively.

She received following payments during the month of May: -

- earned ₹ 1,60,000 by providing services as business facilitator to YYZ Bank with respect to accounts in its urban area branch
- earned ₹ 50,000 by providing services by way of renting of residential dwelling for use as a boutique to Supriya, an unregistered person.
- received ₹ 70,000 for supply of manpower for cleanliness of roads, public places, architect services, etc., not involving any supply of goods, to Municipality.

Himadri made supply of taxable Product A during June, details of which are as follows-

- Basic price of Product A before TCS under Income-tax Act, 1961– ₹ 45,000
- Tax collected at source under Income-tax Act, 1961 – ₹ 2,500
- She received a subsidy of ₹ 55,000 from Habitat Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of green energy and not the aforesaid product.

Himadri provides the following information regarding receipt of inward supplies during July-

- purchased buses (seating capacity of 24 persons) for transportation of her employees from their residence to office and back. Depreciation is claimed on the GST component under the Income tax Act, 1961.

- purchased a truck having GST component of ₹ 1,50,000 for transportation of finished goods. No depreciation claimed on the GST component under the Income tax Act, 1961.
- availed outdoor catering services for a marketing event organised for her prospective customers.

All the amounts given above are exclusive of taxes, wherever applicable. Further, all the supplies referred above are intra-State supplies unless specified otherwise. Conditions necessary for claiming input tax credit (ITC) have been fulfilled subject to the information given above. The opening balance of input tax credit for the relevant tax period of Himadri is Nil.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 6 below:-

1. Supply of package made by Himadri to Natraj Traders is a _____ and is taxable under GST @_____.

- (a) composite supply; 12%
- (b) mixed supply; 18%
- (c) composite supply; 18%
- (d) mixed supply; 12%

Answer: (b) mixed supply; 18%

2. Out of payments received by Himadri in month of May, value of exempt supply is _____.

- (a) ₹ 50,000
- (b) ₹ 70,000
- (c) ₹ 1,20,000
- (d) ₹ 1,60,000

Answer (b) ₹ 70,000

3. Compute the value of supply under section 15 of the CGST Act, 2017 made by Himadri in the month of June.

- (a) ₹ 45,000
- (b) ₹ 47,500
- (c) ₹ 48,500
- (d) ₹ 51,000

Answer: (a) ₹ 45,000

4. Compute the amount of input tax credit that can be claimed by Himadri in July.

- (a) ₹ 30,000
- (b) ₹ 37,000
- (c) ₹ 1,50,000
- (d) ₹ 1,57,000

Answer: (c) ₹ 1,50,000

5. In respect of services availed by Himadri in April, which of the following is a correct statement?

- (a) Godown construction service availed from her brother-in-law free of cost is considered as a deemed supply.
- (b) Professional service availed from her son free of cost is considered as a deemed supply.
- (c) Neither of the two services availed by her is a deemed supply.
- (d) Both services availed by her are deemed supply.

Answer: (b) Professional service availed from her son free of cost is considered as a deemed supply.

6. Out of payments received by Himadri in month of May, the value of supply on which tax payable by the recipient under reverse charge is _____.

- (a) ₹ 50,000
- (b) ₹ 70,000
- (c) ₹ 1,20,000
- (d) ₹ 1,60,000

Answer: (d) ₹ 1,60,000

(6 x 2 = 12 Marks)

MTP-2 SEPT 2024

M/s. Maahi & Co., a LLP registered dealer under GST, is engaged in various types of business activities. It provided GTA services to Government Department, registered under GST for providing various services. Maahi & Co. did not exercise the option to pay GST.

The firm provided services of Direct Selling Agency (DSA Services) to a Banking Company located in Mumbai.

The firm provided free gift to each of its employees valuing ₹ 50,000 once in a financial year.

M/s Maahi & Co let out its warehouse to Mr. Shankar, who in turn let out to an agriculturist for warehousing of agricultural produce. The firm also undertakes catering service to "Vishwas" Anganwadi. The said Anganwadi has received fundings from Government.

The firm purchased following goods during the month of July:-

- (a) Capital goods amounting to ₹ 45,000 purchased on which depreciation has been taken on full value including GST paid thereon.
- (b) Raw materials purchased amounting to ₹ 55,000 for which invoice is missing but delivery challan is available.

Further, for the month of July, the GST liability of the firm was ₹ 20,000 IGST; ₹ 10,000 CGST; ₹ 10,000 SGST. The following credits were available in the said month-

IGST: ₹ 8,000

CGST: ₹ 12,000

SGST: ₹ 5,000

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions for availing ITC are fulfilled subject to the information given above.

Based on the information provided above, choose the most appropriate answer for the following questions-

1. Choose the correct statement(s).

- (i) For GTA services, Government is liable to pay GST under reverse charge
- (ii) For DSA services, Banking Company is liable to pay GST under reverse charge
- (iii) For GTA services, Maahi & Co is liable to pay GST under forward charge
- (iv) For DSA services, Maahi & Co is liable to pay GST under forward charge
- (a) i & ii
- (b) iii & iv
- (c)

(d) ii & iii

Answer: (c) i & iv

2. Which of the following options is correct in respect of GTA services provided to Government Department?

- (a) GTA service is taxable @ 12% without restriction of availing input tax credit.
- (b) GTA service is taxable @ 12%, but input tax credit cannot be availed for the same.
- (c) GTA service is taxable @ 5% without restriction of availing input tax credit.
- (d) GTA service is taxable @ 5%, but input tax credit cannot be availed for the same.

Answer: (d) GTA service is taxable @ 5%, but input tax credit cannot be availed for the same.

3. Gift of ₹ 50,000 in value provided by Maahi & Co to each of its employee will be:

- (a) Supply of goods
- (b) Supply of services
- (c) Exempt supply
- (d) Not a supply

Answer: (d) Not a supply

4. Which of the following statements is correct:-

- (i) Letting out of warehouse to Shankar is exempt
- (ii) Catering service to “Vishesh” Anganwadi is exempt
- (iii) Letting out of warehouse to Shankar is not exempt
- (iv) Catering service to “Vishesh” Anganwadi is not exempt

- (a) i & ii
- (b) iii & iv
- (c) i & iv
- (d) ii & iii

Answer: (d) ii & iii

5. M/s Maahi & Co is eligible to claim input tax credit of _____

- (a) ₹ 45,000
- (b) ₹ 55,000
- (c) ₹ 1,00,000
- (d) Nil

Answer: (d) Nil

MTP-1 MAY 2024

XYZ Electronics Pvt. Ltd. is a leading electronic goods manufacturing company in Delhi. The company produces a wide range of products, including smartphones, laptops, and home appliances.

The sales by the Company are mainly through its distributors on the following credit terms:

For laptops – up to 15 days

For smartphones – up to 90 days

For other home appliances – up to 45 days

During the year, the Company purchased plant and machinery worth ₹1 crore exclusive of GST. The GST rate for such plant and machinery is 18%. The input tax credit on such plant and machinery is not blocked under any provision of the CGST Act, 2017.

The Company is planning to demerge its operations in relation to the laptops and other computer accessories from the next financial year. The demerged entity will be a separate legal entity of the Company in form of a wholly owned subsidiary of the Company having common Board of Directors.

The Company also participates in domestic and international level trade fairs to showcase its products and sale through those events. The Electronics Association of Rajasthan is organising a trade fair in Jaipur. The Company is keen to participate in the same. To ensure the GST compliances, the Company wants to obtain the GST registration as casual taxable person in the state of Rajasthan. The Company obtained the GST registration as casual taxable person in the state of Rajasthan with the validity period of 45 days.

The Company transferred the goods from one of its godown in Delhi to another godown in Gujarat wherein the Company has a registered place of business. The value of goods transferred is ₹5 crores and the rate of GST applicable on such transfer is 18%. The tax invoice was issued, and GST was deposited by the Company. However, the consideration was not paid by the Gujarat office of the Company to the Delhi office even after 180 days of the invoice date. Further, there was no reverse movement of such goods from Gujarat godown to Delhi Godown.

Based on the information provided above, choose the most appropriate answer for the following questions-

1. What shall be the time limit to issue invoice for supply of smartphones on credit:

- (a) Invoice shall be issued on 31st day from the date of removal of smartphones to distributors.
- (b) Invoice shall be issued before or at the time of removal of smartphones to distributors.
- (c) Invoice shall be issued at the time of receiving payment from distributors.
- (d) Invoice shall be issued upon completion of credit term, i.e. 90 days.

Answer: (b) Invoice shall be issued before or at the time of removal of smartphones to distributors.

2. In relation to the plant and machinery purchased by the Company, select the correct alternative from the following:

- (a) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1.18 crore.
- (b) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1 crore.
- (c) ITC cannot be claimed in such transaction and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1 crore.
- (d) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 82 lakh.

Answer: (b) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1 crore.

3. How shall the demerged entity be treated under the provisions of GST Law?

- (a) The demerged entity shall be treated as related party of the Company.
- (b) The demerged entity shall be treated as distinct entity of the Company.
- (c) The demerged entity shall be treated as additional place of business of the Company.
- (d) The demerged entity shall be treated as sole selling agent of the Company.

Answer: (a) The demerged entity shall be treated as related party of the Company.

4. The period of retention of books of accounts related to period prior to demerger under GST Law is:

- (a) 36 months from the end of financial year
- (b) 60 months from the end of financial year
- (c) 72 months from the end of financial year
- (d) 72 months from due date of furnishing annual return for the relevant financial year

Answer: (d) 72 months from due date of furnishing annual return for the relevant financial year

5. The validity of GST registration as a casual taxable person in the state of Rajasthan is:

- (a) 45 days
- (b) 90 days
- (c) 180 days

(d) 135 days

Answer: (a) 45 days

6. Which of the following statements is true in relation to the non-payment of consideration by the Gujarat godown to Delhi godown?

- (a) The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and also required to pay interest computed from the date of invoice till the date of reversal of ITC.
- (b) The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and no interest shall be applicable.
- (c) The restriction of 180 days for payment of consideration is not applicable in the present case.
- (d) The Delhi godown shall issue a credit note to Gujarat godown to reverse the supply.

Answer: (c) The restriction of 180 days for payment of consideration is not applicable in the present case.

(6 x 2 Marks = 12 Marks)

MTP-2 MAY 2024

Ecotech Solutions Private Limited is engaged in manufacturing and supply of energy products and solutions across multiple States in India. The Company manufactures solar panels and also imports certain category of solar panels as per the customer orders. The company also provides installation services and annual maintenance contracts for its products.

The Company received an advance payment for a bulk order of goods in March 2024, but the delivery was completed in May 2024. The amount of advance received by the Company was ₹ 1 crore.

During the month of March 2024, the Company sold goods worth ₹ 5 crores and provided services amounting to ₹ 1 crore to its customers across India. The goods worth ₹ 1 crore sold under multiple invoices were returned by a customer due to defective quality in the month of March, 2024 which were originally sold by the Company in December, 2023. The Company issued a GST credit note against the returned goods in March, 2024.

The Company incurred an amount of ₹ 5 lakh on the repair of the returned goods to make them resalable in the market to customers other than a related party.

Further, the customers who returned the goods issued an invoice to Gujarat unit of the Company of ₹ 1 lakh for the expense related to return of goods. The goods were initially sold from the Gujarat unit of the Company but the same were returned to Maharashtra unit of the Company and subsequently moved by the Company from Maharashtra unit to Gujarat Unit i.e. the original place of supply. The Company is registered under GST in both the States i.e. Gujarat and Maharashtra.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 6 below:-

1. At what point of time, tax will be payable in relation to the advance received by the Company of ₹ 1 crore?

- (a) The tax is payable at the time of receipt of advance.
- (b) The tax is payable at the time of supply of goods.
- (c) 50% of tax is payable at the time of receipt of advance.
- (d) Tax is payable at the time of issuance of receipt voucher.

Answer: (b) The tax is payable at the time of supply of goods

2. The total amount of supply during the month of March, 2024 to be reported in GSTR -1 by the Company is _____.

- (a) ₹ 1 crore
- (b) ₹ 5 crores
- (c) ₹ 6 crores
- (d) ₹ 7 crores

Answer: (b) ₹ 5 crores

3. Which of the following options is correct in relation to the returned goods of value ₹ 1 crore ?
- Company has an option to issue single credit note against multiple invoices.
 - Company has to mandatorily issue credit note against each invoice.
 - The Company cannot issue credit note in any subsequent period after the supply is made.
 - The Company can only issue a commercial credit note and GST adjustment cannot be made.

Answer: (a) Company has an option to issue single credit note against multiple invoices.

4. In case returned goods are sold by the Company to customers other than the related parties, the value of supply of such goods under GST shall be _____.
- equivalent to original value of supply only.
 - equivalent to original value of supply plus the cost incurred on making the goods reusable
 - 110% of original value of supply plus the cost incurred on making the goods reusable.
 - transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.

Answer: (d) transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.

5. Which of the following option(s) is correct in relation to the invoice of 1 lakh issued by the customer for the expenses relating to returned goods?
- The Company shall be eligible to avail full input tax credit.
 - The Company shall not be allowed to avail input tax credit.
 - The Company shall not be allowed to avail input tax credit in excess of 50% of the tax amount charged on such invoice.
 - The Company shall be allowed to claim input tax credit only if it has not issued any credit note to the customer against such returned goods.

Answer: (a) The Company shall be eligible to avail full input tax credit.

6. While moving the goods from Maharashtra unit to Gujarat unit by the Company, goods shall be accompanied by _____.
- Original invoice issued in December, 2023
 - Invoice issued by the returning customer to the Gujarat unit of the Company
 - Invoice by Maharashtra unit to the Gujarat unit of the Company
 - Delivery challan issued by the Customer to the Company.

Answer: (c) Invoice by Maharashtra unit to the Gujarat unit of the Company

(6 x 2 Marks = 12 Marks)

MTP-1 NOV 2023

Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.

Ms. Chanchala, is a doctor, registered person under GST as a monthly return filer, having in-patient facility in her hospital.

She availed interior decoration services from her spouse without any consideration being paid. She also availed IT related services from her sister-in-law without any consideration. Both services were for the purpose of her profession.

Ms. Chanchala provided treatment of various diseases in her hospital and apart from that she also provided the following services in her hospital-

- Plastic surgery to enhance the beauty of the face
- Ambulance service for transportation of patients
- Renting of space to run medical store in hospital premises

She is also a consultant in other hospitals and received ₹ 40,00,000 as consultancy fee from the other hospitals.

Further, she also provides canteen facility and received ₹ 55,000 from in-patients, ₹ 35,000 from patients who are not admitted and ₹ 25,000 from visitors for the same facility.

She filed GSTR-3B for the month of June with some errors. She filed the Annual return for the said financial year on 31st October of the next financial year, whereas due date for the said Annual return is 31st December of the next financial year.

Proper Officer of the department had cancelled the registration certificate of Ms. Chanchala suo-motu on 31st July. Order of cancellation was served on 5th August. However, she applied for revocation of the same and got her registration restored back.

All the amounts given above are exclusive of taxes, wherever applicable. All the supplies referred above are intra-State unless specified otherwise.

From the information given above, choose the most appropriate answer for the following questions-

1 Which of the following is a correct statement as per the provisions of CGST Act, 2017?

- (i) Service availed from her Spouse is a deemed supply
- (ii) Service availed from her Sister-in-Law is a deemed supply
- (iii) Service availed from her Spouse is not a deemed supply
- (iv) Service availed from her Sister-in-Law is not a deemed supply
- (a) (i) and (iv)
- (b) (iii) and (iv)
- (c) (ii) and (iii)
- (d) (i) and (ii)

Answer: (a) (i) and (iv)

2 Compute the taxable value of supply of canteen service provided by Ms. Chanchala?

- (a) ₹ 25,000
- (b) ₹ 35,000
- (c) ₹ 60,000
- (d) ₹ 80,000

Answer: (c) ₹ 60,000

3 By which date Ms. Chanchala should have applied for revocation of cancellation of registration certificate, in case no extension is granted?

- (a) 5th August
- (b) 20th August
- (c) 30th August
- (d) 4th September

Answer: (d) 4th September

4 Maximum time permissible for rectification of error committed in monthly return of June is _____

- (a) 30th November of the next year
- (b) 20th October of the next year
- (c) 31st October of the next year
- (d) 31st December of the next year

Answer: (a) 30th November of the next year

5 Determine which of the following services provided by Ms. Chanchala and her hospital is exempt from GST?

- (i) Plastic surgery to enhance the beauty of the face
- (ii) Ambulance service for transportation of patients
- (iii) Renting of space to run medical store in hospital premises
- (iv) Consultancy service by Ms. Chanchala in other hospitals

- (a) (i), (ii) & (iv)
- (b) (i), (ii)
- (c) (ii) & (iv)
- (d) (i) & (iii)

(5 x 2 Marks = 10 Marks)

Answer: (c) (ii) & (iv)

MTP-2 NOV 2023

Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.

M/s. Neelkanth & Co., a registered supplier under GST, is dealing in supply of taxable goods in the State of Karnataka.

The firm had opted for Composition Scheme from April month of last financial year. It's turnover crossed ₹ 1.50 Crores on 9th May of current financial year and had opted for withdrawal of composition scheme on the said date.

Neelkanth & Co. removed goods on 10th June for delivery to Chandra & Co. on 'Sale or Return Basis'. Chandra & Co. accepted the goods vide its confirmation mail dated 15th December.

The firm has paid GST for various items during the month of August. It comprised of the following-

- (a) GST paid on input services intended to be used for personal purposes – ₹ 12,000
- (b) GST paid on purchase of Motor Vehicle for business use (being a two-wheeler having engine capacity of 25CC) – ₹ 9,000
- (c) GST paid on purchase of computer – ₹ 19,000

(GST portion was included as part of cost to claim depreciation under Income-tax Act, 1961)

During May, Neelkanth and Co. had reversed ITC of ₹ 10,000 for not making payment to Vendors within the time prescribed under CGST Act, 2017. This pending payment was cleared in the month of August.

Out of purchases made and ITC availed during earlier months, the following information is made available as on September:

Supplier Name	Payment is due for (Number of days)	Related ITC Component
XYZ	165	₹ 13,000
ABC	199	₹ 15,000
PQR	99	₹ 20,000

Neelkanth & Co received accounting services from Raghu & Co., an associated enterprise, located in Sri Lanka. Raghu & Co. issued invoice for the service on 1st September, which was entered by Neelkanth & Co. in its book on 10th October. But payment was made on 30th September.

All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

Based on the information provided above, choose the most appropriate answer for the following questions-

1. Neelkanth & Co. needs to furnish a statement containing details of stock of inputs/ inputs held in semi-finished / finished goods on the withdrawal of composition scheme by _____
 - (a) 9th May
 - (b) 23rd May
 - (c) 8th June
 - (d) 7th July

Answer: (c) 8th June

2. In respect of the goods sent on sale or return basis, Neelkanth & Co. shall issue the invoice by _____

- (a) 10th June
- (b) 10th September
- (c) 10th December
- (d) 15th December

Answer: (c) 10th December

3. Determine the amount of eligible input tax credit that can be availed by Neelkanth & Co for the month of August?

- (a) Nil
- (b) ₹ 19,000
- (c) ₹ 22,000
- (d) ₹ 50,000

Answer: (b) ₹ 19,000

4. Compute the amount of ITC to be reversed for the month of September? Ignore interest liability, if any.

- (a) Nil
- (b) ₹ 28,000
- (c) ₹ 15,000
- (d) ₹ 13,000

Answer: (c) ₹ 15,000

5. Time of supply in respect of service imported by Neelkanth & Co from its Associated Enterprise is

- (a) 1st September
- (b) 30th September
- (c) 1st October
- (d) 10th October

(5 x 2 Marks = 10 Marks)

Answer: (b) 30th September

MTP-1 MAY 2023

Poorva Logistics, a Goods Transport Agency, is registered under GST. It did not exercise the option to itself pay GST on the services supplied by it in the preceding financial year. It provided goods transport services (taxable @ 5%) to the following persons in February of preceding financial year-

- (a) Kunal Traders, an unregistered partnership firm
- (b) Mr. Amar, who is not registered under GST
- (c) Small Traders Co-Operative Society registered under Societies Registration Act

In a particular consignment in March of preceding financial year, Poorva Logistics transported the following-

- (a) Defence Equipments
- (b) Railway Equipments
- (c) Organic Manure

Poorva Logistics exercises the option to itself pay GST on services supplied by it @ 12% from April, of the current financial year. It provided goods transport services to Bama Steels Pvt. Ltd. on 1st April and issued an invoice dated 5th May. Payment was received on 6th May.

Based on the information provided above, choose the most appropriate answer for the following questions -

Question 1

(2 Marks)

Which of the following persons are liable to pay GST under reverse charge in respect of the GTA services provided by Poorva Logistics in February of the preceding financial year?

- (i) Kunal Traders
 - (ii) Mr. Amar
 - (iii) Small Traders Co-operative society
- (a) i & ii
 - (b) ii & iii

- (c) i & iii
(d) i, ii & iii

Answer: (c) i & iii

Question 2

(2 Marks)

Transportation of _____ by Poorva Logistics is exempt from GST.

- (i) Defence Equipments
(ii) Railway Equipments
(iii) Organic Manure
(a) i
(b) i & ii
(c) i & iii
(d) i, ii & iii

Answer: (c) i & iii

Question 3

(2 Marks)

What will be the time of supply in respect of the services provided by Poorva Logistics to Bama Steels Pvt. Ltd.?

- (a) 6th May
(b) 5th May
(c) 30th May
(d) 1st April

Answer: (d) 1st April

MTP-2 MAY 2023

Ms. Riya is engaged in providing various goods and services. She got registered under GST in the month of April of the current financial year under regular scheme.

She supplied a package to Dhruv Traders consisting of stapler, calculator and charger at a single price of ₹300 in the month of May. Rates of GST for stapler, calculator and charger are 5%, 12% and 18% respectively.

She received following payments during the month of May:

- earned ₹ 160,000 by performing western music in a cultural event at a Resort
- earned ₹ 50,000 by providing services by way of renting of residential dwelling for use as a boutique to Supriya, an unregistered person.
- received ₹ 70,000 by way of rent for letting of agro machinery

Ms. Riya made a supply during June, details of which are as follows-

- Basic price of the product before TCS under Income-tax Act, 1961 – ₹ 45,000
- Tax collected at source under Income-tax Act, 1961 – ₹ 2,500
- She received a subsidy of ₹ 3,500 from Green Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of energy and not aforesaid product.

Ms. Riya provides the following information regarding receipt of inward supplies during July-

- received invoice for goods having GST component of ₹ 30,000. Goods were to be delivered in 5 lots, out of which first three lots were received in the current month.
- purchased a car having GST component of ₹ 1,50,000 for imparting training on driving such motor vehicles.
- availed health insurance service for her employees and paid GST of ₹ 7,000 thereon. Health insurance service is being provided voluntarily by Ms. Riya and not mandated by any law.

All the amounts given above are exclusive of taxes, wherever applicable. Further, all the supplies referred above are intra-State supplies unless specified otherwise. Conditions necessary for claiming input tax credit (ITC) have been fulfilled subject to the information given above. The opening balance of input tax credit for the relevant tax period of Ms. Riya is Nil.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 4 below:-

Question 1**(2 Marks)**

Supply of package made by Ms. Riya to Dhruv Traders is a and is taxable under GST @ _____.

- (a) composite supply; 12%
- (b) mixed supply; 18%
- (c) composite supply; 18%
- (d) mixed supply; 12%

Answer: (b) mixed supply; 18%

Question 2**(2 Marks)**

Out of payments received by Ms. Riya in month of May, value of exempt supply is _____.

- (a) ₹ 50,000
- (b) ₹ 70,000
- (c) ₹ 1,20,000
- (d) ₹ 1,60,000

Answer: (b) ₹ 70,000

Question 3**(2 Marks)**

Compute the value of supply under section 15 of the CGST Act, 2017 made by Ms Riya in the month of June.

- (a) ₹ 45,000
- (b) ₹ 47,500
- (c) ₹ 48,500
- (d) ₹ 51,000

Answer: (a) ₹ 45,000

Question 4**(2 Marks)**

Compute the amount of input tax credit that can be claimed by Ms. Riya in July.

- (a) ₹ 30,000
- (b) ₹ 37,000
- (c) ₹ 1,50,000
- (d) ₹ 1,57,000

Answer: (c) ₹ 1,50,000

MTP-1 NOV 2022

Purvi, registered under GST in the State of Madhya Pradesh, is engaged in supplying a bouquet of taxable goods and services. She has undertaken following activities/transactions in the month of October in the current financial year:

- (i) Donated some money to Divyaprakash Charitable Trust, Madhya Pradesh, in the memory of her late father. The Divyaprakash Charitable Trust constructed a room in the school run by it from such donation and wrote "Donated by Miss. Purvi in the memory of her father" on the door of the room so constructed.
- (ii) Organized a seminar in Indore which was sponsored by WE-WIN Cricket Academy, an LLP. Purvi received a sponsorship fee of ₹1,50,000.
- (iii) Bindusar Public School intended to distribute gift packages consisting of fountain pen, calculator and tape dispenser to its students on the occasion of Children's Day. Therefore, it entered into a contract with Purvi on 28th October for supply of 2,000 packages at a single price of ₹ 250. Rates of GST for fountain pen, calculator and tape dispenser are 5%, 12% and 18% respectively.
- (iv) Received following payments during the month of October:
 - earned ₹ 160,000 by performing at a western music concert in Indore
 - earned ₹ 50,000 for renting of space for use as a Textile Emporium
 - received ₹ 70,000 for supply of farm labour
- (v) Supplied a machinery with a basic price of ₹ 45,000 (before TCS under Income Tax Act, 1961). Tax collected at source under Income-tax Act, 1961 on said machinery is ₹ 2,500. Further, a subsidy of ₹50,000 is received from Green Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to energy saved during the month.

All the amounts given above are exclusive of GST, wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:-

1. Donation made by Purvi to Divyaprakash Charitable Trust is _____.

- (a) exempted from GST by way of a notification
- (b) not a supply at all
- (c) liable to GST under forward charge
- (d) liable to GST under reverse charge

Answer: (b)

Hint: In this case donation has been given i.e. there is no supply of goods or services hence no GST because there is no supply.

2. Which of the following statements is correct with respect to the sponsorship fee received by Purvi?

- (a) Tax on sponsorship services is payable by Purvi under forward charge.
- (b) Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.
- (c) Sponsorship services are exempt from GST since services provided to a sports academy are exempt.
- (d) Tax on sponsorship services is payable by Purvi under reverse charge.

Answer: (b)

Hint: If any body corporate or partnership firm or LLP has sponsored any programme, in that case reverse charge is applicable.

3. Determine the nature of supply and the applicable rate of GST for the packages supplied by Purvi to Bindusar Public School.

- (a) composite supply & applicable rate of GST is 12%
- (b) mixed supply & applicable rate of GST is 18%
- (c) composite supply & applicable rate of GST is 18%
- (d) mixed supply & applicable rate of GST is 12%

Answer: (b)

Hint: As per section 8 it is a mixed supply hence highest rate shall be applicable

4. Out of all the payments received by Purvi in the month of October, value of exempt supply amounts to ____.

- (a) ₹ 4,30,000
- (b) ₹ 70,000
- (c) ₹ 1,20,000
- (d) ₹ 2,20,000

Answer: (b)

Hint: Supply of farm labour is exempt from GST

5. The value of supply of machinery supplied by Purvi is _____.

- (a) ₹ 45,000
- (b) ₹ 47,500
- (c) ₹ 48,500
- (d) ₹ 51,000

(5 x 2 Marks = 10 Marks)

Answer: (a)

Hint: Value of supply shall be ₹45,000 and TCS collected under Income Tax Act is to be adjusted towards final tax liability further subsidy has not been adjusted in the price

MTP-2 NOV 2022

Sarabhai & Sarabhai Associates, a partnership firm registered under GST, is engaged in various types of business activities. It has provided the details of the following activities undertaken by it in the current financial year:

- (i) It supplies taxable goods to Dhanush Enterprises at a price of ₹ 8,00,000 in the month of April, with a credit period of 1 month for payment. Thereafter, interest @ 12% p.a. is chargeable on the

consideration. The payment is received from Dhanush Enterprises after the lapse of two months from the date of supply.

- (ii) It enters into a contract for supply of 100 office chairs @ ₹ 15,000 with Ashoka Mart on 21st August. Chairs are removed from the warehouse of Sarabhai & Sarabhai Associates on 5th September along with the invoice of said date. Ashoka Mart has paid 30% of the total contract value on 21st August; balance 70% is paid after delivery of chairs on 10th September.
- (iii) In the month of October, it provides services by way of transportation of goods in a goods carriage by road to Fisheries Department of Government of India, registered under GST for the purpose of deducting tax at source and not for making any taxable supply. Sarabhai & Sarabhai Associates is a registered goods transport agency and charges ₹1,20,000 for the said services.
- (iv) It also provides services of Direct Selling Agent to an NBFC located in Mumbai in the month of December for ₹ 50,000.
- (v) It organises a business exhibition in the month of December for which it receives a sponsorship fee of ₹3,00,000 from Dhara Ltd.
- (vi) It provides free gifts to each of its employees valuing ₹ 50,000 at the end of each financial year.
- (vii) It avails services of Dhruv Travel Agency for organizing a free vacation for its top performing employees in the month of December. GST of ₹ 50,000 is paid on the same. In the same month, it also pays GST of ₹ 20,000 on the membership of Rudraksh Fitness Centre taken for its CEO.

All the amounts given above are exclusive of taxes, wherever applicable. All conditions for availing ITC are fulfilled subject to the information given above.

Based on the information provided above, choose the most appropriate answer for the following questions-

1. Value of supply made to Dhanush Enterprises, assuming the interest on delayed payment to be exclusive of GST, is _____.

- (a) ₹ 8,00,000
- (b) ₹ 8,08,000
- (c) ₹ 7,92,000
- (d) ₹ 8,16,000

Answer: (b)

2. The time of supply of advance money of ₹ 4,50,000 received for supply of office chairs to Ashoka Mart is _____. For balance payment of ₹ 10,50,000 received, the time of supply is _____.

- (a) 21st August; 5th September
- (b) 5th September; 10th September
- (c) 21st August; 10th September
- (d) 5th September; 5th September

Answer: (d)

3. Determine the value of outward supplies made by Sarabhai & Sarabhai Associates on which tax is payable under reverse charge.

- (a) ₹ 1,20,000
- (b) ₹ 50,000
- (c) ₹ 1,70,000
- (d) ₹ 3,00,000

Answer: (d)

4. Free gifts of value of ₹ 50,000 provided by Sarabhai & Sarabhai Associates to each of its employee is:

- (a) considered as supply of goods.
- (b) considered as supply of services.
- (c) exempt from GST.
- (d) not a supply as per Schedule I of the CGST Act, 2017.

Answer: (d)

5. Sarabhai & Sarabhai Associates is eligible to claim input tax credit of _____ in the month of December.

- (a) ₹ 50,000
- (b) ₹ 20,000

(c) ₹ 3,70,000

(d) Nil

(5 x 2 Marks = 10 Marks)

Answer: (d)**MTP-1 MAY 2022**

1. M/s. Harsimran & Co., a registered supplier under GST, is dealing in supply of taxable goods in the State of Karnataka.

The firm had opted for Composition Scheme from April month of last financial year. It's turnover crossed ₹ 1.50 Crores on 9th May of current financial year and had opted for withdrawal of composition scheme on the said date.

Harsimran & Co. removed goods on 10th June for delivery to Simran & Co. on 'Sale or Return Basis'. Simran & Co. accepted the goods vide its confirmation mail dated 15 th December.

The firm has paid GST for various items during the month of August. It comprised of the following -

- (a) GST paid on input services intended to be used for personal purposes – ₹ 12,000
- (b) GST paid on purchase of Motor Vehicle for business use (being a two-wheeler having engine capacity of 25CC) – ₹ 9,000
- (c) GST paid on purchase of computer – ₹ 19,000

(GST portion was included as part of cost to claim depreciation under Income-tax Act, 1961)

During May, Harsimran and Co. had reversed ITC of ₹ 10,000 for not making payment to Vendors within the time prescribed under CGST Act, 2017. This pending payment was cleared in the month of August.

Out of purchases made and ITC availed during earlier months, the following information is made available as on September:

Supplier Name	Payment is due for (Number of days)	Related ITC Component
XYZ	165	₹ 13,000
ABC	199	₹ 15,000
PQR	99	₹ 20,000

Harsimran & Co received accounting services from Ekam & Co., an associated enterprise, located in Sri Lanka. Ekam & Co. issued invoice for the service on 1st September, which was entered by Harsimran & Co. in its book on 10th October. But payment was made on 30th September.

All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

Based on the information provided above, choose the most appropriate answer for the following questions [1.1 -1.5]-

- 1.1 Harsimran & Co. needs to furnish a statement containing details of stock of inputs/ inputs held in semi-finished / finished goods on the withdrawal of composition scheme by _____
- (a) 9th May
 - (b) 23rd May
 - (c) 8th June
 - (d) 7th July

Answer: (c) 8th June

- 1.2 In respect of the goods sent on sale or return basis, Harsimran & Co. shall issue the invoice by _____

- (a) 10th June
- (b) 10th September
- (c) 10th December
- (d) 15th December

Answer: (c) 10th December

1.3 Determine the amount of eligible input tax credit that can be availed by Harsimran & Co for the month of August?

- (a) Nil
- (b) ₹ 19,000
- (c) ₹ 22,000
- (d) ₹ 50,000

Answer: (b) ₹ 19,000

1.4 Compute the amount of ITC to be reversed for the month of September? Ignore interest liability, if any.

- (a) Nil
- (b) ₹ 28,000
- (c) ₹ 15,000
- (d) ₹ 13,000

Answer: (c) ₹ 15,000

1.5 Time of supply in respect of service imported by Harsimran & Co from its Associated Enterprise is _____

- (a) 1st September
- (b) 30th September
- (c) 1st October
- (d) 10th October

(5 x 2 Marks = 10 Marks)

Answer: (b) 30th September

MTP-2 MAY 2022

1. Mr. Lala is engaged in supply of tiles and marbles in the State of Telangana. He is not registered under GST. He commenced his business from the month of July.

He availed godown construction services for business from his brother-in-law who was dependent on him. He also availed professional consultancy services for the purpose of business from his son who is a Company Secretary and his son is not dependent on him. Mr. Lala did not pay anything for both the services as both of them were his relative / family member respectively.

On the basis of advice of his son, Mr. Lala made the supply of tiles within his State only. His turnover reached to ₹ 7 lakh as on 31st October. However, he planned to expand his business to other States, since he has received decent orders from other States also.

During the month of December, he received a consignment of tiles from Rajasthan through Prompt Carriers, a goods transport agency based in the State of Rajasthan. Goods were dispatched by the supplier on 'to-pay' basis for freight. Freight charges were ₹ 50,000 and the said GTA pays GST @ 12%. Mr. Lala paid the invoice amount in the month of December itself. This was an inter-State transaction.

During the month of January, Mr. Lala made his first inter-State supply to Tamil Nadu on 4th January. His turnover before making such supply was ₹ 15 lakh.

Value of such inter-state supply was ₹ 4,50,000, exclusive of taxes. Payment for the said inter-State supply was received on 28th February. Invoice was raised by Mr. Lala on 25th January.

All the figures given above are exclusive of taxes wherever applicable.

Based on the information given above, choose the most appropriate answer for the following questions-

1.1 In respect of services availed by Mr. Lala, which of the following is a correct statement?

- (a) Godown construction service availed from his brother-in-law free of cost is considered as a deemed supply
- (b) Professional service availed from his son free of cost is considered as a deemed supply
- (c) Neither of the services is a deemed supply
- (d) Both services are deemed supply

Answer: (b) Professional service availed from his son free of cost is considered as a deemed supply

1.2 Upto which limit of aggregate turnover, Mr Lala can continue to supply goods without registration within his state, if he does not procure any goods/services on which tax is payable under reverse charge mechanism?

- (a) ₹ 20 lakh
- (b) ₹ 40 lakh
- (c) ₹ 10 lakh
- (d) ₹ 150 lakh

Answer: (a) ₹ 20 lakh

1.3 What is the tax liability for the freight charges?

- (a) ₹ 6000 of IGST under reverse charge
- (b) ₹ 6000 of IGST under forward charge
- (c) ₹3000 each under CGST and SGST under reverse charge
- (d) Nil as it is exempt

Answer: (d) Nil as it is exempt

1.4 Which of the following statement is correct with respect to liability of Mr. Lala to register under GST?

- (a) Mr. Lala is liable to register in the month of December for receipt of GTA services.
- (b) Mr. Lala is liable to register in the month of January for effecting inter-State outward supply of goods.
- (c) Mr. Lala is liable to register only when his turnover exceeds the threshold limit irrespective of whether he is in receiving any GTA services or is effecting inter-State outward supply.
- (d) Mr. Lala is not required to register as it is his first year of business.

Answer: (b) Mr. Lala is liable to register in the month of January for effecting inter-State outward supply of goods.

1.5 What is the time of supply of goods made by Mr Lala during January?

- (a) 4th January
- (b) 25th January
- (c) 3rd February
- (d) 28th February

(5 x 2 Marks = 10 Marks)

Answer: (a) 4th January

MTP-1 NOV 2021

Ms. Adisha, a Doctor having in-patient facility in her hospital is a registered person under GST. She availed interior decoration services from her spouse without any consideration being paid. She also availed IT related services from her sister-in-law without any consideration. Both services were for the purpose of her profession.

Ms. Adisha provided treatment of various diseases in her hospital and apart from that she also provided the following services in her hospital-

- (a) Plastic surgery to enhance the beauty of the face
- (b) Ambulance service for transportation of patients
- (c) Renting of space to run medical store in hospital premises

She is also a consultant in other hospitals and received ₹ 40,00,000 as consultancy fee from the other hospitals.

Further, she also provides canteen facility and received ₹ 55,000 from in-patients, ₹ 35,000 from patients who are not admitted and ₹ 25,000 from visitors for the same facility.

She filed GSTR-3B for the month of June with some errors. She filed the Annual return for the said financial year on 31st October of the next year, whereas due date for the said Annual return is 31st December of the next year.

Proper Officer of the department cancelled the registration certificate of Ms. Adisha suo-motu on 31st July. Order of cancellation was served on 5th August. However, she applied for revocation of the same and got her registration certificate revoked.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise.

From the information given above, choose the most appropriate answer for the following questions -

1. Which of the following is a correct statement as per the provisions of CGST Act, 2017?

- (i) Service availed from her Spouse is a deemed supply
- (ii) Service availed from her Sister-in-Law is a deemed supply
- (i) Service availed from her Spouse is not a deemed supply
- (iv) Service availed from her Sister-in-Law is not a deemed supply
- (a) (i) and (iv)
- (b) (iii) and (iv)
- (c) (ii) and (iii)
- (d) (i) and (ii)

Answer: (a)

2. Compute the taxable value of supply of canteen service provided by Ms. Adisha?

- (a) ₹ 25,000
- (b) ₹ 35,000
- (c) ₹ 60,000
- (d) ₹ 80,000

Answer: (c)

3. Ms. Adisha should have applied for revocation of cancellation of registration certificate by

- (a) 5th August
- (b) 20th August
- (c) 30th August
- (d) 4th September

Answer: (d)

4. Maximum time permissible for rectification of error committed in monthly return of June is _____

- (a) 20th July
- (b) 20th October of the next year
- (c) 31st October of the next year
- (d) 31st December of the next year

Answer: (b)

5. Determine which of the following services provided by Ms. Adisha and her hospital is exempt from GST?

- (i) Plastic surgery to enhance the beauty of the face
- (ii) Ambulance service for transportation of patients
- (iii) Renting of space to run medical store in hospital premises
- (iv) Consultancy service by Ms. Adisha in other hospitals
- (a) (i), (ii) & (iv)
- (b) (i), (ii)
- (c) (ii) & (iv)
- (d) (i) & (iii)

(5 x 2 Marks = 10 Marks)

Answer: (c)

MTP-2 NOV 2021

Mr. Kumar started interior designing practice from the month of January. His turnover up to the month of March was ₹ 12,50,000. On 30th June, his turnover exceeded ₹ 20,00,000 & reached to ₹ 20,05,000. Mr. Kumar applied for GST registration (as regular taxpayer) on 15th July and registration was granted to him on 25th July.

On 16th July, he entered into a contract for designing the flat of Mr. Shyam. The service was completed on 22nd July and Mr. Kumar issued invoice on the same day for ₹ 6,00,000. On 5th July, Mr. Kumar purchased capital goods amounting to ₹ 4,50,000 and from 25th July to 31st July, he availed services amounting to ₹ 1,75,000 for the purpose of completing the service.

On 1st August, Mr. Kumar got another contract for interior designing from Mr. Ram, which he accepted on 2nd August. The service was completed on 6th August and invoice was issued on 7th August for ₹ 5,00,000. Payment was received on 29th August.

All values are excluding taxes, unless specifically mentioned. Mr. Kumar makes only intra-State outward supplies and all purchases are also intra-State. Rates of tax are CGST - 9% and SGST – 9%.

In relation to the above, answer the following questions:

1. The effective date of registration for Mr. Kumar is-

- (a) 30th June
- (b) 15th July
- (c) 25th July
- (d) 16th July

Answer: (a)

2. Mr. Kumar can issue a revised tax invoice till-

- (a) 23rd October
- (b) 8th September
- (c) 25th September
- (d) 25th August

Answer: (d)

3. Eligible input tax credit available with Mr. Kumar for the month of July is-

- (a) CGST ₹ 40,500 & SGST ₹ 40,500
- (b) CGST ₹ 15,750 & SGST ₹ 15,750
- (c) CGST ₹ 56,250 & SGST ₹ 56,250
- (d) CGST ₹ 36,000 & SGST ₹ 36,000

Answer: (c)

4. The time of supply of services provided by Mr. Kumar to Mr. Ram is-

- (a) 7th August
- (b) 1st August
- (c) 29th August
- (d) 6th August

Answer: (a)

5. If instead of opting for regular scheme, Mr. Kumar opts to pay tax under section 10(2A) of the CGST Act, 2017, the tax liability for the month of July will be-

- (a) CGST Nil and SGST Nil
- (b) CGST ₹ 54,000 & SGST ₹ 54,000
- (c) CGST ₹ 18,000 & SGST ₹ 18,000
- (d) CGST ₹ 78,150 & SGST ₹ 78,150

(5 x 2 Marks = 10 Marks)

Answer: (c)

MTP-1 MAY 2021

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

Each MCQ under Question No. 1 carries 2 Marks each

1. Explore Logistics, a Goods Transport Agency registered under GST provided GTA services (taxable @ 5%) to the following persons-

- (a) Sahil Traders, an unregistered Partnership firm.
- (b) Mr. Aadi, a casual taxable person, who is not registered under GST.
- (c) Small Traders co-operative society registered under Societies Registration Act.

In a particular consignment, Explore Logistics transported the following-

- (a) Defence Equipments
- (b) Railway Equipments
- (c) Organic Manure

Explore Logistics opted to charge GST @ 12% from October. It provided GTA Services to Mahajan Steels Pvt. Ltd. on 1st October and issued an invoice dated 5th November. Payment was received on 6th November.

It provided both inter-State and intra-State service to various registered as well as unregistered persons.

Based on the information provided above, choose the most appropriate answer for the following questions 1.1 to 1.5-

1.1 Which of the following persons are liable to pay GST on reverse charge in respect of the GTA services (taxable @ 5%) provided by Explore Logistics

- i Sahil Traders
 - ii Mr. Aadi
 - iii Small Traders Co-operative society
- (a) i & ii
 - (b) ii & iii
 - (c) i & iii
 - (d) i, ii & iii

Answer: (c) i & ii

1.2 Out of items transported by Explore Logistics, which of the following is/ are exempt from GST?

- i. Defence Equipments
 - ii. Railway Equipments
 - iii. Organic Manure
- (a) i
 - (b) i & ii
 - (c) i & iii
 - (d) i, ii & iii

Answer: (c) i & iii

1.3 What will be the time of supply in respect of the services provided by Explore Logistics to Mahajan Steels Pvt. Ltd.?

- (a) 6th November
- (b) 5th November
- (c) 30th November
- (d) 1st October

Answer: (d) 1st October

1.4 Which of the following statements is correct in respect of services provided by Explore Logistics to Mahajan Steels Pvt. Ltd.

- (a) Mahajan Steels Pvt. Ltd. is liable to pay GST
- (b) Explore Logistics is liable to pay GST
- (c) Service provided by Explore Logistics to Mahajan Steels Pvt. Ltd. is exempt under GST
- (d) Mahajan Steels Pvt. Ltd. is liable to pay 50% GST and remaining 50% will be paid by Explore Logistics

Answer: (b) Explore Logistics is liable to pay GST

1.5 In respect of which of the following supplies, Explore Logistics has to provide invoice-wise details in GSTR-1?

- i. Inter-State supplies to registered person with invoice value not exceeding ₹ 2,50,000
 ii. Inter-State supplies to unregistered person with invoice value not exceeding ₹ 2,50,000
 iii. Inter-State supplies to unregistered person with invoice value exceeding ₹ 2,50,000
 iv. Intra-State supplies to registered person with invoice value not exceeding ₹ 2,50,000
 (a) i & iv
 (b) i & ii
 (c) ii & iii
 (d) i, iii & iv

(5 x 2 Marks = 10 Marks)

Answer: (d) i, iii & iv**MTP-2 MAY 2021**

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

Each MCQ under Question No. 1 carries 2 Marks each

1. Ms. Anjali is engaged in supply of services. She is registered under GST and has opted to pay tax under composition scheme for service provider under section 10(2A) of the CGST Act. The turnover for the quarter ending June was ₹ 12,00,000.

During July, she crossed the aggregate turnover of ₹ 50 lakh and opted out of composition scheme. She also started trading of goods in July.

She supplied an order to Breathe Well LLP on ex-factory basis, the details of which are as follows-

- | | |
|---|------------|
| i. Basic price of the product | – ₹ 53,000 |
| ii. Outward freight | – ₹ 12,000 |
| iii. Packing Charges | – ₹ 5,000 |
| iv. Discount given on receiving payment | – ₹ 2,000 |
| (not included in invoice) | |

For supplies, provided to Breathe Well LLP, she received half of the amount as advance on 22nd July. The goods were dispatched from her factory on 25th July and delivered on 28th July. She raised the invoice on 30th July and the balance payment was also received on the same date.

Ms. Anjali received 25 invoices from various suppliers involving GST of ₹ 1,50,000 for the month of July. While filing GSTR-3B for the said month on 20th August, she found that only 20 invoices involving GST of ₹ 1,00,000 were uploaded by the suppliers.

Ms. Anjali supplied goods to the following persons-

Sl. No.	Recipient	Value of Supply
1	Mr. Pawan - an unregistered person	₹ 150
2	Mr. Umesh, a registered person	₹ 110
3	Rains Trust, an unregistered entity	₹ 250

None of the above persons requires a tax invoice.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

Based on the information provided above, choose the most appropriate answer for the following questions 1.1 to 1.5-

1.1 Compute the tax liability for the quarter ending June under CGST and SGST?

- (a) ₹ 30,000 each
 (b) ₹ 12,000 each
 (c) ₹ 6,000 each
 (d) ₹ 36,000 each

Answer: (d) ₹ 36,000 each

1.2 Compute the value of Supply made by Ms. Anjali to Breathe Wall LLP?

- (a) ₹ 56,000
- (b) ₹ 58,000
- (c) ₹ 68,000
- (d) ₹ 75,000

Answer: (b) ₹ 58,000

1.3 Determine the amount of ITC that can be claimed by Ms. Anjali for the month of July?

- (a) ₹ 1,00,000
- (b) ₹ 1,10,000
- (c) ₹ 1,20,000
- (d) ₹ 1,50,000

Answer: (c) ₹ 1,20,000

1.4 Determine the time of supply made to Breathe Wall LLP?

- (a) 22nd July
- (b) 25th July
- (c) 28th July
- (d) 30th July

Answer: (b) 25th July

1.5 Ms. Anjali need not issue invoice to which of the following persons?

- (a) Mr. Pawan
- (b) Mr. Pawan and Umesh
- (c) Mr. Pawan and Rains Trust
- (d) Need not issue invoice to all the three persons

(5 x 2 Marks = 10 Marks)

Answer: (a) Mr. Pawan

MTP - NOV 2020 (3 x 2 Marks = 6 Marks)

M/s. Shanky Consultants, a partnership firm registered in Delhi, renders following services during the year:

- (i) Security services: ₹ 2,00,00,000/ to registered business entities
- (ii) Manpower services (Accountants): ₹ 5,00,000/-
- (iii) Auditing services: ₹ 1,00,00,000/-

Other Information

- (i) Shanky Consultants also paid sponsorship fees of ₹ 70,000/- at seminar organized by a private NGO (a partnership firm) in Delhi.
- (ii) Shanky Consultant pays rent amounting to ₹ 6,00,000/- for a building owned by MCD.
- (iii) Assume all services are taxable at 18% and all transactions to be intra-State supplies.

Based on the above information, answer the following questions:

(i) What is the aggregate turnover of Shanky Consultants?

- (a) ₹ 3,05,00,000/-
- (b) ₹ 3,05,70,000/-
- (c) ₹ 1,05,00,000/-
- (d) ₹ 1,05,70,000/-

Answer: (a)

Aggregate turnover of Shanky consultants

Security services	2,00,00,000
Manpower services	5,00,000
Auditing services	1,00,00,000
Total	3,05,00,000

(ii) GST liability paid under reverse charge by Shanky Consultants is?

- (a) CGST: ₹ 60,300/-, SGST: ₹ 60,300/-
- (b) CGST: ₹ 6,300/-, SGST: ₹ 6,300/-
- (c) CGST: ₹ 54,000/-, SGST: ₹ 54,000/-
- (d) None of the above

Answer: (a)

GST liability under reverse charge

Sponsorship fees and payment of Rent to MCD is covered under reverse charge.

Sponsorship fees	70,000
Rent of immovable property	6,00,000
Total	6,70,000
CGST @ 9%	60,300
SGST @ 9%	60,300

(iii) State which of the following statement is true in respect of security services provided by Shanky Consultants to registered business entities:

- (a) Shanky Consultants shall issue GST compliant tax invoice.
- (b) Shanky Consultants shall issue bill of supply stating "Tax to be paid by service recipient under reverse charge".
- (c) Shanky Consultants can issue any document in lieu of tax invoice.
- (d) Shanky Consultants shall issue receipt voucher every time Shanky Consultants receives payment.

Answer: (a)

NOT COVERED IN SYLLABUS FROM THIS PAGE ONWARDS

Question 1: Explain accounting treatment of GST. (not covered in syllabus rather it is only for self reading)

Answer:

At the time of purchase input GST paid shall be debited to GST credit receivable account and at the time of sale GST charged as output tax shall be credited to GST payable account and unutilized GST receivable amount shall be shown in the balance sheet, eg. ABC limited purchased goods for ₹ 10,00,000 plus GST ₹ 1,00,000 and sold the goods for ₹ 12,00,000 plus GST ₹ 1,20,000 in this case accounting entries shall be –

1.	GST Goods Purchase A/c	Dr.	₹10,00,000	
	GST Credit Receivable A/c	Dr.	₹ 1,00,000	
	To Bank A/c			₹ 11,00,000

2. The dealer passes the following entry to record the goods sold and GST collected thereon:

2.	Bank A/c	Dr.	₹13,20,000	
	To GST Goods Sales A/c			₹12,00,000
	To GST Payable A/c			₹ 1,20,000

3. The dealer passes the following entry to record the liability for GST payable met by using the balance in the GST Credit Receivable Account and balance by bank:

3.	GST Payable A/c	Dr.	₹1,20,000	
	To GST Credit Receivable A/c			₹ 1,00,000
	To Bank			₹ 20,000

4. Balances in GST credit Receivable A/c are disclosed in the balances sheet as on March 31, 2025 as below:

Extracts from the Balance Sheet

Assets

Amounts (₹)

Current Assets

Short term Loans and Advances

GST Credit Receivable A/c

-

(GST credit receivable etc. which is expected to be realized within the next twelve months from the Balance Sheet date.)

CLASSIFICATION OF GOODS AND SERVICES

Question: Write a Note on Classification of Goods and Services under GST.

Answer: Classification Of Goods And Services Under GST Harmonised System Of Nomenclature (HSN)

All goods are divided in 98 broad categories which are called chapters and all services are covered in chapter 99.

1. Live Animals
2. Meat and edible meat offal
3. Fish and crustaceans, molluscs and other aquatic invertebrates
4. Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
5. Products of animal origin, not elsewhere specified or included
6. Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
7. Edible vegetables and certain roots and tubers
8. Edible fruit and nuts; peel of citrus fruit or melons
9. Coffee, tea, mate and spices
10. Cereals
11. Products of the milling industry; malt; starches; inulin; wheat gluten.
12. Oil seeds and oleaginous fruits, miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder.
13. Lac; gums, resins and other vegetable saps and extracts.
14. Vegetable plaiting materials; vegetable products, not elsewhere specified or included.
15. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
16. Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates
17. Sugar and sugar confectionery.
18. Cocoa and cocoa preparations
19. Preparations of cereals, flour, starch or milk; pastry cooks' products
20. Preparations of vegetables, fruit, nuts or other parts of plants.
21. Miscellaneous edible preparations
22. Beverages, vinegar and spirits
23. Residues and wastes from the food industries; prepared animal fodder
24. Tobacco and manufactured tobacco substitutes
25. Salt; sulphur; earths and stone; plastering materials, lime and cement
26. Ores, slag and ash
27. Mineral fuels, mineral oils and products of their distillation; bituminous substances, mineral waxes
28. Inorganic chemicals; organic or inorganic compounds of precious metals, of rare earth metals, of radioactive elements or of isotopes
29. Organic chemicals
30. Pharmaceutical products
31. Fertilizers
32. Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter, paints and varnishes; putty and other mastics; inks
33. Essential oils and resinoids; perfumery, cosmetics or toilet preparations
34. Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, "dental waxes" and dental preparations with a basis of plaster
35. Albuminoidal substances; modified starches; glues; enzymes
36. Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations
37. Photographic or cinematographic goods
38. Miscellaneous chemical products

39. Plastics and articles thereof
40. Rubber and articles thereof
41. Raw Hides and Skins (other than Fur skins) and Leather
42. Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)
43. Furskins and artificial fur; manufacturers thereof
44. Wood and articles of wood, wood charcoal
45. Cork and articles of cork
46. Manufactures of straw, of esparto or of other plaiting materials; Basket-ware and wickerwork
47. Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard
49. Printed books, newspapers, pictures and other products of the printing industry, manuscripts, typescripts and plans
50. Silk
51. Wool, fine or coarse animal hair; horse hair yarn and woven fabric
52. Cotton
53. Other vegetable textile fibres; paper yarn, woven fabrics of paper yarns
54. Man-made filaments; strip and the like of man-made textile materials
55. Man-made staple fibres
56. Wadding, felt and non-wovens; special yarns; twine, cordage, ropes and cables and articles thereof
57. Carpets and other textile floor coverings
58. Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
59. Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use.
60. Knitted or crocheted fabrics
61. Articles of apparel and clothing accessories, knitted or crocheted
62. Articles of apparel and clothing accessories, not knitted or crocheted
63. Other made up textile articles, sets, worn clothing and worn textile articles; rags
64. Footwear gaiters and the like; parts of such articles
65. Headgear and parts thereof
66. Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof
67. Prepared feathers and down and articles made of feather or of down - artificial flowers; articles of human hair
68. Articles of stone, plaster, cement, asbestos, mica or similar materials
69. Ceramic products
70. Glass and glassware
71. Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin.
72. Iron and steel
73. Articles of iron or steel
74. Copper and articles thereof
75. Nickel and articles thereof
76. Aluminium and articles thereof
77. [***]
78. Lead and articles thereof
79. Zinc and articles thereof
80. Tin and articles thereof
81. Other base metals; cermets; articles thereof
82. Tools, implements, cutlery, spoons and forks of base metal; parts thereof of base metal
83. Miscellaneous articles of base metal
84. Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
85. Electrical machinery and equipment and parts thereof; sound recorders and re-producers, television

- image and sound recorders and reproducers, and parts and accessories of such articles
86. Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds
 87. Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof
 88. Aircraft; spacecraft and parts thereof
 89. Ships, boats and floating structures
 90. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
 91. Clocks and watches and parts thereof
 92. Musical instruments; parts and accessories of such articles
 93. Arms and ammunition; parts and accessories thereof
 94. Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings
 95. Toys, games and sports requisites; parts and accessories thereof
 96. Miscellaneous manufactured articles
 97. Works of art, collectors' pieces and antiques
 98. Project imports; laboratory chemicals; passengers' baggage, personal importations by air or post; ship Stores.
 99. All Services.

CHAPTER 42

ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILK-WORM GUT)**Notes:**

1. For the purposes of this Chapter, the term "leather" includes chamois (including combination chamois) leather, patent leather, patent laminated leather and metallised leather.
2. This Chapter does not cover :
 - (a) sterile surgical catgut or similar sterile suture materials (heading 3006);
 - (b) articles of apparel or clothing accessories (except gloves, mittens and mitts), lined with furskin or artificial fur or to which furskin or artificial fur is attached on the outside except as mere trimming (heading 4303 or 4304);
 - (c) made up articles of netting (5608);
 - (d) articles of Chapter 64;
 - (e) headgear or parts thereof of Chapter 65;
 - (f) whips, rigid-crops or articles of heading 6602;
 - (g) cuff-links, bracelets or other imitation jewellery (heading 7117);
 - (h) fittings or trimmings for harness, such as stirrups, bits, horse, brasses and buckles, separately presented (generally Section XV);
 - (ij) strings, skins for drums or the like, or other parts of musical instruments (heading 9209);
 - (k) articles of Chapter 94 (for example, furniture, lamps and lighting fittings);
 - (l) articles of Chapter 95 (for example, toys, games, sports requisites); or
 - (m) buttons, press-fasteners, snap-fasteners, press-studs, button moulds or other parts of these articles, button blanks, of heading 9606.
3. (A) In addition to the provisions of Note 2 above, heading 4202 does not cover :
 - (a) bags made of sheeting of plastics, whether or not printed, with handles, not designed for prolonged use (heading 3923);
 - (b) articles of plaiting materials (heading 4602).
 (B) Articles of headings 4202 and 4203 which have parts of precious metal or metal clad with precious metal, of natural or cultured pearls, of precious or semi-precious stones (natural, synthetic or reconstructed) remain classified in those headings even if such parts constitute more than minor fittings or minor ornamentation, provided that these parts do not give the articles their essential character. If, on the other hand, the parts give the articles their essential character, the articles are to be classified in Chapter 71.
4. For the purposes of heading 4203, the expression "articles of apparel and clothing accessories" applies, *inter alia*, to gloves, mittens and mitts (including those for sport or for protection), aprons and other protective clothing, braces, belts, bandoliers and wrist straps, but excluding watch straps (heading 9113).

Tariff Item	Description of goods	Unit	CGST	SGST/UTGST	IGST
(1)	(2)	(3)	(4)	(5)	(6)
4201 00 00	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material	kg.	14%	14%	28%
4202	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags,		18% IGST/9% CGST/9% SGST or UTGST : 4202 : School satchels and bags other than of leather or composition leather	18% IGST/9% CGST/9% SGST or UTGST : 4202 12 10 : Toilet cases	18% IGST/9% CGST/9% SGST or

	toilet bags, rucksacks, handbags, shopping-bags, wallets, purses, map-cases, cigarette-cases, tobacco-pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper		UTGST : 4202 22 10 : Hand bags and shopping bags, of artificial plastic material
	- <i>Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels and similar containers :</i>		18% IGST/9% CGST/9% SGST or
4202 11	-- <i>With outer surface of leather or of composition leather:</i>		UTGST : 4202 22 20 : Hand bags and shopping bags, of cotton
4202 11 10	--- Travel goods (trunks, suit-cases, sports bags and other similar items) of leather	u	18% IGST/9% CGST/9% SGST or
4202 11 20	--- Toilet-bags and cases, of leather	u	UTGST : 4202 22 30 : Hand bags and shopping bags, of jute
4202 11 30	--- Satchels	u	18% IGST/9% CGST/9% SGST or
4202 11 40	--- Brief-cases	u	UTGST : 4202 22 40 : Vanity bags
4202 11 50	--- Executive-cases	u	18% IGST/9% CGST/9% SGST or
4202 11 60	--- Vanity-cases	u	UTGST : 4202 29 10 : Handbags of other materials excluding wicker work or basket work
4202 11 70	--- Attache-cases	u	28% IGST/14% CGST/14% SGST or
4202 11 90	--- Other	u	UTGST : 4202 : Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping bags, wallets, purses, map-cases, cigarette-cases, tobacco- pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper [other than School satchels and bags other than of leather or composition leather, Toilet cases, Hand bags and shopping bags, of artificial plastic material, of cotton, or of jute, Vanity bags, Handbags of other materials excluding wicker work or basket work]
4202 12	-- <i>With outer surface of plastic or of textile materials :</i>		
4202 12 10	--- Toilet-cases	u	
4202 12 20	--- Plastic moulded suit-cases	u	
4202 12 30	--- Plastic moulded brief-cases	u	
4202 12 40	--- Satchels	u	
4202 12 50	--- Other travel-goods	u	
4202 12 60	--- Brief-cases	u	
4202 12 70	--- Executive-cases other than plastic moulded	u	
4202 12 80	--- Vanity-cases	u	
4202 12 90	--- Other	u	
4202 19	-- <i>Other:</i>		
4202 19 10	--- Travel goods (trunks, suit-cases, sports bags, and other similar items) of leather	u	
4202 19 20	--- Toilet-cases	u	
4202 19 30	--- Satchels	u	
4202 19 40	--- Brief-cases (other than plastic moulded)	u	
4202 19 50	--- Executive-cases	u	
4202 19 60	--- Vanity-cases	u	
4202 19 90	--- Other	u	
	- <i>Hand-bags, whether or not with</i>		

	<i>shoulder strap, including those without handle:</i>				
4202 21	-- <i>With outer surface of leather or of composition leather:</i>				
4202 21 10	--- Hand-bags for ladies	u			
4202 21 20	--- Vanity-bags	u			
4202 21 90	--- Other	u			
4202 22	-- <i>With outer surface of sheeting of plastics or of textile materials:</i>				
4202 22 10	--- Hand-bags and shopping bags, of artificial plastic material	u			
4202 22 20	--- Hand-bags and shopping bags, of cotton	u			
4202 22 30	--- Hand-bags and shopping bags, of Jute	u			
4202 22 40	--- Vanity-bags	u			
4202 22 90	--- Other	u			
4202 29	-- <i>Other :</i>				
4202 29 10	--- Hand bags of other materials excluding wicker-work or basket work	u			
4202 29 90	--- Other - <i>Articles of a kind normally carried in the pocket or in the handbag :</i>	u			
4202 31	-- <i>With outer surface of leather or of composition leather:</i>				
4202 31 10	--- Jewellery box	u			
4202 31 20	--- Wallets and purses, of leather	u			
4202 31 90	--- Other	u			
4202 32	-- <i>With outer surface of sheeting of plastics or of textile materials :</i>				
4202 32 10	--- Jewellery box	u			
4202 32 90	--- Other	u			
4202 39	-- <i>Other:</i>				
4202 39 10	--- Jewellery box	u			
4202 39 90	--- Other - <i>Other:</i>	u			
4202 91 00	-- With outer surface of leather or of composition leather	u			
4202 92 00	-- With outer surface of sheeting of plastics or of textile materials	u			
4202 99 00	-- Other	u			
4203	Articles of apparel and clothing accessories, of leather or of composition leather				
4203 10	- <i>Articles of apparel:</i>				
4203 10 10	--- Jackets and jerseys	kg.	14%	14%	28%
4203 10 90	--- Other - <i>Gloves, mittens and mitts :</i>	kg.	14%	14%	28%
4203 21	-- <i>Specially designed for use in sports :</i>				
4203 21 10	--- Gloves	kg.	6%	6%	12%

4203 21 20	--- Mittens and mitts	kg.	14%	14%	28%
4203 29	-- <i>Other:</i>				
4203 29 10	--- Gloves for use in industry	kg.	14%	14%	28%
4203 29 20	--- Other gloves	kg.	14%	14%	28%
4203 29 30	--- Mittens and mitts	kg.	14%	14%	28%
4203 30 00	- Belts and bandoliers	kg.	14%	14%	28%
4203 40	- <i>Other clothing accessories:</i>				
4203 40 10	--- Aprons	kg.	14%	14%	28%
4203 40 20	--- Semi-chrome grain garments	kg.	14%	14%	28%
4203 40 90	--- Other	kg.	14%	14%	28%
4204	[***]				
4205	Other articles of leather or of composition leather				
4205 00	- <i>Other articles of leather or of composition leather:</i>				
	--- <i>Straps other than for machinery or harness :</i>				
4205 00 11	---- Welt	kg.	14%	14%	28%
4205 00 19	---- Other	kg.	14%	14%	28%
4205 00 20	--- Leather sofa cover	kg.	14%	14%	28%
4205 00 90	--- Other	kg.	14%	14%	28%
4206	Articles of gut (other than silk-worm gut), of goldbeater's skin, of bladders or of tendons				
4206 00 10	--- For rackets	kg.	14%	14%	28%
4206 00 90	--- Other	kg.	14%	14%	28%

CASE LAWS/DEPARTMENTAL CLARIFICATIONS

<i>Name of product</i>	<i>Heading No.</i>	<i>Citation</i>
Belt waist of webbing cloth	63.07	<i>MKU Pvt. Ltd. v. CCE 2013 (295) ELT 488 (CESTAT)</i>
Transmission Belts of Nylon and Leather	4201.90	<i>NTB International (P.) Ltd. v. CCE 2015 (319) ELT 545 (SC)</i>
Composite transmission belts made of nylon and leather	42.01	<i>Kamal Kacholia v. CCE 2004 (174) ELT 87 (CEGAT)</i>
Suitcase even if having external locking arrangement	4201.10	<i>Safari Industries (India) Ltd. v. CCE 2000 (115) ELT 137 (CEGAT)</i>
Unsterilised Absorbable Sutures	Catgut 4201.90	<i>Johnson & Johnson Ltd. v. CCE 2003 (154) ELT 729 (CEGAT)</i>

[FIRST SCHEDULE*[Articles 1 and 4]***I. THE STATES**

1. Andhra Pradesh
2. Assam
3. Bihar
4. Gujarat
5. Kerala
6. Madhya Pradesh
7. Tamil Nadu
8. Maharashtra
9. Karnataka
10. Odisha
11. Punjab
12. Rajasthan
13. Uttar Pradesh
14. West Bengal
15. Nagaland
16. Haryana
17. Himachal Pradesh
18. Manipur
19. Tripura
20. Meghalaya
21. Sikkim
22. Mizoram
23. Arunachal Pradesh
24. Goa
25. Chhattisgarh
26. Uttarakhand
27. Jharkhand
28. Telangana

II. THE UNION TERRITORIES

1. Delhi
2. The Andaman and Nicobar Islands
3. Lakshadweep
4. Dadra and Nagar Haveli and Daman and Diu
5. Puducherry
6. Chandigarh
7. Jammu and Kashmir
8. Ladakh

243G. Powers, authority and responsibilities of Panchayats –

Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority and may be necessary to enable them to function as institutions of self government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats, at the appropriate level, subject to such conditions as may be specified therein, with respect to

(a) the preparation of plans for economic development and social justice;

(b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule

ELEVENTH SCHEDULE**(Article 243G)**

1. Agriculture, including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Markets and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries.
24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets.

243W. Powers, authority and responsibilities of Municipalities, etc-

Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow-

(a) The Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to

(i) The preparation of plans for economic development and social justice;

(ii) The performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule;

(b) the Committees with such powers and authority as may be necessary to enable them to carry out the responsibilities conferred upon them including those in relation to the matters listed in the Twelfth Schedule.

TWELFTH SCHEDULE
(Article 243W)

1. Urban planning including town planning.
2. Planning of land- use and construction of buildings.
3. Planning for economic and social development.
4. Roads and bridges.
5. Water supply for domestic, industrial and commercial purposes.
6. Public health, sanitation conservancy and solid waste management.
7. Fire services.
8. Urban forestry, protection of the environment and promotion of ecological aspects.
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10. Slum improvement and upgradation.
11. Urban poverty alleviation.
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13. Promotion of cultural, educational and aesthetic aspects.
14. Burials and burial grounds; cremations, cremation grounds and electric crematoriums.
15. Cattle pounds; prevention of cruelty to animals.
16. Vital statistics including registration of births and deaths.
17. Public amenities including street lighting, parking lots, bus stops and public conveniences.
18. Regulation of slaughter houses and tanneries.